

**Report of Director of City Development**

**Report to Executive Board**

**Date: 9<sup>th</sup> May 2013**

**Subject: Disposal of cleared site in Holbeck to Unity Housing Association**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s): Beeston and Holbeck	<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
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number; 10.4 ( 3 ) Appendix No. 2	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

**Summary of main issues**

- (i) This report sets out proposals to dispose of a cleared site, at Brown Lane East in Holbeck, to Unity Housing Association at a less than best consideration to facilitate the development of new affordable homes. The development will complement other forthcoming housing investment in the area.
- (ii) Grant funding has been secured by Unity HA from the Homes and Communities Agency (HCA) Affordable Homes Programme 2011/15 to support the redevelopment of 41 new affordable homes. In addition Unity's own resources will be utilised to fund this scheme.
- (iii) The scheme will contribute to the strategic objective of delivering additional affordable homes within a priority regeneration area of the city and will meet some of the objectives of the Holbeck Regeneration Plan 2010.
- (iv) The Council will receive 100% nomination rights on the first lettings of the new homes and 75% thereafter.

## **Recommendations**

Executive Board is recommended to:

- (i) approve a proposal to dispose of a cleared site in Holbeck as identified at appendix 1 on the basis of a “one to one” negotiation with Unity Housing Association at a less than best consideration on the terms detailed in the confidential appendix 2.
- (ii) delegate authority to the Director of City Development (with the power to sub-delegate) to approve the detailed terms of the sale.

### **1 Purpose of this report**

- 1.1 The purpose of the report is to seek approval to dispose of a cleared site in Holbeck at less than best consideration and on the basis of a “one to one” negotiation with Unity Housing Association. The disposal of this site will facilitate the development of an affordable housing scheme in a priority regeneration area of the city.

### **2 Background information**

- 2.1 The Council’s Executive Board at its meetings of 20<sup>th</sup> September 2006, 4<sup>th</sup> January 2007 and 4<sup>th</sup> October 2007 approved proposals to commence the acquisition and demolition of 113 pre 1919 properties of mixed tenure across three phases. The project was funded utilising grant funding from the Single Regional Housing Pot (SRHP).
- 2.2 At its meeting in February 2008, the Council’s Executive Board agreed to delegate responsibility for the disposal of sites held within the Affordable Housing Strategic Partnership (AHSP) at an agreed fixed figure of £5k per plot which at that time was less than best consideration This was an amount based on HCA funding levels at that time and was applied across all the sites held by the partnership.
- 2.3 In March 2008, Executive Board approved a recommendation that the cleared sites on Brown Lane East, Holbeck, along with three other sites cleared with SRHP funding, should be transferred to the AHSP for redevelopment as affordable housing.
- 2.4 Unity Housing Association has approached the Council with a proposal to develop the Brown Lane East site as they have an indicative funding allocation from the HCA for the development of approximately 40 units on a non site specific basis.
- 2.5 Executive Board has previously approved proposals in January 2011 and June 2012 to transfer two of the four SRHP cleared sites, the Beverelys & St Hildas, to Chevin Housing Association at nil consideration to facilitate the development of affordable housing schemes.

### **3 Main issues**

- 3.1 This site has been cleared since June 2011. The Holbeck area has seen a significant number of demolitions over recent years and this development will mark the start of a new phase of regeneration for the locality. The location of this site overlooking Holbeck Moor and the cleared site of the former Holbeck Towers presents an opportunity to make a significant impact on the local area and demonstrate the Council's commitment to regeneration of this area. Whilst other uses have been considered for this site including retail, no firm proposals have been brought forward, and Unity's proposal represents a deliverable and funded scheme. The proposals presented by Unity would meet the objectives of the Holbeck Regeneration Plan which was adopted as formal planning guidance in 2010.
- 3.2 Housing associations have previously been invited to express interest in a package of sites which included this one. Chevin HA were selected to deliver affordable housing on the site through this process, but had withdrawn their proposals when housing associations were required by the HCA to scale back their submissions in view of the oversubscription of the programme. At the time that submissions were made to the HCA no other housing association had presented proposals to develop this site and the current affordable housing programme is on the whole committed. At this point in time there is no viable alternative to the Unity scheme for the foreseeable future. The Council has therefore entered into a "one to one" negotiation with Unity HA for the disposal of the site in order to facilitate this much needed investment in the area. The Unity scheme in itself will contribute to the regeneration of the area and make a significant contribution to quality affordable housing in that location, with the advantage that the Council has nomination rights.
- 3.3 Unity Housing Association has been successful in securing funding from the HCA as part of the Affordable Homes Programme 2011/2015 for the development of approximately 40 new affordable homes on a non site specific basis.
- 3.4 Unity Housing Association approached the Council with a proposal to deliver a scheme of 41 units at Brown Lane East by using secured HCA funding. The proposed scheme will consist of 18 two bedroom flats, 17 three bedroom and 6 four bedroom houses. 25 of these houses will be available for rent at an Affordable Rent level (80% of the market rent) with 16 being made available for shared ownership. The houses will have private gardens and all properties will have designated parking.
- 3.5 Unity already has a presence in the area and has completed, over recent years, two new affordable housing developments in the area. They have demonstrated their commitment to regeneration in the city particularly in relation to their performance in the provision of employment and training opportunities on the recently completed Beverleys site in Beeston.
- 3.6 A planning application for the proposed affordable housing scheme was submitted by Unity Housing Association in February 2013.

- 3.7 As part of a Town and Country Planning Act 1990 section 106 agreement the Council will receive 100% nomination rights on first lettings of the houses and 75% of nomination rights on subsequent lettings.
- 3.8 Unity has commissioned an appraisal and valuation of their proposals from independent Chartered Surveyors which reported in January 2013. A copy of this report has been submitted to the Council and made available on an open book basis. The findings of the report indicate that the scheme is not financially viable if they are required to pay market value for the land.
- 3.9 City Development officers have reviewed the report provided by Unity and have carried out their own appraisal of the development potential for residential development on the site. It can be confirmed that in the current market it is not financially viable to develop the site for this use in that the total costs of the scheme exceed the Gross Development Value of the development on completion. The scheme only becomes viable with the support of HCA grant funding and therefore only a housing association with access to this funding would be able to develop this site at this time.
- 3.10 Unity has submitted a request for the Council to dispose of the land to them at a less than best consideration, the details of which are set out in the confidential appendix 2.
- 3.11 Executive Board has previously considered similar recommendations based on the standard approach taken by the Council to assess the viability of schemes and has approved the disposal of sites to various Housing Associations at less than best consideration in pursuit of housing growth and in recognition of the strategic benefits which will be achieved. These include 100% nomination rights, an increase in housing market confidence in low value areas and an opportunity to create employment and training opportunities. In all such cases the terms of disposal would include restrictions to ensure that the site could only be used for the provision of affordable housing in perpetuity. Similarly an overage clause would be included to ensure that in the event that the scheme went into profit over the next 20 years 75% of that profit would be payable to the Council.

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

- 4.1.1 Ward Members were briefed about the proposals prior to the submission of the planning application and are supportive.
- 4.1.2 The proposals to develop the site were presented to the Holbeck Forum on 10<sup>th</sup> December 2012 and were agreed in principle. This was followed by a meeting with Holbeck residents and Unity Housing Association attended by two of the ward members. Residents and ward members attending the meeting were supportive of the scheme. The third ward member had previously confirmed his support via email.
- 4.1.3 The Holbeck Neighbourhood Forum is working to prepare a Neighbourhood Plan under the new powers granted in the Localism Act 2012. This will set out

additional improvements in the wider area but the scheme is seen as a positive contribution to commence regeneration in this area.

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

4.2.1 This proposal will make a positive contribution towards equality, diversity, cohesion and integration objectives by providing 41 units of general needs accommodation built to lifetime home standards. As some of these units will have four bedrooms they will address the specific needs of larger families. The development would also provide opportunities for families to access affordable home ownership as some of the units will be offered for shared ownership.

4.2.2 An equality, diversity, cohesion and integration screening exercise has been carried out. This has affirmed that equality, diversity, cohesion and integration considerations have been effectively considered in relation to this proposal and that a full impact assessment was not required. The screening report is attached.

## **4.3 Council policies and City Priorities**

4.3.1 The scheme is located within an area identified as a target area within the Leeds Housing Investment Plan.

4.3.2 The development of the Brown Lane East Site will increase the number of new affordable homes built each year which is an objective of City Priority Plan 2011-2015.

4.3.3 The development of new affordable homes on the cleared site will help to increase housing market confidence in the area and will indicate the Council's commitment to the regeneration of the Holbeck area.

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

4.4.1 The proposed details of the disposal of the Holbeck site at a less than best consideration to Unity is detailed in the confidential appendix 2.

4.4.2 The development of new housing on this site will also generate New Homes Bonus with the affordable housing uplift.

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

4.5.1 Section 32 of the Housing Act 1985 provides that local authorities cannot dispose of land which they hold for the purposes of Part II of that Act without the consent of the Secretary of State. Section 25 of the Local Government Act 1988 provides that a local authority cannot provide any person with financial assistance for privately let housing accommodation without the consent of the Secretary of State. It is proposed that the land be disposed of using a general consent given by the Secretary of State, such consent being General Consent A under section 25 of the Local Government Act 1988 for the Disposal of Land to Registered Providers of Social Housing 2010 ('the Consent'). The consent also operates as a consent for the purposes of Section 32 of the Housing Act 1985. The Consent provides that a local authority may provide a registered provider (within the meaning of Part 2 of the Housing and Regeneration Act 2008) with financial

assistance or any gratuitous benefit consisting of the disposal of land to that registered provider for development as housing accommodation subject to a number of conditions. The Head of Property Services confirms that the aggregate value of assistance provided by the Council by the proposed disposal and any gratuitous benefit or financial assistance provided previously by the Council under the Consent in the current financial year has not exceeded the limit of £10 million as prescribed by the Secretary of State and Legal Services has therefore confirmed that the conditions provided by the Consent are met in relation to the proposed disposal and that consent for the disposal of the site and the provision of financial assistance by way of a disposal at less than best consideration is given by The General Consent under Section 25 of the Local Government Act 1988 for the Disposal of Land to Registered Providers of Social Housing 2010.

- 4.5.2 The information contained in Appendix 2 attached to this report relates to the financial or business affairs of the Council. It is considered that the release of such information would or would be likely to prejudice the Council's commercial interests in relation to the disposal of sites to Housing Associations and level of consideration which may prove acceptable to the Council. 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 Access to Information Procedure Rule 10.4 (3).

#### **4.6 Risk Management**

- 4.6.1 There is a risk that if this opportunity for redevelopment of the site is not pursued the site could remain undeveloped for the foreseeable future and 41 affordable homes would not be provided in this area of housing need.
- 4.6.3 A further round of funding from the HCA has been recently announced. However, no other Housing Association has indicated that they would apply for funding to develop this site during the 2011/2015 Affordable Homes programme.
- 4.6.5 In view of the site development and likely property values, it is considered as unlikely to be a viable site for a developer. With this in mind it is considered unlikely that the site would be sold on the open market in the current economic climate. If sold on the open market the site would attract two affordable housing units via s106 in line with current planning requirement at 5% in this location, (which falls under the City Centre Housing Market Zone).

#### **5 Conclusions**

- 5.1 This proposal offers an opportunity to deliver affordable housing in one of the city's priority regeneration areas, contributing to the affordable housing targets within the City Priority Plan.
- 5.2 On the basis of the viability assessment undertaken for this site, it is proposed that the site should be disposed of to Unity HA at less than best consideration on the terms set out in the confidential appendix 2.

5.3 Unity HA have secured grant funding which could be used to deliver the scheme and in line with the conditions of the HCA's grant funding programme are in a position to complete the scheme by April 2015.

## **6 Recommendations**

6.1 Executive Board is recommended to:

- (i) approve a proposal to dispose of a cleared site in Holbeck as identified at appendix 1 on the basis of a "one to one" negotiation with Unity Housing Association at a less than best consideration on the terms detailed in the confidential appendix 2.
- (ii) delegate authority to the Director of City Development (with the power to sub delegate) to approve the detailed terms of the sale.

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

7.1 None

---

<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.