

DECISION ITEM



| REPORT OF | MEETING | DATE | ITEM NO |
|----------------------|---------|-----------------|---------|
| DEVELOPMENT SERVICES | COUNCIL | 12 OCTOBER 2015 | 10 |

REQUEST FOR USE OF S106 DEVELOPER CONTRIBUTION FOR PROPOSED AFFORDABLE HOUSING SCHEME

PUBLIC ITEM

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

SUMMARY

The YMCA is a key partner with the council and has been providing housing related services to Fylde residents for over 19 years. They have made a request for financial support to deliver an affordable housing scheme in St Annes. They assist the council in finding private sector rented accommodation for people using the rent bond scheme through their long term relationships with local landlords. They also operate and manage their own housing stock. The project aims to deliver purpose built, general needs rented accommodation for young people aged 18–25 years. The young people will not require or be eligible for supported housing because they will be in work or training with the low rents made available through this project supporting them in becoming fully independent members of the community. The scheme will provide low rent affordable housing to a market segment where there is an identified need. It is proposed that the Members approve a fully-funded revenue budget increase for 2016/17 in the sum of £562,697 to be met from a portion of the balance of S106 developer contributions for affordable housing currently held by the Council for this purpose in the total sum of £2.4m.

RECOMMENDATION

1. That the Council approve a fully-funded revenue budget increase for 2016/17 in the sum of £562,697, to be met from a portion of the balance of S106 developer contributions for affordable housing currently held by the Council for this purpose in the total sum of £2.4m, in respect of the proposed development of 11 self-contained flats in St Annes by the YMCA. £562,967 is a 50% contribution towards total scheme costs.

CORPORATE PRIORITIES (delete ✓ which are not relevant)

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| To Promote the Enhancement of The Natural & Built Environment (Place) | ✓ | To Encourage Cohesive Communities (People) | ✓ |
| To Promote a Thriving Economy (Prosperity) | ✓ | To Meet Expectations of our Customers (Performance) | ✓ |

SUMMARY OF PREVIOUS DECISIONS

None in relation to this item.

REPORT

1. The YMCA is an important partner that has been successfully delivering housing related services to Fylde residents for more than 19 years. It operates and manages a significant housing stock portfolio of its own to meet the needs of some of the most vulnerable members of the community, they have recently created a new company called YMCA Property Ltd that operates as a Registered Provider under the umbrella of the YMCA Fylde Coast. The YMCA are experienced in working with the private rented sector in securing tenancies for clients using the rent bond scheme through long standing relationships with landlords. The YMCA housing activities complement the work of the council's housing services and last year received more than 2,000 housing enquiries providing a drop-in service for 727 clients.
2. The YMCA have been working with the council on a number of projects and have made a request to the council for financial support from the S106 developer contributions for affordable housing to deliver a new purpose built development of 11 self-contained one bed roomed apartments. These are general needs apartments that will be available for young people aged 18–25 years old, who are in employment and / or paid training, the employment or training is often low paid and therefore the rents will be set at a low affordable level. The apartments will be located in St Annes off St Albans Road on land that is owned by the YMCA adjacent to other existing service facilities operated by the YMCA.
3. Young people often become marginalised in the housing market particularly following the recent changes to the welfare and housing benefit systems. This is more evident with young people on low incomes who are either in low wage employment or undertaking training. These individuals are unable to afford the rent levels for single occupancy in the private rented sector and have little option other than to access shared accommodation, often renting a room with all other facilities shared. The proposed scheme will provide accommodation at rent levels that are affordable enough for young people on low incomes to sustain a tenancy and become independent members of the community, whilst at the same time preventing them from becoming marginalised in shared accommodation in the private sector.
4. The YMCA has several schemes and pathways as part of the portfolio of services that develop and improve young people in need of support including accommodation, training and welfare. A number of the young people the YMCA work with secure employment or paid training on low pay, but as a result of gaining employment they cannot access the existing accommodation facilities that the YMCA provides. Those without the option to reside with family or friends have little option but to rent in the private sector at the lower end of the market, this is usually a room in shared accommodation with little or no choice over who they share with. On a number of occasions they are exposed to influences in shared accommodation that prevent them developing onto independent living, resulting in outcomes that lead to further demands on social, police and health services in the area.
5. The proposal will provide a solution to a housing challenge faced by young people in low paid employment or training who are required, or want to live independently, this is an identified need that is required in the St Annes area where there is a current gap in provision. The scheme will improve the prospect of young employed people on low wages to become fully independent. As the provider of the accommodation the YMCA will enhance the offer to the occupants of the scheme by providing access to YMCA membership and to a range of complementary services such

as additional training, volunteering, employability based activities etc. design to develop skill sets and integrate them into independent living. The tenants will have to be in employment to secure a short hold tenancy.

6. Planning permission is not yet in place for the proposal although initial discussions have taken place with planning officers and confirmed that the development would be consistent with development permissions in the location. The YMCA have taken on board feedback from the planning service on the design and siting of the building.
7. If the proposed project funding is approved the YMCA will submit a planning application and carry out all appropriate consultation in late 2015. Subject to approval it is anticipated that the start on site by April 2016 with completion of the development by April 2017.
8. The total scheme cost, including contingencies, is estimated to be £1,125,394. The request for Fylde Council funding is for a 50% contribution in the sum of £562,697 to be met from the S106 develop contributions for affordable housing currently held by the Council for this purpose in the total sum of £2.4m.
9. The level of funding requested has been based on advice from officers that the normal contribution for a scheme of this nature is 50%, however, this is not a limit. The level of funding obtained will determine the rent level that is set because the YMCA operate schemes on a not for profit basis therefore the rent is determined by the annual cost of the additional borrowing required to finance the remainder of the project.
10. Rent levels will need to reflect Local Housing Allowance Rates (LHA). The LHA rate is used to work out how much benefit a household will receive towards their housing costs if they are in low paid employment or unemployed. The current levels in 2015/16 for one bedroom properties stands at £85 per week, however applicants under 35 years old are only entitled to the shared room rate which is £62.81.
11. Table 1 below gives an indication of the rent level in relation to the percentage grant approved:

Table 1 – Rent Level by Grant Approval

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| 50% grant = £67 per week rent (£4.19 above LHA)* |
| 55% grant = £61 per week rent (£1.81 below LHA)* |
| 60% grant = £55 per week rent (£7.81 below LHA)* |

*An additional service / repair / management fee of approximately £5 per week would be added to the above.

The tenant will be required to pay all other utility, service and council tax bills.

12. The usual position of the council in considering commuted sums funding requests is that the subsidy approved is 50% of the total scheme cost, however, this is not set in policy and the council can approve a higher percentage subsidy if there are additional outcomes. The YMCA have stated that whatever the level of support approved the benefit is passed to the young people that the scheme is designed to support.
13. Money paid under section 106 agreements must be used for the purposes for which it is given. The current balance available from section 106 agreements for affordable housing is £2.4m. It is proposed that the funding for this scheme is met by the developer contribution received in respect of the Queen Marys School development (Section 106 reference 03/0157) which is to be used to support the development of affordable housing within Lytham St Annes.
14. If the request for the Council support is approved, a legal agreement will be drawn up to cover the payment terms, the long term use of the development as affordable housing, the repayment of the funding in the event of a breach of the agreement. This agreement will also require a

commitment from the YMCA to keep the rents for the properties in line with Local Housing Allowance (LHA) Rates as set out in table 1.

15. The project will deliver much needed additional affordable housing in St Annes for young people, which is one of the identified gaps in the housing market provision. It will offer affordable housing to young people and enable those young people to become fully independent members of the community.

| IMPLICATIONS | |
|---|---|
| Finance | This report requests approval of fully-funded revenue budget increase for 2016/17 in the sum of £562,697, to be met from a portion of the balance of S106 developer contributions for affordable housing currently held by the Council for this purpose in the total sum of £2.4m, in respect of the proposed development of 11 self-contained flats in St Annes by the YMCA. |
| Legal | Money paid under a section 106 agreement must be used for the purposes provided in the agreement. If it is not used for those purposes, it is eventually required to be repaid to the developer who paid it. Officers have checked that sufficient money is available for the project from payments made under section 106 agreements to provide affordable housing. |
| Community Safety | None |
| Human Rights and Equalities | None |
| Sustainability and Environmental Impact | None |
| Health & Safety and Risk Management | None |

| LEAD AUTHOR | TEL | DATE | DOC ID |
|----------------|--------------|---------------------------------|--------|
| Allan Oldfield | 01253 658500 | September 25 th 2015 | |

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

Attached documents

None.