

## Policy Committee – 6<sup>th</sup> June 2017

### Shared Ownership Housing Development



Report of the Director of Services

Ward(s) affected: All Wards

Lead Member: Cllr Richard Foster

#### 1 Purpose of the Report

To inform Members of progress regarding the development of shared ownership housing on Council owned land and seek approval to develop a further three sites.

#### 2 Recommendations

- 2.1 Approve the development of eleven shared ownership housing units on three Council sites at Colne Road Glusburn, Harper Grove Sutton and North Parade Skipton.
- 2.2 Approve a supplementary capital estimate of REDACTED to be funded from borrowing and grant for the construction of eleven shared ownership housing units at Colne Road Glusburn, Harper Grove Sutton and North Parade Skipton.
- 2.3 Give delegated authority to the Director of Services to submit a grant funding application to the Homes and Communities Agency for REDACTED and to accept the grant if the application is successful.

#### 3 Background

- 3.1 An initiative to develop shared ownership units on Council owned land was approved by Policy Committee on 3<sup>rd</sup> November 2015. Once completed the units will provide much needed affordable housing in the district and help generate new sources of asset based income.
- 3.2 Shared ownership allows individuals on low to middle incomes to get their foot on the property ladder by requiring a much smaller deposit and mortgage than if the property was bought outright. The principle of shared ownership tenure is that occupiers acquire only a share of the property i.e. a 50% share, at open market value and pay a rent at a fixed rate on the un-acquired share, providing the Council with a stable rental income.

The occupiers have the option of acquiring additional shares, known as 'stair- casing as and when they are able, with a consequent reduction in rent payable.

- 3.3 The Council pays the full cost of building the shared ownership units on its own sites. In addition to selling a share of the property to the occupiers, viability is enhanced, firstly by the availability of government subsidy, in the form of a Homes and Communities Agency (HCA) grant and, secondly, the possibility of using money for the off-site provision of affordable housing in the form of 'commuted sums' to subsidise development costs.

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- 3.4 HCA grant is available on a 'bid' basis. The outcome of any HCA application would be known before any construction contract is let with the extent of any risk of not receiving sufficient grant funding restricted to fees and time costs of preparatory works.
- 3.5 The Strategic Housing Market Assessment update in 2016 indicates the Craven area has an annual shortfall of 145 affordable homes. The SHMA suggests 53% of these should be single bed houses and 33 per cent two bed. The Council keeps a register of individuals wishing to purchase shared ownership units and there are currently 30 registered.

Typically first time buyers looked for two bed starter homes and although shared ownership properties could be three bed roomed, costs were higher and they were therefore less affordable.

- 3.6 To establish processes that would ensure the Council is able to deliver a sufficient number of shared ownership properties to achieve a target revenue stream of £100,000 as required by the Council's Income and Savings Plan, Members approved the development of a pilot scheme on a site in Glusburn. This report updates Members on progress with the development of the pilot site building our own shared ownership houses and seeks approval of a supplementary capital estimate to extend the initiative to a further three schemes.

## 4 Shared Ownership Development Progress

- 4.1 Following an open tender process for the in-house pilot scheme at Burnroyd Avenue in Glusburn a contract for demolition of the existing garages and construction of three shared ownership units was awarded to Ellison Construction Ltd of Wilsden. Work on the site commenced March 2017 and completion is expected August 2017.
- 4.2 The properties are now being proactively marketed by Carling Jones Estate Agents on behalf of the Council and there is a high confidence these properties will be sold. Three previous acquisitions made by the Council using section 106 monies have all been sold.
- 4.3 Total cost of the project is REDACTED which is funded by a combination of borrowing, section 106 contributions, Homes and Communities Agency grant and part sale of each of the three units built. REDACTED
- 4.4 A further three Council owned sites have been identified as being developable for shared ownership housing and detailed planning permission was granted in October/November 2016. The sites are listed below and together make up 'phase 1' of the shared ownership development project;-
- Garage site adjacent to 44 and 60 Colne Road, Glusburn – four units
  - Land adjacent to 13 Harper Grove, Sutton-in-Craven – three units
  - Land adjacent to 50 North Parade, Skipton – four units
- 4.5 For the schemes to be viable a successful funding award from the HCA is required. Funding is currently available for REDACTED per unit which for 11 units is an application for funding of REDACTED. The Council's application will be under the Continuing Market Engagement Process and an outcome should be known within three months of submission.
- 4.6 The total cost of the project is REDACTED which is funded by a combination of borrowing, Homes and Communities Agency grant and part sale of the each of the three units built. Currently there are no confirmed section 106 monies available to help fund phase 1 of the project however if the position changes during the course of the project then section 106 monies will be utilised.

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- 4.7 REDACTED
- 4.8 REDACTED
- 4.9 REDACTED

4.10 A delay in the sale of a property could lead to Council Tax being incurred by the Council and a contingency is therefore included in the financial appraisal. Post sale the Council has no maintenance liabilities and negligible management costs.

4.11 Once funding from the HCA is confirmed the Council will procure a contractor through the open tender process to build the units. The tender acceptance could be confirmed by September 2017 with construction complete April 2018.

## 5 Financial Implications

5.1 A supplementary capital estimate of REDACTED is requested for the construction costs of the eleven units to be funded by a combination of borrowing, Homes and Communities Agency grant and part sale of each of the eleven units built.

5.2 Any commuted sums or HCA grant used to subsidise the development must be recycled for affordable housing. Receipts from the rent charge on the unsold equity can be placed into the general fund and do not have to be used for affordable housing.

5.3 Contract administrator/clerk of works throughout the duration of the construction works at Burnroyd Avenue is undertaken by the Council's Building and Projects Surveyor. This is funded from existing service unit budgets.

## 6 Legal Implications

6.1 The development and/or purchase of shared ownership housing by the Council would fall within Part II of the Housing Act 1985 however, it is not necessary for the Council to re-open the Housing Revenue Account as the Secretary of State has granted the Council an exemption direction under s74 (3) (d) of the Local Government and Housing Act 1989.

6.2 The Council may use commuted sums paid to the Council under s106 of the Town and Country Planning Act 1990 to purchase affordable homes for intermediate sale provided the commuted sum is spent in accordance with the terms of any s106 Agreement.

## 7 Contributions to Corporate Priorities

The proposals in this report support the Council priorities of "Financial Resilience" and "Enterprising Craven".

## 8 Risk Management

Primary risks to the Council arising from its involvement with shared ownership were a crash in the housing market, low or no demand; these could be mitigated by the ability to convert the shared units to affordable rent, private sector rental, sell to a housing association or on the open market.

The financial viability of the project is reliant upon HCA grant, and should this not be available then the project financial model would need to be revisited.

## 9 Author of the Report

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