

Report to Development Control Committee

Agenda
Item:
A.2

Meeting Date: 9 February 2018
Portfolio: Economy, Enterprise and Housing
Key Decision:
Within Policy and
Budget Framework
Public / Private Public

Title: AFFORDABLE HOUSING CONTRIBUTION - REAR OF SCOTBY
ROAD, SCOTBY
Report of: CORPORATE DIRECTOR ECONOMIC DEVELOPMENT
Report Number: ED 06/18

Purpose / Summary:

This report sets out the position regarding S106 contributions relating to affordable housing following an independent viability assessment of the site.

Recommendations:

That the S106 Agreements be modified in accordance with paragraph 3.2 of this report.

Tracking

Executive:	
Scrutiny:	
Council:	

1. BACKGROUND

- 1.1 Planning Application 16/0159 – Land to the Rear of 55-65 Scotby Road for the Erection Of 8no. Dwellings was granted on 13 July 2017 following the signing of a S106 Legal Agreement as authorised by Development Control Committee at its meeting on the 3 June 2016.
- 1.2 Members of the Committee resolved: That authority be given to the Director (Economic Development) to issue approval for the proposal subject to the completion of a satisfactory S106 legal agreement.
- 1.3 The S106 Agreement included: the provision of two affordable dwellings on plots 3 and 4 to be sold at a 30% discount, and the payment of £30,524 towards the off-site provision of open space/play/sport.
- 1.4 Planning Application 17/0131 Land to the Rear of 37-65 Scotby Road for the Erection Of 34 Dwellings And The Enlargement Of The Gardens Serving Plots 6-8 Approved Under Application 16/0159, is currently the subject of Authority to Issue permission subject to the signing of a S106 Legal Agreement as authorised by Development Control Committee at its meeting on the 2 June 2017.
- 1.5 The S106 Agreement included:
 - a) ten dwellings being secured as affordable housing - 5 at a 30% discount and 5 for discounted rent;
 - b) a financial contribution of £72,090 to Cumbria County Council towards education provision;
 - c) a financial contribution of £24,221;
 - d) the maintenance of the informal open space within the site by the developer.

2. UPDATE

- 2.1 Following the resolution by Development Control Committee the applicant/agent have held extensive discussions with officers regarding the viability of the site's development and the ability to provide the affordable housing contribution. During this time development has continued under the first application and the triggers for contribution have now been met.
- 2.2 Members will be aware that if sites are struggling due to financial viability the Government has indicated that contributions can be revisited to ensure sites are delivered and address barriers to any site's development. This primarily relates to

affordable housing contributions and the site's financial viability will be the main factor in determining any reconsideration of the legal agreement.

- 2.3 On raising the matter of viability the Council's Development Manager and Housing Development Officer have taken independent advice on the development costs of the site and any specific abnormal costs relating to this development which need to be taken into account. Those detailed costs remain confidential and are not set out in this report. Members are referred to the Part B report for this confidential information and are advised to move into private session at the meeting if this information is to be discussed.
- 2.4 Lengthy negotiations have taken place that would result in some affordable housing being provided on the second phase of the site however the contribution is less than the Development Control Committee had given authority for under their decisions set out in Section 1 of this report.
- 2.5 The applicant/agent have therefore requested that both legal agreements are revised and a new agreement is put in place covering the contribution for both parts of this site.
- 2.6 The independent assessment concluded that
- Whilst it could be argued the above should lead to a slight reduction in land value, we have retained our previous 'without prejudice' concession on land value (proposed minimum acceptable landowner receipt / actual purchase price increased to £1.1M - £350k per net acre). We would recommend that there should be some resultant degree of 'flex' on developer profit of up to 0.25% below the target rate of 17% (equating to circa £25k).
 - Our updated conclusion would be that that the proposed scheme is viably capable of making an affordable housing contribution of 14% of total units (six affordable dwellings) which accords with the Applicant's headline offer.
 - Please find attached viability appraisals illustrating the following options for delivery of these six affordable units:
 - OPTION 1 = a tenure mix of three discounted sale units (Dene 2 bed apartment type) and three affordable / social rent units (a block of 3 x 2 bed Leyland units). Discounted sale units have been assumed to have a market value of 70% of market value. We have assumed that affordable / social rent units will transfer to an RP at 45% of market value.
 - OPTION 2 = a tenure mix of four discounted sale units (Dene 2 bed apartment type) and two affordable / social rent units (2 x 3 bed Stow units from phase one of the scheme). We see from the Applicant's initial viability

submission that the two Stow units in phase one are stated to be 'sold subject to contract'. This is contrary to our understanding of the phase one s106 agreement which stipulates that these units must be sold as discounted sale units.

2.7 In discussions with the Council's Housing Development Officer it was concluded that Option 1 provides the most pragmatic solution for the affordable housing need and this option was put to the applicant/agent who has agreed to that option.

2.8 In arriving at this assessment of viability the appraisal has had to take into account all the contributions required and the Open Space Contribution under application 16/0159 would also need to be removed. It is noted that the Parish Council were seeking this contribution and the trigger has been met for payment however the scheme would not be viable if 6 affordable units and the open space contribution was provided.

3. CONCLUSION AND REASONS FOR RECOMMENDATIONS

3.1 Since authority to issue the decision on application 17/0131 viability information has been assessed and concludes that the site is not sufficiently viable to be able to provide all the contributions requested by the local planning authority.

3.2 It is recommended that the S106 legal agreements for applications 16/0159 and 17/0131 should be revised for the following contribution

- for delivery of six affordable units:
 - a tenure mix of three discounted sale units (Dene 2 bed apartment type) and three affordable / social rent units (a block of 3 x 2 bed Leyland units). Discounted sale units will have a market value of 70% of market value. Affordable / social rent units will transfer to an RP at 45% of market value.

4. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

4.1 The site will still contribute towards future housing needs

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**Appendices
attached to report:**

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers:

- **Planning Applications 16/0159 and 17/0131**

CORPORATE IMPLICATIONS/RISKS:

Community Services -

Corporate Support and Resources –

Economic Development –

Governance and Regulatory Services –