

To: Janthia Algate  
Major Projects Officer for the Head of Planning and Countryside Services

Copies to Karime Hassan – Corporate Director - Environment  
Peter Jeffs – Corporate Director - Communities  
Kate Little – Head of Planning and Countryside Services



From: John Golding – Head of Housing and Social Inclusion

Your Ref: JA/DMH/03/P1900

Our Ref: Cranbrook

27th November 2006

**Re: Cranbrook New Community – Second amendment and further information on the Environmental Statement**

**Consultation on the outline planning application 03/P1900**

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**1. Introduction**

- 1.1 Thank you for the opportunity to comment on the outline planning application on land north of Rockbeare between the A30 and the Exeter-Honiton railway.
- 1.2 My main concern is to ensure that the Cranbrook development delivers a significant proportion of affordable housing to meet the demand for good quality affordable homes, suitably located, and of an adequate size for households in housing need in the district.
- 1.3 The requirement for affordable housing is consistent with the Council's Corporate Strategy and priority to achieve thriving, balanced communities. The requirement is also in accordance with the Council's adopted Housing Strategy Statement 2004-2007, Local Plan, and Supplementary Planning Guidance on affordable housing and the new community.
- 1.4 In providing affordable housing I believe that we need to ensure that the following tests are satisfied, and that appropriate provisions to secure the delivery of affordable housing are enshrined in a Section 106 legal agreement:
  - 40% affordable housing – the Applicant should provide a quantum of affordable housing consistent with our adopted Local Plan Policy. The homes should remain affordable and made available to households in housing need, in perpetuity.
  - Property mix, type and tenure – the Applicant should provide the type of affordable housing that meets the housing needs identified in the Council's Housing Needs Survey, Housing Strategy and for households on the Housing Register.
  - Affordability – the Applicant should demonstrate to our satisfaction that the affordable homes being provided are genuinely affordable to households in housing need.

- Management arrangements – the Applicant should specify arrangements to transfer the affordable homes to a Registered Social Landlord that will manage and maintain the affordable homes to a high standard.
- Nomination agreement - the Applicant and/or the housing provider should provide for the Council nominating initial and future tenants/shared owners into the properties being delivered regardless of tenure.

1.5 We need to ensure that there are appropriate mechanisms in the legal agreement to be certain that the Applicant actually delivers the type and number of affordable homes that we need, and have negotiated.

## 2. Negotiations with the Applicants

2.1 The negotiations on the provision of affordable housing have been long and hard with the Applicants initially resisting the provision of a significant quantity and appropriate type of affordable housing until relatively recently.

2.2 Our negotiations have been assisted with the Housing Corporation agreeing to provide a large allocation of capital towards the affordable housing.

2.3 We have reached a position where I understand that the Applicant has offered the following affordable housing.

40% of the total (2,900) equivalent to 1,160 affordable homes. This consists of:

- 16.5% of the total to be social rented = 478
- 13.5% of the total to be for sale on a shared equity basis = 393
- 10% of the total to be low cost housing for sale = 290

2.4 The rented and shared equity homes will be transferred to a Register Social Landlord (RSL), and the low cost housing for sale will be sold with conditions.

2.5 We have negotiated the mix, property type and tenure split shown in the table below.

<b>Property Type Tenure</b>	<b>Floor area</b>	<b>Rented</b>	<b>Shared ownership</b>	<b>Totals</b>
1 bedroom flats	46m <sup>2</sup>	96	118	214
2 bedroom flats	56m <sup>2</sup>	72	-	72
2 bedroom terraced houses	71m <sup>2</sup>	143	118	261
3 bedroom terraced house	81m <sup>2</sup>	143	157	300
3 bedroom detached house	91m <sup>2</sup>	14	-	14
4 bedroom detached houses	104m <sup>2</sup>	10	-	10
<b>Totals</b>		478	393	871

see a mix of two and three bedroom homes with some one-bedroom units. The property types should be specified in the legal agreement.

- 2.7 The tenure position negotiated is not as our preferred position set out in our Supplementary Planning Guidance on affordable housing, which seeks the provision of 75% rented and 25% shared ownership and other intermediate tenures. This tenure split is derived from the Housing Needs Survey 2005 and is based upon what households in housing need can afford to pay for their housing.
- 2.8 The low cost housing for sale does not meet the Housing Corporation's definition of affordable housing, or strictly the definition in the draft Planning Policy Statement 3. This form of housing is included in our SPG on affordable housing and is recognised as having a relatively minor role in meeting affordable housing needs.
- 2.9 We have negotiated a position where the low cost housing for sale will be sold at a price equivalent to three and a half times the average household income in East Devon. The price of any subsequent resales will also be restricted to three and a half times average income.
- 2.10 My aspirations for the low cost housing for sale is that these are not 'cheap and nasty' starter homes, but high specification, well designed homes, which make good use of modern construction methods and economies of scale.
- 2.11 The specification and marketing methods will need to be agreed with the Applicant if these homes are to be a desirable affordable housing resource.
- 2.12 The Council will have nomination rights to the properties such that we can identify and put forward suitable nominees. This element of the negotiated affordable housing package can provide a useful contribution to meeting the need for affordable housing for households on average income. The total numbers at 290 homes, are a little high, but if the marketing is well targeted and delivery evenly phased over the development it could be popular tenure.
- 2.13 Average household income will have to be benchmarked to a reliable and agreed indicator to avoid disputes in the future over sale prices.
- 2.14 Setting aside the low cost housing for sale, we have effectively negotiated 30% affordable housing (871 units of accommodation). Assuming 478 homes are social rented and 393 shared ownership, this represents a tenure split of 55% social rented and 45% shared ownership. This is clearly somewhat different to the tenure split set out in the SPG on affordable housing, and the housing needs evidence we have available.
- 2.15 I am concerned about the affordability of the shared ownership homes even if offered for sale at a 40% equity share. I have seen no financial projections of shared ownership costs to alleviate my concerns. Shared ownership, or Homebuy as it has been relabelled by Government, is an attractive affordable housing product for first time buyers getting a start on the home ownership ladder, if it is priced at a level that local households can afford. We know that the majority of households on our Housing Register, and identified in the Housing Needs Survey cannot afford shared ownership.
- 2.16 Having raised these concerns, I am not convinced that we could negotiate a better affordable housing offer, and the challenge will be to ensure that the shared ownership homes are available to a large a group as possible of households in recognised housing need.

### **3. Selection of Registered Social Landlord partners**

- 3.1 The Registered Social Landlord (RSL) selection process has been very unsatisfactory from the Council's perspective as we have been effectively excluded from the process of selecting partners.
- 3.2 The RSL's are a key partner and critical part of the delivery mechanism for the affordable housing at Cranbrook, and a genuine partnership with the Applicant would have resulted in a joint selection process.
- 3.3 I developed an RSL selection procedure with the Housing Corporation and shared this with the Applicant only to find that they went on to operate their own RSL 'beauty contest' which was based almost exclusively on who would pay the most for completed affordable housing units.
- 3.4 I was advised that RSL's were specifically instructed not to discuss their bids with the local authority.
- 3.5 The applicant has selected three RSL's to work with initially. These are Sovereign Housing Association; Sarsen Housing Association; and Tor Homes. All are registered with, and regulated by the Housing Corporation, and therefore will be required to meet specific standards of housing management, rent control, procurement etc.
- 3.6 I am anxious to ensure that the selected RSL partners are content with what has been negotiated in respect of the affordable housing, particularly before the legal agreement is finalised. The Housing Corporation share my concerns and are keen for all partners to meet to discuss the delivery of affordable housing.
- 3.7 I have set up a meeting with the Applicant preferred RSL's in mid December. I have not done this earlier as I did not want to jeopardise the position of the RSL's in the partnership.
- 3.8 I am not aware of the prices RSL's are prepared or able to pay for the transfer of the affordable homes. I had a desire to attempt to control the price through the legal agreement, but have been advised that this is a matter for the RSL's, who should have undertaken a careful financial and risk appraisal before bidding for the properties.
- 3.9 I believe that we can work effectively with the applicants' chosen RSL's, which will be essential if we are to deliver an effective and targeted affordable housing scheme at Cranbrook.

### **4. The Housing Corporation as a partner**

- 4.1 The Housing Corporation is a key and welcome partner in the negotiations with the Applicant.
- 4.2 One of the roles the Housing Corporation will play is the provision of public subsidy to assist in the delivery of affordable housing. They have agreed to provide funding to Persimmon (representing the developers) as part of the recently introduced government initiative to provide a proportion of the national affordable housing grant programme direct to developers.
- 4.3 The Housing Corporation set the following grant conditions in relation to their grant offer to Persimmon Homes.

with regard to the 30 % affordable housing provision.

- 1) 55% of this (or 16.5% of all provision) will be social rented and 45% (or 13.5% of all provision) will be HomeBuy;
- 2) 10% of the affordable homes will be built to Lifetime homes standards. These will be rented homes;
- 3) Persimmon are open to discussion about further social rented homes being built to wheelchair standard (subject to additional grant being available etc);
- 4) All affordable homes will be built to Housing Corporation standards including EcoHomes Very Good;
- 5) Physically the affordable homes will be externally indistinguishable from market housing on the site;
- 6) Affordable homes will be built in mixed tenure clusters of social rent and HomeBuy (of 30 homes maximum), the clusters 'pepper-potted' among the market housing;
- 7) Persimmon will submit the financial workbooks required by the Housing Corporation in support of bids for National Affordable Housing Programme (NAHP);
- 8) It is anticipated that affordable housing will broadly form 30% of each year's completions but it is recognised that during the first few years of each development, whilst public transport links may be incomplete and while the initial market is being established, the proportion will be slightly lower (and therefore correspondingly higher in subsequent years)
- 9) Persimmon agree that the RSL's identified as those to take on ownership and management of the affordable homes (currently Tor, Sovereign and Sarsen) be required to work together to satisfy Persimmon, East Devon District Council and the Housing Corporation that they appropriately discharge their landlord and community development roles;
- 10) Persimmon supports an equal distribution of affordable housing across at least 3 social landlords.

The Housing Corporation intend to provide grant for the 30% affordable housing provision at the following levels:

- £28,130k per rented unit (apart from Lifetime – see below);
- £nil per Homebuy unit;
- £38,130 per rented unit at Lifetime homes standard

The Housing Corporation will consider providing additional grant for any homes to be built to wheelchair access standards.

A commitment to funding the first 560 affordable homes (55% as social rent, 45% as Homebuy) will be made through a combination of the NPiAH and the NAHP 2006-08. The balance of 310 affordable homes will be completed after March 2011 and a commitment cannot therefore be made through the NAHP 2006-08. The Housing Corporation will, however, issue a letter of comfort expressing its clear and firm intention to provide grant funding for these homes.

In terms of completions up until March 2001 provision is currently due to comprise:

Social rented	1 bed: 76 units
	2 bed: 107 units
	3 bed: 109 units
	4 bed: 16 units

New Build Homebuy  
1 bed: 63 units  
2 bed: 63 units  
3 bed: 76 units  
4 bed: 50 units

- 4.4 This funding commitment, which is as I understand yet to be signed, provides grant/public subsidy of at least £13.45 million for the rented homes, and unusually represents a long term offer of support for the project. It is this level of subsidy which I feel provided a breakthrough in our negotiations.
- 4.5 The grant conditions do require the transfer of the affordable homes to the RSL's, and allow for other RSL's to be involved at a later stage.
- 4.6 The property mix will be adjusted to reflect that negotiated. I am anticipating that 10% of the social rented units will be to Lifetime Home standard, which will attract the higher grant rate. This will amount to some 87 homes.
- 4.7 The Applicant wants the rented units to be linked with the level of grant available. If the grant is reduced or withdrawn they desire a cascade mechanism reducing the number of rented homes they are required to provide. I have resisted the imposition of a cascade mechanism and do not want it included in the legal agreement, as it will inevitably mean a reduction in the number of social rented homes if it is triggered.
- 4.8 There is a possibility of grant being paid to RSL's if the Applicant does not agree to the Housing Corporation grant conditions. Provided the grant remains the same and the price of the affordable housing remains the same, I do not see this as a problem.

## **5. Access to the affordable housing**

- 5.1 Nominations are our way of ensuring that households in housing need get access to the affordable housing provided. The Section 106 agreement will cover the nomination process that will give the Council advance notice of completed/available properties.
- 5.2 We should expect to secure 100% of initial lettings/sales for our nominees and 75% of relets/resales. The nomination arrangements will need to be compatible with the Council's adopted Choice Based Lettings scheme
- 5.3 There is an expectation from the Housing Corporation that we share nomination rights with our neighbouring authorities of Exeter and Mid Devon. I am suggesting that we retain a minimum of 80% nominations to initial lettings/sales and offer Exeter up to 15% and Mid Devon up to 5% nominations. The Housing Corporation views the substantial investment of grant as a sub-regional allocation to the Exeter Housing Market Area, but they have not specified the level of nominations we should grant in favour of neighbouring authorities.
- 5.4 The Housing Corporation has expressed concerns about having a nomination agreement as part of the Section 106 Agreement. They have indicated that it is against their policy, although I am surprised by this as RSL's have confirmed to me that nomination agreements are typically part of Section 106 agreements nowadays. I would like certainty as to the terms of the nomination arrangements and would therefore prefer to see it specified in the Section 106 agreement.

Corporation Homebuy agent will be best placed to provide a list of nominees for shared ownership properties, as they maintain the waiting list for Homebuy products. We can set clear parameters for the identification of suitable purchasers, including a local connection criteria and perhaps priority being given to existing social housing tenants, key workers and/or first time buyers.

- 5.6 The Applicants have proposed a Landlord Charter where tenants are required to supply references, an allocation panel is established, and RSL's are required to operate an introductory tenancy agreement. I can support a reference to not nominating households where we have evidence of a history of Anti-Social Behaviour, and if RSL partners want to operate a probationary tenancy scheme, I would not object.
- 5.7 My view and that of the Housing Corporation is that a Landlord Charter is unnecessary as RSL's are responsible landlords who are regulated and required to meet high standards of housing management and maintenance. A Landlord Charter in the form put forward by the Applicant is not acceptable, however, I would support our RSL partners operating an area office as a housing management base and marketing centre, and agreeing a Local Lettings Plan, but outside the legal agreement.

## **6. Extra Care Housing**

- 6.1 In addition to the affordable housing identified above I have been working with Social Services to identify opportunities to provide a 50 unit extra care housing scheme.
- 6.2 Despite our invitation this proposal has been advanced by Social Services late in the negotiations, but extra care housing could be accommodated on the land identified for the Health and Wellbeing Centre. I welcome the provision of an extra care housing scheme, and would support a funding application to the Housing Corporation and/or a private finance proposal to finance the build costs.
- 6.3 The scheme should provide housing and support for elderly residents who need 10 hours or more a week of care services. There is a recognised need for this type of scheme in an area with a high proportion of older people, and such a scheme provides housing and support/care in excess of that provided in a sheltered housing scheme, but below that provided by a residential care home or nursing home.

## **7. Housing Strategy and Phasing Strategy**

- 7.1 The Housing Strategy submitted by the Applicant is limited in its coverage consisting of just four paragraphs of text. It refers to 40% affordable housing provision, clusters of upto 30 affordable homes, indistinguishable design from market housing, and a proportion of affordable homes built to the Lifetime Homes Standard. These are welcome commitments.
- 7.2 The Phasing Strategy refers to each phase including a full range of densities and housing tenures. This is welcome and whilst I could see no specific reference to the phasing of the affordable housing, the draft legal agreement refers to the first phase of the affordable housing being provided on completion of the first 150 market units. The draft legal agreement also requires that prior to each phase a detailed application will be submitted for the Councils approval specifying the location, type, standard, size and level of servicing of the affordable housing. It would have been helpful if this was part of the Phasing Strategy.

## **8. Conclusions**

- 8.1 I am concerned that the negotiations for affordable housing have not been concluded after much discussion and negotiation, and the contents of a Section 106 agreement has not been finalised. There are numerous unresolved issues around the delivery of affordable housing that I would like to see subject to planning conditions and /or a robust Section 106 agreement, to be certain about what, when, and how the affordable housing will be provided.
- 8.2 We need to ensure that we deliver the 40% quantum of affordable housing, of a mix, type and tenure that is affordable to local households in housing need. We also need to ensure that acceptable arrangements are in place to nominate households into all of the affordable housing, and that the housing is transferred to our RSL partners at a price they can afford to pay.
- 8.3 The overall package of affordable housing described above is I would suggest acceptable, provided that the sale costs of the Homebuy units and low cost housing for sale are controlled and genuinely affordable, such that local housing need will be met.
- 8.4 The affordable housing provision must be seen in the context of the total planning gain package that has been negotiated, and the desire to create a high quality, balanced and sustainable community at Cranbrook. So having regard to the 'big picture' and the necessary safeguards around the delivery mechanism, I am satisfied with the affordable housing package that we have negotiated.