

Report of: Head of Regeneration
Report to: Director of Resources & Housing
Date: January 2019
Subject: HIF MVF Grant Funding Agreement: Leopold Street

Are specific electoral Wards affected?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, name(s) of Ward(s):	Chapel Allerton	
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 type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, Access to Information Procedure Rule number:	10.4(3)	
Appendix number:	1	

Summary of main issues

1. In September 2016, approval via the Council's Property Panel was granted to enter into a 1:1 negotiation and exclusivity agreement with Chapeltown Co-Housing (ChaCo) and Unity Housing Association with regard to the sale of council-owned land on Leopold Street. It was recommended that the site was to be split and sold under two transactions; one to ChaCo for the development of co-housing and the other to Unity in order to bring forward an affordable housing scheme.
2. Following site investigations, it has been highlighted that the Leopold Street site has high abnormal development costs and therefore an application was made by Leeds City Council to the Homes England Housing Infrastructure Fund (HIF) to obtain grant funding for the necessary remediation works. In February 2018, an indicative approval was provided subject to a clarification and due diligence period. Following this review period, the Council received confirmation from Homes England that the bid had been successful and work commenced to put a funding agreement in place.
3. Following extensive legal negotiations, a grant funding agreement to be signed by Leeds City Council and Homes England has been finalised. The final draft of the funding agreement is attached at Confidential Appendix 1. In addition to this, the Council will enter into agreements with ChaCo and Unity HA to facilitate the transfer of the grant between the parties. This will reflect all the terms and conditions of the funding agreement at Confidential Appendix 1.

Recommendations

5. The Director of Resources & Housing is requested to provide approval for Leeds City Council to enter into a funding agreement with Homes England for the sum of £990,000 Housing Infrastructure Funding to be utilised on remediation works to facilitate the delivery of housing at Leopold Street. The final version of the funding agreement is attached at Confidential Appendix 1.
6. Approval is given to Legal Services to finalise the detail of and for the Council enter into funding agreements with ChaCo and Unity HA for the HIF grant on the basis of the terms and conditions outlined within the finalised funding agreement at Confidential Appendix 1.
7. The Director of Resources & Housing is requested to approve 'Exemption to Call In' for this decision as outlined at 5.1.3 of the Executive and Decision Making Procedure Rules.

1 Purpose of this report

- 1.1 The purpose of this report is to request the approval to enter into a grant funding agreement with Homes England for the sum of £990,000 to be utilised on remediation costs to facilitate the delivery of new supply affordable and community led housing at Leopold Street. The final version of this funding agreement is attached at confidential appendix 1.
- 1.2 The purpose of the report is to also recommend the approval of entering into a funding agreements ChaCo and Unity to passport the grant funding to the organisations who will be delivering the scheme. The terms and conditions of the sub agreements will mirror those outlined within Confidential Appendix 1.

2 Background information

- 2.1 In July 2017, Local Authorities were invited to bid for funding under the Government's £5bn Housing Infrastructure Fund (HIF), designed to unlock up to 200,000 new homes in areas of high demand. Leeds put forward three bids under the HIF Marginal Viability Fund (MVF) programme for funding to deliver new infrastructure in order to unlock new homes. HIF MVF is essentially gap funding to provide the final or missing pieces of infrastructure that cannot be delivered for reasons of viability, in order to unlock sites or new sites at pace.
- 2.2 In February 2018, it was announced that following a highly competitive, and heavily oversubscribed bidding process, Leeds had been awarded MVF for two housing sites in the district; at East of Otley £6.3m was awarded to enable delivery of a relief road that will unlock development of 550 homes on an allocated site and £990,000 was awarded for remediation and infrastructure required at Leopold Street in Chapeltown to support the delivery of a mixed tenure affordable and community led housing project.

3 Main Issues

- 3.1 Since 2010, Chapeltown Co-housing (ChaCo), have had an aspiration to develop a co-housing scheme in the Chapeltown area. The group has had a long-expressed interest in the Council owned Leopold Street site bounded by Roundhay Road and Barrack Road, which was previously an operational Council social services office.
- 3.2 The site was originally intended to be utilised for a new primary school to meet demands for school places in this part of Inner Leeds. As discussions progressed with the Education and Skills Funding Agency (ESFA), it became clear that the full extent of the Council owned land was no longer required and therefore, an area of just under 1ha of land became available for alternative development. This led to ChaCo submitting an outline scheme proposal to the Council.
- 3.3 As the site was larger than what ChaCo wanted to deliver, a partnership working arrangement was established with Unity Housing Association to purchase and develop the site. The Council agreed to enter into 1:1 negotiations via an exclusivity agreement with the potential buyers in September 2016. This allowed provisional terms to be negotiated for the disposal of the site on market terms and reflecting the potential for this to result in the delivery of an innovative mixed tenure development.
- 3.4 Whilst negotiations on the land sale was progressing, this provided the opportunity for both parties to firm up scheme proposals and submit a joint planning application. Full planning was granted in September 2017 to provide:

- 29 x co-housing dwellings and a common house (ChaCo)
- 30 x Affordable Rented apartments for residents over the age of 55 (Unity)
- 4 x self-build plots (ChaCo)

- 3.5 38 units, equivalent to 60% of the development, is Planning Policy compliant Affordable Housing with ChaCo providing 8 x Shared Ownership units and Unity delivering 30 Affordable Rented units. Both organisations have been successful in securing funding from Homes England's Shared Ownership & Affordable Housing Programme to support development costs of these units.
- 3.6 When site investigations were carried out, it was indicated that there were a significant amount of remediation and infrastructure work required. Therefore, the Council saw the HIF MVF as an opportunity to secure the necessary funding on behalf of the organisations to prepare the site for development. The grant funding of £990,000 consists of two elements:
- £515,000 grant funding towards site remediation and infrastructure, covering both the ChaCo and Unity elements of the site;
 - £475,000 recoverable grant funding to ChaCo for infrastructure. The funding will be repaid to the Council over a 10 year period and then re-invested into other Community Led Housing initiatives in Leeds.
- 3.5 The injection of the HIF MVF supports a genuinely mixed tenure residential development and enables the delivery of a flagship development on a challenging brownfield site, combining both community led and social housing in one location, providing a blueprint for future schemes. The co-housing element will offer a different type of housing product to that offered by traditional house builders and the existing housing stock, thereby diversifying the local housing market offer.
- 3.8 The scheme was one of six schemes in the country to be fast tracked through the Homes England due diligence and clarification process. Confirmation has been received that the full amount of funding will be allocated to the scheme.
- 3.9 Following extensive negotiations between the Council, Homes England, ChaCo and Unity, a funding agreement has been finalised. This outlines the terms and conditions which must be adhered to as part of the funding requirements, key milestones and deliverables, as well as process to access the funding and anticipated financial drawdown amounts. The final version of the funding agreement is attached at Confidential Appendix 1.
- 3.10 As the funding will not be utilised directly by the Council and passported to partners, a further two funding agreements will need to be produced; one between the Council, ChaCo and Unity for the general site remediation works and one between the Council and ChaCo for the recoverable grant element. The terms and conditions of these agreements will mirror those between the Council and Homes England, hence the reason why partners have been involved in legal negotiations from the outset.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 The Executive Member for Regeneration, Transport & Planning has been regularly briefed on the proposals and is fully supportive of the development.

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 2.

4.2.2 The recommendations in this report have a number of positive equality outcomes. This scheme will provide 36 units of new supply 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 delivery of new housing that is affordable and meets local needs underpins the Council ambition of creating 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 The utilisation of Homes England HIF MVF grant will support both ChaCo and Unity stretch their funding resources further and ultimately ensure that the scheme is financially viable and deliverable.

4.4.2 In addition to the HIF, a further c£1.3m grant funding is being levered in from the Shared Ownership & Affordable Housing Programme, which is contributing towards the development costs of the Affordable Rented and Shared Ownership units.

4.5 Legal Implications, Access to Information and Call In

4.5.1 Following lengthy and protracted legal negotiations, there is a criticality around the signing of the decision to enter into the funding agreement between Leeds City Council and Homes England. As the detailed Terms & Conditions were not finalised until mid-January 2019, there has been no previous opportunity to bring this decision forward for approval, as any detail outlined in previous draft agreements would have not been accurate and could have exposed the Council to unnecessary risk.

4.5.2 In addition to this, the scheme start on site has been delayed for 12 months and any further potential delay could result in the scheme becoming financially unviable and undeliverable due to an increase in development costs. Furthermore, an additional c£1.3m of external grant funding could be lost if the scheme does not commence immediately from the signing of the funding agreement.

4.5.3 Therefore, given the above rationale and due to there being insufficient time for notification of this Key Decision to be on the List of Forthcoming Key Decisions for the usual 28 day period, this decision is being taken under the 'General Exception'

and 'Exempt from Call In' procedures, as outlined in Leeds City Council's constitution.

- 4.5.2 The information contained in the Confidential Appendix attached to this report relates to the financial or business affairs of the Council. This information is not publicly available from the statutory registers of information kept in respect of certain companies and charities. It is considered that it is not in the public interest to disclose this information at this point in time. Also it is considered that the release of such information would or would be likely to prejudice the Council's commercial interests in relation to other similar transactions. It is considered that whilst there may be a public interest in disclosure, much of this information will be publicly available from the Land Registry following completion of this transaction and consequently the public interest in maintaining the exemption outweighs the public interest in disclosing this information at this point in time. It is therefore considered that this element of the report should be treated as exempt under Rule 10.4.3 of the Access to Information Procedure Rules.

5.0 Risk Management

- 5.1 The scheme will be managed by ChaCo and Unity Housing Association and will be delivered by their principal contractor. The Regeneration Service will monitor scheme delivery through the Key Account Management structure to ensure that delivery is following the agreed timeline and meeting the milestones as outlined within the grant funding agreement.
- 5.2 With regards to any emerging risks with potential non-delivery or non-compliance of the terms and conditions of the grant will be reported through to the Housing Growth Board.
- 5.3 Furthermore, it is to be acknowledged that there is a risk in relation to scheme delivery. This is the first time ChaCo have undertaken a housing delivery project and therefore are an unproven track record. ChaCo have appointed an experienced project Manager to oversee the delivery and will be working in partnership with Unity and the appointed contract to deliver the site in line with the planning permission.
- 5.4 With regards to the recoverable element of the grant funding which will be provided for the ChaCo scheme, if they became insolvent either before the development is complete or before the repayment period of the recoverable grant expires, it may be difficult for the Council to be able to recover the grant. If the organisation did go into liquidation, it the Council would be required to pay back the grant funding to Homes England.

6 Conclusions

- 6.1 The HIF grant funding provides an opportunity to utilise a Council site for a flagship collaborative housing project that involves a local Registered Provider and the local community. This is an innovative way to delivery new supply housing to meet local requirements, as well as bringing in external funding from a national government programme to support new developments in the city.

7 Recommendations

- 7.1 The Director of Resources & Housing is requested to provide approval for Leeds City Council to enter into a funding agreement with Homes England for the sum of £990,000 Housing Infrastructure Funding to be utilised on remediation works to

facilitate the delivery of housing at Leopold Street. The final version of the funding agreement is attached at Confidential Appendix 1.

7.2 Approval is given to Legal Services to finalise the detail of and for the Council enter into funding agreements with ChaCo and Unity HA for the HIF grant on the basis of the terms and conditions outlined within the finalised funding agreement at Confidential Appendix 1.

7.3 The Director of Resources & Housing is requested to approve 'Exemption to Call In' for this decision as outlined at 5.1.3 of the Executive and Decision Making Procedure Rules.

8. Background Documents

8.1 Not applicable