

**Report of Directors of City Development and Environment & Housing**

**Report to Executive Board**

**Date: 2<sup>nd</sup> April 2014**

**Subject: Affordable Housing Growth and Investment through the Affordable Homes Programme**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s): City Wide	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input 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**

Further to the approval of the Progress in Delivering Housing on Council Brownfield Land report at 14th February 2014 Executive Board, this report provides Executive Board with an update on the investment approach to affordable housing and in particular the Council's response to the Homes and Communities Agency's 2015-2018 Affordable Housing Programme which has recently been released.

The Council's ambition is to maximise the delivery of affordable housing and secure investment in good quality affordable homes, setting a target for the city of between 800-1000 new affordable housing units through the programme.

The Council will make 31 sites available to deliver c550 units to support development by Registered Providers or through the Council itself. Registered Providers and developers will also bring private sites forward, and so far have indicated that they expect to bring sites forward which will produce around 200-250 units. The balance may need to be secured through securing additional sites either through identifying further Council sites or through acquiring private sites.

This report demonstrates the pro-active approach being taken by the Council in making sites available for investment and to assist and enable partners, particularly Registered Providers of affordable housing, to capture investment for the city and also illustrates how the Council will seek to take advantage of this and other investment sources.

## Recommendations

Executive Board is recommended to:

- a) note the content of this report;
- b) declare sites shown at Appendix 1 and 2 as surplus to council requirements;
- c) delegate authority to the Director of City Development to approve the terms of the disposal of sites as listed at Appendix 1 to RPs at a less than best basis;
- d) delegate authority to the Director of City Development to dispose of the sites listed on Appendix 2 at a less than best consideration calculated at £1,000 per plot to the Director of City Development;
- e) approve the identification of the sites listed at Appendix 3 for medium term development for either council housing, disposal to RPs or in conjunction with a developer;.
- f) approve the sites, identified in Appendices 2 and 3 which are additional to those included within the Housing Investment Land Strategy;
- g) delegate authority to the Director of City Development to identify further sites to support the delivery of affordable housing
- h) approve in principle the proposal for the council to acquire privately owned land for the development of affordable housing.
- i) and to note:
  - the stages required to implement the decision as outlined in 3.31 and 3.32
  - proposed timescales for implementation as outlined in 3.33
  - that the Chief Officer Asset Management and Regeneration . will be responsible for implementation

## 1 Purpose of this report

- 1.1 The purpose of the report is to provide Executive Board with an update on the delivery of affordable housing, particularly in the context of the Homes and Communities Agency's Affordable Homes Programme (AHP).
- 1.2 The report provides Executive Board with an overview of how the Council has responded to the 2015-2018 Affordable Homes Programme from the Homes and Communities Agency (HCA) and how the Council aims to maximise development of affordable housing units throughout the programme.

- 1.3 The Council has agreed a target of 800-1000 homes via this funding opportunity and the report sets out how it can use its land holdings to help to achieve this figure.
- 1.4 It seeks approval to dispose of the sites listed in appendices 1 and 2 to Registered Providers for affordable housing and to confirm the identification of the sites listed at Appendix 3 for the development of affordable housing, either wholly or in-part.

## **2 Background information**

- 2.1 At its meetings in January and July 2013, Executive Board approved the Brownfield Land Programme and the Housing Investment Land Strategy. These reports identified potential development and disposal routes for council owned residential development sites to support housing growth and investment.
- 2.2 Executive Board, at its meeting of 14th February 2014, was provided with an update "Progress in Delivering Housing on Council Brownfield Land" which also set the context for the designation of further Council owned sites as non-market housing sites in order to support the maximisation of investment via the 2015-2018 AHP. The report indicated that a further report would be brought to Executive Board in April to set out those sites that it is proposed to put forward in support of grant bids, the number of new homes these will support and to indicate the additional land which will need to be acquired to deliver the aspiration. It indicated that a greater amount of grant could be secured for the city through acquisition of third party land, to create new larger or more viable sites for affordable housing.
- 2.3 The prospectus for the 2015-2018 AHP was released in January 2014 by the HCA. The programme provides £1.7b nationally (excluding London) with which to develop approximately 165,000 new homes by March 2018. The deadline for submissions of bids to this programme is 30th April 2014.
- 2.4 At the February meeting, Executive Board agreed an ambitious approach to delivering the affordable housing. It is recognised that the delivery of affordable housing through this route is a key component of housing growth and will contribute to the delivery of the Core Strategy requirement of 4375 units per annum including approximately 1100 affordable units per annum (as set out in the Strategic Housing Market Assessment).
- 2.5 Executive Board agreed a target for the city of developing 800-1000 units via the AHP with strong consideration to be given to meeting local demand, the quality of housing proposed and the strategic fit of the proposed developments. This will be supplemented by additional affordable housing negotiated via S106 agreements on private sector schemes.
- 2.6 The Council's role as facilitator and enabler is key to delivery and this report describes additional sites which could be brought forward for disposal to further maximise affordable housing growth. The Council has already released 12 sites to Registered Providers (RPs i.e. housing associations) to support the bidding process.

- 2.7 The HCA prospectus advises that where a local authority is pro-active in its approach including the disposal of land at nil or reduced value to an RP, this will have a positive impact when the schemes are assessed for funding. Schemes will also be considered in the context of their strategic fit with local requirements and their deliverability within the timeframe of the AHP (2015-18).
- 2.8 There is an emphasis within the AHP on certainty of delivery and wherever possible for RPs to identify specific sites for development. It is possible that the HCA will not allocate the programme in its entirety immediately so there may be opportunities for bids at a later date. However, the Council should support RPs to confirm their programmes as soon as possible.
- 2.9 From the Council's perspective, in addition to supporting schemes which meet the strategic housing needs of the city in terms of the size and type of units, affordable housing developments will be expected to have an emphasis on excellent design quality with a significant impact upon the surrounding communities by enhancing the local environment and quality of place. The need to deliver low carbon developments is recognised and RPs are encouraged within the context of the AHP criteria to produce units which contribute to broader agendas such as carbon reduction and the reduction of fuel poverty. This is reflected in the Council's own building programme where excellent quality standards and designs which offer low fuel consumption are a key driver

### **3 Main issues**

- 3.1 The AHP provides an opportunity to deliver substantial new investment. RPs, developers and the Council are all able to bid to the programme to support new build affordable housing. The Council has been in extensive dialogue with providers to gauge their intentions and to encourage them to maximise their investment in the city.
- 3.2 Recognising the requirement to develop investment programmes and submit bids for funding before the end of April deadline, a pipeline of sites has been made available for RPs to acquire for affordable housing purposes. It is recognised that given the scale of ambition, whilst Council owned land will make a significant contribution, RPs and developers (and potentially the Council itself) will need to acquire land to achieve the level of delivery aspired to.
- 3.3 The Council has a clear ambition to support additional affordable homes in the city. It also though, is in a position to encourage developments which meet the tenure, size, quality of design and carbon requirements of the city. The Council is in a unique position of being able to provide RP partners with a level of certainty over deliverability due to our land holdings. The Housing Investment Land Strategy approved by Executive Board in July 2013 identified a number of residential sites for the delivery of affordable housing. This provided a strategic basis for the identification of residential sites and this approach has been built on in preparation for the AHP.
- 3.3 The Council has already released 12 of these sites for disposal to RPs to submit Expressions of Interest. Expressions of Interest in relation to 8 of the sites have been received so far and an evaluation process is currently underway to select

the preferred RP to develop each site. The 8 sites, which are listed at Appendix 1 will deliver approximately 80 units.

3.4 In order to facilitate delivery further sites have been identified to help support the achievement of the 800 - 1000 unit target. A second tranche of sites which are available for immediate development is listed at Appendix 2 which have the approximate capacity to deliver a further circa 100 units and which will also be made available to support RPs' bids for grant funding.

3.5 Appendix 3 shows sites which are proposed to be made available for development in the medium term either through the Council Housing Growth Programme or via an RP or in conjunction with a development partner. These include sites in brownfield regeneration areas and provide the opportunity to use the AHP funding strategically to act as a catalyst for development and provide mixed tenure solutions. In each case the tenure mix on site will be the product of discussions with potential development partners and with ward members to ensure the appropriate balance of affordable, social and /or market housing and to deliver a viable development proposition. Sites on this list could deliver circa 161 units although it is estimated that subject to formal approvals other sites with the capacity to deliver another 109 units could form part of this list taking the total to be delivered up to 370.

3.6 RPs have also made the Council aware through discussions that they intend to develop in the region of 200/250 units on sites not in council ownership.

Approved sites made available for RPs	8 sites	80 units
Second tranche sites for RPs	8 sites	100 units
Medium term investment sites	16 sites	370 units
Potential private sites	u/k	250 units
Total		800

3.7 In total then, of the 1000 unit target, land to support approximately 800 new homes has been identified by the Council and partner RPs to date. Subject to all of the bids to the HCA being successful and planning approval being granted on all of the sites, this represents significant investment in Leeds through the AHP. There is however, no guarantee that all of the Leeds based proposals will be successful in the first instance.

3.8 There is an ongoing asset management process for reviewing the Council's brownfield land portfolio and determining the most appropriate and available routes through which sites could be developed for housing. A number of sites have been identified which are not immediately available for development or

bidding purposes but are likely to become so within the longer term. They have the capacity to deliver significant additional units either directly through the Council, including in conjunction with a developer, or Registered Providers, especially if there is the opportunity to bid for AHP funding at a later date. Some of these sites were approved by the Housing Investment Land Strategy in July, 2013 and a number of additional sites have been identified as potential development opportunities for delivery of affordable housing.

- 3.9 It is requested that Executive Board delegate to the Director of Development the authority to identify further sites in discussion with the Executive Member for Development and the Economy to support the delivery of affordable housing through this route so that funding bids can be progressed in a timely manner in line with bidding timescales

#### Disposal approach to Registered Providers

- 3.10 The sites at Appendix 1 were offered to RPs through a process described in the Housing Investment Land Strategy report in July 2013 which required bids on the basis of: property mix and tenure type, rent levels. As is usual in the case of land disposals to RPs nomination rights are required to ensure that applicants from the housing waiting list are rehoused. A land price based on residual land value was proposed by the Housing Investment Land Strategy report in July 2013 and the process of evaluation of RP proposals in relation to the sites at appendix 1 is currently underway. Executive Board approval is sought for the delegation of authority to the Director of City Development to dispose of these sites at less than best/nil consideration subject to justification for such a transfer being evidenced.
- 3.11 In future to make the disposal of sites simpler it is proposed that the sites listed at Appendix 2 are disposed of on the basis of a fixed land value of £1,000 per plot and that the RPs would therefore compete on the basis of the quality of the new housing offered. This is similar to the model adopted by the Affordable Housing Strategic Partnership in 2008 wherein the Executive Board agreed to delegate responsibility to the Director of City Development for the disposal of sites at less than best consideration based on a fixed rate of £5000 per plot .The £5000 figure being based on the amount of grant the Housing Corporation, (the predecessor body to the HCA) would pay for land. It is recommended that to encourage RPs to maximise housing delivery in Leeds that a comparable disposal route for future affordable housing sites is adopted.
- 3.12 In securing grant funding from the HCA, RPs are required to finance a significant proportion of development costs themselves by raising private finance secured against future rental income streams and by charging Affordable Rents (up to 80% of market rents). Due to build costs and relatively low property/rent values in the areas of Leeds that some of the proposed affordable housing sites are located RPs have advised that a number of sites may be financially unviable to develop if land cost expectations are unrealistic.
- 3.13 Disposals of the land to RPs for affordable housing over the previous AHP period (2011-15), where sites are 100% affordable housing, had land values in the main

between nil and £5k per plot on the basis of viability assessments provided by the RPs and confirmed by valuations carried out by Property Services staff.

- 3.14 The sites identified in the schedule at Appendix 2 are all in similar low to mid-market areas where, on the basis of comparable evidence of the completed sales of similar sites in similar locations, a flat rate of £1000, could be applied. It is therefore proposed that approval to dispose of the sites on a less than best basis of £1,000 per plot be delegated to the Director of City Development for sites listed in Appendix 2.
- 3.15 This model could be used for future standalone sites as they become available with a fixed banded rate based on viability of say £10,000, £5,000 or £1,000 per plot, perhaps on an inner and outer market basis, this approach will be further developed and approval from Executive Board sought at a future point.
- 3.16 As the majority of the sites identified in appendices 1 and 2 are located on former LCC cleared council housing sites, in the current market it is unlikely to be financially viable for a private developer to develop the sites at this time as the total costs of the scheme will exceed the value of the completed development. Development of these sites only becomes viable with the support of grant funding and therefore only a developer with access to HCA funding such as the council or RPs would be able to develop the sites at this time.
- 3.17 It should be noted that the potential loss of a capital receipt value is outweighed by the benefits that completed affordable housing developments would make towards the Council's strategic objectives as well as generating New Homes Bonus, additional Council Tax revenue and annual savings made on maintaining the subject sites on services such as grass cutting & the removal of fly tipped waste. The Council negotiates nominations arrangements for all affordable housing sites it provides.
- 3.18 Further protection is given to the Council by the use of an overage clawback clause which is applied to all disposals at less than best consideration, whereby for a period of 20 years any profits that accrue from development are split 75% to the Council and 25% to the RP.
- 3.19 Executive Board is requested to approve the approach of offering sites in Appendix 2 for the purpose of affordable housing delivery on the basis of a fixed amount of £1,000 per plot as described above.

#### Council Housing Growth Programme

- 3.20 Members will be aware of the significant programme of investment in new Council Housing which was approved in July 2013.
- 3.21 The £42m programme is underway and will deliver around 400 new units in total over the next 3 years; sites have been identified so far which will produce 160 units. The programme will also fund the acquisition of long term empty properties.
- 3.22 The Council will bid directly for AHP grant funding to match and stretch the Council's own resources, enhancing the funding available to build more new

Council homes. Bids are being worked up currently in time for the AHP deadline. The sites identified at Appendix 3 provide a range of opportunities and these are currently being evaluated.

- 3.23 As indicated at paragraph 2.9, design quality is of paramount importance to the delivery of new affordable homes. Through the Council Housing Growth Programme, technical approaches which deliver properties with very low energy use will be explored, with a view to delivering new homes at rent levels which reflect much reduced running costs.
- 3.24 The Council Housing Growth Programme also provides an opportunity to co-invest on sites with RPs or with developers assisting viability where required and supporting the city's housing growth requirements. RPs and developers have also been encouraged to identify specific, potentially private sites where this joint approach could be delivered as part of the formulation of their bids. Co investment opportunities could also provide support to potential self-builders who otherwise may face difficulties identifying deliverable sites of an appropriate size in some locations.

#### Remaining requirements

- 3.25 In order to deliver against our target for Leeds via the AHP, land needs to be identified to support a further 200 units approximately, a residual need of around 6 hectares to support the AHP opportunity. As part of the on-going dialogue with developers and RPs, there has been encouragement to acquire private sites recognising the gap in supply for this purpose.
- 3.26 The council will however continue to identify potential development sites for the delivery of affordable housing through ongoing asset management review of the brownfield sites portfolio and pipeline, however consideration will also need to be given to the council potentially looking to acquire privately owned land for the development of affordable housing.
- 3.27 The purchase of suitable private sites could potentially be done in partnership with either large volume house builders or partner RPs to maximise housing growth and other strategic objections.
- 3.28 The Council could either look to acquire sites which are on the open market or alternatively look to enter into partnership with developers to release sites which on hold due to economic or other financial reasons.
- 3.29 Approval is therefore sought to the principle of the Council buying in sites through the HRA to move towards the AHP target and more generally to support the ambition of maximising the delivery of affordable housing including through the Council Housing Growth Programme.
- 3.30 Executive Board will be updated on the progress of this delivery route through subsequent reports.

#### Next Steps



- 3.31 In order to meet the bidding timescale for the Affordable Homes Programme the sites indicated at Appendix 2 will be made available to Registered Providers immediately following Executive Board approval. Work to identify additional sites to support this funding opportunity is being undertaken including from sites identified at appendix 3 and the approval of the Director of City Development, in line with paragraph 3.9 and recommendation (i) sought for use for this purpose.
- 3.32 The Council will also be developing initial bids including from sites indicated at Appendix 3 for submission to the HCA in line with the bidding timescale.
- 3.33 Bids to the Affordable Homes programme will be required to be submitted to the HCA by the end of April 2014. It is anticipated however that there may be further opportunities for either the Council or RPs to bid within the lifetime of the 2015-18 AHP and the identification of opportunities to bring forward sites to maximise the delivery of affordable homes will be an on-going process

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

- 4.1.1 The Executive Members have been briefed on the recommended routes for the delivery of new development and is support of the process.
- 4.1.2 Ward Members will be briefed on the recommendation for the sites within their wards prior to them being marketed.

### **4.2 Equality and Diversity / Cohesion and Integration**

- 4.2.1 Due regard has been given to equality through the analysis of the potential impacts of the programme and the completion of a screening form. The main outcomes of the screening were that the delivery of affordable housing through this programme could have positive implications for equality groups who are economically disadvantaged. An Equality Impact Screening (attached as an appendix) has been undertaken and has determined that the proposals have a positive impact in terms of Equality and Diversity and that a full Impact assessment is not required

### **4.3 Council policies and City Priorities**

- 4.3.1 Proposals set out in this report respond to the challenge facing local councils and their partners in stimulating the delivery of homes, jobs and growth presented by the Commission on the Future of Local Government. The Council's role in providing local leadership sees this utilisation of the Councils resources in a way which will facilitate direct investment in the provision of new homes.
- 4.3.2 Proposals will:
- a) increase the provision of new good quality affordable homes in the City
  - b) contribute to the housing growth agenda
  - c) contribute to the place making agenda and regeneration objectives

d) Provide a range of housing which meets the requirements, needs and aspirations of existing or potential residents

- 4.3.3 The Vision for Leeds established the Council's objective of being the Best Council in the country and a strong working relationship with people, businesses and organisations is at the heart of this objective. It also sets out the ambition of being the Best City in the country with a good quality of life for Leeds residents.
- 4.3.4 The Best Council plan sets out the adoption of a new leadership style of civic enterprise, where the council becomes more enterprising, businesses and partners become more civic. The efficient use of Council owned sites in the way described in this report supports this approach. By helping people into jobs, boosting the local economy, providing additional housing and generating income for the Council. The measures set out in this report support the Sustainable and Inclusive Growth Strand of the Best Council Plan.
- 4.3.5 The Sustainable Economy and Culture Partnership Board has assembled a cross-sector group to further clarify actions which will advance the Low Carbon agenda. This group has now held an initial workshop to consider the concept of a Leeds Sustainable Living Lab and the Partnership Board will be considering the group's findings at its next meeting. These will be used to shape the delivery of new housing as they emerge.

#### **4.4 Resources and value for money**

**4.5** It is anticipated that the approach described within this report will result in improved cross service/directorate working, improved efficiency and a more effective use of resources as well as the generation of New Homes Bonus and additional Council Tax receipts. While there is a potential loss of capital receipt it can be argued that this is outweighed by the benefits that completed affordable housing developments would make towards the Council's strategic objectives for example the enhanced nomination rights which the Council negotiates with RPs in relation to disposals of council land helps to reduce the number of applicants on the Leeds Homes Register and the reduction in costs associated with the maintenance of vacant Council land. RPs will be expected to evidence the justification for a site to be sold at a less than best or nil consideration by providing evidence by way of a Financial Viability Assessment of the proposed scheme by a third party to include a valuation of the site in a form approved by the RICS. The market value of the sites will also be assessed by Officers in Asset Management and included in reports to the Director of City Development to demonstrate the level of value foregone when recommending disposals at less than best consideration. Any reports to the Director will be prepared in line with the scheme of delegation approved by Executive Board. In circumstances where the difference in value exceeds the approved levels then reports back to Executive Board may be necessary.**Legal Implications, Access to Information and Call In**

- 4.5.1 A local authority may, under the General Housing Consents 2013 under Section 32 of the Housing Act 1985, dispose of vacant land at any price determined by the local authority. Vacant land would include cleared sites and sites where dwelling houses are due to be demolished.

- 4.5.2 A local authority may also, under the General Consent under section 25 of the Local Government Act 1988 (2010, as amended), provide financial assistance by way of disposal of dwelling houses at less than best consideration to registered providers of social housing for the purposes of refurbishment. .
- 4.5.3 The General Consent under section 25 of the Local Government Act 1988 (2010, as amended) also permits local authorities to provide financial assistance (subject to a cap of £2,250,000 in any one financial year)
- 4.5.4 If any of the proposed disposals fall outside the scope of the General Consents, it would be necessary to apply to the Secretary of State for specific consent to dispose of those sites at less than best consideration.
- 4.5.5 This decision has not been published on the list of forthcoming key decisions for 28 days as the report originally provided an update only but has now been enhanced to seek approval for the disposal of specific sites for affordable housing and the basis for disposals. It is necessary for the report to be taken to April Executive Board in order to prepare and submit bids to the Affordable Housing Programme by the 30 April deadline.

## **Risk Management**

- 4.6 Disposal of land at less than best consideration is state aid. If a disposal is not compliant with the state aid regime, there is a risk of a challenge, which may have financial and reputational consequences for both the Council and the registered provider. However, the allocation of funding for provision of social housing is a service of general economic interest (SGEI) and this will not be unlawful state aid provided that certain criteria are met. The agreement for disposal must be structured so that the registered provider is required to provide affordable housing and to ensure that there will be no overcompensation, clawback provisions will need to be incorporated.

## **5 Conclusions**

- 5.1 It was recognised by the report which sought approval from Executive Board for the Housing Investment Land Strategy that the Council's contribution to housing growth and meeting housing need could be maximised by the implementation of a series of policy positions/approaches including proposals to allocate a range of Council sites for housing purposes. The Housing Investment Land Strategy has existing approval and the proposals contained within this report will consolidate and build upon the approach to housing growth and its associated benefits for the City as part of the overall approach to delivering new housing on previously developed sites in Council ownership
- 5.2 In terms of the use of Council land to support the Housing Growth agenda a further exercise has been undertaken to review additional land in the Council's ownership that has potential for residential development. This exercise has resulted in recommendations relating to site identification for the delivery of additional non market housing.

## **6 Recommendations**

6.1 Executive Board is recommended to:

- a) note the content of this report;
- b) declare sites shown at Appendix 1 and 2 as surplus to council requirements;
- c) delegate authority to the Director of City Development to dispose of sites as listed at Appendix 1 on a less than best basis subject to justification for such a transfer being evidenced by an RP via a Financial Viability Assessment of the proposed scheme being carried out by a third party;
- d) delegate authority to the Director of City Development to dispose of the sites listed on Appendix 2 at a less than best consideration calculated at £1000 per plot to the Director of City Development;
- e) approve the identification of the sites listed at Appendix 3 for medium term development for either council housing, disposal to RPs or in conjunction with a developer;
- f) approve the sites, identified in Appendices 2 and 3 which are additional to those included within the Housing Investment Land Strategy;
- g) delegate authority to the Director of City Development to identify further sites to support the delivery of affordable housing
- h) approve in principle the proposal for the council to acquire privately owned land for the development of affordable housing.
- i) and to note:
  - the stages required to implement the decision as outlined in 3.31 and 3.32...
  - proposed timescales for implementation as outlined in 3.33
  - that the Chief Officer Asset Management and Regeneration will be responsible for implementation

## **7.0 Background documents<sup>1</sup>**

7.1 None

---

<sup>1</sup> 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.