

The Highland Council
Planning, Development and Infrastructure Committee
4 November 2015

Agenda Item	16
Report No	PDI 71/15

Housing Development Initiatives

Report by Director of Development and Infrastructure

Summary

This paper seeks approval for use of the Landbank Fund to finance the site preparation works at Torvean, Inverness and forward fund part of Albyn Housing Society's development programme for 2015/16. This report also seeks approval to include a further 2 projects within the new build housing investment programme, consent to purchase the land required to undertake the projects and to the disposal of land for development of affordable housing by partner organisations. Also the report seeks approval for a mixed tenure affordable housing project in Inverness. The proposals contained within this report will assist in the meeting the Council's overall affordable housing target of 1,700 new affordable houses by 2017.

1 Introduction

1.1 The Council has produced a revised Programme of Action, which sets out its priorities: 'Highland First'. Within the programme, the Council will work with the Scottish Government, Housing Associations and other housing partners to deliver 1,700 new affordable houses, either complete or on site, by March 2017, including 688 new council houses. Within this report, any reference to consulting with Local Members does not infer any view in relation to the planning merit of any potential development.

2 Landbank Proposals – Forward Funding

2.1 As part of its enabling role for the delivery of affordable housing, The Highland Council has forward funded housing association projects to ensure delivery of their new housing as quickly as possible, through bridging financing on terms and conditions agreed by the Director of Development and Infrastructure.

2.2 Albyn Housing Society has requested that The Highland Council use its Landbank Fund facility to forward fund projects to enable Albyn to meet its development programme for 2015/16 and 2016/17. Albyn are in negotiation regarding a bond issue of circa £30m, which they aim to have in place and available for draw down from June 2016. This new facility will enable the delivery of a five year programme of 100 properties for rent per annum, plus 20 for LIFT and mid-market rent.

2.3 In order to commit to additional building contracts during this current financial year, they are seeking forward funding from The Highland Council of £2.2m. This will provide bridging finance to enable Albyn to let their contracts this financial year, which would assist the Council in meeting its affordable targets for 2015/16 and 2016/17. This would only be drawn down if required and

would be for a maximum loan period of nine months between January and September 2016, being repaid when the new facility is in place. Forward funding the Albyn programme will enable progress to be made on affordable housing sites at Ness Castle and Parks Farm Inverness, together with sites in Conon Bridge, Dingwall and Invergordon.

- 2.4 The Highland Council has approved forward funding of housing association projects in the past for over £6.5m, all of which have been repaid. The Council previously approved £900,000 to Albyn for the purchase of the Ness Castle Site; however, this was not required as Albyn secured funding directly from the Scottish Government. The net additional funding required for the forward funding is up to £1.3m secured against Albyn's sites.

3 Landbank Funding for Torvean Site Preparation Works

- 3.1 The Finance, Housing and Resources Committee of 22 January 2014 approved the purchase of three areas of land at Torvean, Inverness, for the proposed new golf course, an extension of the existing Kilvean cemetery and 6.1 hectares for the provision of new housing.
- 3.2 The new golf course has received planning permission and the pre-contract works are proceeding, with the aim to start on site with the golf course site preparation works in April 2016.
- 3.3 The new housing development planning application has been submitted and will be considered by the South Planning Applications Committee on 10 November 2015.
- 3.4 The housing development will not be completed until after the completion of the West Link Road; however, there are significant site preparation works which have to be carried out, including a major cut and fill exercise to create a level platform for the new housing.
- 3.5 Following discussions with the golf course designers, it is clear that there is a significant cost advantage in utilising surplus topsoil from the new housing development to construct the proposed new golf course. It is therefore proposed that the housing development site preparation works are carried out in conjunction with phase one of the golf course works.
- 3.6 It is proposed to use Landbank Funding to finance the site preparation works. The estimated cost of the housing site preparation works, including cut and fill levelling, new land drains, SUDS ponds and haul road for construction traffic is £1.98m (inclusive of fees).
- 3.7 Previously, FHR Committee had agreed to fund the housing element of the land purchase of £1.7m; however, the Council has reached agreement in principle that the Scottish Government will fund the purchase through housing grant funding. Therefore the net impact on the Landbank fund is reduced to £280,000.

4 Land Transactions

- 4.1 The Council owns land, held on the Housing Account, in Duror and Edderton that has been identified as being suitable for housing development. The Highlands Small Communities Housing Trust (HSCHT) has developed proposals which could deliver additional affordable housing. Although the sites are well located, ground conditions are poor resulting in higher than normal costs for foundations and underbuilding. These result in total project costs in excess of what can be funded within the parameters of the Government's Housing Association grant regime. Given the cost of developments it is proposed, subject to the consent of Scottish Ministers, that the sites be sold to HSCHT or partner housing association for nil consideration, on terms and conditions to be agreed by the Director of Development and Infrastructure.

The development proposals are as described in the following paragraphs:

- 4.2 **Duror, Lochaber.** HSCHT and Lochaber Housing Association have been working alongside the local community and propose to provide 4 houses for affordable rent and 2 which would be sold under the Trust's rent to buy model. The affordability of the Trust's units would be protected by attachment of a Rural Housing Burden within the titles. Local Members within Ward 22; Fort William and Ardnamurchan, have been consulted on this proposal.
- 4.3 **Edderton, Carriebair Crescent.** HSCHT have been working alongside the local Community and propose to provide 2 houses which would be sold under the Trust's rent to buy model. The affordability of the units would be protected by attachment of a Rural Housing Burden within the titles. Local Members within Ward 5; East Sutherland and Edderton, have been consulted on this proposal.

5 Additional Council House Build Projects

- 5.1 A further 2 projects have been identified that would deliver an additional 15 new homes for affordable rent in Alness. These are:-
- 5.2 **Kendal Crescent.** It is proposed that the Council enter into a design and build contract with a developer to deliver 9 houses and flats which will be for affordable rent, with the Council purchasing the land prior to funding any of the build costs.
- 5.3 **Perrins Road.** It is proposed that the Council enter into a design and build contract with a developer to deliver 6 bungalows which will be for affordable rent, with the Council purchasing the land prior to funding any of the build costs.
- 5.4 Local Members within Ward 7; Cromarty Firth, have been consulted on these proposals.
- 5.5 Approvals of these projects will require funding of £20,000 of Landbank funding per unit, as previously agreed by Committee for council house build projects. Thus the approval of these projects is a commitment of £300,000.

6 National Housing Trust

- 6.1 **Kiltarlity.** The Highland Council's Programme of Action includes a commitment to deliver another 50 new mid-market houses in the Highlands by 2017. The Highland Council has previously funded 12 mid-market housing units at Balgate Mill, Kiltarlity as part of the National Housing Trust (NHT) programme. Through the Highland Housing Alliance, the Council has been negotiating a further 10 units for mid-market rent as part of an extension of the existing NHT programme. Members have approved the development of 10 new council houses as part of this project at the PDI Committee, 19 August 2015.
- 6.2 HHA has approached the Council to provide a loan to part fund the purchase and servicing of the NHT houses, using the Council's Landbank Fund. The Landbank funding required is £495,000. Based on the success of phase one at Kiltarlity and further research carried out by the Council on likely demand, it is proposed that the Council use prudential borrowing to part fund the project, as per previous NHT programmes. The use of prudential borrowing is delegated to Resources Committee and this request will be subject to a separate NHT paper to be submitted to Resources Committee on 25 November.
- 6.3 As per previous Landbank proposals, the Landbank loan requirement will be repaid when the units are sold under the NHT initiative, which is between 5 – 10 years of tenancy. The Council will receive 80% of any uplift in value when the land is sold. From figures produced, this sum would generate up to £400,000 additional income for the Landbank Fund, based on a conservative forecast of an average 2.5% increase in house price inflation.

7 Implications

- 7.1 **Resource**
There are implications for the Landbank Fund arising from the proposals in this report. The net impact of the proposals contained within this report total £2.375m, based on the Albyn forward funded programme and the net difference in the Torvean site preparation works. Currently, the net available funding, taking into account existing commitments not yet drawn down is £8.307m. A total of £29.804m has been loaned to date, of which £18.017m has been repaid. If the proposals contained within this report are approved, the net Landbank Fund position will be £5.932m.
- 7.2 **Legal, Equality and Climate Implications**
There should be no legal, equality or climate change implications arising from this report.
- 7.3 **Risk Implications**
It is considered that there are no significant implications arising from the recommendations contained within this report.
- 7.4 **Rural/Gaelic**
Several of the proposed projects will support rural communities.

Recommendations

It is recommended that the Planning, Development and Infrastructure Committee agree:

- that loan funding of up to £1.3m be offered to Albyn Housing Society on terms and conditions to be agreed by the Director of Development and Infrastructure;
- that loan funding is approved of £1.98m for the site preparation works at Torvean housing project, noting that the previous loan agreed of £1.7m for the purchase may not be required due to an agreement in principle to fund the purchase from the Scottish Government;
- subject to consent of Scottish Ministers, that land extending to approximately 1.385ha at Duror be sold to The Highlands Small Communities Housing Trust and Lochaber Housing Association for nil consideration, on terms and conditions to be agreed by the Director of Development and Infrastructure;
- subject to consent of Scottish Ministers, that land extending to approximately 0.034ha at Carri Blair Crescent, Edderton be sold to The Highlands Small Communities Housing Trust for nil consideration, on terms and conditions to be agreed by the Director of Development and Infrastructure;
- that the Council enter into Design and Build contracts, required to secure the affordable housing on 2 sites in Alness, detailed within section 5 of this report, and that the land required for the development is purchased, on terms and conditions to be agreed by the Director of Development and Infrastructure; and
- to approve Landbank loan funding to HHA for 10 new mid-market rent properties at Kiltarlity for £495k, subject to Resources Committee approval for the use of prudential borrowing for the same project on 25 November.

Designation: Director of Development and Infrastructure

Date: 6 October 2015

Author: Allan Maguire, Head of Property Partnerships

Background Papers:

PDI, 19 August 2015 Housing Development Investment.