

Report of the Director of City Development

Report to Executive Board

Date: 22 March 2017

Subject: The development of mixed residential communities in Leeds City Centre

Are specific electoral Wards affected?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, name(s) of Ward(s):		
Armley		
Beeston & Holbeck		
Burmantofts and Richmond Hill		
City and Hunslet		
Gipton & Harehills		
Hyde Park and Woodhouse		
Kirkstall		
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?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, Access to Information Procedure Rule number:		
Appendix number: Not applicable		

Summary of main issues

1. This report considers housing growth in Leeds city centre and sets out the Council's approach to the delivery of a varied and high quality housing offer that meets the needs of all people. This contributes not only to the achievement of housing growth, but supports an objective at the heart of the Best Council Plan of a vibrant city centre which all can benefit from.
2. The Council's ambition is to develop the city centre as a mixed and vibrant residential community, with good quality housing, high standards of design, and a broad mix in terms of housing type, tenure and price. In addition to providing a significant contribution to the delivery of the city's housing targets as a whole, it utilises brownfield land and supports regeneration, economic growth and public services, thus avoiding the problems that other cities have faced of low levels of occupation of city centres at weekends.

3. Accordingly, the council needs to facilitate:

- The growth of the residential market in the city centre;
- An increase in the delivery of housing numbers on brownfield sites; and
- A city centre that provides good quality residential opportunities for all.

In addition, the council also has to be mindful that many funds and developers operate on a national basis and can choose which sites they develop and invest in. On that basis Leeds needs to ensure that its city centre is both attractive to the development market and promotes the creation of mixed residential communities.

4. Within this, the role of new and purpose built Build to Rent (BTR) housing is considered, recognising that investment in Build to Rent housing is a critical component of the city's growth and regeneration ambitions and the delivery of the city's target for new homes through a number of largely city centre sites.
5. An approach is proposed to encourage and help secure the development of Build to Rent housing whilst securing resources for investment in affordable housing in the city centre. This approach supports Leeds' ambition of a Strong Economy and Compassionate City and promotes inclusive growth and mixed communities. The approach is to support the delivery of a range of high quality affordable and key worker housing on flagship schemes in the city centre, This would be through a range of interventions through which the council can facilitate growth including addressing viability issues where required.

Recommendations

6. Executive Board is requested to:

- i) Approve the approach set out in this report to development of mixed residential communities in the city centre and the role this plays in housing growth;
- ii) Endorse an approach which recognises that the acceptance of commuted sums from Build to Rent schemes may be appropriate and justified in accordance with Core strategy Policy H5; and
- iii) Agree to the proposed investment of commuted sums for affordable housing being reinvested in schemes within the boundary identified in Appendix 1, through a range of measures as identified in paragraphs 3.11 to 3.13 and in line with the strategic approach to developing mixed communities in Leeds City Centre brownfield sites as set out in this report.

1 Purpose of this report

- 1.1 Ensuring that Leeds has a vibrant City Centre that everyone can benefit from is one of the objectives at the heart of the Best Council Plan. The continued growth and development of an attractive and welcoming City Centre supports the wider objectives of economic growth including through cultural, leisure, retail and business opportunities which attracts inward investment and provides opportunities for all Leeds' residents. In ensuring that the City Centre is a place where people want to live and work, supporting a housing market which provides quality, choice and affordability is central. The proposed approach links to the "World class events and a vibrant city centre that everyone can benefit from" Breakthrough Project and supports its objectives to create a strong economy through creating an environment that attracts inward investment and a compassionate city by enabling a mixed tenure housing offer in the City Centre.
- 1.2 The purpose of the report is to provide the Executive Board with an update on the development of City Centre housing including investment in new Build to Rent (BTR) housing in the city. It suggests an approach to policy which continues to secure the provision of affordable housing whilst recognising the funding model on which Build to Rent is predicated. It recognises that much Build to Rent development is focused in the city centre in proximity to employment and transport infrastructure.
- 1.3 The implementation approach outlined in the report is to facilitate Build to Rent housing to come forward and to secure provision of affordable housing by providing clarity of policy approach and application for Build to Rent investors in making their investment decisions. Investors will consider opportunities across the core cities and within a range of market areas; it is important therefore that the city is pro-active in attracting this source of growth and investment.
- 1.4 This can be seen in the context of the broader pro-active approach which has been adopted by the Council to supporting, delivering and enabling sustainable and good quality housing growth set out in the update report on the Housing Growth and High Standards Breakthrough project considered by Executive Board in February 2017. Facilitating growth in the City Centre not only contributes to the delivery of the housing growth targets as a whole but utilises brownfield sites and eases the pressure on greenfield and other sites elsewhere in the city.

2 Background information

- 2.1 Housing Growth and the provision of new affordable housing is a priority for the Council and is outlined within the Best Council Plan - to provide enough homes of a high standard in all sectors. The report is in the context of the city's housing delivery target of 70,000, which includes a need to deliver 3660 new homes per annum and an affordable housing delivery target of 1,152 per annum. With significant house building between 2002 and 2009 a substantial residential population exists in the City Centre. Despite the recession and pause in construction activity (as Table 1 illustrates), City living remains extremely popular with little vacancy. The draft Leeds Site Allocations Plan contains proposals for over 10,000 new homes in the City Centre; considered to be achievable on the basis of renewed confidence by

developers in the city brought about, not least, by strong and sustained economic growth and investment in retail, arts and cultural activities.

Figure 1: Net completions in Leeds City Centre 2002 to 2015



- 2.2 The City Centre contains the regional centre for the Leeds City Region and beyond. At its core is the Prime Shopping Quarter with over 1000 shops and 10,000 employees which reaches out to a catchment population of 3.2million. There are two University campuses located in the city centre generating a significant student footfall. Over 140,000 people work in the city centre (full time equivalents) with a large proportion in financial and business services. Business floorspace exceeds 1.2m sqm with over 900,000sqm of office space.
- 2.3 Most of the City Centre can be reached in less than 20 minutes' walk from City Station which is set to be transformed by the location of the HS2 station with swift access to London and the south. In terms of geography, the historic retail/commercial core of the city centre has a focus in the northern half of the city centre. The southern half (south of the river) has started to develop commercially, and has the potential to develop further with many cleared sites around Holbeck Urban Village and Hunslet Road. A substantial residential population now lives in the City Centre in flats built over the last 30 years, fairly evenly spread but with concentrations along the waterfront.
- 2.4 There is already a wide range of housing in the city centre and its fringe which the council has pro-actively supported. This includes purpose built apartments for sale particularly along the river, student housing, mixed tenure including local authority owned housing such as East Bank (Saxton Gardens) and innovative high quality new "niche" developments such as the Climate Innovation District at Low Fold and high quality development at Tower Works in addition to new opportunities for mixed use regeneration in the South Bank and Sovereign Square amongst others. The case studies below provide examples of where the council has worked with developers and providers to deliver mixed tenure city centre communities:

Case Study: Saxton, Urban Splash

Saxton was Urban Splash's first development in Leeds. Comprising of 2 separate buildings, The Drive and The Parade, the Saxton development utilised the structure of the previous Council managed flats and converted these into self-contained apartments, with amenities such as allotments. The five surrounding blocks were retained by the Council and benefitted from significant funding to undertake a comprehensive improvement programme. In 2009, the Council worked with the developer and the Homes and Communities Agency to secure resources through the Kickstart programme to unlock the scheme and deliver a mixed tenure offer.



Case Study: Candle House & Waterman's Place, Granary Wharf

Following negotiations, the Council's Plans Panel agreed to adjust the level of onsite Affordable Housing provision required at this development due to the prestige and high quality offer of new supply within a flagship City Centre scheme. This was via a reduction of units and increase of transfer prices per sqm.

As the transfer prices were more than usual levels, this had an impact on the ability of a Registered Provider, Chevin Housing, to make the scheme financially viable. In order to support this delivery, the Council worked with the HCA in order for Chevin to access grant funding to assist with this purchase.

Case Study: Low Fold

In June 2015, CITU secured planning permission to develop a scheme of 312 zero-carbon apartments and houses. The scheme forms part of a climate innovate district and all properties will be powered by electricity generated through solar panels and insulated in such a way that conventional heating systems will not be required.

CITU and the Council have agreed a flexible approach to the delivery of the S106 Affordable Housing units to be provided on site by a 3rd sector organisation, Leeds Community Homes. LCH are a Community Interest Company with a primary focus to facilitate the delivery of 1,000 new, community led affordable housing units. A community share issue was released to fund the purchase the s106 units.



- 2.5 Overall, the socio-economic profile of City Centre residents is balanced with only 19% of working households earning less than £20,000 p.a. and 27% earning over £50,000. In terms of unemployment in the City Centre, there was an unemployment rate of only 2% in 2014 (claimants of working population). In terms of relationships with other areas, the City Centre is surrounded by the Inner Area and includes part of the Aire Valley Leeds Area Action Plan area which spreads eastwards along the Aire Navigation and Hunslet Road from the south eastern corner of the City Centre. In bringing forward new developments and investing in affordable housing, we want to ensure the city centre continues to be a mixed community attracting households to the city centre and city centre fringe with a range of income levels and new housing that meets needs and aspirations.
- 2.6 The vision for the development of housing in the city centre is one of high quality and a choice of type and tenure to support a vibrant city centre with infrastructure and services which make it a desirable place to live. The Deloitte Crane Survey 2016 is a useful barometer of the local economy. The report specifically looks at the residential market in Leeds City Centre and notes in page 12 that *“the number of new starts can be attributed to the renewed confidence by developers in the city brought about by continued investment in other sectors”*. Commenting on the Leeds market as a whole the report notes that Leeds is in growth mode overall, but has yet to see the same levels of investment in city centre residential schemes as some other core cities.
- 2.7 The Council has responded to an increasing market demand for city centre living and in the ten years leading up to the recent recession supported the delivery of over 850 new homes on average per annum. Since 2012 delivery in the city-centre has been around 200 new homes per annum largely as a result of a lack of confidence in non-prime markets, difficulties in the mortgage market and the legacy of land purchases at the height of the market, with developers not always willing and able to write down the site value. Members of Executive Board will be aware of the planned and built infrastructure investments and major development schemes which indicate that there is every reason to expect the city centre to capitalise upon its attractiveness as a place to live.
- 2.8 In acknowledging the potential for Leeds city-centre to deliver a significant number of new residential units, it is important to be mindful of the residential market’s exposure to a downshift in the health of the overall UK economy. In the aftermath of the credit crunch on 2007/8 a number of residential schemes were cancelled in the city, with some of them still to progress development nearly ten years later.
- 2.9 The Core Strategy establishes the City Centre at the heart of its spatial strategy, recognising the sustainability benefits of re-using large amounts of brownfield land and access to jobs at the heart of the City Region. To that end, the Core Strategy aims for the delivery of c.600 homes per annum between 2012 and 2028 in the city centre (16% of the annual 3660 target).
- 2.10 Against this background, it is important to recognise the cyclical nature of the residential property market and, for Leeds to achieve growth in the city-centre, the need to capture the development potential that exists during periods when the market is relatively buoyant, which is presently the case.

- 2.11 By facilitating this growth which is on brownfield sites and entirely in line with the government's recently released White Paper "Fixing Our Broken Housing Market", the Council would not only help to alleviate pressure on greenfield release but help to boost its five year housing land supply and contribute to the achievement of the city's housing target.
- 2.12 Build to Rent housing adds to tenure choice in the housing market in addition to a contribution to overall growth. Given that an attractive housing offer is a critical driver of economic growth it is therefore important that the city is able to attract investment in this sector. Whilst investors in Build to Rent are looking beyond London and the South East to opportunities in northern markets, they are relatively footloose and will look to evaluate opportunities across the northern core cities both in terms of financial return and ease of development. Investors will make decisions based on the attractiveness of the investment that they will ultimately hold. In addition, they will also have a mind to the investment's attractiveness to new purchasers should they decide to sell at some future point in time.
- 2.13 The White Paper recognises the role of institutional investment in building more homes for private rent through the Build to Rent model as a component of a diverse housing market. The White Paper describes a consultation running separately wherein government is proposing a change to the National Planning Policy Framework such that local planning authorities can plan proactively for housing through this route and make it easier for developers to offer affordable private rental homes.
- 2.14 This will include a definition of affordable private rented housing which is suitable for build to rent schemes wherein housing is made available at least 20% below the market rent and that this can be provided in place of other affordable housing products. As this approach develops it will add to the flexibility being proposed by the recommendations in this report to encourage and enable Build to Rent housing to be built.

The Build to Rent model

- 2.15 The Build to Rent business model differs from a conventional housebuilding model. The main feature of the financial model is that it is intended to produce a regular return to an investor – often institutions such as pension fund holders. It facilitates institutional investment into rental developments by creating large single investment blocks of "blue chip" quality, introduces economies of scale and transfers an element of investment risk to a third party "operator" or managing organisation who takes on the role of landlord to individual occupier tenants.
- 2.16 There are a number of variants to Build to Rent. Each however is underpinned by a commercial approach aimed at providing a long-term return to the investor financing the development whilst giving the managing organisation the flexibility to determine their lettings policy and exposure to risk.
- 2.17 Unlike the traditional build for sale product, Build to Rent avoids costs associated with sales and marketing focusing instead on longer term investment return associated with holding the investment rather than initial development profit. Build to Rent tends towards high density development such as apartment blocks (typically 150 plus units) to reduce management costs.

- 2.18 Within Build to Rent, typically some of the investment risk is transferred to the managing organisation that will undertake lettings and bear the risk of managing the accommodation. The operator will be obligated to maintain the investment to the funder's requirements irrespective of its own lettings approach and to the risks to their own rental stream. The relationship between the managing agent and investor is usually through a long term lease (typically 25 to 40 years) at a head rent geared to the cost of the development at an institutionally acceptable rate of return. Managing agents may seek to either undertake lettings at full market rent or provision of a level of affordable housing at sub market rents. This can however diminish their capacity to meet the head rent required by the lease.
- 2.19 Where Build to Rent development is undertaken on a normal commercial basis the head rent is simply geared at an institutional rate of return to the overall cost of development (including land acquired at full market value and policy levels of s106 requirements).
- 2.20 The Build to Rent business model does not therefore lend itself to multiple ownerships within an individual development. The provision of affordable housing on site, owned and managed by a separate organisation (normally a Registered Provider), means that the more usual application of the policy requirement for on-site provision of affordable housing can be a barrier to PRS Investment in Leeds.

Who is Build to Rent aimed at?

- 2.21 The sector is growing largely in response to the growth in demand for rental options within the housing market. Historically it was anticipated that a typical tenant might be a young professional or recent graduate but the difficulty, especially for younger households, in accessing owner occupation has meant that the tenant base has diversified. The Build to Rent model is also potentially attractive to older owner occupiers perhaps wishing to downsize or free up the equity held in the family home.
- 2.22 Build to Rent housing often features high quality amenities and a branded property management service. It is a business model which seeks to minimise turnover and empty properties to protect the rental stream.
- 2.23 In delivery terms Build to Rent is unique in that the nature of Build to Rent means that a scheme can be delivered quickly, without the constraint of sales absorption rates and are fully let and occupied shortly after completion. This could deliver a step change in the speed of delivery of new housing supply.

Policy Context for affordable housing

- 2.24 In accordance with planning policy the Council seeks provision of affordable housing as part of major housing developments. Normally, a planning obligation is required to ensure that the affordable housing provided remains as such in perpetuity and this usually involves a developer selling the affordable housing units to a Registered Provider.
- 2.25 Policy H5 of the Core Strategy states that "The Council will seek affordable housing either on-site, off-site or financial contributions from all developments of new dwellings. Housing developments above a certain threshold should include a proportion of affordable housing to be normally provided on the development site."

- 2.26 The policy allows some flexibility: “Affordable housing provision should be on site, unless off site provision or a financial contribution can be robustly justified”. The Council uses planning obligations (section 106 agreements) to secure affordable housing contributions from developers which can therefore be delivered in three ways:
- *On Site Provision – where affordable housing is provided on the development site by the developer;*
 - *Off Site Provision – where affordable housing is provided on an alternative site by the developer;*
 - *Provision of planning obligation funding (Commuted Sums) – a financial contribution paid to the Council instead of the developer providing affordable housing on site to be used for new affordable housing elsewhere within the Council’s area*
- 2.27 Affordable housing for the purposes defined in NPPF can be offered through a number of tenures including social and affordable rent and intermediate home ownership such as Shared Ownership. If the obligation is met through the payment of a Commuted Sum it must:
- *provide additional affordable housing units;*
 - *fall within the definition of affordable housing;*
 - *housing must remain affordable in perpetuity;*
 - *sums should not be used to fulfil any of the roles which RPs and the local Housing Authority should be fulfilling anyway;*
 - *there can be restrictions in terms of spatial location on where the monies should be committed these will need to be factored into the process.*

Commuted sums generated through Build to Rent schemes must therefore be used to deliver affordable housing in line with this definition.

- 2.28 The report to Executive Board in September 2016 outlined the principles of a strategic investment approach to the use of Commuted Sums, facilitated by the Housing Growth and High Standards Breakthrough Project, including the identification of site specific opportunities for the provision of new affordable housing, as well as co-ordinated investment in regeneration schemes. Where commuted sums support direct provision by the Council, properties will be built to the Leeds Standard which includes energy efficiency and accessibility standards.

3 Main Issues

- 3.1 The Core Strategy ambitions are for the City Centre to see a renaissance of activity with over 10,200 new homes between 2012 and 2028 (638 per annum on average). In the last 12 months, 18 new schemes have been approved in the City Centre with a capacity for over 1,700 new homes. The total outstanding capacity with planning permission in the City Centre is now over 8,000 units.
- 3.2 Despite a cautious recovery in the housing market, shared with other Core Cities, the Council has granted permission for a significant numbers of homes in the City Centre since 2012 including a number which are currently progressing through the planning process. These include schemes at:

- Holbeck – a number of schemes coming forward with a Build to Rent focus including: “Dandarra”, Manor Road – a 775 units scheme which began ground works in 2015 and has subsequently received Government grant, which has enabled it to begin on-site;
- Granary Wharf which has been agreed in principle for approx. 250 units and scope for further Build to Rent through major schemes now coming through the planning process such as the CEG scheme across a number of sites;
- Low Fold, East Street – one of a package of 3 sites as part of a Climate Innovation District delivering 300 homes in phase 1;
- Former Yorkshire Post site – permission for 240 units which will regenerate the site and provide mid-market priced accommodation; and
- City Reach, Kirkstall Road – permission for over 1,000 units was granted in 2016, with the developers seeking permission for a larger scheme using neighbouring sites with market sale, student, Registered Provider affordable housing and Build to Rent. Development of this scheme is yet to commence, which is also the position for the outline consent granted at Quarry Hill.

3.3 There is a remaining identified requirement of housing in the City Centre to be delivered by 2028 of 9,048 homes. The larger sites proposed in the draft Site Allocations Plan include:

- South Bank – comprehensive re-development including over 4,000 homes;
- Aireside, Wellington Place and Whitehall Road for 600 homes;
- Quarry Hill/York Street Leeds for 600 units; and

3.4 Whilst there has been a lot of planning activity for residential developments in the City Centre, a number of schemes have not commenced which is impacting on the delivery of overall housing completions in the city.

The quality of housing in the City Centre

3.5 The case studies cited above demonstrate an approach to housing quality in the City Centre including innovative approaches to delivery and the introduction of new construction methodologies. Build to Rent itself is characterised by the introduction of a new housing product which includes shared amenities for example a gym or a shared garden, often in the context of a mixed use scheme which could offer retail, cafes and so on within the scheme. Where tenants are renting apartments in Build to Rent developments, the living space that they pay for therefore is not only the dwelling itself but the facilities available to all occupants.

3.6 Where the Council is the delivery agent for affordable housing, as this report discusses in further detail below, properties will be delivered to a high standard in line with the approach adopted through its current new build council housing programme.

Developing a policy approach for affordable housing in the Build to Rent sector

- 3.7 The Core Strategy ambition is to secure 5% of affordable housing in the City Centre up to 2028 equate to the delivery of approximately 400 units of affordable housing (i.e. 5% of the remaining stock of housing to be delivered – 9,048).

In order to ensure that the policy requirements for the City Centre are fulfilled there is a need for clarity on the mechanisms to achieve this affordable housing where it can help achieve the Core Strategy and Best Council Plan objectives. There is a menu of options which can be selected from to secure the best outcomes for the city from individual schemes:

Options

- 3.8 Involvement of Registered Providers (RPs). This may be possible on larger developments where a separate block of housing could be acquired by an RP. However, in most cases this is likely to be unworkable because Build to Rent schemes are designed to retain ownership as a single unit and investment.
- 3.9 The management company for the development could administer the affordable housing units, letting them at agreed affordable rents and with a nomination agreement with the Council. There are already examples of this being agreed on Build to Rent schemes in Leeds for example the City Reach development. The recent White Paper says that a new affordable housing model will be proposed by government which will add to the range of options available to local authorities to secure sustainable development and housing choice. Notwithstanding the detail of this being produced by government, experience to date indicates that it will not be suitable for all Build to Rent schemes and will depend on the requirements of individual institutional investors and in some circumstances could deter investment.
- 3.10 Instead of seeking the normal on-site provision of affordable housing and where a robust justification exists, seek a Commuted Sum through an established methodology which is based on the difference between sale value and the benchmark price (set out within the Affordable Housing policy) in lieu of the on-site provision.
- 3.11 The current policy allows flexibility in the application of affordable housing policy and it is proposed that the Council recognises that the payment of a commuted sum in lieu of on-site provision is likely to be more in line with the funding model which underpins Build to Rent delivery. Further, that the Council accepts that the Build to Rent funding model can be taken into account as a justification which supports the financial contribution. This would reflect the practicality of delivering Build to Rent housing whilst supporting the delivery of affordable housing within the city centre housing offer as a whole.
- 3.12 Significant resources could be generated through the acceptance of Commuted Sums for investment in affordable housing. For example the permission for the development of the former Yorkshire Post site which was approved recently includes a commuted sum of over £700,000 in line with the policy requirement of 5% affordable housing in that location (to be paid on occupation of the first unit). The authority can use these resources alongside other funding to maximise investment in affordable homes.

Targeting investment

- 3.13 It is important that the Council promotes inclusive growth and uses funds secured to deliver new affordable housing in and around the city-centre. Accordingly, Appendix 1 shows the City Centre as defined in the Core Strategy along with a proposed zone of city centre market influence where it may be expected that Build to Rent commuted sums could be directed to meet needs and delivery of Core Strategy ambitions.
- 3.14 Accepting the affordable housing obligation as a commuted sum would allow the type of housing to be developed to be relevant to neighbourhoods and could include family housing in some circumstances rather than apartments which Build to Rent developments are more likely to deliver on site. Whilst it would result in single tenure Build to Rent developments, it would enable the Council to deploy the resources generated through commuted sums to support the housing needs of communities by investing them in the type and tenure of housing needed in neighbourhood areas. It could be viewed therefore that the benefits of bringing forward new housing in this sector whilst generating resources for affordable housing for the city centre overall outweighs the lack of tenure mix on specific sites. Also, as indicated above, Build to Rent itself is a new form of rented accommodation which will add diversity to the city's offer. The investment of commuted sums will be informed by Housing Market Assessments to help determine the type of properties required to support sustainable communities and contribute to the linking and blending of city centre and fringe of city centre markets.
- 3.15 There are a range of ways in which investment in mixed tenure housing can be supported and the proposed approach to Build to Rent can help not only to stimulate delivery on brownfield sites but do so at speed along with providing an additional tool for investment through commuted sums funding. Deploying these resources can support and embed regeneration gain by delivering affordable housing in the city centre and fringe of city centre locations in the area identified in Appendix 1, helping to support, diversify and connect housing markets and localities. Opportunities include:
- The purchase of properties for affordable housing within market housing schemes wherein the Council could purchase properties or land for new affordable housing in the area defined in the Appendix, or use commuted sums to forward purchase properties as a means of supporting the viability of residential developments;
 - The Council could use the sums generated to support RPs and third sector organisations to bring forward affordable housing. An example of the council's wider strategic approach to delivery is the work with Leeds Community Homes to help them acquire affordable homes as part of the development at Low Fold. This entailed a flexible approach which enabled the Low Fold development to fulfil its affordable housing obligations but which contributes to the sustainability of a new third sector organisation which is focussed on identifying new ways of funding the delivery of new homes;
 - Identifying opportunities to support the strategic regeneration areas within the city centre zone of influence which would bolster local markets and

reinforce the link to the city centre in relation to housing options. For example, this could include investment in Hunslet Mill and Hunslet Riverside to add to the range of funding and investment being brought together to deliver comprehensive regeneration of the South Bank;

- Identifying opportunities to improve the sustainability of regeneration areas through the purchase of long term empty properties. An example would be the Receptions area of Holbeck in order to further complement the regeneration of the area following the PFI funded new build and refurbishment of council stock; and
- In addition, Members will be aware that the Council is currently exploring the potential for the development of a housing company to promote housing growth. If the Council does decide to establish a housing company, then any commuted sums collected could be made available to the company to deliver affordable housing in the city centre and its fringe.

3.16 In deploying resources the practicality of delivery will be taken into account to ensure that opportunities deliver pace and certainty of commitment, identifying investment which would support city centre and its zone of influence in the first instance.

A Comprehensive Investment Approach

3.17 The approach to affordable housing is only one component of the council's strategic and pro-active approach to unlocking investment in support of the regeneration of the City Centre and its fringe.

3.18 This includes ongoing collaboration with developers and following a recent visit by senior representatives of the Department for Communities and Local Government (CLG), the production of a Prospectus which sets out the ambition for housing growth in central Leeds. This marks the beginning of detailed dialogue with CLG, under the auspices of the government's new Accelerating Construction programme, to unlock a total of over 19,400 new homes across 84 sites (126ha of land) in the city centre and immediately adjoining areas. Over the coming months, a strategy to identify a range of interventions will be developed with CLG to unleash this capacity.

4 Corporate Consideration

4.1 Consultation and Engagement

4.1.1 The Executive Member for Regeneration, Transport & Planning has been consulted and is supportive of the investment proposals outlined.

4.1.2 Ward Member consultation will be undertaken on site specific proposals as they develop.

4.1.3 The views and feedback of potential investors in Leeds have been considered.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 The Equality, Diversity, Cohesion and Integration screening document has been completed to ensure due regard to equality issues. This is attached for reference at Appendix 2.
- 4.2.2 The recommendations in this report have a number of positive equality outcomes. The primary focus is to provide Affordable Housing which will have a beneficial impact for socio-economic equality groups.

4.3 Council policies and the Best Council Plan

- 4.3.1 The proposals outlined within the report support the delivery of the 2016/17 Best Council Plan priorities of “Supporting economic growth and access to economic opportunities” and “Providing enough homes of a high standard in all sectors”.
- 4.3.2 Supporting the delivery of housing growth including affordable housing is integral to the “Housing Growth and High Standards in all Sectors” breakthrough project which is elsewhere on this agenda. The delivery of affordable housing underpins the Council’s ambition for Leeds as a Strong Economy and a Compassionate City.

4.4 Resources and value for money

- 4.4.1 Housing growth results in additional council tax and New Homes Bonus payments including the uplift to NHB for affordable housing.

4.5 Legal Implications, Access to Information and Call In

- 4.5.1 The use of commuted sums secured by planning obligations will be in accordance with the National Planning Policy Framework and can only be used for affordable housing purpose, and in line with the requirements set out in the section 106 agreements. The options set out at 3.13 will be subject to state aid considerations.
- 4.5.2 There is no exempt or confidential information contained within this report.
- 4.5.3 This report is classed as a key decision and is subject to Call In.

4.6 Risk Management

- 4.6.1 It is considered that the recommendations in this report will have no adverse risks to the Council as all schemes that will benefit from the investment of commuted sums will be compliant with the policy criteria for spend outlined at 2.1.8.

5 Conclusions

- 5.1 This report sets out an approach to developing mixed communities in the city centre, meeting housing need, accelerating regeneration of brownfield sites and boosting economic growth. This includes securing investment through the delivery of Build to Rent housing in the city. It suggests recognition within the application of Core Strategy that the affordable housing provision requirement could be fulfilled via a commuted sum in lieu of on-site provision which is likely to be more in line with the funding model which underpins PRS delivery. It aims to provide some certainty

to investors when making decisions about which markets to invest in and proposes an approach to the prioritisation of the use of commuted sums arising through this route. The utilisation of commuted sums will be in line with the requirements of planning policy and a clear strategy for investment of new sums is proposed which will support strategic regeneration priorities and promote the delivery of new affordable housing in the city centre as part of the Council's inclusive growth ambitions. This approach will further underline the Council priority of providing enough homes of a high standard in all sectors.

6 Recommendations

6.1 Executive Board is requested to:

- i) Approve the approach set out in this paper to development of mixed residential communities in the city centre and the role this plays in housing growth;
- ii) Endorse an approach which recognises that the acceptance of commuted sums from Build to Rent schemes may be appropriate and justified in accordance with Core strategy Policy H5; and
- iii) Agree to the proposed investment of commuted sums for affordable housing being reinvested in schemes within the boundary identified in Appendix 1, through a range of measures as identified in paragraphs 3.11 to 3.13 and in line with the strategic approach to developing mixed communities in Leeds City Centre as set out in this report.

7 Background documents¹

7.1 None.

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.