

## **LivShare** | Reclaiming the HMO

A report on a new genuinely affordable shared housing model for single people on low incomes.

**Andy Redfearn Consulting Ltd &  
Commonweal Housing**



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Design proposals by Rogers Stirk Harbour + Partners and AECOM

Cost and delivery models Report written by Andy Redfearn and Commonweal Housing

Contributions by Gemma John, Human City, Crisis and Numbers for Good

# **LivShare feasibility report to support the development of new affordable housing for single people on low incomes**

## **Opening remarks**

*“Lewisham welcomes new and creative approaches to meeting housing need and are always happy to work with organisations and individuals like Andy to help develop their thinking. Our younger residents especially are facing new challenges to accessing housing, with private tenancy breakdown a leading cause of local homelessness and we are particularly keen to see new ideas from the sector on this emerging need”*

Jeff Endean, Housing Strategy Lewisham Council

*“The housing crisis is real, it is current, and it is getting worse. The system is failing to afford our people their basic need for shelter. We need innovators and disruptors to offers solutions that challenge the way we have always done things and help us think and behave differently. The LivShare model does just this. Its focus on modular construction, meanwhile use and affordability are exactly what local authorities, businesses, and funders need. Andy and the team are to be commended for setting out such a cogent and exciting proposition and doing so in such a transparent fashion. Homelessness is an unnecessary evil – youth homelessness even more so. LivShare can help offer a high quality, quick and scalable solution for the hundreds of thousands in desperate housing need – and particularly the over 80,000 young people facing homelessness every year”*

Paul Morrish, LandAid

*“LivShare model has potential to make a much-needed contribution to meeting the needs of single people with low support needs moving on from homelessness, as well as other low income single adults. It offers councils and housing providers a cost-effective way of delivering sustainable new shared housing to meet the needs of a group of people who are particularly disadvantaged in the housing market. We would like to see councils and housing providers examining the scope to deliver LivShare schemes in their areas of operation, and to include provision for single people moving on from homelessness alongside other low income adults.”*

Crisis, Sarah Rowe, Senior Policy Officer

*“Shared housing such as LivShare offers end users affordable accommodation in densifying cities like London. By increasing the amount of communal space and decreasing the amount of private or personal space, shared housing can accommodate more people and lower the rental or purchase cost of each unit.*

*It also presents end uses with a new way of living in cities, by providing a convenient place to reside where they can meet new people and become involved in new ventures and opportunities”.*

Gemma John, Human City

## **What is LivShare**

LivShare is a new, flexible, housing concept based on purpose-built shared houses, designed to offer the best of communal living whilst at the same time creating high quality, safe private bedrooms. With a higher density townhouse model utilising efficient build systems, LivShare proposes a model offering rents that young people on low incomes can afford whilst at the same time minimising the running costs of the properties.

A LivShare model can be classed as an affordable housing product and can be delivered as part of a developer's Section 106 contribution - it can also attract capital grants and institutional investment.

Crucially, LivShare addresses the significant housing need of single young people who struggle to access decent private rented accommodation, and for whom homeownership is unattainable. The housing need of this huge cohort of people is too often not being met by registered housing providers, the build to rent sector or government capital grant funding streams. We also want to explore ways LivShare could be used to help address youth homelessness.

We want to engage with local authorities, developers, Registered Housing Providers, funders and any interested parties to explore the possibility of developing a pilot LivShare scheme.

This report looks at why young people need this type of housing solution, and how the LivShare concept could address that need. To support this report, we commissioned architecture practice Rogers Stirk Harbour + Partners (RSH+P) and integrated infrastructure firm, AECOM, to deliver design concepts and cost models which illustrate how LivShare could be delivered.

## **The case for LivShare**

### **Housing need in London**

The lack of affordable housing in the UK is a chronic issue affecting the lives of millions of people, from rough sleepers to those struggling to find a deposit for their first house. The private rented sector (PRS) is increasingly the only option for many people, as access to social housing or ownership opportunities diminish.

The use of shared housing or Houses of Multi Occupation (HMOs), in cities such as London is often the standard housing offer for young single people looking to rent. For many, shared housing is becoming the letting of choice. With ownership unattainable, wages stagnating and insecure employment becoming commonplace, young people are at the sharp end the UK's housing crisis.

Indeed, a report by Loughborough University Institutional Repository 2016<sup>i</sup> stated in London sharers aged under 35 outnumber singles living alone by three to one, and for those under 30 this rises to 4.5 to one.

## **Housing and young people**

Given the ongoing issues facing young people in the housing market, there is a need for a new way of providing decent, affordable homes for this cohort. With sharing increasingly the go-to option, we think the provision of purpose built shared accommodation is an option requiring greater scrutiny.

- The rise of co-living projects in the UK indicates single people are more often making intentional choices to live within a shared environment. Unfortunately, even in this market, schemes tend to charge rents that are still out of reach of many on low-to-average incomes<sup>ii</sup>
- In December 2017 figures revealed the hidden homelessness crisis affecting young people, with an estimated 70,000 18 to 24-year-olds across the country turning to councils for help.<sup>iii</sup> Polling conducted by ComRes on behalf of the BBC<sup>iv</sup> suggests that two-fifths of 16- to 25-year-olds in the UK have sofa-surfed at one time because they had nowhere to live. One in ten of these young people did so for more than a month in total.
- With average rents for a room in a shared property in London at £650 per week (taken from property website entbarometer.com), a single person will have to earn £24k per annum for a room rent to be deemed affordable (rent payable being 35% of gross earnings by Shelter's definition)<sup>v</sup>
- Developers, Registered Housing Providers and Local Authorities are not prioritising development of accommodation for single people on low incomes. The GLA's London Living Rent model, sets rents at £144 for a single person but this excludes service charges.<sup>vi</sup>
- The changes to benefit entitlement for single people under 35 means those reliant on benefit can only secure benefit to cover the shared room rate, which in London can be as low as £75 per week in parts of outer London to £140 in central London.
- The "Making a place for low cost housing" report released by The Housing Forum 2015 stated "Low cost housing can also increase mobility by enabling households to access employment opportunities. Research conducted for Shelter by FTI Consulting reported that 12% of the British population overall and 18% of 18-24 year olds considered that housing costs had affected their ability to move for work."<sup>vii</sup> This is further reflected in research by the London School of Economics, which found that 'over 70% of London's business community see the lack of affordable housing as one of the most important constraints on the labour market'.<sup>viii</sup>
- According to research released by Savills in their report for RHP 'Uncovering a forgotten generation' April 2018, in London 16-34yr olds - 33,000 are renting, but have to stretch their finances; 100,000 are sharing a home, but as well as affordability, have issues around insecurity of tenure and housing quality & 200,000 are still living with family<sup>ix</sup>

## **How LivShare can respond to this need?**

We want to see if LivShare can offer a credible option for addressing this issue. The LivShare concept envisages developments that are designed specifically for sharers, providing good quality shared houses that offer excellent facilities and communal living space.

Where many previous modular designs have had a focus on family or single occupation, this concept has explored using the technology of modular house building for sharing specifically. The fundamental aim is to provide this good quality accommodation at genuinely affordable rents, set as close to shared LHA rates as possible. By doing so, LivShare can mitigate some of the key issues affecting young people and their housing and produces the following key benefits;

- Increases supply of more affordable options for young people on low incomes
- Produces a more accessible option for those on housing benefits (depending on the area)
- Designed specifically for sharers
- Would seek to encourage aspiration through employment and savings
- Low utility costs

## **Basic LivShare concept**

LivShare is envisaged as a general needs rental product targeting single young people looking for an affordable shared housing offer.

We propose that LivShare, in most other respects can operate like the build to rent and private rented sector, where references and a manageable deposit will be sought and accommodation offered on assured shorthold tenancies, with management input low.

Ideally existing LivShare tenants will have a say on who will move into each home and how the home is managed. LivShare tenants will be encouraged to save while staying in order to secure their own more suitable accommodation in the future – perhaps through an additional saving element to rent.

The LivShare model would be flexible in practice, depending on the purpose of the scheme and tenant mix. Depending upon ownership, the housing management can be delivered by a registered housing provider or housing charity or be outsourced to an ethical letting agency managing agent.

There is available a lot of good practice available from existing shared tenancy schemes on making shared housing work see Crisis "Spare to Share" toolkit for social landlords:

[https://www.crisis.org.uk/media/237291/crisis\\_spare\\_to\\_share.pdf](https://www.crisis.org.uk/media/237291/crisis_spare_to_share.pdf)

## **Planning, design and delivery**

### **Planning strategy**

Despite the huge demand for shared properties, most planning authorities seek to restrict the creation of new HMOs. This stunts supply and increases demand for a small pool of affordable places to live.

The government's National Planning Policy Framework (NPPF) requires local authorities to "identify the size, type, tenure and range of housing that is required in particular locations, reflecting local demand". It is arguable that the demand for shared accommodation has never been greater, especially in urban areas at the sharp end of the UK's housing crisis. It is proposed that LivShare is an appropriate housing offer to be included in local authority local plans.

The government defines affordable housing as "social rented, affordable rented and intermediate housing provided to specified eligible households whose needs are not met by the market".

In the current draft Housing White paper, the Government proposes to put beyond doubt that Affordable Private Rent counts as a form of affordable housing by referring to it explicitly in the National Planning Policy Framework.

A LivShare development could be classed as an affordable housing offer, which can be delivered by developers as part of its section 106 obligations negotiated with the relevant planning authority. Alternatively, council's may encourage developers to include LivShare within wider residential developments

### **Design and delivery**

The townhouse model is a housing design that will sit sympathetically into most street landscapes. The roof and cladding system can reflect locality and be informed by local planning policy. Most HMO are because of conversion of an existing property, LivShare is designed to meet sharer's expectations, namely, good size rooms, ample storage, excellent noise insulation between rooms and floors, sufficient toilets showers/baths and well-designed communal areas.

- LivShare can be developed to be compliant with the planning room and property size standards and thus can meet HMO standards and London plan and Homes England design size standards
- The design allows for an open plan ground floor incorporating, kitchen, dining area and lounge.
- The accommodation floors can vary in design to allow for a range of floor plans. With the structural loads located in the external walls, the floors can be further adapted subject to changing need and demographics. For example, both the two and three storey houses can



be converted into family accommodation whilst the two storey house can be converted into studio accommodation.

These design proposals adopt the HomeShell precision engineered modular housing solution. HomeShell is a volumetric modular housing product designed by Roger Stirk Harbour + Partners, engineered and produced by AECOM. IT provides a turn-key support to navigate the requirements of planning and regulatory approval into a Main Contractor role for delivery.

The design has a fabric first approach to minimise energy consumption and be designed to reduce the need for maintenance during the buildings life. Constructed 95% off site from sustainable materials can be configured to different sites and exceeds current performance specifications including fire, acoustics and thermal insulation.

Alternative construction models can be proposed where they achieve the required performance standards and design parameters and delivered at or below the targeted development cost.

## **Capital and revenue assumptions**

AECOM has provided indicative cost estimates to support the LivShare capital assumptions, based on RSH+P's proposed two and three floor properties which comprise of four, five and six bedroom designs for shared living.

Based on a six room, three floor design with five houses providing 30 lettable rooms, the total estimated total development cost of the scheme is around £1.3m which includes all design, professional fees, build costs, land preparation, white goods, landscaping along with associated development fees. This equates to approximately £260K per dwelling or £43k per lettable room

In the appendix there is a summary table setting out different capital and revenue models. The table includes different assumptions on land purchase costs, build costs and grant rates.

Any pilot would seek to investigate other design and manufacturing options to reduce developmental costs and increase configuration options for the units.

Available revenue models assume 36% to cover operating costs and contribution to overheads (including voids and arrears), a further 10% for major repairs, with the remainder of the net rent covering finance costs and depreciation. In this respect, the rent levels would be dictated by the development with a commitment to keeping them as low as possible, whilst covering core costs. Typical target rent, depending upon area, land cost, grant availability subsidy and unit configuration would be aimed at between £95 and £125 per week. Financial projections have been developed by

Numbers for Good, a summary can be found in the appendix. This is based on 5 town houses with six bedrooms each.

The flexibility of the scheme would allow for use of innovations to help keep certain rents low, such as flexible rent approaches, mixed portfolios or sponsorship arrangements. LivShare presents the opportunity to provide housing for tenants who may only be eligible for the shared room reference rent for housing benefit and therefore creates a credible homeless prevention solution for local authorities, homelessness organisations and registered housing providers.

### **Availability and cost of land**

The LivShare cost model assumes land to be provided by a housing provider/local authority/developer at nil value. This represents real value, enabling delivery of large number of units to address a demographic in housing need, and potentially unlocking meanwhile use land.

LivShare presents a new model to deliver an affordable housing product for a young single people in housing need –not currently being met by other affordable housing products.

Land may also be secured as part of a Section 106 contribution with a developer, delivered as part of a developers affordable housing offer, in agreement with the relevant planning authority.

Land required for a typical five townhouse development would be approximately 500sqm/5400sqf.

### **Other areas of discussion**

LivShare presents opportunities for large employers to fund and own accommodation for staff who are struggling to afford to live close to their place of employment; accommodation for new employees; or employees on apprenticeship schemes or have a low salary.

Negotiations with local authorities and regulators may permit LivShare schemes to provide an affordable rent for a fixed period, say 20 to 30 years. Thereafter some or all of the accommodation may be let at market rents, which may attract other institutional investors.

## **Closing thoughts**

LivShare is an opportunity to redeem the HMO, as many local authority local planning authorities try to limit the growth of HMO's due to high concentration of student housing in an area, loss of family housing or concerns of poor quality refurbishments targeting the most vulnerable single people in poor quality and expensive provision.

LivShare proposal creates an opportunity to redefine what good quality shared housing should look like, aspirational, spacious, good quality, safe well managed and crucially affordable for almost all single people on low incomes.

## EPILOGUE – Commonweal Housing’s Perspective: Why are Commonweal Supporting LivShare?

Commonweal is an independent charity working to pilot and champion housing based solutions to social injustices. Using our charitable funding we provide experts and partner organisations with the space and opportunity to trial and test new approaches designed to enhance housing equality and justice and inspire new thinking.

When we were approached to help fund this feasibility report, we were excited about the opportunities and possibilities of LivShare for two key reasons:

- Firstly, we have been committed for some years to the benefits of shared housing, using this approach in some of our projects, whilst also recognising the economic necessity of shared housing in the current housing market. Sharing has previously been seen as a substandard option, but we feel that needs to be challenged.

With our Peer Landlord model, we have tested the concept of *supportive* shared housing – an approach, which provides stability and security without the expensive, hands-on approach of supported housing. A nominated ‘peer landlord’ tenant within each property takes on certain responsibilities and acts as the doorway to the house for a property manager from our project partners. This, hopefully, provides a supportive, not supported, environment for the tenants. We did this initially to provide options for a specific cohort - single homeless people without high support needs who do not require supported housing, but for whom the mainstream private rental sector is at this stage, a step too far or simply unaffordable.

- Secondly Commonweal recognises that in all the projects it has supported over more than 10 years we have not increased overall housing stock in terms of new build. We recognise that this is a gap in our performance.

We see the new build and especially the ‘meanwhile use’ potential of this modular LivShare form of construction as being an interesting possible solution. It is, therefore an option we feel merits more exposure, review, adoption and, as appropriate, adaptation so as to raise new housing production.

We felt, along with Andy Redfearn, that LivShare could additionally have the potential to work for people for whom Peer Landlord has been an appropriate option.

The concept of *supportive shared housing* is in our opinion well tested and justified from the outcomes and learning from the Peer Landlord pilot. Helped by information and reports commissioned or supported by Commonweal more organisations are exploring this approach for different client groups – those who have made progress in higher support environments and no longer need such support, or specific groups such as care leavers, for example.

By supporting this design and feasibility study, Commonwealth hope to see an increased focus on the possibilities of new build shared housing which can be used by a range of operators to meet some of the needs of different cohorts. In short, we hope to see adoption of this concept, with the learning taken forward for new projects to help address the housing crisis facing young people on low incomes, and other cohorts too.

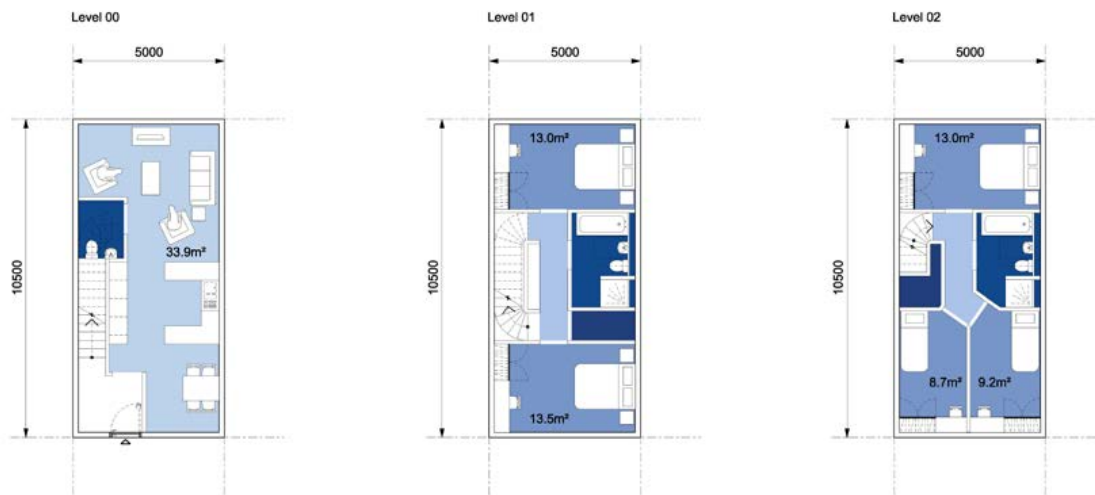
## Appendices:

### Designs

Example floor plans demonstrating alternative LivShare design solutions.



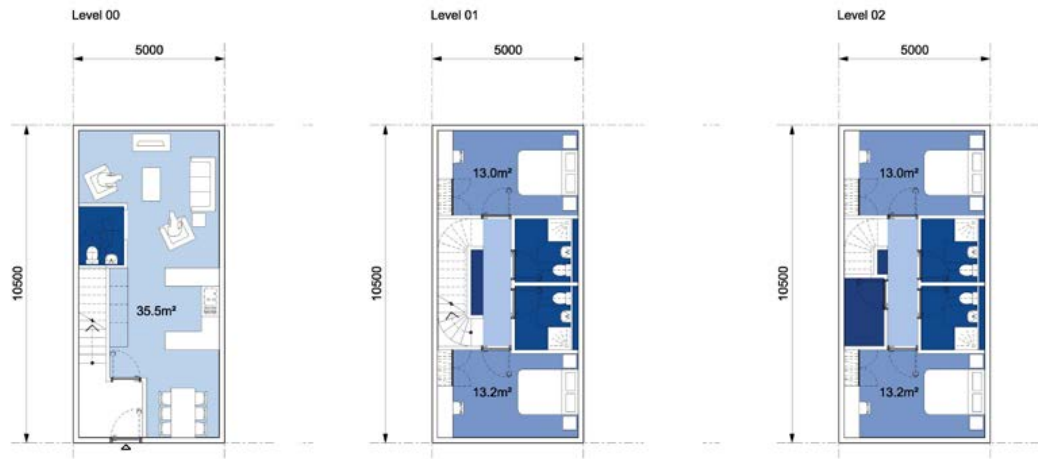
3 - Bedroom  
Two Storey



5 - Bedroom  
Three Storey



4 - Bedroom  
Three Storey



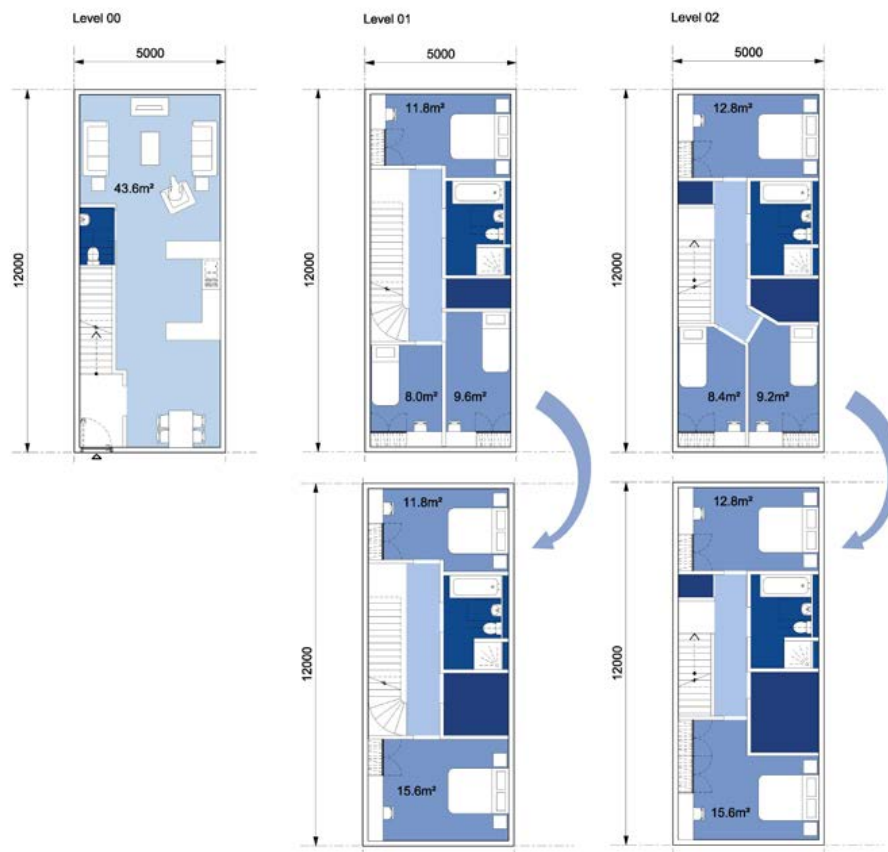
4 - Bedroom  
Three Storey

2 Shower Rooms Per Floor

1300 at A3  
Rogers Design Group + Partners

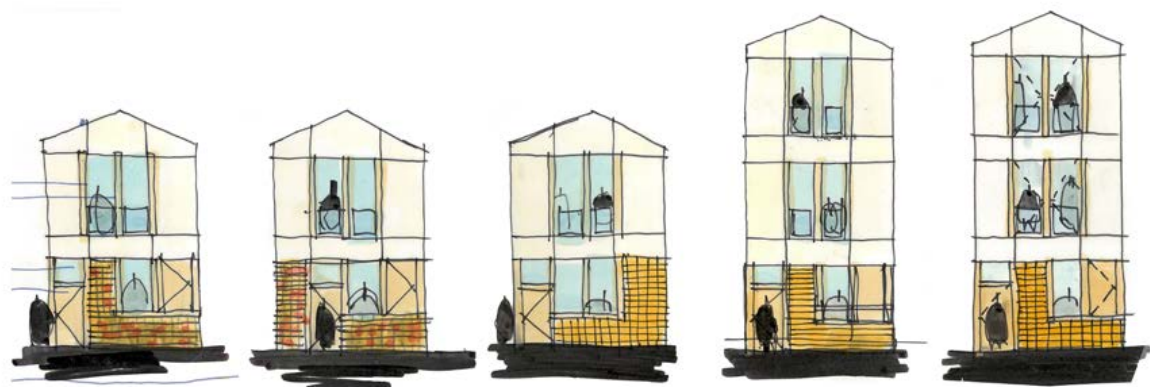


4 - Bedroom  
Two Storey





Example elevation studies.



## Capital and Cash flow Summary

Capital financing and run-rate monthly finances			
Capital cost		Illustrative cashflow / month	
	£		£
Land price	-	Rent / month <sup>a)</sup>	13,000
Development cost	1,200,000	Voids / bad debt	(1,300)
Working capital and other costs	85,960	25 Yr mortgage payment <sup>b)</sup>	(6,766)
Total	1,285,960	Cash surplus before op costs	4,934
Financing		Livshare costs / month <sup>c)</sup>	
Mortgage	90% 1,157,364	Operating costs estimate	(4,680)
Reserves	128,596	Monthly cash surplus	254
	1,285,960		
		a) Rent per week (£):	100
		b) Mortgage maturity (years):	25
		c) Including insurance and maintenance / repairs	

Source: LivShare, Numbers for Good estimates

## All References

- i [https://dspace.lboro.ac.uk/dspace-jspui/bitstream/2134/18139/1/MIS%20Sharers\\_Final%20Report.pdf](https://dspace.lboro.ac.uk/dspace-jspui/bitstream/2134/18139/1/MIS%20Sharers_Final%20Report.pdf)
- ii <https://www.economist.com/news/business/21727948-co-living-hipsters-not-hippies-pricey-housing-markets-mean-co-living-buildings-are>
- iii <https://www.theguardian.com/society/2017/dec/25/tens-of-thousands-of-young-people-affected-by-homelessness-data-shows>
- iv <http://www.bbc.co.uk/news/uk-42424141>
- v <http://blog.shelter.org.uk/2015/08/what-is-affordable-housing/>
- vi <https://www.london.gov.uk/what-we-do/housing-and-land/renting/london-living-rent>
- vii <http://www.housingforum.org.uk/resources/influencing/housing-forum-reports/making-a-place-for-low-cost-housing---march-2014>
- viii <http://www.lse.ac.uk/geography-and-environment/research/lse-london/documents/Reports/Report-The-Case-for-Investing-in-Londons-Affordable-Housing-1.pdf>
- ix <https://www.rhp.org.uk/rhpui/news/rhp-publishes-uncovering-a-forgotten-generation-report>

## Notes

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## This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

## Notes

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