

AGENDA ITEM 14: APPENDIX J

WAVERLEY BOROUGH COUNCIL

EXECUTIVE – 30 SEPTEMBER 2014

Title:

PROPOSAL FOR JOINT INVESTMENT PROJECT TO ENABLE THE DEVELOPMENT OF AFFORDABLE HOUSING IN FARNHAM

[Portfolio Holder: Cllr Keith Webster]

[Wards Affected: Farnham Shortheath and Boundstone]

Note Pursuant to Section 100B(5) of the Local Government Act 1972

An annexe to this report contains exempt information by virtue of which the public is likely to be excluded during the item to which the report relates, as specified in the following paragraph(s) of the revised Part I of Schedule 12A to the Local Government Act 1972, namely

Information relating to the financial or business affairs of any particular person (including the authority holding that information) (paragraph 3)

Summary and purpose:

The purpose of this report is to seek approval to develop a 100% affordable housing scheme on the Dairy Crest site in Weydon Lane, Farnham through a joint investment initiative and for Waverley's contribution to the scheme to be met from the Section 106 monies within the Housing Capital Programme.

How this report relates to the Council's Corporate Priorities:

This report relates to the Council's Corporate priority of providing more affordable housing in the Borough for local people in housing need.

Financial Implications:

To make the scheme viable, an investment contribution has been requested from the Council as set out in the (Exempt) Annexe. The Council will gain the freehold of the land, a small revenue stream from the ground rents of the shared ownership units and enable the delivery of 21 affordable homes to meet local housing need.

There are VAT criteria that must be considered, specifically option to tax and implication upon Waverley's VAT partial exemption VAT recovery status. It is recommended that prior to any commitment, specific advice is obtained. Progressing with this proposal will be subject to a satisfactory VAT position being agreed by all parties.

Legal Implications:

A Development Agreement would need to be put in place to safeguard the Council's interests, minimise risk and ensure the scheme is delivered as proposed.

1.0 Introduction

- 1.1 An opportunity has presented itself to enable the delivery of 21 affordable homes on an identified site in Farnham. A location plan is attached at [Annexe 1](#). The Council is being offered the opportunity to procure the land and hold the asset.
- 1.2 Thames Valley Housing Association (TVHA) are a medium-sized housing association, regulated by the Homes and Communities Agency, with about 14,500 homes across London and the South East.
- 1.3 In May 2014, Matthews & Goodman marketed the Dairy Crest site in Weydon Lane, Farnham for the development of 21 dwellings. The site is currently in employment use, but has been actively marketed for the past 12 months and an alternative employer has not been identified.
- 1.4 The site is divided into two parts. The northern part of the site has potential for a flatted development of 9 dwellings, while the southern part of the site has potential for 12 x 2, 3 and 4 bed houses.
- 1.5 The agent has sought pre-planning advice. A residential development is acceptable in principle, on the basis that the policy requirements relating to density, scheme design, car parking, amenity space and dwelling type and mix are met.

2.0 Proposed scheme

- 2.1 The scheme currently proposes a 100% affordable housing development comprising a mix of 1, 2, 3 and 4 bed homes for shared ownership, to be sold at an equity stake of 35-40% of open market value with a rent of 2.75% on the retained equity.
- 2.2 Dairy Crest has been in negotiation with both TVHA and a private house builder, who has also made a offer for the site. Dairy Crest has subsequently accepted an offer for the site from TVHA, subject to planning approval.

3.0 Housing Need

- 3.1 The draft Strategic Housing Market Assessment (October 2013) estimates that 25% of the housing need in the borough is for shared ownership.
- 3.2 The Help to Buy Register for applicants looking to buy a shared ownership home is managed and administered across Surrey by Bedfordshire Pilgrims Housing Association (BPHA). There are over 500 applicants in Waverley on the Help to Buy Register.

4.0 Funding the development

- 4.1 To develop a scheme of this kind, a housing association would usually purchase the land or enter into a contract with a developer, in order to deliver affordable homes. On completion, the Council would have nomination rights and there may be a legal agreement requiring continued use of the units as affordable housing.

- 4.2 This proposal sets out a different model, in which TVHA has approached Waverley to become a joint investment partner, to provide a capital contribution to assist with the land purchase to enable the site to be brought forward and a scheme of 100% shared ownership housing to be delivered.
- 4.3 For this to happen, Waverley would purchase the site, with TVHA making their funding available simultaneously upon completion. The Council would be the freeholder of the land and would grant a long lease of 125 years to TVHA who would develop and manage the new homes.
- 4.4 A financial appraisal summary is set out in the (Exempt) Annexe.
- 4.5 It is proposed that commuted sums and Right to Buy receipts will be used to fund Waverley's investment in the scheme.
- 4.6 Dairy Crest have indicated at this stage that the sale would be exempt from VAT, however, this may be subject to change. Due to the anticipated implications if VAT is charged, the Council's investment would not be financially viable if a later decision is made to charge VAT.
- 4.7 If TVHA are not able to purchase the site, with investment from the Council, it is likely that it will be sold to a private developer and, as a result of the high land value be unable to deliver any affordable housing on site on viability grounds.

5.0 Benefits of the proposal

- 5.1 The proposal delivers a number of benefits to the Council and the local community:
- It delivers 21 much needed affordable homes for shared ownership to meet identified local housing need
 - It secures 100% affordable housing on a high value site which has attracted significant interest from private house builders. A similar site in West Street, Farnham that was purchased by a private house builder is currently being developed to provide 22 new homes of which only one is affordable
 - It delivers new affordable homes on a brownfield site within the settlement boundary
 - It potentially realises an ongoing income through ground rents or a capital receipt from the sale of the ground rents

6.0 Conclusion

- 6.1 This is a unique opportunity for the Council to unlock the potential of a derelict brownfield site and deliver a significant development for affordable housing through a joint investment venture.

7.0 Recommendation

It is recommended to the Council that

1. Waverley invests in a 100% affordable housing scheme on the Dairy Crest Site, Weydon Lane, Farnham through a joint investment initiative with Thames Valley Housing Association (TVHA);
2. Waverley's capital contribution is as set out in the (Exempt) Annexe and is funded from Section 106 monies in the Housing Capital Programme;
3. proceeding with this proposal is subject to achieving a satisfactory VAT position and agreeing contractual terms with TVHA as approved by the Director of Finance and Resources in consultation with the Portfolio Holders for Finance and Housing.

Background Papers

There are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to this report.

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