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CASE REPORT 77

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OCTAVIA HOUSING

DIVIDED CITY?

The value of mixed communities in expensive neighbourhoods

LSE HOUSING AND COMMUNITIES REPORT TO OCTAVIA HOUSING

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EXECUTIVE SUMMARY

Headlines

- Octavia Housing, a long-established social landlord in Kensington and Chelsea and Westminster, provides low cost rented homes to low-income local residents in high-cost areas. In doing so it helps to overcome deep social divisions.
- Octavia's rents are far lower than local private rents and offer tenants security and a sense of belonging. Octavia tenants pay around £120 a week, significantly lower than private rents in our case study areas. Tenants generally are happy with their neighbourhoods and they like living where they do.
- Most Octavia tenants have lived in these areas for a long time – some all their lives – and long before they became so expensive. They feel part of the area where they live.
- Low-income tenants identify many benefits from living in mixed neighbourhoods alongside people on much higher incomes. Schools, parks and amenities earn praise.
- Almost all tenants believe that social housing in expensive areas is vital to retaining a social mix and building an inclusive society. They think their children benefit from attending schools in these areas and aspire higher as a result. Tenants worry that moving to other cheaper areas would damage their work chances and their children's education. They would lose local support. They think poorer areas have more social problems.
- Tenants are worried about their future, which they feel is threatened by gentrification and wider economic conditions. They also worry that public spending cuts and loss of services and support is making their lives more precarious. Tenants' biggest fear is that little will be left for their children and grandchildren in the way of jobs and housing.

Summary

WHAT TENANTS THINK OF THEIR HOMES AND AREAS

- Octavia tenants are satisfied with their homes and attached to their areas, most having lived there more than ten years.
- According to Octavia tenants, the neighbourhoods they occupy offer good services and facilities, a good environment and positive social relations. Most tenants have family connections, local friends and know their neighbours. Tenants of immigrant origin often arrived in these areas in the 1950s, 1960s and 1970s. Half of all tenants are involved in a local group or activity.
- Almost no one wants move to a different kind of area, although families do worry about their children, gang problems and drugs. Families with children use more local services than other households and are worse hit by high prices and loss of services. On balance they say they gain from living in a high quality area.
- A handful of overcrowded tenants think moving to areas with more space and less crowding could help, as long as there are good facilities and services.
- The areas are ethnically and socially very diverse, and while residents generally get on well with neighbours, they often feel that local divisions and tensions particularly between "incomers" and "locals" weaken local communities. They think it is important to find ways of generating interaction across different social and ethnic groups.
- Maintaining mixed areas depends on shared spaces and activities so people from different backgrounds can interact – around half the tenants think there is a sense of community, although one third think that gentrification and more rich people moving in undermines it.

RENTING FROM A SOCIAL LANDLORD

- There are many advantages to renting from Octavia: it is cheaper than buying, particularly for repairs and emergencies, but also for up-front costs; being tenants of Octavia, a conscientious and socially responsible landlord, provides a strong sense of security; being able to live in an area they know and they have connections in confers a feeling of belonging.
- Tenants think that priority for empty flats should go to families with children, people with disabilities or poor health, and to local residents who are working and contribute to society. Pressure on local resources and shortages of housing are big worries.
- Octavia as a landlord helps maintain a stock of low-cost, rented homes in otherwise inaccessible areas and plays a strong social role. But only one quarter think Octavia should give priority to expanding the stock of rented homes, and most think the priority is maintaining and improving the homes they already have. Many tenants in Victorian terraced houses have very high energy bills and very cold homes.

WHAT THE FUTURE HOLDS FOR THE NEXT GENERATION

- Parents are generally positive about local schools, but worry about the lack of activities outside school for young people. Language and cultural barriers are also an issue.
- Parents worry about the shortage of job openings and the difficulty of progressing to better jobs with more prospects.
- Two-thirds of tenants worry about their own and their children's future; they feel insecure economically and believe that jobs are disappearing.
- Half of all tenants believe that current cuts in services and funding will undermine community cohesion, and that the next generation will suffer greater hardship than they are experiencing. Their children face worse prospects and a lower quality of life than themselves.
- Over two-thirds of Octavia's tenants will be affected by welfare reform and spending cuts, but most are unclear about how the Housing Benefit changes will affect them.
- Several tenants think that reducing the overall cost of welfare, including housing costs, has a clear rationale, but they worry that such sweeping reforms may harm more vulnerable tenants.
- Tenants' universal hope is for the next generation to do better than themselves, with less struggle, more openings and more opportunities. Their greatest worry is that the obstacles will be even greater than they face. They see a secure home in an area where they feel they belong as the cornerstone of these ambitions.

About the study

Octavia Housing commissioned LSE Housing and Communities in 2011 to interview 50 Octavia tenants across different types of neighbourhoods and housing type in Kensington and Chelsea and Westminster to uncover their experience of living in what have become extremely high-cost areas. Interviewees reflected the population of 4,000 tenants in those areas – different ages and ethnic origins, in and out of work, with and without children, living in different types of housing, for varied lengths of time, although invariably over ten years. We revisited some of the tenants a year later in late 2012 and early 2013 to find out how welfare reforms, the cuts in funding and services, and wider economic problems are affecting low income tenants in mixed communities.

Overview of research findings

Six main themes emerge from talking to Octavia tenants:

1. Living in high cost areas: most residents value their area and are positive about living in areas with big income differences with a social mix. Some tenants said they specifically like living in "posh" areas, or are not bothered by it, as they like mixing with people of all income backgrounds. Tenants **positively applaud the benefits that more expensive areas bring**, including the quality of the local environment, the area feeling safe, looking clean and being close to central London. Good local services are another favourite. People link this to living in a rich borough.

Living in high-cost areas poses some difficulties including the higher cost of living, and having to shop further afield. Some tenants resent being priced out of areas that they have lived in for many years, and people are hostile to rapid gentrification causing major community change. A few think that high-income areas may have less of a sense of community, more social isolation and less interaction. A large majority of tenants argue for maintaining a social mix and not segregating people into different areas along income lines.

2. Neighbourhood and community: London varies a lot between very small nearby areas and whilst our interviews take place across small distances, generalisations about neighbourhoods risk ignoring extreme contrasts.

Tenants we met are generally very keen on their local areas, valuing their local character and finding them "easy" places to live, with good transport connections. Most residents have long connections to their neighbourhoods which feel like home to them, with many local friends and relatives. Residents describe their areas as safe, clean and quiet, while some also say they value the cosmopolitan character. However, in some areas there are worries about gentrification, which in some cases has been happening for decades, for example around Holland Park and more recently places like Portobello Road. One result is the loss of community hubs such as local pubs and established shops with local owners. Higher incomes drive out old style low cost small enterprises.

Residents consider community an important asset. In all areas almost everybody knows at least some of their neighbours. Around half are involved in some kind of local activity, from going to church to volunteering locally. Nearly half of our interviewees think there is a sense of community, although the other half thinks sense of community has declined; or that there are communities within communities, rather than a sense of belonging shared by all residents. Tenants worry that **population turnover makes neighbourhoods increasingly transient**, with more private renting and less community stability. Sometimes neighbourhoods are defined by their ethnic make-up, and in some places, the impact of **ethnic minorities on the local area is very visible, for example in local shops**, sometimes causing conflict.

Some residents think that communities are stronger with more homogeneous groups of people, but **many think that retaining a social mix is a key priority and the main reason for preserving affordable housing in high-cost areas**. Residents are open to income mixing since this helps people aspire to better things. They see ethnic mixing as less easy and less positive, mainly because incoming migrants compete for public resources – space, housing, schooling, benefits.

"Most residents value their area and are positive about living in areas with big income differences with a social mix."

3. Families: **Families with children are strongly linked to their local area and their homes. They feel great need for safety, local support services, activities and opportunities for their children and young people.**

Worries about crime and anti-social behaviour worry all sorts of people, but they are amplified for families with children. **Having regular "eyes on the street" matters**, alongside law enforcement in public places, on streets and in parks. Living in a high density, busy area helps this. Families with older children generally worry a lot about violent crime and gangs.

A lot of families are **negative about moving to lower-cost areas**, because they think there would be more crime, or that homes would be in "rough estates". Families value living in a mixed area. Most families are happy with their housing, but there are some worries including lack of space and noise.

Families rely on local schools, shops, nurseries, clubs and healthcare within walking distance – far more than other groups, except maybe the elderly. The rising cost of public transport makes local services even more important. **Having good services and facilities nearby is a popular feature of these areas**. However, some families say there are not enough places to play or activities in the local area for their children. Conspicuously varied tenants (not just those with children) remark that there is **not enough things for teenagers to do**.

Local services and facilities often generate support networks for families. Getting to know people through local groups, services or facilities is really important to parents. SureStart and local libraries offer invaluable "hidden help" – linking mothers to each other, to expert advice or special care. Public spending cuts are having a big effect on families and their ability to return to work, as changes to welfare compound the problems of public cuts.

Having a nearby support network of family or friends is really important for families, especially for single parents. Not only is it a source of emotional support, but it also provides vital practical support in terms of childcare.

Parents' hopes for their children's future centre on a good education and a good job – usually a professional job. Education is seen as the great door-opener, and areas with good schools inspire confidence in families. For families around Westminster, having an academy school on their doorstep is a priceless asset. Some families are concerned that local schools are over-subscribed and worry about getting their children in. Parents are usually scared to risk losing their security of tenure, in the hope of getting their children into a better school.

4. Living as a tenant of a social landlord: **Living in central London, with good local services, family or friends nearby and good transport, has a very positive impact on people's quality of life. Likewise, good housing conditions and a secure tenancy create a sense of security.**

A lot of interviewees specifically describe **Octavia as a caring and understanding social landlord, committed to helping its tenants**. On the other hand, bad experiences are remembered keenly, such as problems with slow responses, slack repairs, waiting for replacement kitchen units, shower or other item. Many tenants raise the problem of high energy bills, cold homes, poor insulation, single glazing, draughty windows, outdated heating systems and so on.

Tenants have many suggestions for what else Octavia could do, such as more contact with residents and higher insulation standards. A dominant theme however is that **Octavia should not sacrifice its personal service for the sake of expansion, since having a good and caring landlord makes a big difference to tenants' lives – "like being under a protective wing".**

5. Housing reforms and public spending cuts: The tenants we talked to on the whole think that certain groups – **families, people that work or contribute to society, people with connections to the local area, elderly people, and those with high needs – should have priority for social housing. Most of the tenants we spoke to are in these categories. There is a lot of resentment towards people that "cheat the system" in order to get social housing.** But people admit that deciding who should be allocated homes is a very tough and complicated issue, which is open to exploitation. Interviewees are aware of acute pressures on social housing in London due to long waits for transfers. People find the system too inflexible, with little room to adapt housing to their needs, or to transfer to other areas for bigger homes.

Tenants attach great importance to secure tenancies, modest rents, and a social mix by keeping social housing in high-cost areas. No-one supports the idea of making tenants move to cheaper housing in other areas and people link this to accelerating community instability. Some face difficult housing problems, such as overcrowding, which impact badly on their lives.

Many tenants are not aware of upcoming changes to new social housing such as Affordable Rents. All the interviewees are on secure tenancies so are not directly affected. However, there are worries about the level of annual rent increases. Most have heard of changes to Housing Benefit and the "bedroom tax".

Everyone we spoke to is aware of cuts to public spending, and most people expect to be personally affected by cuts. They are less informed on the wider impact of reduced public spending, but worry that cuts will lead to more social pressure and more problems for the community, as resources become even more restricted. Lots of residents are aware of council service cuts. Westminster residents frequently mentioned the closure of One Stop Shops where they could go for help.

6. Prospects for the future: **Several interviewees have been made redundant or are facing pay cuts and freezes** as a result of spending cuts, so are feeling the pressure of the economic environment through tighter household budgets. People's biggest fears are around the economy, jobs, spending cuts and the impact on future generations. Work prospects in the area are not good, with few options apart from low-paid jobs in shops. Many worry that education does not match up with jobs, and **many want to see more apprenticeship and training schemes.**

Most tenants worry about the future for young people, doubting there will be good jobs or opportunities for them. A lot of the parents we spoke to want their children to get a good, secure job to secure their future. They aim high.

In spite of the economic troubles, most interviewees are positive about their current experience. Having a decent home, enough food on the table, a secure tenancy and living in a good area acts as something of a windbreak between how people feel at the moment and their fears about the future.

Key lessons

1. It is no surprise that **Octavia's tenants enjoy living in homes at far below market rent, where they benefit from services, both private and public, that are delivered to a standard that much better off people demand** and where they are within easy reach of Central London, tourist areas, public amenities, parks, good schools, and many other benefits.
2. **There are high opportunity costs to building or acquiring additional homes in such high areas**, even where a very good deal can be struck with developers. Both the type of development and the surroundings of some of the new developments have few permanent, long-term residents, and therefore do not support a social mix. They risk creating small pockets of social housing within what have now been termed "ghost developments".
3. The existing stock of Octavia Housing is very mixed in style and quality and is mainly dispersed among other types of property, giving it a highly integrated character. Some of these properties, particularly street properties, have very poor energy efficiency and require major investment in order to bring them up to standard. It is striking that almost all tenants brought this up of their own accord, particularly because of the steep rise in energy bills, but also quite simply because their homes are cold. This has a huge impact on income and fuel poverty, but also on ability to pay rent, and many other issues. Tenants are burning a huge amount of energy, contributing to the much wider problem of climate change. One of the highest priorities for Octavia is tackling this problem.
4. Debates on housing supply often overshadow the urgency of enhancing community cohesion, tenants' well-being and society as a whole. Octavia's existing housing stock exemplifies many of the founding goals of housing associations that receive cross-party support – mixed income communities, integrated ethnic groups, strong and efficient services and public amenities with very little evidence of social conflict between classes or racial groups. These invaluable benefits support the idea of being a social landlord in high cost areas. This argues for the preservation of Octavia's existing stock and, where the opportunity arises in an economically, socially and environmentally positive way, for adding small amounts of additional stock.
5. Octavia already obviously plays a very significant community role. However with the creation of the Octavia Foundation, there is scope to align the charitable activities of the housing association more strongly in favour of the current needs of tenants – all of which point in the direction of strong hand-holding support, personalised advice, face-to-face contact and direct help with the many problems that arise from current pressures – work, education, training, financial skills, youth provision. If tenants and their children are to access work, achieve their potential, and pay their way, support is vital. Octavia will need to sustain its front-line presence and intensify its face-to-face contact with tenants if it is to continue to be viable and help its tenants retain viability too.
6. Octavia can partner housing associations with more

dispersed stock to see whether some of the overcrowded families can move out into property that fits their needs more closely. This will free up place for other needy tenants.

7. Octavia can attempt a model of private renting where old and run-down properties are acquired at a low cost, possibly with the help of benefactors, in order to rent them at cost with a margin sufficient to cover repairs and provide a modest return to owners. This social/private model reflects what Octavia Hill developed so successfully in the mid-nineteenth century and could be adopted in London today. This would reclaim under-used stock and provide low-cost, low-profit private renting for people on modest incomes.

Recommendations

- The role of social landlords as non-profit providers of decent, secure, low-cost rented homes should continue in places of housing need and high cost.
- Octavia Housing should continue to provide low-cost homes in central and west London, by retaining its existing stock, expanding cautiously where this does not jeopardise its core current role.
- Octavia Housing should openly tackle the underlying tensions of ethnic mixing and develop stronger community activities to bring diverse groups together, targeting particularly families with children.
- Octavia should focus major resources on tackling energy efficiency and fuel poverty within its existing, hard-to-heat stock, building partnerships with innovative providers and installers. In doing this Octavia will galvanise the support of tenants, local boroughs and national bodies responsible for tackling this problem.
- Octavia should actively develop a local mobility scheme by partnering with bigger associations with more dispersed stock, to encourage a de-concentration of overcrowded families in central London who actively want to move out.

Octavia Housing should set out an action plan in response to the unique challenges it faces as a social landlord in central London. The following box sets out some of the practical ideas and suggestions that arise from LSE's research and the views expressed by tenants.

Conclusion

This short report begs the following questions: does society as a whole benefit from sustaining a social mix in high-cost areas? Is the cost of owning and subsidising rented property in high-cost areas justified by these benefits? Low income tenants are not the only residents who benefit from mixed communities.

1. Maintain and intensify front-line management and tenant contact. Cost-saving on face-to-face contact is likely to backfire in arrears, repairs, re-lets etc.
2. Undertake a careful energy audit of all street properties and plan an ECO-backed retrofit scheme to save energy – a big issue with many tenants, and set to grow. Energy saving investment costs £5-15,000 per unit, but payback in reduced energy use on inefficient properties is over 5-15 years. This will help arrears and fuel poverty.
3. Intensify rationalisation of the stock so as not to end up with "orphan" properties (single properties in areas where Octavia has little stock).
4. Assess involvement in high-cost, new, developer-led schemes, where the social environment is not conducive to mixing of any kind and tenants can feel marginalised, even excluded.
5. Explore the costs and benefits of retaining a street-level social mix. Octavia is in a strong position to present this case.
6. Assess Octavia's social investment, the needs of its tenants and the circumstances they are surrounded by in light of this report; and work out how to focus these investments closely on tenants' needs.
7. Explore training, apprenticeship and volunteering options for Octavia's tenants, particularly among younger people – link this to local job markets, Octavia's own needs and tenants' ambitions.
8. Develop a limited return, non-profit form of cost-renting along the lines of Octavia Hill's original private-social lettings model; show where there is mileage in this today to meet housing need; and promote it vigorously.

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