

# Development Management Sub Committee

report returning to Committee - Wednesday 21 June 2017

**Application for Planning Permission 15/05715/FUL  
At 6, 8, 13, 15, 18-20, 21, 28 King's Stables Road, 2 Lady  
Wynd, Edinburgh  
Mixed use development comprising flats, student  
accommodation, hotel, arts facility and class 1, 2 and 3  
uses, involving the erection of new buildings, alteration of  
existing buildings, partial demolition and change of use of  
ground floor of existing tenement building (as amended)**

<b>Item number</b>	5.1
<b>Report number</b>	
<b>Wards</b>	A11 - City Centre (Pre May 2017)

## Recommendations

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It is recommended that this application be Granted subject to the details below.

## Background information

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### July 2016

Committee agreed to approve this application on 1 July 2016 subject to a number of conditions and the resolution of affordable housing provision.

At that stage the committee was minded to grant planning permission subject to:

- 1) Conditions, reasons, informatives as detailed in section 3 of the report by the Head of Planning and Transport.
- 2) A legal agreement to secure affordable housing in line with the report of the 1 July 2016 with the requirement that the decision on whether the commuted sum was to be used to secure on-site or off-site provision was reported back to the Development Management Sub-Committee.

- 3) An additional condition that any planning application for an alternative building at Lady Wynd be reported to the Development Management Sub-Committee for decision.
- 4) An additional condition that any materials should be approved by the Development Management Sub-Committee.

## **April 2017**

At the meeting on 19th April 2017, the Chief Planning Officer reported back on the preferred delivery methodology for affordable housing. The audited developer's financial appraisal demonstrates that the build costs on this site are considerably above normal residential costs due to abnormal costs including piling, complexity of construction, high quality materials and the retention of elements of existing historic structures. The unit build costs associated with the residential element is beyond that which a Registered Social Landlord (RSL) could pay. The price it can pay is constrained by grant levels and low (affordable) rents.

The principle of a commuted sum of £45,454 per affordable unit is established in the report of 1 July 2016 and is based upon the land values. The proposal incorporates a total of 41 residential units. The affordable housing requirement of 25% equates to 10.25 units @ £45,454, which is £465,903.50.

It was recommended that the Committee agrees the use of a suitable legal agreement to secure the financial contribution for off site affordable housing. It was also recommended that the Committee agrees revised conditions.

### **19th April 2017 Committee decision**

Committee did not accept this recommendation and further continued the application for the Chief Planning Officer to provide information on the following:

1. Possible options to cross subsidise affordable housing to ensure that it was built on this site.
2. To investigate if there were examples where this had been carried out elsewhere in the City.

## **Main report**

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### **Description of Proposal**

This report addresses the information required and seeks the Development Management Sub-Committee's approval to agree the delivery of an element of on site affordable housing if possible or delivery through a financial contribution to off-site affordable housing provision.

### **Assessment**

This report sets out the options and challenges for delivery of on site affordable housing on this site, including a cross subsidy for on site provision.

1. Affordable rent taken forward by a Housing Association

The applicant submitted details of the development costs, which were independently verified and confirmed high build costs. The assessment, carried out by Retties, shows construction costs well above the level at which affordable housing would be viable for an affordable housing provider - the average build cost of an affordable home taken forward by a housing association (with no land value) is £116k. The build costs for King Stables Road, without land value, are £160 -180k per unit. This would mean that in normal circumstances, a commuted sum of around £44k - £64k per unit would be required in order for these homes to be financially viable. However, this is further complicated by the homes being predominantly studio apartments. Studio apartments do not meet the minimum standards that affordable housing

providers are required to meet to enable grant funding support. The ineligibility for grant funding means a further financial shortfall of between £40k - £70k per unit, depending on affordable tenure. To deliver on-site affordable housing, a commuted sum of at least £84k per property is likely to be required. This is approximately eight times more than any recent commuted sums awarded to a housing association in the city; the same amount of funding could enable around eight affordable homes in other locations and exceeds the amount of grant funding any association would normally expect. The housing associations approached were not willing to take studio apartments as these do not meet the changing needs of their tenants and are not easily adaptable.

This delivery approach to on site affordable housing would not be financially viable.

## 2. Cross Subsidy - Use of Commuted Sums to Enable Affordable Housing On-site

The committee requested that this approach be explored at the meeting on 19th April 2017.

The most recent award of commuted sums to enable affordable housing was for 25 homes for affordable rent at Shrubhill, Leith Walk - £344,045 was awarded, which is £13,762 per home. Two sums have been paid in the last three years; £144,000 for the Hillcrest Housing Association development at Eastern General (36 homes for social rent, a commuted sum of £4,000 per home) and £120,000 to Castle Rock Edinvar Housing Association for the development of 54 social rented homes at St Barnabas, Fortune Place (£2,222 per home).

An option to use sums payable from the King Stables Road development to help fund some on-site affordable housing has been explored.

If the full commuted sum was paid (£465,903.50), the full affordable contribution would have been made. In theory the contribution could then be used to purchase properties within the development. This would enable the purchase of around three homes at their market value (£180,000+). It would be extremely difficult to make a value for money case for this approach. The "nil land value" presumption for affordable housing would not apply as the affordable housing contribution would have been made through the applicant making the sum payment. The homes would be sold at market value. Additionally, officers are not aware of any housing associations who want to purchase studio apartments, or acquire such small numbers of units in a block where they will not have majority ownership, due to potential difficulties in factoring and/or carrying out major repairs or repairs to communal areas.

On a larger scheme, with a different housing mix, this approach could help enable affordable housing. However on this development it would be considerably more expensive than providing units elsewhere in the city and elsewhere within this ward, and would not deliver sufficient units to make it viable for a housing association. In addition to this it does not address the key concerns of housing associations in delivering studio apartments. For these reasons, this option is not considered viable or value for money.

The use of cross subsidy would only deliver three homes on this site, in comparison with the requirement for 10.25 affordable homes, and is therefore not recommended as a sustainable approach to addressing this issue.

## 3. Commuted Sum

The applicant agreed to a commuted sum of £45,454 per affordable unit, based on land value, and noted in the last report to committee. On this basis, the commuted sum would be £45,454 per unit for 10.25 units, meaning a total contribution of £465,903.50. This would be secured through a Section 75 agreement, paid prior to commencement of the development and would be used to support affordable housing in the same or adjacent ward.

As an example of how this could be utilised, a development of 19 affordable homes at Fountainbridge, on the boundary of the City Centre Ward, seeks a commuted sum of £400,000 to enable the construction of the homes.

This was the approach recommended to committee on 19th April 2017 and would allow the delivery of the affordable housing requirement in full.

#### 4. Low Cost Home Ownership (Golden Share)

Golden Share is an approved affordable housing tenure in the City of Edinburgh. Properties are sold at 80% of Open Market Value making them affordable to people in housing need, who could not afford to purchase a similarly sized home in the local area. The option to provide affordable low cost homes ownership (Golden Share) at King Stables Road was considered during the application process but the value of the homes would exceed the Golden Share threshold. Delivering studio apartments at these prices would not meet affordable housing need, as larger sized homes could be found for less nearby. A Golden Share home's value is restricted to 80% of market value and should not exceed the average house price in the city, £214,796. The homes proposed within the current proposal would not meet the Golden Share criteria as their projected sales values are above this threshold.

The applicant has offered to provide a minimum of eight Golden Share one and two bedroom flats on the Lady Wynd part of the application site with any remaining financial contribution made to off site affordable housing delivery. The Lady Wynd section of this proposal is not supported in its current form. The applicant would submit a planning application, following the committee decision of 21st June, should this be agreed as the way forward.

As explained previously, Golden Share house's value is restricted to 80% of market value and should not exceed the average house price in the city, £214,796. The applicant has not provided information to demonstrate that the values would accord with this threshold for Golden Share.

This approach provides a potential means of meeting the affordable housing requirement but cannot be guaranteed at this time. This approach is supported but not recommended as the sole solution.

#### **Recommendation**

It is recommended that the Committee approve this application and agrees the original conditions 1-4 and 6-10, amended conditions 5, 11 and 12 (set out below) and the use of a suitable legal agreement regarding affordable housing (set out below).

#### Amended Conditions

5. A detailed specification, including trade names where appropriate, of all the proposed external materials shall be submitted to and approved by the Development Management Sub-Committee before work is commenced on site; Note: samples of the materials may be required.

11. Prior to the occupation of the residential units or student accommodation, the nightclub operations shall cease.

12. Prior to the occupation of the hotel or student accommodation within this site, the 33 residential units located on the west most part of the site shall be completed.

#### Suitable Legal Agreement for affordable housing

Prior to the issue of consent, the applicant shall enter into a suitable legal agreement to secure the provision of a minimum of eight Golden Share homes within the application site boundary

and any shortfall through a financial contribution. If the Golden Share homes cannot meet the required criteria the full financial contribution for off site affordable housing shall be paid.

If committee is not minded to accept this recommendation, then it is recommended that this application is refused as contrary to LDP policy Hou 6.

## Links

### **Policies and guidance for this application**

LPC, CITCA1, CITD2, CITD3, CITD4, CITD5, CITD7, CITD10, CITE1, CITE2, CITE5, CITE6, CITE9, CITE16, CITE18, CITH1, CITH2, CITH3, CITH4, CITH7, CITH10, CITEM4, CITR5, CITR12, CITT4, CITT5, LDPP, PLDP03, OTH, CRPOLD, NP01, NSG, NSGD02, NSP, NSLBCA, NSGSTU, NSGSTR,

A copy of the original and previous returning Committee reports can be found in the list of documents at

<https://citydev-portal.edinburgh.gov.uk/idoxpa-web/applicationDetails.do?activeTab=documents&keyVal=NZD15EEWKVI00>

Or Council Papers online

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