

PLANNING DEVELOPMENT CONTROL COMMITTEE

6 APRIL 2005

PENINSULA BARRACKS – AFFORDABLE HOUSING

REPORT OF CITY SECRETARY AND SOLICITOR

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RECENT REFERENCES:

NONE

EXECUTIVE SUMMARY:

This report relates to a request to vary the Section 106 agreement entered into when planning permission for the redevelopment of the Peninsula Barracks site was granted. The request relates to the affordable housing element in the Mons Block, and seeks to simplify the process whereby shared ownership flats in the Mons Block can be allocated.

RECOMMENDATIONS:

- 1 That the City Secretary and Solicitor be authorised to vary the affordable housing provisions in the Section 106 agreement dated 24 July 1995 in respect of Peninsula Barracks, Winchester, so as to simplify the sales and allocations process as outlined in the Report.

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DETAIL:

1 Introduction

- 1.1 On 24 July 1995, a Section 106 agreement was entered into by various parties (including landowners and prospective developers) in respect of the redevelopment of Peninsula Barracks, Winchester. The agreement covered various issues, including the provision of affordable housing and its subsequent allocation and management.
- 1.2 The affordable housing element is located in the Mons Block fronting Romsey Road. The block consists of flats, the freehold of which is owned by Wykeham Properties (formerly known as Winchester District Housing Association). Each flat is let by way of a long lease to leaseholders, who are nominated by the City Council as being in need of affordable housing.
- 1.3 Leaseholders seeking to dispose of their flats have experienced problems in the procedure which must be followed to find a suitable purchaser, who should also be in need of affordable housing. In addition, the terms of the agreement are leading to issues from mortgage companies.

2 Occupancy Arrangements

- 2.1 The flats comprised in the Mons Block have been let to leaseholders (following a selection process involving the Council, as described in Section 3 below). The leaseholders have paid a capital sum to the Housing Association, equivalent to 75% of the value of the flat (at the time of purchase), with the help of a mortgage from the bank or building society. They therefore have "acquired" a 75% interest in the flat. The Housing Association retains the remaining 25% and there is no provision in the current leases for "staircasing" (obtaining further shares) to a 100% interest.
- 2.2 In many affordable housing schemes, the tenure is on a weekly rented basis. In these cases, when a property becomes vacant, the Housing Association landlord relets the property to a suitable tenant. However, in this case, the tenure is by way of a long shared equity lease, and the tenant has a financial stake in the property (funded by the mortgage which they took out to purchase their share in the flat). They would not therefore wish to simply hand the flat back to the Association, but would look to sell on their interest to a purchaser.
- 2.3 Given the occupancy limitations in the lease and the Section 106 agreement, a leaseholder who wishes to move on and sell his or her interest in their flat needs to go through a process involving the Housing Association and the City Council finding suitable purchasers for the interest, and until that process has been exhausted with no suitable occupier found, leaseholders cannot sell the property on the open market.

- 2.4 The current value of the flats in the Mons Block is approximately £150,000, and the increase in value since purchase has meant that they are increasing becoming unaffordable to those in housing need. The Council's Housing Department is working with the Housing Association, as a separate issue, to investigate ways of repurchasing shares to make the flats more affordable.

3 Occupancy Limitations in the Section 106 Agreement

- 3.1 Occupation (when the flats were first occupied in the mid 1990's, and at all times thereafter) of each flat is limited by reference to people who the Council consider to be in need of housing accommodation and who cannot afford to purchase such accommodation on the open market in the wards of the Winchester town area.
- 3.2 There is an additional requirement for occupiers to have a strong local connection with such wards. This is defined by reference to a period of ten years living in such wards, or a period of five years working in the wards.
- 3.3 The agreement envisages a process whereby the initial "search" for occupiers fulfilling these criteria is limited to the Winchester town wards. If that trawl is unsuccessful, the agreement requires the parties to look at occupiers living in the parishes immediately surrounding the Winchester town wards. Only when this process has been unsuccessful can occupiers from elsewhere in the District be sought.
- 3.4 As explained above leaseholders wishing to sell their flat and move on (perhaps relocating for their work, etc.) are required to contact the Housing Association, which then contacts the City Council to seek nominations for prospective purchasers. The process in 3.3 above must be followed until a suitable purchaser is found. Such purchasers must have suitable funding arrangements in place to be able to purchase the flat, and be ready and able to move quickly. Because of the rise in values, the "pool" of potential purchasers in the Winchester town wards is reducing.
- 3.5 The effect of the strict criteria, and the lengthy process of widening the search for prospective occupiers, causes difficulties to the Housing Association and leaseholders alike, in terms of delay and uncertainty.

4 Mortgageability Issues

- 4.1 In addition to the problems set out above, mortgage companies have raised issues concerning the wording of the Section 106 agreement, and have indicated that unless and until these issues are addressed, they would not be prepared to lend money to prospective purchasers. This has meant that potential sales are being lost, a situation which will continue until the agreement is amended to the satisfaction of the mortgage companies.
- 4.2 The mortgage companies must be satisfied that in the event of their having to repossess a property, they can sell the property on with the minimum of delay. The restrictive nature of the agreement so far as occupancy is concerned, together with the lack of fixed time limits for nominations to be made, mean that a quick sale cannot be guaranteed, and they are therefore no longer willing to lend to prospective purchasers of these flats. This means that occupiers in the development wishing to move on are unable to do so at present.

5 Proposed Variations to Section 106 Agreement

- 5.1 Given the issues set out in this report, it is proposed to vary the Section 106 Agreement as follows.
- 5.2 The tenure allowed will be widened, from the current (undefined) shared equity, to allow shared ownership (which would permit “part-rent, part buy” schemes with lower purchase prices).
- 5.3 The occupancy limitations will be simplified. Except where “staircasing” to 100% has occurred (see 5.4 below), the Council will retain control by having to be satisfied that a prospective occupant is in need of such accommodation. The base requirement will still be in terms of need and inability to buy or rent on the open market, but the local connection test will relate to anywhere in the Winchester District (i.e. the three stage process will be rolled up into a single, district-wide, stage), and will include keyworkers (as defined by the Council) who need to live within reasonable travelling distance to communities in the Winchester District. The Council will retain the right to nominate occupiers when vacancies arise.
- 5.4 Staircasing (the purchase of additional shares in the property to increase a leaseholder’s share to 100%) will be allowed, at which point the restrictions of the agreement would cease. The capital sums paid to the Association for additional shares up to 100% would be available for recycling into other affordable housing projects (including possibly buying back shares in other flats in the block).

OTHER CONSIDERATIONS:

6 CORPORATE STRATEGY (RELEVANCE TO):

- 6.1 Providing affordable homes is a key priority.

7 RESOURCE IMPLICATIONS:

- 7.1 None

BACKGROUND DOCUMENTS:

Section 106 agreement dated 24 July 1995

APPENDICES:

None