

Report of the Director of City Development

Report to Scrutiny Board (Housing and Regeneration)

Date: February 2014

Subject: Progress in Delivering Housing on Council Brownfield Land

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

This report provides an update on activity to enable housing development on previously developed land in Council ownership, including particularly the Brownfield Land Programme that was established in January 2013 to bring forward.

The development of housing on previously used surplus land in Council ownership has an important role to play in delivering Best City ambitions to grow the city in a sustainable way and to deliver the housing growth requirements set out in the draft Core Strategy. The Council has established a Housing Investment Land Strategy, through which activities are being co-ordinated to bring forward all Council owned brownfield sites with residential development potential. The Housing Investment Land Strategy incorporates activities through the Brownfield Land Programme, Affordable Housing Programme, Council House New Build, Capital Receipts disposals, activities to develop new housing for older people and to support self-build in the city.

Over the last financial year, 7 sites have been sold or committed through this work, with capacity for development of 195 new homes. It is anticipated that over the remainder of 2013/14 and 2014/15 sites will be sold or committed with capacity for further 750 new homes.

The Brownfield Land Programme has focused on taking sites to market as early as possible, with as much clarity on development issues and mitigation of as many risks to developers as possible, to secure the best chance of private investment. This involves preparation of planning applications or planning briefs, site and ground surveys and legal checks. Three sites in Seacroft have been the first to be marketed on this basis, whilst a site in Gipton has been sold through an existing development agreement.

Work on the Brownfield Land Programme is proceeding in tandem with discussions with Ward Members in those areas where the sites are clustered, to ensure that proposals for housing and the timing of any site disposals fit with local regeneration plans and can be supported by complementary investments in community infrastructure.

Recommendations

Members are asked to note the report, comment on the approach outlined and offer suggestions for other matters to be considered or other ways in which the issues raised might be addressed.

1. Purpose of this report

1.1 This report responds to a request from Scrutiny Board for an update on the Council's Brownfield Land Programme.

2. Background information

2.1 The Council's approach to securing housing development on surplus brownfield land is being taken forward as part of the Best City ambition for Leeds, which includes priorities to secure investment in new homes and to attract maximum investment from the private sector and government, whilst growing the city in a sustainable way, maintaining the distinctiveness of communities and the city's green character. The Best Council Plan also has objectives to promote sustainable and inclusive economic growth and to build a child friendly city, both of which will be strongly influenced by the use of previously developed sites to provide new homes within existing neighbourhoods.

2.2 The Local Development Framework (LDF) Core Strategy sets out the broad spatial and land use planning framework for the district (to 2028) and will be a key tool in delivering the Best City ambition. The Core Strategy was subject to examination during October 2013 and the Planning Inspector will write to the Council by the end of January 2014 with a schedule of modifications for consultation. At this stage the Core Strategy is at a very advanced stage and the Inspector has not indicated any specific concerns around the broad planning principles supporting the Brownfield Land Programme. Central to the Core Strategy is the desire to plan for the people and places of Leeds in a sustainable way and to meet the needs of anticipated population growth through the allocation of land for 66,000 net new dwellings over the plan period. Identification of sites to meet this housing requirement is taking place through the LDF site allocations process.

2.3 The Submission Draft Core Strategy sets out a range of principles to support this, which include the need to link this growth to the creation of sustainable neighbourhoods and to work in partnership to facilitate delivery. It also sets out the need to develop brownfield and regeneration sites as part of the overall approach to housing growth. Consultation on the Site Allocations Plan 'Issues & Options' took place during the Summer 2013 and over 7,700 comments have been made. A Publication draft of the Plan will be prepared by autumn 2014. The Plan will allocate sites larger than 0.4ha (except in the City Centre where there is no threshold). These smaller sites are not individually appraised as part of the Council's Strategic Housing Land Availability Assessment. However, once they gain planning permission they form a key part of the monitored land supply and

contribute against the requirements for individual Housing Market Characteristic Areas.

- 2.4 At its meeting in January 2013, the Executive Board approved a Brownfield Land Programme through which 29 Council-owned sites would be targeted by a range of measures to stimulate and support development interest to enable sale of the land for new housing.
- 2.5 At its meeting in July 2013 the Executive Board approved a Housing Investment Land Strategy, which incorporated the Brownfield Land Programme. The Housing Investment Land Strategy provides an up to date view of all the surplus brownfield land in the Council's ownership with potential for residential development and brings together all proposals for market-led or public sector funded housing on these in a co-ordinated approach to how, when and where housing could be delivered.
- 2.6 The Housing Investment Land Strategy provides an overarching approach through which the Council will manage resources to bring forward its land to directly deliver housing growth and undertake development to meet housing need. It comprises the residential land elements of the mainstream Capital Receipts programme, the Affordable Housing Programme (AHP), the Council House New Build Programme (incorporating the use of 'right to buy' receipts to support developments by Registered Providers), the Brownfield Land Programme and support to assist with self-build in the city. It is important to note therefore that the Council's activity to support housing development on brownfield land is not limited to the Brownfield Land Programme.
- 2.7 The Housing Investment Land schedule is attached at Appendix 1, showing each of the above referenced programmes and the potential development capacity of around 2600 homes.
- 2.8 Within the Housing Investment Land Strategy, the Brownfield Land Programme sites cover 58ha in total with an indicative total capacity of over 1200 homes based on an average development density of around 30 units per ha and allowing for retention of existing open space on some sites. The majority of the sites are located in East or North East Leeds (20no.) and South Leeds (8no.) with a small number in West Leeds (4no.).
- 2.9 The majority of the sites are in locations where there is limited recent history of successful market development. The Brownfield Land Programme also includes the sites that form part of the original EASEL development agreement with Bellway.
- 2.10 Where the disposal and development of brownfield sites is being proposed in regeneration areas, work is being closely aligned with emerging neighbourhood strategies, to ensure development is of the right sort and at the right time to fit with local needs. Development for housing cannot be pursued in isolation, particularly where there are aspirations amongst community stakeholders and Ward Members, to ensure an integrated and sustainable approach to change in neighbourhoods that have long-standing regeneration challenges.

- 2.11 This is particularly relevant for sites in the Brownfield Land Programme, which are clustered in Seacroft, Halton Moor and Middleton.
- 2.12 At Belle Isle and Middleton the Council has worked closely with stakeholders to prepare a Neighbourhood Framework identifying all potential development sites, the capacity for new housing, the neighbourhood improvements and the infrastructure that would be required to support this. The Framework was consulted upon widely in the local community and following this it was approved by Executive Board in September 2013. It will now be used to help guide investment interest in the area, providing a context for housing development proposals.
- 2.13 In Seacroft, local stakeholders have formed an interim neighbourhood forum with an aspiration to bring forward a Neighbourhood Plan that will promote development across an agreed plan area. Officers are working with Ward Members to support this exercise - this area has the largest concentration of land in the Brownfield Land Programme and the emerging plan for regeneration of the area will be an important tool in supporting development of these sites and housing growth locally.
- 2.14 There are also aspirations amongst Ward Members and the MP for Leeds East to create similar frameworks for Halton Moor and Osmondthorpe within which development and regeneration investment can be planned.
- 2.15 Any disposal and development of sites in these areas will need to be brought forward with a clear understanding of local housing needs, essential local infrastructure such as the provision of sufficient school places and with delivery partners and mechanisms that will enable local people to access a variety of housing tenures. This involves close working with Ward Members, community stakeholders and other Council services to ensure land disposals are in pace with other changes and investment planned for their respective areas.
- 2.16 This is a slower process to deliver new homes for sale than might be the case through site disposals through the mainstream Capital Receipts programme, but reflects local and Ward Member concerns to create clear plans for better places in areas that have traditionally had limited private sector investment. It is anticipated that the process of creating these local planning and regeneration frameworks will in due course provide greater certainty for developers and represent an investment in time that will help secure gains in housing growth on brownfield sites
- 2.17 The majority of the sites are unlikely to be immediately attractive to those house builders that favour normal market conditions for development and sales. The programme has been set up to specifically address this, to 'de-risk' private investment as far as possible and to offer a means of dialogue and support with any development interests that may be able to offer solutions that are more bespoke than those of the mainstream volume house builders and which local people with owner occupation aspirations can access.
- 2.18 The Brownfield Land Programme has a financial ring fence within which any receipts through the sale of sites will be retained, enabling these monies to be recycled into measures that will support disposal and development on other sites in the programme. Such measures include:

- Due diligence on sites to confirm Title, existence of rights, covenants or any other legal risks;
- Planning statement, briefs or permissions to identify planning constraints and likely development capacity;
- Stage 1 checks - a preliminary site appraisal of constraints and abnormal issues such as statutory undertaker records, ground conditions, contamination, past land uses, drainage, archaeology etc)
- Remediation of sites prior to disposal;
- Provision of infrastructure or servicing on sites prior to disposal;
- Funding for the Council to directly purchase units on a completed development, for social rent or rent-to-mortgage, to offer some certainty to a development partner on sales or to mitigate development risk
- Funding to offer equity share loans to prospective purchasers.

- 2.19 A range of delivery models have been considered to identify the most effective and efficient way in which investment could be secured to bring forward housing development on these sites.
- 2.20 Soft market testing took place in 2012/13, through informal discussions with several house builders. This proved interest in the programme approach to these sites and that some developers would work with the Council on mixed tenure housing schemes, if sites could be packaged to support viability, more certainty offered to developers or if the Council would be prepared to consider ways in which development could be assisted through an appropriate land sale model and/or assistance for house buyers.
- 2.21 Some developers suggested the potential for different forms of Special Purpose Vehicle, into which the Council might consider supplying land in return for a share of risks and rewards. Both owner occupied and private rented models have been suggested.
- 2.22 Such asset-backed vehicles would require a critical mass of land to be bound into the arrangements and whilst all parties would have an interest in reducing the legal and technical process involved in such an approach, there would inevitably be a requirement to undertake significant up front valuation and due diligence work on sites to be included so that the balance of risk and reward could be properly understood and negotiated, to establish appropriate project documentation as well as undertake a procurement exercise, all of which would involve time and cost to take forward.
- 2.23 It has been considered that there is more value in establishing a relationship with more than one house builder due to the exposure to commercial risk that would be involved in tying sites into a single vehicle. This would spread development and sales risk, assist in creating competitive development markets and add variety to the type and potentially the tenure of the housing built. The Council would also retain the flexibility to bring sites forward in a measured way to respond to market forces and local housing or regeneration needs.
- 2.24 Private sector build-to-rent models continue to be proposed to the Council by institutional investment interests and work is continuing to understand how and where these could form part of the Council's wider housing investment strategy if not a specific tool to address the Brownfield Land Programme sites.

- 2.25 It is generally the case that any market for private housing in the Brownfield Land Programme site locations is for entry level up to mid-market owner occupation. It is a particular challenge to achieve viable development proposals that will deliver profit to developers whilst providing for housing that offers accessible first or second steps on the housing ladder for those local households seeking to move on from social or affordable rented accommodation or to trade up from existing owner-occupied homes (for example those originally purchased under the 'right to buy').
- 2.26 The approach to the Brownfield Land Programme sites is in the first instance to pursue development across as many sites as possible by managing the use and investment of surplus from more viable sites creatively to support currently less viable sites. Some sites may offer better value to the overall Brownfield Land Programme by selling in standalone deals to generate receipts that will support other site preparation or marketing activities. Others may lend themselves to a packaging approach, where more profitable sites are paired with less viable sites and development agreements used to guarantee housing delivery across the two.
- 2.27 There is the scope for all housing investment activity to be used flexibly to deliver mixed tenure housing to meet needs in the right locations whilst supporting the development of some of the most challenging brownfield sites that have been placed in the Brownfield Land Programme. As such the Affordable Housing and Council House new build programme streams are potential funding sources through which commercial risk on the Brownfield Land Programme sites can be mitigated by a mixed tenure approach to development.
- 2.28 The next round of the Affordable Housing Programme from 2015-18 is expected to make £3 billion available for development of new homes through Registered Providers. The alignment of the Council's housing investment activities through the Housing Investment Land will enable it to be well placed to work with development partners to maximise the amount to be brought to the city using the Council's land and to ensure Leeds obtains at least a proportionate share of the national funds on offer.
- 2.29 If there is no likelihood of securing private development on the most difficult Brownfield Land Programme sites, where appropriate and desirable to meet local housing needs whilst maintaining and approach to delivering mixed tenure and widening housing choice, the possibility and cost of a solely affordable/social scheme will be explored in the interests of ultimately moving brownfield land into housing use.
- 2.30 The Housing Investment Land Strategy is being managed through the Asset Management & Regeneration Division where there is a range of expertise in project management, affordable housing, housing investment and surveying together with comprehensive knowledge of the local housing market and development sector.

3. Main issues

- 3.1 Early activity in the Brownfield Land Programme has focused on aligning site proposals as part of the Housing Investment Land Strategy, establishing a prioritised programme and organising resources so that sites can be brought forward in a co-ordinated way. The schedule attached shows those sites sold or committed to housing development in 2013/14 and future pipeline activity for each element of the strategy.
- 3.2 During the current financial year 7 brownfield sites have been sold or committed for development of 195 new homes. In addition 13 buildings have been sold for conversion into residential dwellings or redevelopment for new housing and are expected to deliver a further 111 residential units. These figures include:
- Under the **Capital Receipts programme** 1 site has been sold for residential development under the mainstream with an area of 1.4ha and is expected to result in the development of 60 new homes based on the planning approval secured. In addition 13 buildings have been sold for residential conversion or redevelopment which will deliver a further 111 residential units.
 - Under the **Affordable Housing Programme**, 1 site of 0.6 ha has been sold to a Registered Provider partner, with development of 18 units now underway;
 - Under **Council New Build Programme** four sites of a combined area of 1.9 ha have been committed, with detailed design now progressing to deliver 66 new homes.
- 3.3 Over the remainder of 2013/14 and the next financial year sites will be marketed for disposals with potential for development of 630 new homes. These will comprise, 16 sites under the capital receipts programme, with potential for delivery of 383 homes; 13 sites, with potential for 148 new homes, to be marketed to Registered Provider partners for the delivery of grant- funded new affordable homes under the 2015-18 National Affordable Housing Programme; 3 sites with potential for 53 homes for older people to be marketed to specialist providers; and 16 sites marketed as self-build opportunities for up to 46 new homes.
- 3.4 Under the **Brownfield Land Programme** work has progressed to realise opportunities for disposal of sites that have had some prior due diligence and de-risking activities undertaken and on generating initial capital receipts to be used in completing work for the next sites to be taken to market.
- 3.5 In Gipton 0.3ha of a 2.1ha site cleared of its former housing under the Decent Homes programme and originally allocated to development by Bellway under the East and South East Leeds (EASEL) project was released from the contract (in agreement with Bellway) and sold in October 2013 to accommodate a new GP surgery, to replace two separate out-dated local facilities. This has given rise to a capital receipt of £182,000 that is now being used to fund further due diligence activity on other sites.

- 3.6 Also in Gipton, the Council agreed disposal of a 1.6 ha site at Thorn Walk to Bellway under the EASEL programme in November 2013, for the development of 51 new homes, giving rise to a capital receipt of £59,400, which will be used to support other sites in the Brownfield Land Programme to be brought to the market. This valuation was agreed at the time the original EASEL agreement was signed.
- 3.7 The Council will acquire 23 of these homes under its Council House New Build scheme, which has encouraged Bellway to take development risk on the remaining 28 units. Without this commitment the developer was not in a position to move forward with this site with the potential for further delays in completing the EASEL developments. Whilst the Council acquisitions will be 'off the shelf' further investment of up to £115,000 has been secured from the Homes & Communities Agency to increase the specification of these to meet Code for Sustainable Homes Level 3, with emphasis on an uplift in the thermal efficiency to reduce fuel costs for tenants.
- 3.8 Work will now proceed with Bellway to revise proposals and programme for three remaining sites (Amberton Close and Oak Tree Mount in Gipton, Old York Road Depot, Seacroft), which have an indicative capacity of up to 200 units, to complete the original EASEL agreement. Any sale receipts from these will be used to support the remainder of the Brownfield Land Programme.
- 3.9 Two sites comprising 3.4ha of land at the Askets on the edge of the north Seacroft estate have outline planning permission in place for 120 homes. This planning work was undertaken with funding support from the HCA. The sites have frontage to the A58 Wetherby Road and it is expected that there will be a land value to be derived from disposal.
- 3.10 Following discussions with Ward and Executive Members about the timing of release of these sites for disposal in the context of the wider exercise to establish a Neighbourhood Plan for the area, the Askets were marketed from early November to 20th December 2013 with a view to securing development interest, securing a conditional disposal and progressing reserved matters planning approvals over the next 12 months. Subject to receipt of offers, disposal and development would follow shortly thereafter pending the confirmation of a development agreement and programme. Taking the Asket disposal forward now will enable housing delivery to move forward in this area whilst the scope for development of other sites is set out.
- 3.11 In June & July 2013 a 4.9ha site at Brooklands Ave in the central part of the Seacroft estate was marketed for informal offers to test a pilot approach to how housing for people over 55 could be secured and to specifically identify how issues of under occupancy in local social housing stock could be addressed by providing homes for older tenants at or below affordable rent levels as a part of a mixed tenure scheme. Informal offers were received from this exercise for schemes of between 151 – 164 units for general needs owner occupation, private rented and affordable accommodation for older people, with the potential for an Extra Care scheme also put forward.
- 3.12 These offers are currently being reviewed in detail to determine the most appropriate development solution for the site and the area and that will meet the intentions of the Older People's Pilot.

- 3.13 Discussions with Ward Members are progressing to determine relationships to adjoining sites and potential for a wider disposal and development strategy including how social housing tenants can be assisted to move on to home ownership through, for example, equity loans.
- 3.14 Alongside this, de-risking activity is also proceeding on the next phase of sites to be taken to the market. These will comprise four sites in Middleton that may form a package for marketing and disposal, subject to further discussion with Members. These sites, at Thorpe Road East, Throstle Terrace, Thorpe Square and Towcester Avenue, comprise 2.6 ha with potential for 78 new homes. These sites will be marketed from early in 2014/15 with the benefit of Stage 1 checks and planning statements to help developers bring forward development schemes .
- 3.15 Two separate sites outside of the geographical clusters in the Brownfield Land Programme will also be in a position to be marketed in early-mid 2014/15. The former Liberal Club site in New Wortley is 0.2ha, with potential for 7 new homes will be sold with the benefit of outline planning consent; land and buildings at Westerton Walk, Tingley is 0.9ha with potential for 12 units supported by a planning statement.
- 3.16 A further separate site, the former Hill Top public house on Beck Hill Grove, 0.5ha with potential for 14 units, is being brought forward as part of a master plan for the proposed redevelopment and investment in the Beckhill estate and former Miles Hill school site. Initial development land arising from this exercise could be taken to market by mid-2014, with the Brownfield Land Programme site following later in the year as part of a phased approach to realising value and development potential.
- 3.17 Further de-risking activities will be undertaken on remaining sites in the Brownfield Land Programme in a phased way as resources allow. Information from Stage 1 checks and site assessments will also be reviewed to identify whether and where physical interventions (for example site remediation or infrastructure investment) would be required to unlock development. This will support further sites being taken to the market in 2015 and 2016.
- 3.18 Opportunities may arise over the course of the next year for the Council and developers to jointly consider how proposals for new housing in outer green field locations, which are otherwise satisfactory in planning terms, could be brought forward in a way that could support development of brownfield sites in inner areas. For example, housing proposals at Thorpe Arch and Spofforth Hill, if in receipt of planning approval, will give rise to a 35% affordable housing requirements on site – some or all of this provision could be delivered off site in inner areas or commuted to financial contributions that the Council could subsequently use to assist in the development of brownfield sites. This would however be subject to discussion with ward members, consideration of local housing needs in these outer areas and a decision by Executive Board on the use of monies generated.

4.0 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 There has been no specific consultation on this report, which presents information for discussion by the Scrutiny Board.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 There has been no specific Equality Impact screening undertaken for this report, which presents details of service activities already undertaken and screened.

4.3 Council Policies and City Priorities

4.3.1 The development of brownfield sites relates strongly to a range of objectives within the City Priority Plans, supporting neighbourhood regeneration and housing growth.

4.4 Resources and Value for Money

4.4.1 The Brownfield Land Programme is a capital programme, though within the ring fenced arrangement a range of expenditures can be capitalised if it relates to the support required to enable future disposals and to realise further capital receipts.

4.4.2 The first receipts have been injected into the capital programme and delegated approval obtained to spend on the range of technical checks and due diligence activity as set out in this report.

4.4.3 Spend on the programme to-date is £17,400. This is for two Stage 1 Checks for sites in Middleton and topographical surveys for three sites across Middleton and Halton Moor. Stage 1 checks have been commissioned for two further sites in the same areas.

4.4.4 As receipts on the initial disposals were only confirmed in Q3 of 2013/14, there has been a limit on the extent to which expenditure within the Brownfield Land Programme could be committed, but further spend on de-risking activities will now proceed to inform the next phases of disposal activity.

4.4.5 The work to manage the overall Brownfield Land Programme is being conducted as part of the Housing Investment Land Strategy, through Asset Management & Regeneration, funded predominately through General Fund revenue rather than charged to the programme at this point, although surveyors' fees are charged on each disposal at 3.5% of the value of receipts and the potential for charging other staff time to the programme will be reviewed as it progresses.

4.4.6 Governance for the Housing Investment Land Strategy will be strengthened by the establishment of a programme board to be chaired by the Director of City Development and including the Director of Environments & Housing. The board will prioritise and allocate resources across each of the component work streams to ensure there is appropriate planning, highways and project management support to the whole programme of housing delivery.

4.5 Legal Implications, Access to Information and Call In

4.5.1 There are no specific legal implications related to this report.

4.6 Risk Management

4.6.1 There are no specific risks related to this report.

5. Conclusions

- 5.1 The report has presented an updated position on work being undertaken through the Housing Investment Land Strategy, to target resources on housing delivery across all the Council's surplus brownfield land holdings. Sites with potential for 195 new homes have been sold or committed in 2013/14. Sites with potential for a further 750 new homes will be marketed for disposal over the remainder of this year and the next financial year 2014/15.
- 5.2 Work to bring forward disposal of sites clustered in the marginal housing market areas in South and East Leeds, is being co-ordinated with emerging area plans and in discussion with Ward Members to ensure housing developments will fit with local regeneration strategy, will be sustainable and can be supported by appropriate social and physical infrastructure.
- 5.3 A range of delivery options were considered for the Brownfield Land Programme but it was determined that a disposal strategy that offered the potential to retain and recycle receipts, package sites and retain programme flexibility for the council would be most appropriate and provide the quickest route to realising investment interest.
- 5.4 Since the formal establishment of the Brownfield Land Programme by Executive Board in January 2013 £241,400 of capital receipts have been secured, which are now being deployed in de-risking activities for sites in the programme.
- 5.5 One site has been disposed of, for a 51 unit mixed market and social housing scheme at Thorn Walk in Gipton. Marketing is underway for two sites at the Askets in north Seacroft, with offers to be received by 20th December 2013, with proposals for up to 120 units anticipated.
- 5.6 Marketing of a further site in Seacroft has taken place and offers received, though disposal has not been progressed, pending further assessment of the offers and the proposed type and mix of older peoples' housing.
- 5.7 The next phase of disposals under the Brownfield Land Programme is being prepared for the start of 2014/15, comprising sites with potential for delivery of 111 units that will be in a position to be marketed. Work will proceed with Bellway on the potential for disposal of the remaining EASEL sites with capacity for development of up to 200 units, subject to re-design of sites, also from 2014/15. Work will continue on technical and legal due diligence for further phases of disposal.

6. Recommendations

- 6.1 Members are asked to note the report, comment on the approach outlined and offer suggestions for other matters to be considered or other ways in which the issues raised might be addressed.

7. Background documents¹

7.1 There are no unpublished background documents.

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.