

Report of Head of Regeneration

Report to Property Panel

Date: 14th January 2020

Subject: Variation to Loan Facility Agreement Relating to the Council's Brownfield Land Programme

Are specific electoral wards affected?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If yes, name(s) of ward(s): Killingbeck & Seacroft		
Has consultation been carried out?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Will the decision be open for call-in?	<input type="checkbox"/> Yes	<input checked="" 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:		

Summary of main issues

1. The Council secured £1.1m of loan funding through the WYCA Local Growth Fund to support site preparation and infrastructure works to Council owned brownfield sites in East Leeds as a means of improving the viability of development, enabling their disposal for the delivery of new homes for sale, offering improved quality and choice of housing for local people. The loan is to be repaid through an enhanced receipt from the disposal of sites.
2. Executive Board on 21st September 2016 agreed to inject into the Capital Programme and give authority to spend of £1.1m of recoverable non-interest bearing loan funding from the Local Growth Fund to support these enabling works.
3. The Council entered in to a loan facility agreement with WYCA on 25th February 2016 and proceeded to drawn down the loan in two separate amounts, £610,000 in 2015/16 and a further £500,000 in 2016/17, for the purposes of land remediation across eight sites listed below:

- Parkway Close: a 2.7 ha combined site with potential for around 80 new homes;
- South Parkway/Brooklands Avenue: a 5.4 ha site with potential for around 150 new homes; and
- Brooklands Drive: a 1.58 ha site with potential for around 50 new homes.
- Seacroft Crescent South: a 0.32 ha site with potential for around 10 new homes; and
- Seacroft Crescent North: a 0.56 ha site with potential for around 20 new homes.
- Kendal Drive: a 0.43 ha split site with potential for around 15 new homes;
- Rathmell Road: a 2.28 ha split site with potential for around 70 new homes; and
- Cartmell Drive North: a 1.45 ha split site with potential for around 35 new homes.

4. The mechanism for the loan repayment was based on the Council achieving, in commercial terms, best consideration for its disposals sites with a long stop date for repayment of the loan set at no later than 28th February 2027.
5. In 2017 it was agreed with WYCA that in lieu of pursuing site remediation across the original eight brownfield sites, the loan facility would generate better value for money and be better used to facilitate the construction of a bus link to support the brownfield regeneration in Seacroft. The bus link is an essential piece of infrastructure required to support the delivery of other brownfield sites (these are listed below) within the Council's Brownfield Land Programme (BLP) and is a requirement of planning approvals related to these sites:
 - South Parkway/Brooklands Avenue – 178 new homes
 - Kentmere Approach – 128 new homes
 - Asket Hill – 113 new homes
 - Bishops Way - 109 new homes
6. Substituting the above four sites for the eight original sites in the loan facility agreement would result in no additional financial implications or liabilities to the Council as the combined land sale receipts (£1.28m already secured from three sites and the remaining site progressing towards a disposal on best consideration terms) is sufficient to pay back the WYCA loan of £1.1m. In addition WYCA would benefit from an increase in housing outputs obtained from the loan investment from 475 dwellings to 528 dwellings and the loan being paid back earlier than expected as three of the sites have already been sold and developed.
7. WYCA approved the proposed changes on 11th October 2019. A Deed of Variation to the original loan facility agreement has been drafted by WYCA that covers the substitution of the housing sites and the increased housing outputs attributable to the loan. The payment mechanism for the loan repayment will continue to be based on achieving best consideration for the sites and the loan value being met from these disposals, with the same long stop repayment date of 28th February 2027.

Recommendations

8. The Chief Officer of Asset Management and Regeneration is asked to authorise entering into a revised loan agreement with WYCA to substitute the previous eight brownfield sites with four other brownfield sites in the Council's BLP to facilitate the delivery of the bus link.

1. Purpose of this report

- 1.1 This report seeks approval to amend the a loan facility agreement to allow for the use of £1.1m Local Growth Fund (LGF) towards the delivery of infrastructure works in the form of a bus link to support the regeneration of brownfield sites in Seacroft.

2. Background information

- 2.1 The Council has been successful in securing a £1.1m funding allocation through the WYCA administered LGF to undertake remediation and preparatory works within the BLP. The Council entered in to a loan facility agreement with WYCA on 25th February 2016 and proceeded to drawn down the £1.1m loan in two separate amounts, £610,000 in 2015/16 and a further £500,000 in 2016/17.

- 2.2 This LGF allocation was secured as part of the Leeds City Region Local Enterprise Partnership's (LEP) submission to government for the City Growth Deal. The Council included a proposal in the Strategic Economic Plan for financial support to 'de-risk' brownfield sites in East Leeds, which will help to deliver housing growth on sites in the Seacroft and Halton Moor areas. Eight sites were identified in the loan facility agreement:

- Parkway Close: a 2.7 ha combined site with potential for around 80 new homes;
- South Parkway/Brooklands Avenue: a 5.4 ha site with potential or around 150 new homes; and
- Brooklands Drive: a 1.58 ha site with potential for around 50 new homes.
- Seacroft Crescent South: a 0.32 ha site with potential for around 10 new homes; and
- Seacroft Crescent North: a 0.56 ha site with potential for around 20 new homes.
- Kendal Drive: a 0.43 ha split site with potential for around 15 new homes;
- Rathmell Road: a 2.28 ha split site with potential for around 70 new homes; and
- Cartmell Drive North: a 1.45 ha split site with potential for around 35 new homes.

- 2.3 The loan was to be repaid from receipts obtained by the Council achieving, in commercial terms, best consideration from the disposals of the above brownfield sites with a long stop date for repayment set at no later than 28 February 2027. WYCA did, however, agree in principle to the Council reinvesting repayments due on the loan into other sites in the BLP requiring remediation and preparation activities rather than seeking immediate repayment.

- 2.4 In summary these brownfield sites would deliver the following outputs:

- 280 homes built to 2020/21 and a further 150 post 2020/21;
- A total of 14.7ha of brownfield land brought forward for residential development.

3. Main issues

3.1 In 2017 WYCA and the Council agreed that in lieu of pursuing site remediation across the original eight brownfield sites, the loan facility would generate better value for money and be better used to facilitate the construction of a bus link to support brownfield regeneration in Seacroft. The bus link is an essential piece of infrastructure required to support the delivery of other brownfield sites (these are listed below) within the Council's Brownfield Land Programme (BLP) and is a requirement of planning approvals related to these sites:.

- South parkway/Brooklands Avenue – 178 new homes
- Kentmere Approach – 128 new homes
- Asket Hill – 113 new homes
- Bishops Way - 109 new homes

3.2 Substituting the above four sites for the eight original sites in the loan facility agreement would result in no additional financial implications or liabilities to the Council as the combined land sale receipts (£1.28m already secured from the disposal of three sites with the remaining site also progressing towards a disposal on best consideration terms) would pay back the WYCA loan of £1.1m. In addition WYCA would benefit from an increase in housing outputs from 475 dwellings to 528 dwellings and the loan being paid back earlier than expected as three of the sites have already been sold and developed.

3.3 WYCA presented a Change Report to its PAT meeting on 4th September 2019 to consider the proposed changes, which was approved by the Combined Authority's Director on 11th October 2019. A Deed of Variation to the original loan facility agreement has been drafted by WYCA that covers the substitution of the housing sites and increased housing outputs. The payment trigger for the loan repayment will continue to be based on achieving best consideration for the sites and the loan value being met from these disposals with the same long stop repayment date of 28th February 2027.

4 Corporate considerations

4.1 Consultation and engagement

- 4.1.1 Ward Members have been consulted on the bus link and are supportive of its delivery that will support brownfield land regeneration and improve accessibility and connectivity between the neighbourhoods of north and south Seacroft.
- 4.1.2 Local residents were separately consulted on the bus link proposals and no objections were received.

4.2 Equality and diversity/cohesion and integration

4.2.1 The equality and diversity/cohesion and integration aspects of the BLP has been considered under previous Executive Board reports and the proposed changes to the loan facility agreement does not give rise to any new issues.

4.3 Council Policies and City Priorities

- 4.3.1 The Brownfield Land Programme and more generally the development of new housing on previously developed land relates strongly to the Best City agenda, in particular Best City to Live and Best City to do Businesses. Securing development on previously developed land ensures growth of the city in a sustainable way, minimising the need to develop on greenfield sites. In addition the proposed approach gives the potential to secure investment in new homes and attract investment from both the private and public sectors.
- 4.3.2 This programme also supports the Best Council plan objectives to promote Housing; Inclusive Growth; Safe, Strong Communities; Build a Child Friendly City; Health and Wellbeing and Sustainable Infrastructure and to deliver the outcomes of ensuring that people live in good quality housing that is affordable, feel safe and benefit from healthy and active lives with improved access to green spaces.

Climate Emergency

- 4.3.3 There are no climate change issues arising from this proposed change as this report only seeks changes to a previous loan facility agreement agreed with WYCA.

4.4 Resources and Value for Money

- 4.4.1 The proposed changes to the loan facility agreement will be undertaken by WYCA's solicitors with the Council using existing resources with Legal Services and Regeneration in aiding the drafting of the agreement.

4.4 Legal Implications, Access to Information and Call-in

- 4.4.1 There are no State Aid implications arising from the proposed changes to the loan facility agreement.

4.5 Legal implications, access to information, and call-in

- 4.5.1 Under Part 3, Section 3E(g) of the Council's Constitution (Officer Delegation Scheme (Executive Functions)) the Director of City Development has authority to discharge any function of the Executive in relation to Asset Management.
- 4.5.2 The Chief Officer - Asset Management and Regeneration, Head of Asset Management and Head of Land and Property have authority to take decisions in relation to Asset Management as delegated in the Director of City Development's sub delegation scheme.
- 4.5.3 The proposal constitutes a Significant Operational Decision and is therefore not subject to call in.

4.6 Risk Management

- 4.6.1 The prospect of the four brownfield sites not being sold to pay off the loan is considered low risk given that sufficient receipts have already been captured from three of the disposal sites and the remaining site at Bishops Way is on track to be sold.

5 Conclusions

- 5.1 The £1.1m LGF loan was originally intended to be used for site clearance and the remediation of eight brownfield sites in the Council's BLP. As a result of discussions with WYCA it was agreed that in lieu of pursuing site remediation across these brownfield sites, the loan facility would generate better value for money and be better used to facilitate the construction of a bus link to support brownfield regeneration in Seacroft. The bus link is an essential piece of infrastructure that will provide increased accessibility and connectivity between the neighbourhoods of north and south Seacroft.
- 5.2 Substituting the sites in the loan facility agreement would result in no additional financial implications or liabilities to the Council as the combined land sale receipts would pay back the WYCA loan of £1.1m. In addition WYCA would benefit from an increase in housing outputs from 475 dwellings to 528 dwellings and the loan being paid back earlier than expected as three of the sites have already been disposed of.

6 Recommendations

- 6.1 The Chief Officer of Asset Management and Regeneration is asked to authorise entering into a revised loan agreement with WYCA to substitute the previous eight brownfield sites with four other brownfield sites in the Council's BLP to facilitate the delivery of the bus link.

7 Background documents¹

- 7.1 Original loan facility agreement

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.