

**Design & Cost Report**

**REPORT OF DIRECTOR OF DEVELOPMENT DEPARTMENT**

**REPORT TO: EXECUTIVE BOARD – 17<sup>th</sup> May 2006**

**SUBJECT : FEARN ISLAND MILLS AFFORDABLE HOUSING SUBSIDY USING SECTION 106 COMMUTED SUMS**

**Electoral Wards Affected :**

City & Hunslet

**Specific Implications For :**

Ethnic Minorities

Women

Disabled People

Executive Function  Eligible for Call In X Not eligible for Call In   
*(details contained within the report)*

**EXECUTIVE SUMMARY**

The purpose of this report is to obtain authority to spend £605,000 of Section 106 monies on an affordable housing subsidy at a housing scheme at Timblebeck, Fearn Island Mills, in the city centre. This will enable Yorkshire Housing Association to acquire 9 two bedroom flats from the developer of Fearn Island Mills for affordable home purchase by households in need.

**1.0. BACKGROUND**

1.1 The City Council has available over £2.6m of Section 106 commuted sum money to use towards the provision of affordable housing in Leeds. An opportunity has arisen for Yorkshire Housing to acquire nine properties from Eastgate Property Co. Ltd, the developer at Fearn Island, to be made available for affordable homes. Yorkshire Housing has negotiated an 8% discount off open market value for the homes. However, to make the homes genuinely affordable, in line with the City Council's affordability benchmarks (approximately £8.90sqm or £130sqft), a further subsidy of £600,000 will be required.

1.2 It is proposed that money generated through the granting of planning permissions for the following housing developments be used:

Application No.	Location	Amount
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<b>ORIGINATORS NAME:</b> Robin Coghlan	<b>DATE:</b> 14 <sup>th</sup> February 2006
<b>TELEPHONE NUMBER:</b> 247 8131	<b>FAX NUMBER:</b>

20/530/99/FU	Whitehall Quays	£295,808.00
20/384/98/FU	Concordia St	£118,750.00
20/41/99/FU	Clarence Dock	£181,905.58
20/25/00/FU	Denison Hall	£3,536.42
	<b>TOTAL</b>	<b>£600,000.00</b>

- 1.3 These commuted sums arise from S106 Agreements which state that money may be spent in the city centre on provision of affordable housing.

## **2.0 DESIGN PROPOSALS / SCHEME DESCRIPTION**

- 2.1 The development at Fearn Island has been promoted by the Urban Edge Group who obtained planning permission last year (ref 20/254/03). The scheme comprises 23 dwellings in a new build element known as “Timblebeck”, which complements the refurbishment of the adjoining listed building.
- 2.2 The 9 dwellings agreed for acquisition by Yorkshire Housing Association are complete & fitted out to a high standard of design. Located on floors 1 – 5, they are all 2 bedroom ranging in size from 660sqft to 672sqft. Their current asking prices range from £157,500 to £180,000, but with the 8% discount negotiated by the housing association and £600,000 from the City Council, the discount sale prices would range from £85,000 to £88,000 at today’s prices.

## **3.0. CONSULTATIONS**

- 3.1 The proposal has been considered by officers of both the Development Dept and Neighbourhoods & Housing Dept who deal with affordable housing schemes on a regular basis. The scheme is considered to make good value for money as it enables an 8% discount offered by the housebuilder to be utilised and will deliver a mix of 1 and 2 bedroom good quality apartments.

## **4.0 COMMUNITY SAFETY**

- 4.1 There are no direct implications for community safety arising from the contents of this report.

## **5.0. PROGRAMME**

- 5.1 Over the next month, Legal Services will prepare an appropriate agreement to ensure that the transaction takes place as agreed and that Yorkshire Housing offers the dwellings for sale at affordable prices and maintains its equity stake in them so that they remain affordable for subsequent purchasers. Such an agreement may allow for occupiers to “staircase” (raise their equity share in their property) on condition that the receipts are recycled into provision of affordable housing elsewhere in Leeds.

## **6.0. SCHEME DESIGN ESTIMATE**

- 6.1 The following table illustrates the differences between market house prices and the affordable house prices that the £600,000 would make at today’s prices:

Apart. No.	Size in Sq Ft	Asking Price	Price Less 8% Disc.	S106 Cont.	Aff.Hse Price
1.1	660	£160,000	£147,440	£62,056	£85,380
1.4	672	£157,500	£145,136	£58,166	£86,970
2.1	660	£163,000	£150,205	£64,840	£85,370
2.4	672	£160,000	£147,440	£60,485	£86,950
3.1	660	£167,000	£153,891	£68,551	£85,340
3.4	672	£164,000	£151,126	£64,196	£86,930
4.1	660	£170,000	£156,655	£71,333	£85,320
5.1	660	£180,000	£165,870	£80,610	£85,260
5.4	672	£170,000	£156,655	£69,763	£86,890
<b>Total</b>	<b>5988</b>	<b>£1,491,500</b>	<b>£1,374,418</b>	<b>£600,000</b>	<b>£774,410</b>

6.2 A provision of £5,000 has been made for legal costs incurred at 5.1 above, to be charged to the scheme. This will be funded from the balance of S106 monies against planning application 20/25/00/FU.

## 7.0. CAPITAL FUNDING AND CASHFLOW

Previous total Authority to Spend on this scheme	TOTAL £000's	O MARCH 2005 £000's	FORECAST				
			2005/06 £000's	2006/07 £000's	2007/08 £000's	2008/09 £000's	2009 on £000's
LAND (1)	0.0						
CONSTRUCTION (3)	0.0						
FURN & EQPT (5)	0.0						
DESIGN FEES (6)	0.0						
OTHER COSTS (7)	0.0						
<b>TOTALS</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Authority to Spend required for this Approval	TOTAL £000's	O MARCH 2005 £000's	FORECAST				
			2005/06 £000's	2006/07 £000's	2007/08 £000's	2008/09 £000's	2009 on £000's
LAND (1)	0.0						
CONSTRUCTION (3)	0.0						
FURN & EQPT (5)	0.0						
DESIGN FEES (6)	0.0						
OTHER COSTS (7)	605.0			605.0			
<b>TOTALS</b>	<b>605.0</b>	<b>0.0</b>	<b>0.0</b>	<b>605.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Total overall Funding (As per latest Capital Programme)	TOTAL £000's	O MARCH 2005 £000's	FORECAST				
			2005/06 £000's	2006/07 £000's	2007/08 £000's	2008/09 £000's	2009 on £000's
LCC Funding	0.0						
Section 106 / 278	605.0			605.0			
<b>Total Funding</b>	<b>605.0</b>	<b>0.0</b>	<b>0.0</b>	<b>605.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Balance / Shortfall =</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Parent scheme number: 12615  
title: Fearn Island Mills

## 8.0. REVENUE EFFECTS

8.1. The proposals in this report are for capital works only. There are no revenue implications arising.

## 9.0. RISK ASSESSMENTS

- 9.1. There are limited risks associated with the payment of this subsidy. A grant/subsidy agreement will be signed to ensure the council can recover the sum or seek appropriate redress should there be problems in the transfer of the affordable housing or the Housing Association fails to manage the subsequent re-sales of the affordable housing to households in need. The safety nets shall comprise of a legal charge of the grant value on the title of the land.

## 10.0. COMPLIANCE WITH COUNCIL POLICIES

- 10.1. By introducing opportunity for a wider mix of people to live in Leeds city centre, the scheme would help fulfil the objective of the Corporate Plan 2005-08 to make all Leeds' communities thriving and harmonious where people are happy to live and help "narrow the gap" between different parts of Leeds.
- 10.2 The scheme would also comply with Policy H9 of the Unitary Development Plan which states that the City Council will seek to ensure a "balanced provision" of size & types of dwellings, including for households on low incomes.

## 11.0 COUNCIL CONSTITUTION

- 11.1 The scheme is eligible for call-in.

## 12.0. RECOMMENDATIONS

- 12.1 The Director of Development : -

- Authorised the release of £600,000 S106 monies, as a grant to Yorkshire Housing Assoc. to acquire 9 properties to make them available as affordable homes, and £5,000 to cover the legal costs, once the money was injected into the Capital Programme at scheme 12615.
- Agreed that a copy of this report was forwarded to Executive Board and the Director of Corporate Services to request the injection of £605,000 into the Capital Programme at scheme 12615 and grant authority to spend against it.

On Land	CPRH (1)
On Construction	CPRH (3)
On Furniture & equipment	CPRH (5)
On Internal Fees	CPRH (6)
£605,000 On Other Costs	CPRH (7)

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**£605,000 TOTAL**

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- 12.2 Executive Board : -

- Approved the injection of £605,000 S106 money into the Capital Programme at scheme 12615, to fund the grant for affordable housing and legal costs, as outlined above.
- Granted authority to spend £605,000 S106 money at scheme 12615.