

REPORT TO: Cabinet

MEETING DATE: 9 April 2013

BY: Executive Director (Services for Communities)

SUBJECT: Affordable Housing Agreement with Taylor Wimpey UK Ltd

1 PURPOSE

- 1.1 To seek approval from Cabinet to enter into an Affordable Housing Agreement with Taylor Wimpey UK Limited to facilitate the delivery of education infrastructure and affordable housing units at the strategic housing site at Pinkie, Musselburgh.

2 RECOMMENDATIONS

Cabinet is requested to:

- 2.1 Approve the entering into of an Affordable Housing Agreement with Taylor Wimpey UK Limited to facilitate the delivery of education infrastructure and affordable housing units at the strategic housing site at Pinkie, Musselburgh;
- 2.2 Delegate authority to the Executive Director (Services for Communities), after consultation with legal and finance officers, to finalise the terms of the said Affordable Housing Agreement, which is currently in draft form.

3 BACKGROUND

When planning permission is granted for residential development, it is normal practice that the applicant is obliged to make a financial contribution towards necessary infrastructure required as a direct consequence of that development. This can include the cost of providing additional classroom accommodation and other education infrastructure. In addition, the Council's Affordable Housing policy requires the provision, as a minimum, of serviced land for affordable housing and provides the basis for a variety of mechanisms for the delivery of affordable housing units. These obligations are usually secured by means of a Section 75 Agreement entered into by the developer, the

landowner (if different) and the Council. This ensures the obligations are secured against the land and pass to subsequent purchasers of the site. These Agreements often provide that certain payments must be made before construction can commence on a site or before an agreed number of houses can be occupied to ensure that the necessary infrastructure is in place in sufficient time to meet the needs of children who are due to attend the school in question.

- 3.1 Prior to the economic downturn, developers funded the payment of these financial contributions by means of borrowing and this ensured that they could commence construction and sale of the houses in accordance with their phasing plans. However, as a consequence of tighter lending rules and a general reluctance on the part of funders to meet these costs, this is no longer a feasible method of funding infrastructure costs. Without payment of these contributions, construction cannot commence on a number of development sites. This has led to a number of strategic housing sites having been granted planning permission but where no construction can commence.
- 3.2 Following discussions with Taylor Wimpey UK Limited, the developers of the strategic housing site at Pinkie, Musselburgh, Council officers have proposed that the Council may be able to assist to resolve this position at that site. The proposal is that, in addition to the Section 75 Agreement that sets out the developer contributions required, the parties enter into an Affordable Housing Agreement in which the Council would undertake to fund the provision of the necessary education infrastructure at a cost of £2,580,436.60 and the developer would construct Affordable Housing units in accordance with the Council's Affordable Housing policy. A number of these Affordable Housing units would, when completed, be transferred to the ownership of the Council and the notional costs of these, at an agreed valuation, would be off-set against the cost of the developer contribution due in respect of the education infrastructure. The developer will go on to construct additional Affordable Housing units up to the required 25% in accordance with the Council's Affordable Housing policy and these would be transferred to the Council at the price agreed between the parties.
- 3.3 The Council is notionally at risk if it constructs additional infrastructure at its own cost and the development does not proceed. To address this risk, it is proposed that Taylor Wimpey UK Limited provide security by provision of a Bond to the value of the education contribution. This Bond would only be discharged when a sufficient number of Affordable Housing units had been transferred to off-set the Council's costs or, if this had not happened by an agreed long-stop date, the developer had repaid the Council's costs.
- 3.4 An Affordable Housing Agreement, reflecting this position, has been drafted and negotiated between the Council and Taylor Wimpey UK Limited and is currently in an almost complete form. It is recommended that Cabinet delegate authority to the Executive Director (Services for Communities) to negotiate and agree the final details of the Agreement

taking account of legal and financial advice provided, and to enter into the Affordable Housing Agreement when terms acceptable to the Council can be agreed.

4 POLICY IMPLICATIONS

- 4.1 The provision of a mechanism to facilitate commencement of development in these circumstances will assist in the provision Affordable Housing and will assist in ensuring that the strategic housing site at Pinkie, identified in the East Lothian Local Plan 2008, is effective in maintaining an adequate housing land supply. It will also contribute to the Council's economic development objectives by providing a mechanism to enable construction to commence earlier than might otherwise be the case.

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and an Equalities Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

- 6.1 Financial – An internal transfer of funds between the HRA and the Education budget will be required to effect payment for the infrastructure required.
- 6.2 Personnel - None
- 6.3 Other - None

7 BACKGROUND PAPERS

- 7.1 None

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