

**Report of the Director of City Development**

**Report to the Executive Board**

**Date:** Wednesday 21<sup>st</sup> November 2018

**Subject:** Affordable Housing Commuted Sums - the delivery of mixed communities

Are specific electoral Wards affected?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, name(s) of Ward(s):	All	
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input 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. The provision of new housing is a priority for the Council and is outlined within the Best Council Plan; housing of the right quality, type, tenure and affordability in the right places. Furthermore, there is a requirement to ensure that housing growth is delivered to meet the needs of the city, which is articulated in the Core Strategy.
2. Connected to this and as part of the drive towards inclusive growth, a key component of the ambition for the city centre is the delivery of a mixed community with good quality housing, high standards of design, and a broad mix in terms of housing type, tenure and price, with the objective to develop the city centre and its fringes as a vibrant, well connected residential community. There is significant potential for further housing growth in the city centre and its adjoining areas, but limited current delivery against this. The Council is seeking to stimulate this through a programme of infrastructure investments under the government's Housing Infrastructure Fund, which if successful will support and unlock delivery of 1000's of new homes. However scale and pace of development are not the only facets of a functional housing market or of successful growth.
3. To ensure housing growth and related regeneration of the city is inclusive the Council is seeking to enable the delivery of a mixed residential community in the city centre and its fringes. It is proposed that a strategic approach to the investment of affordable housing commuted sums is adopted in order to deliver new supply affordable housing, either through new build developments or acquisition opportunities, which will retain and maximise other sources of affordable housing funds available to the city.

4. Delivery of new supply affordable housing directly supports the Leeds ambition of a Strong Economy and Compassionate City.

## **Recommendations**

5. The Executive Board is requested to:

- I. Note and support the Council's intention to submit a Housing Infrastructure Fund bid that will support and unlock the development of new homes in the city centre, as set out at paras 3.1 – 3.6;
- II. Agree the proposed approach to deployment of commuted sums as set out at para 3.10 – 3.20 and should any revisions be required delegate authority to the Director of City Development to determine these in consultation with the Executive Member for Regeneration, Transport and Planning;
- III. Note that further work is underway with developers to establish opportunities for the delivery of additional affordable housing on sites across the city centre using funding available to the Council;
- IV. Note the intention that the Council enters into a Collaboration Agreement with the owner of the former Hobby Horse Public House at Lovell Park Hill, as a means of securing delivery of affordable homes and regeneration of a derelict site, as set out in para 3.14.
- V. Approve the injection of £3.402m Affordable Housing Commuted Sums and grant authority to spend £4.86m, funded by the £3.402m Affordable Housing Commuted Sums and £1.458 Right to Buy Replacement Programme, towards the Council New Build scheme at Meynell Approach.

## **1 Purpose of this report**

- 1.1 The purpose of the report is to provide the Executive Board with an overview of affordable housing commuted sums available to the Council and to seek approval for the investment of this funding into a range of new supply affordable housing schemes, primarily focussing on the city centre and its fringe areas, to support the provision of mixed communities.

## **2 Background information**

- 2.1 The Council currently holds an unspent balance of Affordable Housing Section 106 monies, which have been paid by developers in order to fulfil respective planning obligations in lieu of the provision of Affordable Housing units on site, as per policy H5 of the Core Strategy. At present, these sums have not reached their clawback dates but could be repaid to developers if they are not invested within the time limit stipulated in the s106, which is usually around 10 years from receipt of the monies.
- 2.2 The Core Strategy (2014) which has a target of 70,000 net new homes between 2012 and 2028 is being reviewed on the basis of a revised locally driven Strategic Housing Market Assessment (SHMA) to around 52,000 net new homes between 2017 and 2033. As part of the current Core Strategy, there is a delivery target of 1,158 affordable housing units per annum. Results of the SHMA show that there is a need for 1,230 affordable dwellings per annum in Leeds. The Core Strategy Selective Review proposes that there should be an adjustment and an increase to affordable housing to this higher delivery figure.
- 2.3 A report to Executive Board in September 2016 outlined the principles of a strategic investment approach to the use of affordable housing Commuted Sums. This included 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, it was noted that properties will be built to the Leeds Standard which includes energy efficiency and accessibility standards.
- 2.4 In addition to this and as part of developing a strategy to unlock growth in the city centre, Executive Board in March 2017 considered how Leeds' planning approach can support and accelerate the delivery of Build To Rent (BTR) residential developments, recognising the specific business model requirements of BTR and institutional funders. It was agreed that commuted sums in lieu of on-site provision would be acceptable in some circumstances and the geography within which these sums could subsequently be deployed was identified.
- 2.5 Furthermore, as part of the Core Strategy Selective Review, the requirement for the provision of affordable housing as part of developments in the city centre, Zone 4, is proposed to be increased from 5% to 7%.
- Policy context for affordable housing**
- 2.6 In accordance with planning policy the Council seeks provision of affordable housing as part of each application for housing development over 10 units. 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 (RP) following the benchmark transfer price policy.

- 2.7 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.”
- 2.8 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 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.
- 2.9 Affordable housing for the purposes defined in the National Planning Policy Framework (NPPF) can be offered through a number of tenures including affordable housing for rent and intermediate home ownership products such as Shared Ownership or Rent to Buy. Paragraph 62 of the NPPF 2018 states that where a need for affordable housing is identified, planning policies should specify the type of affordable housing required, and expect it to be met on-site unless:
- Off-site provision or an appropriate financial contribution in lieu can be robustly justified; and
  - The agreed approach contributes to the objective of creating mixed and balanced communities.
- 2.10 Generally, resources can be spent within the Council’s administrative area and do not have to be spent within the area/Ward in which generated since the justification for provision is based on evidence of housing need for the whole of Leeds housing market area.
- 2.11 In some instances, through the planning approval process, Members have expressed a preference for the sums to be used in a particular way or in a specific locality. In these historical cases, the spending of funding is restricted to the area where the sum was generated. In some instances, it has proven difficult to identify available sites or schemes within a specified geographical area that meet the criteria for spend. Sometimes the sums accrued are relatively small and need to be pooled with other funding in order to generate sufficient resources necessary to deliver a scheme.
- 2.12 At present, there is a pool of Ward restricted funding. Opportunities to invest this funding in Ward specific activity are currently being identified and proposals will be discussed with Ward Members to seek their support for investment proposals before any authority to spend is approved.
- 2.13 Alongside the availability of the Commuted Sums and in the context of delivery of new supply affordable housing provision, the Prime Minister recently announced

the plans to remove the Housing Revenue Account (HRA) borrowing cap. Once the technical detail of this is known, by use of HRA alongside commuted sums, this will provide a further opportunity to stretch resources further through supply of additional housing through the Council Housing Growth Programme. Further details around the current growth programme are outlined in an update report also on this agenda.

### **Previous approvals and spend to date**

- 2.14 Executive Board has previously approved investment of £2,954,110 Affordable Housing Commuted Sums for the delivery of 142 new Affordable Housing units providing general needs, Extra Care and specialist accommodation. The schedule of previous approvals is attached at Appendix 2. It is also to be noted that alongside the use of the commuted sums, the Council and Registered Providers are utilising an additional c£22m towards the developments; so for every £1 approved, an additional £7 will be invested from other funding sources.

### **Commuted Sums: Budget and Balances**

- 2.15 The table below outlines the current affordable housing commuted sums balance and projections of future receipt of new sums at October 2018. At present, the Council has received a total of £6.794m, of which £1.752m has a restriction associated with location of investment. With regards to sums being generated through city centre developments, to date £1.875m has been received, with a further £3.427m anticipated to be received in the coming months. Furthermore, at present, additional £7.679m is expected by March 2023. This figure includes the remaining balance from the Spofforth Hill development, as one payment of £1.824m has already been received with a further £7.299m due.

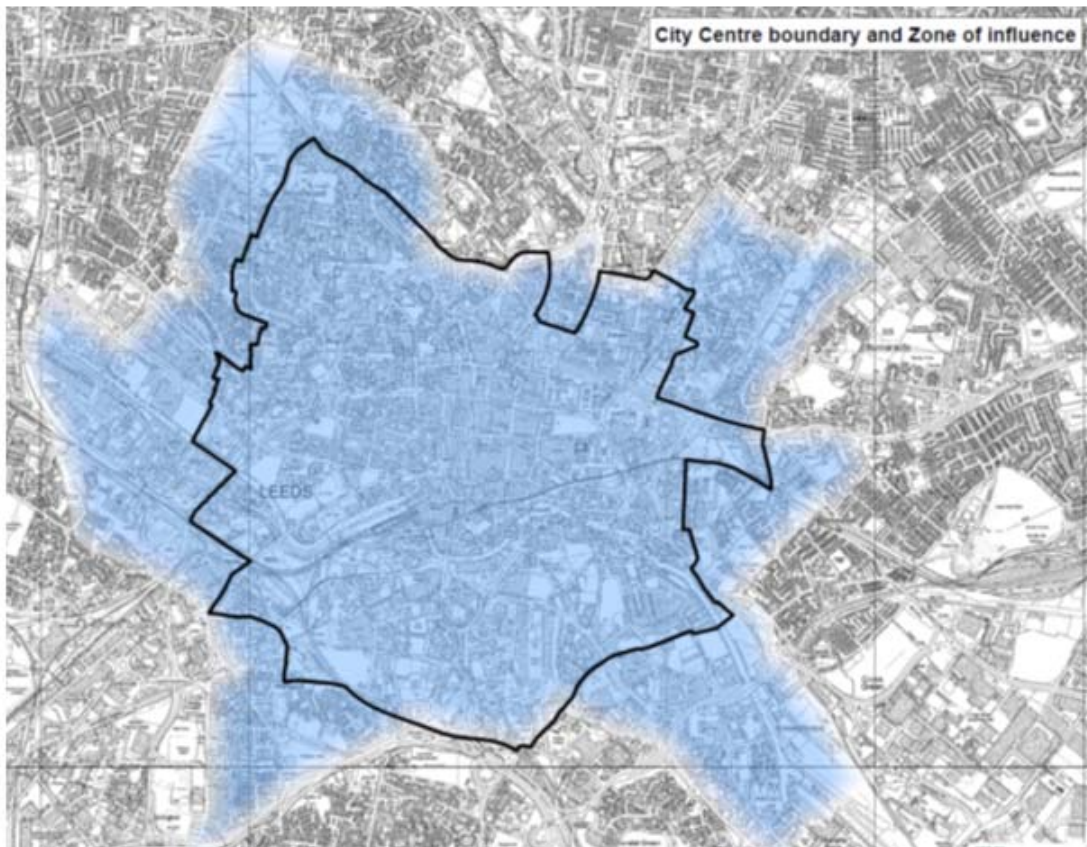
	<b>Unrestricted</b>	<b>Restricted</b>
<b>Amount received</b>	£5,042,072.00	£1,752,505.78
<b>Amount Committed</b>	£2,418,250	£535,860
<b>Remaining Balance</b>	£2,623,822	£1,216,645.78
<b>Amount projected to be received by 2023</b>	£10,491,348.82	£616,356.03
<b>Total available for investment</b>	<b>£13,115,170.82</b>	<b>£1,833,001.81</b>

## **3 Main issues**

- 3.1 The city centre and its immediate fringes which adjoin and connect to inner city residential neighbourhoods are the most sustainable locations for housing growth in the Leeds district, being suitable for development at higher densities than elsewhere, utilising previously developed land and being supported by a concentration of jobs that minimise the need to travel and access to transport connections should residents need to travel to areas beyond..
- 3.2 There has been a general city-wide upturn in housing completions and success in brownfield delivery, such as the 1,000 units being delivered by Keepmoat and Strata in East Leeds as part of the brownfield land programme. The first quarter of 2018/19 saw 1,108 new builds completed, which is the highest delivery rate post-recession. Linked to this, there has been a recent step change in delivery and at the time of writing this report 24 city centre residential schemes have started on site, including Merrion Way, Hunslet Mill, Dandara, Yorkshire Post Site and Mustard Wharf, and will provide 2,569 new homes. Furthermore, there is scope for up to 20,000 further dwellings across the city centre and its immediately adjoining

areas, which will underscore the ambition for the city centre to double its size and economic impact, as well as provide investment to help make greater connections between the city centre as it is traditionally defined and more deprived communities which immediately adjoin it.

- 3.3 The Council is currently working with Homes England and city centre developers on a detailed business case through the national Housing Infrastructure Fund (HIF) competition, which is an opportunity to draw in significant grant investment to support the realisation of this housing growth potential. This is proposed to target a range of infrastructure projects that will unlock the development of housing sites that have to date struggled to come forward as viable schemes and at the same time achieve greater connectivity. The Council's Expression of Interest for HIF indicated the potential for £113m of funding to unlock delivery of over 16,000 new homes up to 2028. These figures are evolving as the business case further develops though it is envisaged that the final case to be submitted in early 2019 will be of a scale approaching this.
- 3.4 The success of securing funding through the HIF against national competition will be driven by the scale of residential development that can be achieved and key metrics such as value uplift and economic benefits. It is an opportunity to stimulate investment and development and move quickly towards a more functional city centre and inner city housing market that can meet demand, drive change/churn and support the offer of greater choice.
- 3.5 Market development at greater scale and pace will bring with it further delivery of policy compliant affordable housing, either through direct provision on/off site or through provision of commuted sums. However alongside the Council's work with developers to realise this, work is also ongoing to assess the opportunities to deliver additional and new supply affordable housing provision in and around the city centre to facilitate the development of mixed tenure communities by ensuring a wide variety of housing tenure and choice and a delivery pipeline in the short term and beyond.
- 3.6 Deploying affordable housing commuted sums resources in these locations can support and embed regeneration gain, which will complement the current work to realise the HIF-stimulated housing growth opportunities.
- 3.7 It is important that the Council promotes inclusive growth and uses commuted sums secured to deliver new affordable housing in and around the city-centre. The map below shows the City Centre as defined in the Core Strategy along with the zone of city centre market influence, which was agreed at Executive Board in April 2017, where it may be expected that Build to Rent commuted sums are directed in order to meet needs and the delivery of Core Strategy ambitions.

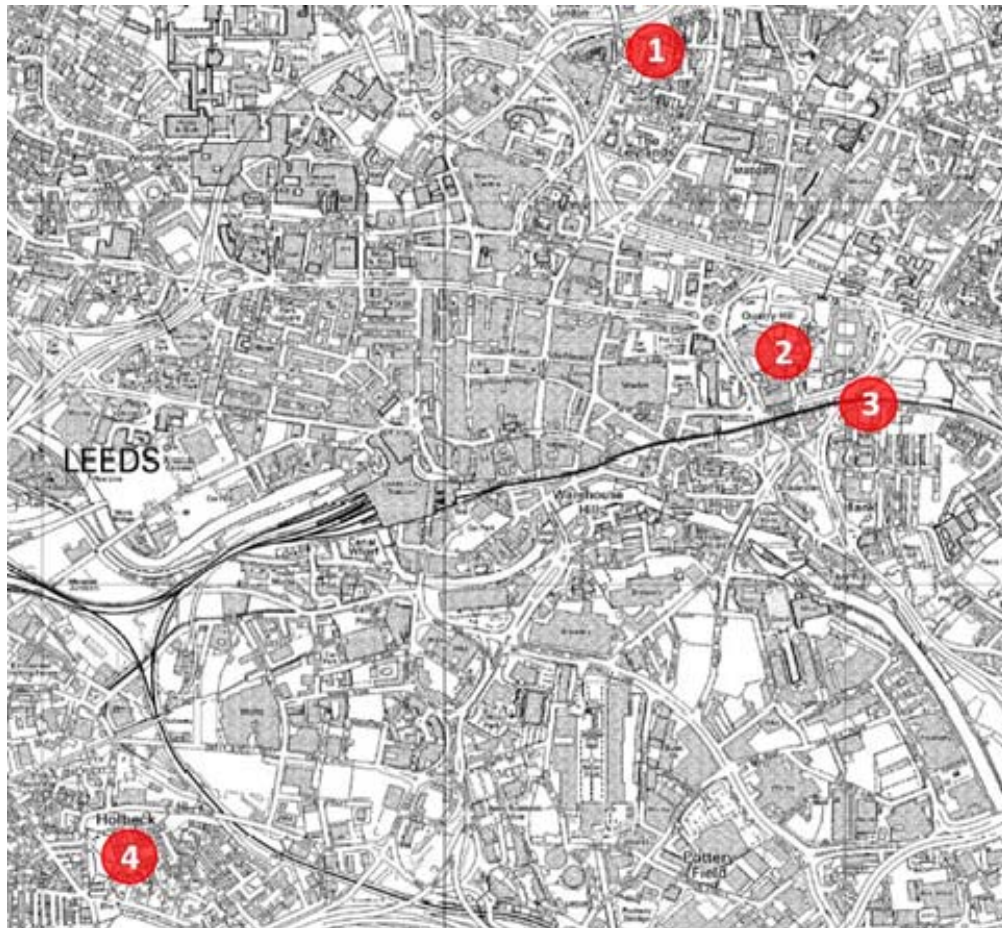


### Opportunities in the city centre and fringe area

- 3.8 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 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.
- 3.9 A number of sites have been identified so far which present an opportunity for development with an enhanced level of affordable housing within the city centre / fringe and would facilitate the strategic use of commuted sums monies to secure delivery. It is intended that the schemes are primarily delivered by Registered Providers but there will also be opportunities for Council direct delivery.
- 3.10 Four council owned sites have been identified as set out below in the table an accompanying map. Indicative capacity studies have been completed to highlight potential scale of development that could be achieved at these sites:

Key	Site	Ward	Indicative Capacity	Development route
1	Land at Lovell Park Hill	Little London & Woodhouse	Up to 42 flats	Disposal to Registered Providers at market value
2	St Cecilia Street	Little London & Woodhouse	33 flats	Disposal to Registered Providers at market value
3	Former Yorkshire Rider Club	Burmantofts & Richmond Hill	27 flats	Disposal to Registered Providers at market value
4	Meynell Approach	Beeston & Holbeck	28 (houses and flats)	Council Housing Growth Programme
		<b>Total</b>	<b>130 units</b>	





- 3.11 Three sites would be available for disposal to Registered Providers; St Cecilia Street (at Quarry Hill) and the nearby former Yorkshire Rider club, plus land at Lovell Park on the northern edge of the city centre. The fourth site, Meynell Approach in Holbeck, is already included with the Council Housing Growth Programme.
- 3.12 St Cecilia Street was sold by the Council to Quarry Hill Developments Limited (Caddick Developments) on a long leasehold basis. The subject site was retained for the purpose of coach parking for events being held at Quarry Hill, in particular the West Yorkshire Playhouse. Coach parking is no longer needed, and as such, the site was declared operationally surplus to Council requirements and approved to be used for a new residential development at Executive Board in July 2017. Furthermore it was agreed that any capital receipt generated from the site would be re-invested into the public realm improvements at Gateway Court. It is to be noted that the site is currently licenced to Caddick to operate as a surface pay and display car park. The Council are required to give 28 days' notice to terminate the licence.
- 3.13 With regards to the former Yorkshire Rider Club site, Ward Members have requested that opportunities for the provision for community space as part of any new development is explored. Current consideration is being given as to how this may work practically. Alongside this, colleagues in Housing Leeds are actively exploring alternative local options could support the provision of community activities. The building is now vacant and in void management, with demolition



scheduled for Spring 2019. Demolition cannot take place until this time due to the ongoing construction of the energy centre adjacent to the site.

- 3.14 There is the potential to use the site on Lovell Park Hill for affordable housing as part of a complementary residential redevelopment of this site and the adjacent privately owned land where the former Hobby Horse Public House was located. In the context of enabling delivery, it is proposed that a collaboration agreement is put in place between the Council and the owner of this adjoining derelict site to facilitate the delivery of the affordable housing proposal and bring forward the regeneration of the private land, resulting in combined benefits achieved through a joint development approach. It is to be noted that, at present, there is a convenience store trading on the Council owned part of the site. There is a commitment to ensure that provisions made for continuous trading throughout the development and inclusion of a retail facility is accommodated as part of a new scheme.
- 3.15 It is proposed that 25% of total scheme development costs in each case would be met by affordable housing commuted sums. It is also intended to contribute the Council's receipts from Right to Buy housing disposals to maximise spend from this source at the government's maximum rate of 30% for each scheme. Registered Providers would provide the balance of funds from their own resources. The exception is Meynell Approach where it is proposed that the scheme is 70% commuted sums funded, matched by 30% Right to Buy receipts, to create headroom in the Council's Housing Revenue Account that would otherwise need to be deployed on this scheme .
- 3.16 Meynell Approach will be a pilot scheme for Modern Method of Construction. United Living have been appointed as the stage 2 contractor to take the scheme through to planning, with an application anticipated to be submitted in late 2018/ early 2019. From current estimates, the scheme has been indicated to cost in the region of £4.86m. Therefore, Executive Board are request to grant authority to spend of £3.402m from affordable housing commuted sums and £1.458m from the Right to Buy Replacement Programme.
- 3.17 In addition to the sites listed above, a mapping exercise has commenced to highlight areas where there may be potential opportunities for investment of commuted sums through the acquisition of additional affordable housing units on development sites coming forward via private developers, opportunities to purchase properties in priority neighbourhood areas or acquire land to facilitate new development to be delivered by the Council and / or Registered Providers. Engagement with developers is underway on this and once feedback has been received, the schedule of opportunities for deploying commuted sums will be presented to Executive Board for further consideration.

### **Other proposals**

#### *Bespoke Properties*

- 3.18 The Council has identified a lack of housing for families with specific needs, where a family member has a physical or learning disability and requires a property built to Part M Accessibility Building Regulations with some specific additions made to meet that family's requirements. An initial pilot, across three sites in Armley, Gipton & Harehills and Middleton Park Wards, delivering six bespoke properties is

currently on site and being delivered via Habinteg. The scheme was supported by utilising a range of funding from Right to Buy, Commuted Sums and Habinteg's own resources.

- 3.19 Given the need for further provision of bespoke properties across the city, it proposed that an additional £500,000 is set aside from the commuted sums budget to facilitate a second phase of delivery. A number of sites across the city have already been identified and work is underway to prepare the sites for marketing.
- 3.20 Killingbeck & Seacroft Ward Members have provided in principle support to utilise £150,000 from a ward specific allocation toward development costs for the provision of three bespoke properties within the area.

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

- 4.1.1 Executive Members for Communities and Regeneration, Transport and Planning have been consulted, as have Members on the Housing Growth Members Development Group, and all are fully supportive of investment of Affordable Housing Commuted Sums in the way outlined within the report.
- 4.1.2 Ward Member consultation will be undertaken on site specific proposals as they develop and regular dialogue will take place as development commences.

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

- 4.2.1 The Equality and Diversity, Cohesion and Integration screening document has been completed to ensure due regard to equality issues. This is attached for reference at Appendix 1.
- 4.2.2 The recommendations in this report have a number of positive equality outcomes. The primary focus is to provide additional Affordable Housing which will have a beneficial impact for socio-economic equality groups. Alongside this, investment into specialist housing will also have positive impacts people with disabilities and carers.

### **4.3 Council policies and the Best Council Plan**

- 4.3.1 The delivery of new supply Affordable Housing in Leeds underpins the Council ambition for Leeds of a Strong Economy and a Compassionate City.
- 4.3.2 The proposals outlined within the report supports the delivery of the 2018/19 – 2020/21 Best Council Plan priority of Housing: Housing of the right quality, type, tenure and affordability in the right places.
- 4.3.3 The development of new supply Affordable Housing contributes towards the achievement of the housing targets for the city, as outlined within the Core Strategy. At present, the Affordable Housing target stands at 1,158 units per annum. As part of the Core Strategy Selective Review, it is proposed that the target will increase to 1,230 per annum.
- 4.3.4 Furthermore, the additional units directly contribute towards the Leeds Housing Strategy housing priority of Affordable Housing Growth.

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

- 4.4.1 Additional New Homes Bonus payments will be generated through the construction of the new housing which planning obligation funding will be supporting. Alongside this, additional Council Tax payments will be received by the Council, as well new rental income from the properties being developed as part of the Council Housing Growth Programme.
- 4.4.2 Investment of the Affordable Housing Commuted Sums will augment funding already secured through Homes England, Housing Revenue Account and Right to Buy Replacement programmes and maximise the retention and delivery of available affordable housing funds in the city.

#### **4.5 Legal Implications, Access to Information and Call In**

- 4.5.1 The use of affordable housing commuted sums monies will be utilised in accordance with the National Planning Policy Framework and can only be used for the purpose of new supply affordable housing, in line with the requirements set out in section 106 agreements and in accordance to the statutory test for planning obligations under CIL Regulation 122.
- 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 planning obligation funding be compliant with the criteria for spend outlined in section 2 of this report.
- 4.6.2 With regards to future receipt of Affordable Housing Commuted Sums, a regular cashflow forecasting exercise is undertaken to understand when the sums are to be received in line with development triggers. If there is a potential delay in scheme delivery, the cashflow forecast will be updated accordingly.

### **5 Conclusions**

- 5.1 The utilisation of commuted sums outlined as proposed within the report provides the opportunity to create additionality of Affordable Housing over and above that required by the Core Strategy. Furthermore, the investment of new supply affordable housing in the city centre underpins the Leeds ambition of a strong economy and compassionate city through the provision of a mixed community supporting inclusive growth and giving residents the opportunity to prosper. Moving forward, there is a clear strategy proposed for investment of new sums which will support strategic housing delivery and regeneration priorities.

### **6 Recommendations**

- 6.1 The Executive Board is requested to:
- I. Note and support the Council's intention to submit a Housing Infrastructure Fund bid that will support and unlock the development of new homes in the

city centre, as set out at paras 3.1 – 3.6;

- II. Agree the proposed approach to deployment of commuted sums as set out at para 3.10 – 3.20 and should any revisions be required delegate authority to the Director of City Development to determine these in consultation with the Executive Member for Regeneration, Transport and Planning;
- III. Note that further work is underway with developers to establish opportunities for the delivery of additional affordable housing on sites across the city centre using funding available to the Council;
- IV. Note the intention that the Council enters into a Collaboration Agreement with the owner of the former Hobby Horse Public House at Lovell Park Hill, as a means of securing delivery of affordable homes and regeneration of a derelict site, as set out in para 3.14.
- V. Approve the injection of £3.402m Affordable Housing Commuted Sums and grant authority to spend £4.86m, funded by the £3.402m Affordable Housing Commuted Sums and £1.458 Right to Buy Replacement Programme, towards the Council New Build scheme at Meynell Approach.

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

7.1 Not applicable

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<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.