

## **HARROGATE DISTRICT SITES AND POLICIES DPD**

### **RURAL EXCEPTION SITES: A NEW APPROACH TO DELIVERY**

#### **1.0 INTRODUCTION**

- 1.1 This note sets out initial thoughts on how the proposed policy on delivering Exception Sites might work. It has been produced following a landowners' seminar held on 28 October 2010 as part of the Rural Areas Consultation where more detail on the proposed policy was requested. It must be emphasised that these are emerging thoughts only. Feedback from interested parties is welcomed.

#### **2.0 BACKGROUND AND SUMMARY OF PROPOSED POLICY**

- 2.1 Exception sites have been around since the late 1980s. These are small sites in rural areas, typically outside but adjacent to the settlement boundary. There can be no market housing. Affordable housing must be available in perpetuity.
- 2.2 It is proposed that exception sites are allocated for 50% social rented/shared ownership housing and 50% 'Locals Only Housing'. Locals Only Housing will be capped in perpetuity, potentially at 75% of market value. The proposal will help achieve the objectives of exception site policy in areas where opportunities for delivering housing are more limited, ensuring that rural areas continue to develop as sustainable, mixed, inclusive communities. This is in line with the PPS3 objectives for exception sites (para 30).
- 2.3 Local people on a range of incomes will be eligible to occupy Locals Only Housing. It is envisaged that those who qualify will include first time buyer couples, owner-occupiers who need an extra bedroom as families grow, or those coming out of a relationship breakdown with insufficient equity to buy on the open market. None will be able to afford market housing in their local area. The size of Locals Only Housing is likely to be restricted, both to reflect the intended client group and to aid affordability. A s106 legal agreement (and subsequent local land charge) will set out the covenants on size, value and local connection. These will be reinforced in a lease agreement.
- 2.4 It is hoped that Locals Only Housing will incentivise landowners to bring land forward as well as meeting the wider housing needs of a community.

#### **3.0 ACQUISITION AND DEVELOPMENT OF THE SITE BY A REGISTERED PROVIDER (FORMERLY HOUSING ASSOCIATION)**

- 3.1 To date, all exception sites in Harrogate District have been purchased and developed by housing associations (now Registered Providers). Typically land values for exception sites have been capped at £5000 per plot – an amount set by the Homes and Communities Agency, the government agency responsible for the funding and delivery of affordable housing. This figure is above agricultural land value, but well below residential land value, reflecting the very restrictive covenants that apply and the fact that market housing is not permitted.
- 3.2 The effect of the proposed policy will be to increase land value of an exception site well beyond the current £5000 per plot, but it will inevitably remain well below market value for an unrestricted site. Nevertheless, it is hoped that this increased land value

will encourage more landowners to bring their land forward for affordable housing development.

- 3.3 Initial thoughts on land value under the proposed policy are that it will be effectively capped at no more than 75% of market value (and probably substantially less) for that part of the land on which the Locals Only Housing will be built. It is likely that a market valuation will set both its sales price and that of the land. Typically, the land price will be substantially more than the cap set on exception site housing.
- 3.4 The Registered Provider will develop the whole site, selling 50% as Locals Only Housing at 75% of market value. It will retain ownership of the rest.
- 3.5 Locals Only Housing will be sold on a leasehold basis as the Registered Provider, which will retain the freehold, has an ongoing role in monitoring the terms of the s106 legal agreement. On resale, the Registered Provider will obtain a market valuation of the property and ensure the property is sold at 75% of that valuation to a qualifying household.

#### **4.0 ACQUISITION AND DEVELOPMENT OF THE SITE BY A PRIVATE DEVELOPER**

- 4.1 Under emerging policy, there is the opportunity for an exception site to be developed by a private developer. In this instance, a developer would acquire the land at a value that reflected the housing mix. The land value should not differ substantially from that in the above case where the land is to be developed by a Registered Provider. The dwellings would be built and sold on completion to a Registered Provider. 50% would sell at 75% of market value. The Registered Provider would retain the freehold and sell these properties on as Locals Only Housing.
- 4.2 The remainder of the site would be sold to the Registered Provider at the Council's approved Affordable Housing Transfer prices. These currently range from £67k for a two-bed property to £79k for a three bed, subject to size. Profit from the Locals Only Housing is intended to cross subsidise the remaining 50% of the site, such that there is no grant requirement on these dwellings.

#### **5.0 CONCLUSION**

- 5.1 It is considered that these measures will encourage landowners to bring sites forward whilst ensuring that local housing is accessible to local people with a range of affordability and housing needs. Balanced and integrated communities will ensue and PPS3 objectives are met.
- 5.2 The proposed policy also allows landowners to meet wider objectives. Should it be adopted, landowners will be able to secure housing opportunities for family members who wish to remain in their local communities but are unable to afford market prices. Estates and local employers too will see employees qualifying for Locals Only Housing. Locals Only Housing will be exempt from local authority nomination rights. It will simply be a case of local households demonstrating that they need a suitable home and are unable to afford local house prices.