

## Report of the Director of City Development

### Report to Scrutiny Board (Housing and Regeneration)

**Date: 30 October 2012**

### Subject: Non-Council Brownfield Sites

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

This report and associated appendix provide details of brownfield sites outside of the Council's ownership and issues relating to their viability for development.

### Recommendations

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

#### 1. Purpose of this report

- 1.1 At its meeting in July, Scrutiny Board considered an initial paper on brownfield land in the city, which offered a broad picture of the recent history of development, ownership and development interests, the role of Planning and future prospects for development.
- 1.2 In follow up to this the Board requested:
  - (i) a list of all Council owned brownfield sites and buildings in the city showing how long they have been declared surplus to requirements, what marketing has been undertaken and what incentives have been offered to encourage redevelopment of those brownfield sites;
  - (ii) a list of non Council owned land that are brownfield sites that have been declared not viable and the reasons why they are not viable and what has been offered to move those sites forward for redevelopment.

- 1.3 Details in respect of the first request were provided to the Scrutiny Board meeting on 25<sup>th</sup> September. This report provides details in respect of the second request, based on information available to the Council.

## **2. Background information**

- 2.1 The report presented to Scrutiny Board on 20 July 2012 provided an overview of the issues relating to the development of brownfield development land in the city.
- 2.2 This noted that 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. However since the 'credit crunch' of 2007/8 and the subsequent economic downturn, the property and development markets have made a significant withdrawal from development of housing on previously used sites.
- 2.3 In the city centre, land that was previously purchased at 'pre-crunch' values and not developed has remained fallow due to the inability to develop and sell flats at the densities required to make the originally anticipated commercial return and to recoup the purchase costs. 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.
- 2.4 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.
- 2.5 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.
- 2.6 House-building is also increasingly being focused away from inner areas and towards outer areas with pressures on greenfield locations. Whilst this pattern seems meet with demand from purchasers, it does not reflect the location of existing housing needs within the existing urban areas.
- 2.7 There is also a general re-focus of the house building industry away from apartments towards family homes, which has resulted in revised approaches to many sites. However in Leeds the student new build flats market is still quite buoyant in the city centre and its western edges, showing a definite trend away from traditional houses in multiple occupation for student accommodation.
- 2.8 Developers with planning permission in the city centre for major mixed use development are also beginning to indicate schemes may be progressed in the near future with an emphasis on the retail/commercial side rather than the residential elements.

### **3. Main issues**

- 3.1 Appendix 1 shows a list of over 130 non-Council owned brownfield sites in Leeds, with details of their location, size and where known, issues relating to their viability and development. These are sites that are vacant and available for development – sites that have existing uses on them are excluded.
- 3.2 The housing capacities shown for sites in the list are based on past or existing planning permissions or figures from the Strategic Housing Land Availability Assessment – in some cases therefore they are notional and remain to be tested through worked up proposals for development. Sites with indicative capacity below 10 units have been excluded from the list.
- 3.3 The list of sites has been generated through a number of sources - the Council has more information about some sites than others:
- The Unitary Development Plan sets out sites formally allocated for residential development, with indicative housing capacities;
  - Under the 2011 SHLAA process land owners and agents submitted information about land that may currently be in use but which could in the future be considered as brownfield development sites and which may now be coming forward as 'windfall sites';
  - Some third party sites are located within regeneration areas where the Council works in partnership with landowners in seeking to achieve appropriate development of their sites.
  - Other sites have been subject to planning applications and there is therefore information to draw on to evidence development proposals and an understanding of why these may not have moved forward.
- 3.4 For some sites however the Council may not have any relationship with the landowner, no background information and no planning applications may have been submitted in recent years, which means information about the intentions of the owner are not known.
- 3.5 Those sites that have a residential planning allocation or a permission in place but which have not yet been developed may not necessarily be constrained for financial reasons. There may be additional land assembly or partnership activities to be completed, planning and design requirements to resolve or the landowner may be awaiting better market conditions to place a site on the market for consideration for purchase by developers. However financial viability is cited as the most common reason from developers for holding back development of brownfield sites.
- 3.6 There is no formal process or definition for establishing viability of a site, each landowner or developer will approach this differently. However, generally the ability to realise a development will depend on the purchase cost of the land (or the value aspirations of the landowner), the costs of developing it and meeting planning requirements and the likelihood of selling the developed products at a price that recoups the cost and makes an acceptable profit.

- 3.7 Analysis of planning data indicates that there has been a change in the pace at which all housing development is coming forward following granting of planning permissions. At the height of the market in 2008/9, 50% of completed housing units related to consents within the previous 3 years and only 5% of completions relating to those over 5 years old. By 2010/11, 35% of completions related to consents less than 3 years old and 54% to those over 5 years old.
- 3.8 The time it takes for developers to start on-site following granting of planning approval is therefore generally increasing. This is often attributed to the difficulties in accessing development finance faced by some house builders and a shortage of mortgage availability for potential buyers that combine to create commercial uncertainty and an uneconomic business case for development.
- 3.9 There does appear to be a small reduction in build-out rates once developers have started construction, although once a start-on site is achieved this is indicative of commercial confidence and a level of certainty that a scheme can be fully built and sold.
- 3.10 In response to viability issues within the house building industry and in support of maintaining momentum in delivering new homes in the city, the Council put in place an interim Affordable Housing Policy in June 2011. This reduced the proportion of affordable homes required on sites providing more than 15 units: from 30% to 15% in the outer and inner suburbs and from 15% to 5% in inner areas and the city centre (the proportion was increased from 30% to 35% in outer areas). The revised policy position enables a developer more scope to recover the costs of development by reducing the profit foregone in providing affordable housing and allowing more housing to be sold at market rates.
- 3.11 Some developers with planning permission have approached the Council with formal requests to reduce the s106 planning requirements attached to site development consents. An independent development appraisal is commissioned to assess the viability of the scheme in question to identify whether there is a financial justification for reducing the obligations. The Local Planning Authority undertakes consultation with ward members before taking any decision to implement any changes.
- 3.12 Developers are also able to apply for extensions of time in their planning permissions to keep a consent live for a longer period and to provide more time to address any viability issues. This also saves the applicant the additional cost of a new planning application, which can be significant for large residential schemes. The standard planning permission is for 3 years, applications for extension can lengthen this to 5 years.
- 3.13 The Government's Homes and Communities Agency has provided financial support to help address financial blockages. The HCA has provided significant funding nationally to developers through programmes such as Kickstart, HomeBuy Direct and the current Get Britain Building fund, to assist developments that are ready with planning permissions or which have been stalled and to provide purchase support to home buyers through equity loans and assistance with deposits.

- 3.14 Developers in Leeds have been able to access this range of support for developments for schemes in Gipton, Seacroft, Hunslet, Pudsey and Armley; the development at Yarn Street next to the River Aire being an example, where a new residential community is emerging on a long derelict brownfield site.
- 3.15 However, the amount of funding available is limited nationally and cannot address the needs of all sites or developers in the city. Outside of London the average size of sites supported by Get Britain Building is 60-70 units. Such support also requires a scheme to be 'shovel ready' and in reality developers are rarely in a position to be quickly mobilised to start-on site to take advantage of potential funding, particularly where schemes may be significantly more financially challenging or complex than can be overcome through such funding mechanisms.
- 3.16 The HCA also plays a role as landowner in the city where it has undertaken significant remediation of the former Allerton Bywater coal workings prior to disposal for housing development and is in the process of taking land at the former Wharfedale Hospital to the market for housing development. At Allerton Bywater it is unlikely that development would have proceeded without major public sector funding to prepare the site.
- 3.17 The Council also seeks to work closely with third party landowners in the city's regeneration priority areas where the challenges of development may be complex, where there may be strong relationships with the Council's own brownfield assets and where resolution of these would assist in delivering the city's priorities.
- 3.18 For example there is ongoing dialogue between the Council and landowners concerning sites in the Holbeck Urban Village area, in the context of the Council's role in setting local planning and regeneration strategy and co-ordinating a range of interests across the public and private sectors towards common aims. Until the economic downturn, there had been over £170m of investments in the area and many sites had secured planning permission for major mixed use schemes.
- 3.19 Many of those proposed developments are no longer viable - at least four schemes were halted as they were about to start on site; two developers fell into liquidation and major public sector schemes were deferred in whole or part. However, the first phase of the redevelopment of Tower Works was recently completed and existing developments in the area have high occupancy rates. The new southern entrance to the rail station will also encourage landowners and developers to consider investment in the area and the development of vacant sites. The Council will continue to work with stakeholders to promote the area and assist in overcoming development blockages.
- 3.20 The Council has a Derelict & Eyesore Sites programme that seeks to target the most prominent vacant buildings and cleared sites in the city for improvement and ultimately to make them available for redevelopment or re-use. Of the 72 sites in the programme 45 are in non-Council ownership - examples of these include the former library buildings on York Rd and Mount St Mary's church.

- 3.21 A more direct role can be taken by the Council in the support of development where it might offer significant benefits to the city in doing so. A current example of this is the potential for the Council to provide recoverable financial support to the rail infrastructure required to enable the development of Kirkstall Forge, a 23 ha site with potential for over 1000 homes, offices and leisure uses (Executive Board will be considering this at its meeting on 17<sup>th</sup> October).
- 3.22 The Council is currently preparing its Core Strategy to set out the revised spatial planning framework for the city. Central to this is an approach to managing growth in a sustainable way balancing the overall scale, distribution and phasing of development. The allocation of housing land will follow key principles to support and encourage development in sustainable locations with a preference for brownfield and regeneration sites.
- 3.23 In delivering housing along these principles consideration may need to be given to an approach that pragmatically connects greenfield development proposals to the development of brownfield sites in a way that enables developers to meet demand in outer areas whilst contributing to the development of previously used land and helping meet housing needs in inner areas.

#### **4.0 Corporate Considerations**

##### **4.1 Consultation and Engagement**

- 4.1.1 There has been no specific consultation on this report, which presents information for discussion by the 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 presents information from Council records for discussion by the Scrutiny Board.

##### **4.3 Council Policies and City Priorities**

- 4.3.1 The development of brownfield sites relates strongly to a range of objectives within the City Priority Plans, supporting neighbourhood regeneration and housing growth.

##### **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 presents information from Council records for discussion by the Scrutiny Board.

## **5. Conclusions**

- 5.1 There are over 130. brownfield sites identified in the city that are available for development but which do not have current building schemes progressing. There are various reasons for this though financial viability generally dominates.
- 5.2 The Council has a statutory role in respect of the planning process as it relates to the development of brownfield sites, determining applications according to adopted policy. Some flexibility has been built into the process to assist viability issues, particularly the adoption of an interim affordable housing policy. Developers are also able to extend the life of permissions upon application and have also started to submit cases to reduce the financial obligations attached to s106 agreements on viability grounds.
- 5.3 There are opportunities for public sector support to private site owners – the HCA has a current housing stimulus package that can address small-medium sized sites; the Council is sometimes able to work in partnership with development interests in strategic locations, where there is a role in setting context, co-ordinating interests and overcoming barriers. On a discretionary basis it may be in a position to offer direct funding support viability of important schemes.
- 5.4 However the large scale of many viability issues for stalled sites cannot be overcome through these means alone and unless there is either a significant market uplift or a change in value expectations for developers seeking to recover the costs of land purchases made at the height of the market, there will be a continuing lack of an economic basis on which brownfield sites can be built out.

## **6. Recommendations**

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

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

- 7.1 There are no unpublished background documents.

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<sup>1</sup> 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.