

REPORT OF DIRECTOR OF NEIGHBOURHOODS AND HOUSING
REPORT TO EXECUTIVE BOARD

SUBJECT: The Golden Triangle Partnership – Private Equity Model

Electoral Wards Affected:

City Wide

Specific Implications For:

Ethnic minorities

Women

Disabled people

Narrowing the Gap

Eligible for Call In

Not Eligible for Call In
(Details contained in the report)

1.0 Executive Summary

- 1.1 The purpose of this report is to inject this scheme into the 2006-07 capital programme and obtain authority to spend £1,000,000 to provide a private equity model, which will fund an equity stake of between 35% to 45% of the purchase price of a property to enable first time buyers to purchase a home on the open market, within the Golden Triangle area.
- 1.2 The scheme will be targeted at first time buyers, low income workers and households in housing need unable to access the housing market, who are living or working in the Golden Triangle area.
- 1.3 Eligible applicants are required to have a local connection to the Golden Triangle, whereby the scheme will assist local people to purchase a property. The average house purchase price guide is approximately £150,000 with a maximum purchase price of £170,000.
- 1.4 An applicant must either be registered on one of the LA waiting lists or an existing tenant of Leeds City Council, Harrogate Borough Council or the City of York Council, or a housing association in one of these areas.

2.0 Background Information

- 2.1 The Partnership was successful in securing £7.5m for years 2005/6 to 2010/11 from the Regional Housing Board's (RHB) transformational funding, to assist and increase the mechanisms available for the delivery of Affordable Housing within the Golden Triangle.
- 2.2 The first year's funds, £500k in 2005/06, were injected to the capital programme by the Director of Corporate Services under his delegated authority as a fully externally funded injection.
- 2.3 The Golden Triangle is a partnership between the regions of North and West Yorkshire. It brings together housing and planning professionals, initially from three local authorities of

Leeds, York and Harrogate and from two Registered Social Landlords (RSLs), Home Housing Association and Yorkshire Housing Association.

- 2.4 The Housing Corporation, Government Office for Yorkshire and the Humber and Yorkshire Forward also provide an advisory role to the Partnership.
- 2.5 In 2005/06, the £500k was used totally to provide a pilot Homebuy Plus scheme. The scheme was administered by Joseph Rowntree Housing Trust and proved highly successful. The scheme provided a 35-45% equity loan to assist with the purchase price of a property within the Golden Triangle area. The scheme successfully assisted eight applicants to purchase a property and there are approximately 84 people currently on a reserve list.
- 2.6 A person can sell their home at any time, at which time they will have to repay the percentage share of the agreed market value of the property at the date of repayment. The equity loan and any proceeds will be recycled to assist purchasers in the future to purchase a home.
- 2.7 In 2006/07, £1,000,000 is being made available by the RHB and again will be used to fund a Homebuy Plus scheme.
- 2.8 The Director of Neighbourhoods and Housing supported the proposals of the Partnership and the details of the scheme were approved in July 2005.
- 2.9 The scheme is fully funded by the allocation received from the Regional Housing Board's transformational funding. Leeds City Council is the accountable body and the banker of the allocation on behalf of the three local authorities.

3.0 Main Issues – Homebuy Plus

- 3.1 The Partnership is currently in the process of procuring for a suitably qualified organisation, a Registered Social Landlord (RSL) to administer and invest in the Homebuy Plus scheme.
- 3.2 The grant will be used to develop a scheme to allow entry into the owner occupier market for people on low incomes in the Golden Triangle area. The grant will fund 35% to 45% of the purchase price of an eligible property. The percentage amount loaned will be determined by the RSL, who will be responsible for ensuring applicants meet the eligibility criteria and carrying out financial assessments. Applicants must be able to demonstrate that they are unable to buy a suitable home outright without the assistance of the Homebuy Plus loan.
- 3.3 Applicants who qualify for the scheme will need to contribute the remainder of the purchase price of a home through a mortgage and/or personal savings. The applicant is responsible for all costs associated with the purchase, for example, legal fees and removal costs.
- 3.4 There is no interest or monthly payments on the loan; instead the loan will be required to be repaid when the house is sold. The amount repaid will be equal to the percentage amount borrowed and based on the market value of the home at the date of repayment. The loan may be repaid before the house is sold, in which case the amount repaid will be based on the value of the home when the loan is paid back.[An independent valuation will be organised in order to set the sale price. This is at the expense of the applicant and not the RSL]
- 3.5 In order to stretch the money available and assist more people, the successful organisation in addition to administering the scheme on behalf of the Partnership, have been invited to invest into the scheme and match fund the Partnership's contribution. The successful RSL will hold the equity stake and the second legal charge in each of the properties. The legal charge will record that a person has bought their home with the help of Homebuy Plus and sets out certain responsibilities.
- 3.6 The equity loan provided through Homebuy Plus will be jointly funded by the successful organisation and the Partnership. It is anticipated the Partnership's contribution together with the match funded contribution by the RSL, will, assist approximately 30 people to

purchase a property. The RSL will be required to develop a marketing strategy and ensure the allocation is fairly distributed between each of the three local authority areas.

- 3.7 When a person sells their property they will repay (for example) 40% of the agreed market value of the property at the time of sale. This amount and any proceeds will be shared equally between the Partnership and the successful organisation.
- 3.8 The equity loan and proceeds following sale will be paid into a Golden Triangle Fund and will be recycled by the successful organisation to provide further Homebuy Plus loans /affordable housing opportunities in the Golden Triangle area, in the future. The contribution invested by the RSL will belong solely to the RSL and there is no restriction over how this can be used.
- 3.9 A procurement exercise is underway. Following submission of a Pre Qualification Questionnaire (PQQ) by interested organisations – five RSLs have been short listed and depending on satisfactory references – will be invited to tender for the administration of the scheme. It is envisaged the successful organisation will be awarded the contract by September/October 2006 (at the earliest).
- 3.10 The successful organisation will carry out all necessary affordability assessments based on income/outgoings and housing costs as a proportion of household income and expected to benchmark Homebuy Plus against average yield property prices across the Golden Triangle, whilst maximising the yield. The organisation appointed will be asked to provide the Partnership with regular quarterly updates including all financial details which would be used to provide the RHB with quarterly returns.
- 3.11 Leeds City Council will issue the Homebuy Plus funding and the equity loan and proceeds from any subsequent sales will be returned to the successful RSL who will be responsible for recycling the returns within a condition that the money is spent on providing Homebuy Plus equity loans or on affordable housing in the Golden Triangle area.
- 3.12 Legal Services representatives in each of the three authorities are considering the following documentation which has been prepared by Leeds City Council's Legal Services Department.
1. Delegation under Local Government Act 2000 and the Local Authorities (arrangements for the discharge of the Functions) (England) Regulations 2000.
 2. An agreement for York and Harrogate to formally delegate to Leeds City Council the function of the payment of loans under the Homebuy Plus scheme.
 3. The terms and conditions for the Homebuy Plus Scheme (between Leeds City Council and the RSL) and the draft specification of the Homebuy Plus Scheme.

4.0 Consultations

4.1 The Partnership itself is a consultation framework and links to the following bodies:

- Government Office for Yorkshire and the Humber,
- Yorkshire Forward
- Housing Corporation
- Leeds Housing Partnership
- Yorkshire and the Humber Regional Assembly

5.0 Community Safety

5.1 There are no implications for Community Safety.

6.0 Programme

6.1 The £1,000,000 is a grant allocation of Regional Housing Board monies.

7.0 Capital Funding and Cash Flow

Previous total Authority to Spend on this scheme	TOTAL £000's	O MARCH 2006 £000's	FORECAST				
			2006/07 £000's	2007/08 £000's	2008/09 £000's	2009/10 £000's	2010 on £000's
LAND (1)	0.0						
CONSTRUCTION (3)	0.0						
FURN & EQPT (5)	0.0						
DESIGN FEES (6)	0.0						
OTHER COSTS (7)	500.0	412.7	87.3				
TOTALS	500.0	412.7	87.3	0.0	0.0	0.0	0.0

Authority to Spend required for this Approval	TOTAL £000's	O MARCH 2006 £000's	FORECAST				
			2006/07 £000's	2007/08 £000's	2008/09 £000's	2009/10 £000's	2010 on £000's
LAND (1)	0.0						
CONSTRUCTION (3)	0.0						
FURN & EQPT (5)	0.0						
DESIGN FEES (6)	0.0						
OTHER COSTS (7)	1000.0		1000.0				
TOTALS	1000.0	0.0	1000.0	0.0	0.0	0.0	0.0

Total overall Funding (As per latest Capital Programme)	TOTAL £000's	O MARCH 2006 £000's	FORECAST				
			2006/07 £000's	2007/08 £000's	2008/09 £000's	2009/10 £000's	2010 on £000's
Regional Housing Board - Transformational Funding	1500.0	412.7	1087.3				
Total Funding	1500.0	412.7	1087.3	0.0	0.0	0.0	0.0
Balance / Shortfall =	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Parent Scheme Number:

Title:

8.0 Revenue Effects

- 8.1 A Project Manager's post was established in 2005/06 to enable the scheme to be established. Two thirds of the revenue funding was contributed by Harrogate and York. Leeds was able to capitalise the proportion of staff time directly related to the set up of the scheme.
- 8.2 In 2006/07 – approval by the Government Office has been received, confirming the Project Manager post can be fully funded using the RHB grant. This decision means the Project Manager post will continue until 2010/11.

9.0 Risk Assessments

- 9.1 The funding model does not attract sufficient interest. The current housing market and future projections of growth meant that investment via the scheme is likely to provide a reasonable return that will enable the funding to be recycled in future years.
- 9.2 Equity Investment potential loss. The partnership is willing to accept the loss of funding in the event that the sale of the house does not repay its initial equity investment.
- 9.3 Private sector funding is not secured in future years - 2006/07 and beyond. The commitment by the Regional Housing Board to provide a potential five years public funding to support affordable housing opportunities in high value areas is a significant commitment. The Partnership believes that this will act as a catalyst to lever in private funding to create further opportunities. This will assist the Partnership to achieve the now DCLG - "Homes for All" agenda.
- 9.4 The Regional Housing Board withdraws the remaining years funding- This is unlikely. The Government Office is actively promoting the partnership. A high level event was held in March 2005 by the Government Office where lead members were invited from the respective

local authorities to receive a presentation on the partnership and how it can influence the wider issues in relation to creating opportunities for affordable housing in high value areas.

- 9.5 Harrogate and York withdraw from the Golden Triangle Partnership - Both local authorities have much higher pressures on their existing housing due to the size of their stock. (Harrogate 3,500 and York 8,800). The pressure to provide solutions is paramount to the management of existing housing need within the authorities.

10.0 Recommendations

- 10.1 It is recommended that Executive Board authorise the injection of £1,000,000 fully funded by the Regional Housing Board grant and give authority to spend of same.