

Report of the Director of City Development

Report to Scrutiny Board (Housing and Regeneration)

Date: 20 July 2012

Subject: Bringing Forward Brownfield Development Sites

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| Are specific electoral Wards affected? If relevant, name(s) of Ward(s): | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| 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? If relevant, Access to Information Procedure Rule number: Appendix number: | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |

Summary of main issues

1. This report presents an overview of the issues relating to bringing forward brownfield development land in Leeds for residential use.

Recommendations

Members are asked to note the report and offer comment on the issues raised.

1. Purpose of this report

- 1.1 This report has been prepared in response to a request from Scrutiny Board for a discussion paper on issues relating to the development of brownfield land in Leeds and how it can be brought to the market.

2. Background information

- 2.1 A significant feature of Leeds renaissance in the last 10-15 years has been the re-use of brownfield land to accommodate new residential developments. In broad terms this has been underpinned by population and household growth and driven by the boom in city centre living, the availability of credit for developers/house buyers and planning policies (national and local) encouraging a 'brownfield first' approach, which have collectively resulted in land values high enough to support good profit margins for developers and land-owners.
- 2.2 During this period the Council has maintained a healthy disposal programme, benefiting from sale of brownfield land for housing. Since 2005, sales of brownfield

property amounted to almost £28m, with an estimated 1,500 housing units delivered on 38 hectares as a result of subsequent developments by purchasers.

- 2.3 Following the 'credit crunch' of 2007/8 and the subsequent economic downturn, the property and development markets have made a significant withdrawal from development on brownfield sites, which have in large part ceased to offer prospect of a return on land values. Although this has been evident throughout the city, it has particularly been the case in the city centre, inner areas and peripheral estates.
- 2.4 In the city centre, sites that were previously purchased at pre-crunch values and not developed now lay fallow due to the unviability of developing and selling flats at the densities required to make the originally anticipated commercial return. In some cases these sites have returned to the lending bank's ownership due to the liquidation of the companies set up to purchase and develop them.
- 2.5 Sites in non-central marginal locations that previously would have been capable of delivering small commercial profit or land value can now be described as sub-marginal and some way from being of interest to house builders. This has been exacerbated more recently by the swing towards greenfield development following the release of Phase 2 & 3 UDP land for planning applications, which has resulted in some refocus of the local development industry away from inner city and estate locations towards profitable current and future edge of city opportunities.
- 2.6 The proportion of residential completions on brownfield land in Leeds grew from 53% in 1997 to a peak of 97% in 2006. The trend has subsequently been downward, with 86% of completions on brownfield land in 2011.
- 2.7 The Council has continued efforts to secure the disposal and development of brownfield sites in its ownership and has retained priority regeneration and disposal programmes that focus on those areas where much of this land is located.
- 2.8 The capital receipts disposal programme has however slowed and expectations of both income and development potential have been significantly reduced. Since the height of the market in 2007/8 when brownfield disposals were valued at £12m, average annual receipts have been around £2.4m.
- 2.9 The EASEL project is building new homes on two cleared sites in Gipton and Seacroft, albeit on a supported basis significantly different to that of the fully market-lead development originally envisaged. Over 200 new homes have been built since 2008.
- 2.10 The Council has also succeeded in disposing of some brownfield sites directly to the market for development, securing a positive land value in doing so – a recent example being Walmer Grove in Pudsey for which a conditional contract is currently being negotiated and the purchaser is preparing a detailed planning application. In addition, the site of the former Moorhaven older people's home will be sold in the next few days following the purchaser's receipt of detailed planning permission.
- 2.11 The ability to do such deals is however very much dependent upon site conditions (abnormal costs) and location, with market confidence not consistent across the city.

- 2.12 Partner agencies have also continued to play a key role in bringing forward, disposing and developing brownfield sites. The Homes and Communities Agency (formerly English Partnerships) has remediated and disposed of the former Allerton Bywater coal workings and is in the process of taking land at the former Wharfedale Hospital to the market for housing development. The HCA has provided significant subsidy and grant to developers through programmes such as Kickstart, Get Britain Building, HomeBuy Direct and also provides grant to Registered Providers through the Affordable Housing Programme. In total 1690 units have been delivered since 2008 with HCA support.
- 2.13 In the Aire Valley Leeds, the Miller Homes Scheme at Yarn Street continues to be active with two phases (c100 units) delivered so far on brownfield land. The first two phases were supported through Kickstart but Miller Homes declined to pursue the current Get Britain Building scheme which offers loan support to the developer rather than to individual purchasers. Elsewhere the owner of the Yorkshire Chemicals site (Black Bull Street) submitted an application for family housing on the edge of city centre brownfield site. There is as yet no confirmation when this type of development will actually come forward. Despite a range of permissions already granted across Aire Valley Leeds there is not indication currently that any developer is actively preparing for new housing developments.
- 2.14 In the Holbeck Urban Village area public sector pump priming of public realm and site funding, through the former Regional Development Agency, has lead to private residential developments of over 600 units on sites such as the Round Foundry, Manor Mills and Granary Wharf. A further 70 units are in the pipeline for the next phase of the Tower Works project.
- 2.15 For the private sector negotiating independent third party purchases of land, brownfield sites in more attractive locations are proving to be of interest. Bellway has commenced development of the former Vicker's tank factory in Crossgates with three and four bedroomed houses. Also in Crossgates, work will soon commence on the former Optare site. The Green Bank site which straddles the Urban Village boundary at its western edge is currently being consulted on in preparation for a planning application. An existing planning application for the site includes provision for a 33 story tower although the new application, by owners Taylor Wimpey will seek to reduce the scale and number of residential units (to around 600) to reflect current market trading conditions. Such developments are indicating a return to more traditional family type housing estates at lower densities.

3. Main issues

3.1 Land Ownership and Interests

3.2 Consideration of the brownfield challenges in the city requires appreciation of the differing nature of land ownership and interests. These sit broadly in three categories:

- Leeds City Council
- Other public bodies (eg. HCA, NHS)
- Private interests (eg. developers, banks & investment institutions, individuals)

- 3.3 The intentions of these interests for their land will be driven by different pressures, aspirations and governance arrangements.
- 3.4 The Council has its own conflicting demands to balance and satisfy - the Housing Growth agenda and need to deliver against the city's housing needs; regeneration aspirations for some of the areas in which sites are located; and capital receipt aspirations attached to the land assets.
- 3.5 Other public bodies may be required to respond to aspirations and demands not directly linked to the land itself (eg. clinical and commissioning needs and estate reconfiguration in respect of the NHS), which add further complexity to the way in which land is brought forward for development. There will also be direct policy and funding pressures to respond to from central government.
- 3.6 Private interests will often be driven by the need to recoup purchase costs and ideally obtain a profit on a sale or development. This may lead to owners holding on to land until they are able to bring it forward on a commercial basis and may often play a significant role in determining the eventual nature and form of the development. Where land is owned by banks and investment institutions (particularly as a reversion from liquidated companies) there may be limited immediate and proactive interest in the asset.
- 3.7 Alongside these ownership interests local communities, ward members, individuals and businesses will have their own views and ambitions for sites.
- 3.8 **Planning**
- 3.9 The planning system as a whole has a key role to play in providing or supporting the conditions of certainty that are critical to the development process, particularly where there may be a perception of greater risk attached to the viability of development on brownfield sites.
- 3.10 The city has a range of planning tools at its disposal (or emerging) to offer this certainty, encourage investment and guide development of previously used land. Principal amongst these is the adopted Unitary Development Plan, which focuses on the development and regeneration of brownfield land in the inner areas and the emerging Core Strategy.
- 3.11 The Council produces planning statements and planning briefs for sites, including those it is seeking to dispose of (scope of these is dependent upon the size and complexity of a site), which offer guidance on potential uses, design and siting matters and also support the marketing of the development opportunity.
- 3.12 At a wider level, particularly in priority or regeneration areas, area frameworks can be used and adopted as either formal or informal planning guidance. These provide a more strategic overview of larger sites or collections of sites, their fit with surrounding uses, more detailed development scope and can be part of broader marketing and area regeneration initiatives. Examples of these include the Beeston & Holbeck Land Use Framework and the Aire Valley Area Action Plan.

- 3.13 Following the 2011 Localism Act there are now further ways in which the planning system can support and stimulate brownfield residential development – locally drawn up, pro-growth Neighbourhood Plans will offer clarity and certainty to developers on the potential of sites where these have been designated for housing. These will have an important relationship to work on the ground to affect visible neighbourhood improvements and confidence in the future prospects of an area (such as community safety partnership work, neighbourhood management).
- 3.14 **Future Delivery Opportunities**
- 3.15 The ability of the city and its stakeholders to address its brownfield sites and bring these forward for development will be strongly influenced by two important market dynamics.
- 3.16 Firstly the increasing pressure for development of Greenfield locations, stimulated initially by the release of Phase 1 & 2 UDP sites has refocused the market towards sites which are considered easier to develop and make a commercial return from, away from more challenging and less profitable brownfield locations.
- 3.17 Secondly the prevailing macro-economic conditions will mean it is unlikely that the property and housing markets will see a significant uplift towards pre-crunch levels; values will remain substantially lower and the bar for brownfield sites to become viable for development, with a product that is viable for development and attractive for house buyers, will remain too high.
- 3.18 Leeds City Council
- 3.19 Work is underway to establish the means or vehicles through which greater interest can be secured from the market in the Council's brownfield sites and to secure a more certain and sustainable development pipeline.
- 3.20 The Council has a range of land requirements in reconfiguring, improving and delivering its services, for example in finding sites for new schools and sites for older people's housing. These sites are required to be reserved or set aside to meet service needs.
- 3.21 The Council's immediately available residential development sites have been reviewed and can be divided into two packages:
- (a) sites upon which it is likely that financially viable schemes can be delivered;
 - (b) sites of marginal or no financial viability which would not be of interest to the market without some form of Council assistance.
- 3.22 The first type of site could be expected to sell on the open market with the Council realising a capital receipt. In the current market it is expected developers would wish to proceed on a conditional basis and secure detailed planning permission before completing the acquisition. The second type of site is unlikely to be financially viable without some form of support or subsidy.

- 3.23 There are therefore a range of potential options that could be considered in bringing these sites as a whole to the market:
- Advertised for sale on an open market basis
 - Deferred purchase (disposal and land value returned to the council only upon completion of development)
 - Equity Share in houses constructed (the Council takes a stake off-set against land value)
 - Profit Share (either an agreed proportion of sales or through overage)
 - Direct financial assistance (in the form of grant or cross subsidy from more viable sites)
 - Purchase of houses to guarantee level of sales revenue (requiring Council capital)
 - Partnering with Registered Providers (which may require HCA grant to be allocated)
 - Infrastructure improvements by LCC (requiring up front capital investment)
 - Transfer of affordable housing requirements from other market-lead sites
 - Relaxation of s.106 requirements
- 3.24 These approaches might be considered on a site-by-site basis or under a packaged approach through which the sale of viable sites could be combined with those that are less viable.
- 3.25 There has been growing interest nationally in the extent to which expanding the private rented sector could meet housing requirements, particularly of people who have been unable to access mortgage finance to buy their own property but who would not qualify for social rented housing. The government have been looking at ways through which institutional investors can be encouraged to invest in this market and how some of the technical barriers to investment – including land – can be overcome.
- 3.26 In Leeds, in conjunction with the HCA and colleagues in other Leeds City Region authorities, feasibility work is being undertaken to see how the model might work in the regional market. Location will be key, both in terms of meeting the aspirations of a relatively affluent working population and achieving sufficient scale to make the investment attractive. Ideally schemes would be located near economic centres or on main transport routes. There are a number of brownfield sites which might be appropriate for this and work is ongoing to identify those sites which could lend themselves to this model.
- 3.27 The Affordable Housing Scrutiny Working Group, which concluded its inquiry last month, received a series of discussion papers on the issue of institutional investment and included further detailed consideration of this investment model within its recommendations.
- 3.28 Other Public Bodies
- 3.29 The HCA holds a portfolio of development land arising from its former role as English Partnerships and from its current role in bringing forward housing development on redundant government land. New phases of development are being brought forward at Allerton Bywater and the former Wharfedale Hospital site

is also being brought to the market. There are also a range of former Yorkshire Forward sites located in the Holbeck Urban Village area that sit with the HCA to be brought forward for development.

3.30 The HCA has offered to work with the Council in market testing some of the Council's sites with its own sites through its Delivery Partner Panel (DPP) later in 2012. This exercise will provide feedback from the DPP members whether the sites are attractive and what delivery mechanism may be effective in realising development; it will also offer views on how the sites could be delivered to stimulate development.

3.31 Private Interests

3.32 The ability and willingness of private interests to bring forward brownfield sites for development will be almost wholly determined by the wider property and housing market and a viability assessment of when land will become profitable.

3.33 Such private sites are predominately located in areas such as the city centre, Holbeck Urban Village, Aire Valley and at Kirkstall Forge.

4.0 Corporate Considerations

4.1 Consultation and Engagement

4.1.1 There has been no specific consultation on this report, which is presented as an initial discussion document for Scrutiny Board.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 There has been no Equality Impact screening undertaken for this report, which is presented as an initial discussion document for Scrutiny Board.

4.3 Council Policies and City Priorities

4.3.1 The remediation and development of brownfield sites relates strongly to a range of objectives within the City Priority Plans.

4.4 Resources and Value for Money

4.4.1 There are no specific resource implications related to this report.

4.5 Legal Implications, Access to Information and Call In

4.5.1 There are no specific legal implications related to this report.

4.6 Risk Management

4.6.1 There are no specific risks related to this report, which is presented as an initial discussion document for Scrutiny Board.

5. Conclusions

- 5.1 The ability to bring brownfield land forward for development is very strongly related to the ability of landowners to make a return and for the development to be profitable. Following the credit crunch and dip in property and housing markets there has been a move away from a high level of interest and realisation of residential brownfield schemes in inner areas, towards a focus on those sites that have a perceived lower level of technical risk and greater chance of commercial return, in greenfield and outer locations.
- 5.2 The ability of the Council and other public bodies to dispose of its brownfield sites is also severely constrained without the funding for significant site preparations or pump priming, requiring new ways of disposing of sites and securing development investment.

6. Recommendations

- 6.1 Members are asked to note the report and offer comment on the issues raised.

7. Background documents¹

- 7.1 There are no background documents

¹ The background documents listed in this section are available for inspection on request for a period of four years following the date of the relevant meeting. Accordingly this list does not include documents containing exempt or confidential information, or any published works. Requests to inspect any background documents should be submitted to the report author.