



REPORT FROM:	Housing, Health and Economic Development Service Manager
TO:	Executive
DATE:	25 August 2016

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STARTER HOMES: UNLOCKING THE LAND FUND

PURPOSE OF REPORT

To inform Members of the expression of interest submitted to the Homes and Communities Agency for starter homes funding.

RECOMMENDATIONS

That the Executive:-

1. Note the current situation with regard to the expression of interest bid for starter home funding.

REASON FOR RECOMMENDATIONS

To inform Members of the bid submitted for funding under the starter homes initiative.

BACKGROUND

1. In March 2016 in response to the increasing affordability pressures young people face getting onto the property ladder, the Government introduced a £1.2 billion **Starter Homes – Unlocking the Land Fund**. The Fund aims to support the Government's commitment to building 200,000 quality starter homes by 2020, exclusively for first time buyers under 40 at a discount of at least 20% on their open market value.
2. The Homes and Communities Agency (HCA) invited expressions of interests from local authorities outside of London to form partnerships with the Homes and Communities Agency to use the Fund to acquire, assemble and de-risk land for quality starter home developments which could be built out by developers by 2020
3. The expressions of interest from local authorities had to include.
 - **A strategic vision for the local area** which shows how residential-led development and especially the provision of quality starter homes for young first time buyers can help address affordability pressures and support the area's wider ambitions;
 - **A strong local commitment** with evidence of clear support from both a local authority's executive management and its political leadership;
 - **The scale of starter home ambition** so that each partnership is capable of delivering significant numbers of starter homes. A prescriptive threshold was not set but HCA expects each partnership to be capable of delivery of between 300 and 600 starter homes across several sites to either have been completed or be under construction by the end of 2020/21.
 - **Clear partnership proposals** highlighting what support the local authority would welcome from the Homes and Communities Agency, what the authority will offer in return, and how the governance of the partnership would be constituted. HCA would particularly welcome expressions of interest where the local authority is proposing to offer its own land holdings or leverage in further public and private sector investment;
 - **A clear pipeline of potential sites** for starter home developments which can be taken forward by 2020/21. This pipeline should provide details of the location, size of site, ownership, current use, indicative value/cost, number of homes which could be built, planning status (within the local plan/5 year land supply, existing permissions), and any remediation/infrastructure requirements. The expectation is that starter homes would account for at least 50% of the homes built on the site, with the remainder as market housing to help with viability. The sites should largely be brownfield; consideration would be given to greenfield sites only if the development is acceptable to the local community.
 - **A supportive planning environment** which clearly demonstrates that the proposed focus on starter homes is in line with the local plan's core strategy and

relevant planning permissions are likely to be forthcoming in principle for the pipeline of potential starter home developments. This should include a demonstration of support from neighbourhood planning bodies, if relevant.

☐ **Evidence of early deliverability** so that it is clear starter home developments can be commenced quickly on the pipeline of sites identified and that there are no substantive issues – for instance reliance on key piece of infrastructure being put in place – which could impede delivery. HCA envisage most sites will be relatively small scale or be the first phases of a larger scheme; and finally,

☐ **Wider linkages to other government programmes and priorities** showing how their proposed approach interacts with the government's programmes and priorities which affect their area – for instance, devolution deals, town centres, home zones or station regeneration projects.

ASSESSMENT

4. The Department and the Homes and Communities Agency proposed to jointly assess the expressions of interest and short-listed local authorities would then further engage with the Homes and Communities Agency to agree the partnership's governance and key objectives and outputs. Although forming a partnership with the Homes and Community Agency will give priority access to the £1.2 billion Land Fund, it does not automatically imply that capital funding from the Fund will be made available.
5. The Homes and Communities Agency will need to consider investment in each site on a case by case basis as a significant proportion of the investment will be expected to be returned as receipts on the disposal of the site. Specifically, the Fund can only be used for the acquisition of land and/or preparatory work (remediation, demolition, site investigation, ecological works, and essential small scale infrastructure improvements) to prepare this land and other public sector land for starter homes. It cannot be used to gap fund private developers due to state aid considerations.
6. Priority will be given to those sites which:
 - ☐ are capable of early starter home delivery, including a reasonable prospect of securing planning permission for residential developments with at least 50% starter homes;
 - ☐ offer value for money in terms of the average unit cost subsidy per starter home after receipts from the disposal of the sites have been taken into account;
 - ☐ contribute to increased housing supply, specifically sites are not already allocated for housing in local plans or, if allocated, either have the opportunity for a higher than anticipated density of residential development or have been stalled with little private sector interest

TIMEFRAME

7. The deadline for the initial round of expressions of interest from local authorities was Friday 13 May. However HCA indicated Local Authorities could continue to submit expressions of interest up to 31 December 2016, to give those who may not have considered the opportunities that starter homes could provide for their local area time to develop proposals.

PENDLE COUNCIL SUBMISSION

8. Pendle Council submitted an Expression of Interest form by the deadline of 13 May 2016.
9. The sites included for consideration are listed below along with the funding request. It should be noted that HCA anticipate that on average 75% of their investment will be returned as receipts on the disposal of the site. The assumption is that remediating the site will significantly increase the value of the land so that the majority of the HCA funding will be returned. Unfortunately the housing market in Pendle makes this scheme marginal at best. Taking 20% off the market value means there would need to be a large amount of remediation work to make the proposal viable and providing the 75% return HCA are anticipating will be challenging. Further detailed feasibility work will be required on all the sites below should we get through the expression of interest stage.

Sites		Potential No of Starter Homes
Public Ownership		
Bunkers Hill Phase 2	Colne	7
Bright Street	Colne	7
Cooper Street	Nelson	4
Further Clough Head	Nelson	50
Bankhouse Road	Nelson	10
Halifax Road Phase 1	Nelson	50
Private Ownership		
8 brownfield sites included in the SHLAA*	Across Pendle	210
TOTAL		338
TOTAL BID		£8.46m

* Private sites not identified due to commercial sensitivity

10. Since the submission of the Expression of Interest we have been in ongoing discussions with the HCA about the sites included in the bid and have responded to requests for additional information.
11. The Starter Homes Prospectus was launched with a closing date of 31st December 2016. HCA will be assessing the sites submitted to check if they meet the Starter Homes criteria, and if they do, they will then be subject to due diligence, valuations and a competitive process.

12. This work is ongoing and HCA are in the early stages of a competitive assessment and expect to make announcements regarding these shortly. Following this, HCA will progress with the due diligence and detailed work on individual sites/ EOI's before giving the necessary approvals to progress/ potentially enter into legal agreements with successful partners. As Members will appreciate, given no or marginal viability on the sites referred to above, there is no guarantee that the Council's submission will be successful.

IMPLICATIONS

Policy: The bid is in line with the housing and planning policies adopted by the Council.

Financial: As this is only an Expression of Interest there are no financial implications. .

Legal: There are no legal implications at this stage.

Risk Management: There are no risk management implications at this stage

Health and Safety: There are no health and safety implications at this stage.

Sustainability: There are no sustainability implications at this stage.

Community Safety: There are community safety implications at this stage

Equality and Diversity: There are no equality and diversity implications at this stage

APPENDICES

None

LIST OF BACKGROUND PAPERS

Starter Homes: Unlocking the Land Fund. Department for Communities and Local Government March 2016