

DECISION ITEM



REPORT OF	MEETING	DATE	ITEM NO
DEVELOPMENT SERVICES DIRECTORATE	ENVIRONMENT, HEALTH AND HOUSING COMMITTEE	10 JANUARY 2017	4
REQUEST FOR S106 FUNDS KEENANS MILL, LORD STREET, ST ANNES			

PUBLIC ITEM

This item is for consideration in the public part of the meeting.

SUMMARY

This report provides details of an affordable housing scheme at Keenans Mill, Lord Street, St Annes and recommends inclusion to the Capital Programme in 2017/18 to be fully funded from a portion of the balance of S106 developer contributions for affordable housing currently held by the Council for this purpose.

RECOMMENDATIONS

The Committee is requested to consider the proposal and recommend to Council:

1. A fully funded addition to the Capital Programme in the sum of £840,000 - "Affordable Housing Scheme at Keenans Mill" for 2017/18 to be fully-funded from part of the balance of S106 developer contributions for affordable housing currently held by the Council for this purpose (from Agreement Ref: 03/0157 - Queen Mary School Development: a total capital contribution of £444,300 with the remaining funds £395,700 to be identified and tabled at the meeting); to deliver 26 units for affordable rent at Keenans Mill, Lord Street, St Annes to New Progress Housing Association; and
2. To authorise expenditure in the sum of £840,000 to New Progress Housing Association in relation to the scheme after regard and consideration of the compliance with the financial regulations covered within the body of the report.

SUMMARY OF PREVIOUS DECISIONS

Minutes of Cabinet, 26th November 2014

1. To approve the use of S106 monies to facilitate the appointment of the temporary project officer/consultant on the terms outlined in the report;
2. To approve the appointment of a temporary project officer/consultant for a maximum period of 6 months to produce a deliverable S106 funded Affordable Housing Programme for the Borough; and
3. To approve a fully- funded revenue budget increase for the total sum of £25,000 (£16,000 in 2014/15 and £9,000 in 2015/16) to fund the costs of the temporary project officer/consultant for a maximum period of 6 months to be met from the S106 Affordable Housing receipts in respect of the agreements as identified at Appendix 2 of the report.

CORPORATE PRIORITIES	
Spending your money in the most efficient way to achieve excellent services (Value for Money)	√
Delivering the services that customers expect of an excellent council (Clean and Green)	√
Working with all partners (Vibrant Economy)	√
To make sure Fylde continues to be one of the most desirable places to live (A Great Place to Live)	√
Promoting Fylde as a great destination to visit (A Great Place to Visit)	

REPORT

1. This report is a request for S106 funds for a proposed affordable housing scheme at Keenans Mill, Lord Street, St Annes. New Progress Housing Association (NPHA) wish to develop a 26 unit scheme of affordable housing with the assistance of S106 capital grant funding.
2. S106 funds arise where developers may be required to make 'off-site' affordable housing provision in lieu of provision 'on-site'. This is normally achieved by S106 fund contributions towards the provision of affordable homes in areas of higher need. S106 funds may be used to meet all the Affordable housing required or part of the total required with some being delivered on site. Additionally, in the early stages of a large scale development, S106 funds may be taken in lieu, until infrastructure is put in place as the development progresses ie schools, roads, shops and transport links.
3. The proposed development opportunity at Lord Street, St Annes has been identified and detailed scheme worked up. The scheme is considered to be achievable with land available; a Housing Association has been identified willing to commit to developing the site and a scheme design worked up and Planning application submitted.
4. The site is a 'Brownfield' development opportunity which will make best use of available land resources and achieve localised regeneration in St Annes as well as providing low cost homes for local people.
5. Off-site S106 affordable housing off site contribution rates per unit are £50,000 provided by the developer, and this amount is then re-cycled into affordable housing projects at a capital contribution rate of up to £50,000 per unit or 50% of the total scheme costs, however, this is not set in policy and the council can approve a higher percentage subsidy.

SCHEME DETAILS

6. The site already has planning consent (15/0810) for 14 semi-detached houses as residential development. A new submission has been made for 5 X two storey dwellings and a 3 storey building providing 21 apartments following demolition of the existing building with access from Lord Street (16/0905).
7. Pre application discussions have been had with planning who are supportive of the scheme following acoustic evidence that the noise from the nearby industrial units will not impact on the residents in the apartments and a unilateral legal undertaking from all partners involved in the development that the scheme will secure 100% affordable housing.
8. The scheme is ideally located close to local facilities and served by excellent public transport links. A block of 21 apartments over three floors and 5 houses with off road parking for all units. There is easy access to the site off Lord Street.

9. All units will be let at affordable rents with space standards that meet Progress Housing Design standards. The property mix is as follows;
 - a. 10 x one bed, two person apartments at 47sqm
 - b. 11 x two bed, three person apartments at 60 sqm
 - c. 2 x two bed, four person houses at 77 sqm
 - d. 3 x three bed, five person houses at 90 sqm
10. The proposed scheme will provide a mix of unit types to meet identified need in the local area. Appendix 1 contains NPHA needs and demand report based on households registered on MyHomeChoice Fylde Coast in August 2016.
11. Table 1 below details cost breakdown of the scheme and Table 2 the method and cost of financing the scheme.

Table 1: COST BREAKDOWN OF THE SCHEME

Acquisition	£600,000
Works	£2,461,000
On costs	£189,853
Interest	£88,164
Total scheme costs	£3,339,017

Table 2: THE METHOD AND COST OF FINANCING THE SCHEME

Loan supported by rental income	£1,525,309
HCA grant funding	£470,000
Fylde Council S106 contribution	£840,000
NPHA contribution from reserves	£503,708
Total funding identified	£3,339,017

12. The scheme benefits from Homes and Communities Agency (HCA) grant funding from allocations transferred from other sites which were part of the Affordable Housing Programme (AHP2) 2015-18 programme totalling £470,000. 20 apartment scheme at Clifton Drive South Council Offices that did not go ahead and a site in South Ribble. NPHA are contributing from reserves £503,708 and securing a loan supported by rental income of £1,525,309.
13. This capital contribution request from Section 106 funding is for £32,300 per unit totalling £840,000. Total scheme costs (Table 1) are £3.39mm, the S106 funding request represents 25% of total scheme costs (Table 2). 15% is funded from NPHA reserves and 45% funded by NPHA borrowing supported by the rental income. HCA RCGF totals 15% of total scheme costs.

THE FUTURE REVENUE BUDGET IMPACT

14. There are no additional revenue implications to this proposal as the units on completion will be owned and managed by NPHA. A planning obligation will be in place to ensure that the affordable housing will be available in perpetuity.

RELEVANT VALUE FOR MONEY ISSUES

15. Fylde BC receive off site grant rates of £50,000 per unit of affordable housing required on a site. Therefore the grant rate for affordable units delivered using S106 funds is up to £50,000 per unit or 50% of total scheme costs. This scheme requires a grant rate of £32,300 per unit which totals £860,000 for 26 units of affordable housing which equates to 25% of total scheme costs.

16. NPHA will be investing £503,708 from their own reserves and borrowing £1,525,309 offset against rental income. A total of £2,029,017 which equates to 60% of total scheme costs.
17. HCA grant funding will be invested into the scheme totalling £470,000 which equates to 15% of total scheme costs.
18. Appendix 2 contains the S106 funding latest position statement. There is currently £950,950 available of which £444,303 is from 03/0157 - Queen Mary School Development for use within Lytham and St Anne's.

RISK ASSESSMENT

19. Capital contributions will be paid in two stages; 50% when the scheme is on site and 50% on practical completion.
20. The risks associated with letting and managing the properties will be the responsibility of NPHA.
21. An agreement for the payment of a capital contribution will be entered into to protect Fylde BC investment and ensure the properties remain as Affordable Housing in perpetuity.
22. Planning permission will secure a unilateral legal undertaking from all partners involved in the development that the scheme will secure 100% affordable housing.

VIALE ALTERNATIVES

23. Planning permission is already in place for 14 semi-detached market units with a 30% affordable housing requirement.
24. The new proposed scheme will secure of a mix of affordable rented units to meet identified housing need within the borough.

OBJECTIVES, OUTPUTS AND OUTCOMES

25. To provide 26 affordable homes to meet local housing need.
26. The S106 project that ran in 2015 sought to:
 - a. Identify 'Brownfield' development opportunities in order to make best use of available land resources and achieve localised regeneration as well as providing low cost homes for local people,
 - b. develop an Affordable Housing Programme funded from existing and anticipated S106 monies held by the Council
27. This new build housing scheme will provide a mix of one and two bedroom apartments and two and three bedroom houses for affordable rent.
28. The scheme is on a brownfield site, Keenan's Mill, Lord Street, St Annes. The site was a former print works Oldroyd Publishing and has been disused for several years.
29. The site will meet Fylde BC Corporate Objectives of 'A great place to live'
 - a. deliver housing that meet the need in all communities
 - b. Ensure high standards of housing across all markets
 - c. Approve development that enhances the community

DRAWINGS AND PLANS

30. Appendix 3 contains a full set of drawings for the scheme:
 - a. Site location plan
 - b. Proposed site layout
 - c. Proposed house type floor plans and elevations
 - d. Proposed apartment floor plans
 - e. Proposed apartment elevations

CONCLUSION

31. The scheme will deliver 26 units of affordable housing for rent on a brownfield site, formally a print works. The scheme will secure 21 one and two bedroom apartments and 5 two and three bedroom houses with off road parking for all units.
32. Within Fylde, evidenced through MyHomeChoice Fylde Coast, there is significant demand for one and two bedroom accommodation. The proposed scheme will go towards meeting this unmet demand within the borough.

IMPLICATIONS	
Finance	This report requests that the Committee consider the proposal as detailed within the report and recommend to Council a fully-funded addition to the Capital Programme in the sum of £840,000 - "Affordable Housing Scheme at Keenans Mill" for 2017/18 to be fully-funded from part of the balance of S106 developer contributions for affordable housing currently held by the Council for this purpose. The scheme will enable the delivery of 26 units for affordable rent at Keenans Mill, Lord Street, St Annes to New Progress Housing Association; and, providing that the scheme is included in the approved capital programme, to authorise expenditure in the sum of £840,000 to New Progress Housing Association in relation to the scheme after regard and consideration of the compliance with the financial regulations covered within the body of the report.
Legal	An agreement for the payment of a capital contribution will be entered into to protect Fylde BC investment and ensure the properties remain as Affordable Housing in perpetuity. Planning permission will secure a unilateral legal undertaking from all partners involved in the development that the scheme will secure 100% affordable housing.
Community Safety	None arising directly from this report
Human Rights and Equalities	None arising directly from this report
Sustainability and Environmental Impact	Regeneration of a brownfield site in St Annes
Health & Safety and Risk Management	None arising directly from this report

LEAD AUTHOR	TEL	DATE	DOC ID
Kirstine Riding	01253 658569	13/12/2016	

LIST OF BACKGROUND PAPERS		
Name of document	Date	Where available for inspection

ATTACHED DOCUMENTS

- Appendix 1 – NPHA needs and demand report
- Appendix 2 - S106 funding latest position statement
- Appendix 3 – Drawings and plans