

Housing Select Committee			
Title	Housing Zones	Item No	5
Contributors	SGM Capital Programme Delivery		
Class	Part 1	Date	14 th March 2018

1. Purpose of Paper

- 1.1 To provide the Housing Select Committee a general background to the Mayor of London's Housing Zone Programme and a specific update on the two designated Housing Zones in the borough.

2. Recommendations

- 2.1 The Select Committee is asked to:
 - note the content of the report

3. Background - Housing Zones

- 3.1 In August 2014 the Department for Communities & Local Government (DCLG) and the GLA announced their plans to create twenty 'Housing Zones' across the capital. The aim of Housing Zone designation for an area is to boost the housing supply in London by unlocking and accelerating housing delivery through a range of planning and financial measures/interventions.
- 3.2 The Government and the GLA jointly committed a total of £400m of funding for the initial twenty zones. Half of the funding (£200m), was made available in the form of loan funding which is accessible to private sector organisations only. The remainder of the funding was available in flexible funding forms, including grant funding. The Housing Zone process seeks to encourage co-operation between local authorities, central government and developers.
- 3.3 New homes developed in Housing Zones are expected to be geared towards meeting a range of housing need and address the affordability challenge currently facing many Londoners. This requires a mix of open market homes that are affordable for Londoners with an obligation, where possible, to prioritise the sale of individual homes to Londoners purchasing for owner-occupation. It also includes new long term market rent homes, as well as affordable homes for rent and low cost home ownership.
- 3.4 The GLA identified Opportunity Areas as 'ideal candidates' for Housing Zone designation. Opportunity areas are often (but not always) places with relatively low land values, sometimes with an historic industrial use, and are usually characterised by some form of market failure that requires substantial intervention. Whilst identified as challenging they can provide opportunities for

the public and private sector working collaboratively to regenerate areas and create new neighbourhoods and places. It is envisaged that through Housing Zone designation some of the challenges identified could be addressed unlocking schemes and accelerating the delivery of the planned housing.

- 3.5 In addition to investment, Housing Zones are designed to offer focused, planning, place-making and intensive engagement with a wide range of delivery partners important to delivery of housing such as utility companies, Network Rail and Transport for London.
- 3.6 The initial aim was to create twenty Zones in London and build 50,000 new homes by 2025. Due to the success of the first phase in securing commitments for approximately 53,000 new homes in London (with approximately a third being affordable housing), a second phase of the programme was launched in 2015 taking the total number of Housing Zones to 31 and a target housing provision of 75,000 new homes. The programme is also designed to provide 150,000 associated jobs in the course of the 10 year delivery programme.
- 3.7 The eligibility criteria for an area to be designated a Housing Zone include but is not limited to the following:
 - A Housing Zone must (except in exceptional circumstances which must be clearly justified) include a minimum of 750 housing units.
 - A Housing Zone can consist of one or more sites.
 - The majority of the Housing Zone must be on brownfield land.
 - Must either include a bid for investment funding from one or a number of private sector partners.
 - Details of how the planning requirements for the Housing Zone will be implemented.
 - Include reference to how good design will be achieved.
 - Demonstrate an expeditious delivery of housing.
- 3.8 The full DCLG prospectus on Housing Zones; what the programme supports; types of support or funding available; the eligibility criteria; scheme prioritisation and assessment criteria are contained in the DCLG Prospectus on Housing Zones attached as appendix 1.
- 3.9 There are currently two Housing Zones in Lewisham: New Bermondsey (former Surrey Canal Road Triangle) and Catford Town Centre. A brief summary on both schemes is provided in sections 4 and 5 below.

4. New Bermondsey Housing Zone

- 4.1 The GLA raised the opportunity to bid for Housing Zone designation with Council's Strategic Housing team following the announcement in August 2014

and identified the potential of the New Bermondsey regeneration scheme as a possible candidate for designation.

- 4.2 Following further consultation with the GLA, the developer (Renewal) and officers in Strategic Housing, Planning and Regeneration it was agreed that the New Bermondsey site met the criteria for Housing Zone and could benefit from designation to bring forward the delivery of housing and infrastructure on the site.
- 4.3 A bid was submitted to the GLA on the 30th September 2014 and in February 2015, the Mayor of London announced that the New Bermondsey Regeneration programme has been designated Housing Zone status. As one of the first Housing Zones, the site was recognised as a key development in London and as one of the few regeneration projects that has the capacity to deliver homes for Londoners faster by accelerating the development programme.
- 4.4 Following the Housing Zone designation, the GLA allocated in principle funding of £20 million towards delivery of key infrastructure associated with the scheme, including the new Overground Station at Surrey Canal Road.
- 4.5 The GLA initially proposed that the allocated sum would be advanced to Renewal as loan funding. In a revised approach, however, the GLA proposed that a grant agreement (known as a Borough Intervention Agreement) is entered into between the Council and the GLA whereby the GLA will provide grant funding of approximately £12 million which will be passed by the Council to TfL with a requirement that TfL deliver the new Overground Station at Surrey Canal Road and open it within a set period. The balance of the £20 million allocation would remain available for Renewal to take up through a second intervention.
- 4.6 The benefit of this approach is that as the new station would be grant funded, enabling the sum which would otherwise be paid by Renewal towards the new station to be applied to the provision of additional affordable housing within the scheme. The revised approach would allow early delivery of the station and development of the first two phases of the scheme (Phases 1A and 2) to proceed ahead of schedule delivering 532 new homes, it would also secure delivery of more additional affordable homes than were originally to be provided within the scheme.
- 4.7 The exact quantum of additional affordable housing to be delivered as a result of this approach would form part of revised S106 for the scheme.
- 4.8 Progress of the scheme has been on hold until the Dyson inquiry into New Bermondsey concludes.

5. Catford Town Centre Housing Zone

- 5.1 On 17th February 2016 the Mayor approved a report which recommended that the council should submit a bid to the GLA for Housing Zone support for the Catford town centre regeneration programme.

- 5.2 The bid was submitted for the GLA's consideration and set out a case for how GLA grant support could help stimulate the delivery of housing in the town centre and enhance overall deliverability.
- 5.3 In line with the funding guidelines the bid sought funding of £40 million to support three important areas; provision of affordable housing, enhancing town centre flood resilience, improvements to the train station environment and the Catford arrival experience.
- 5.4 In March 2016 the GLA announced that Catford had been awarded an indicative allocation of £30 million made up of £27.2m affordable housing grant, £1.3m for rail station arrival space and £1.5m for flood alleviation, The allocation of affordable housing grant was later revised down to £19.6m following identification of an error in the GLA's understanding.
- 5.5 Officers have reviewing the funding agreements provided by the GLA and discussed protocols and timescales for agreeing these. The agreement is split into different sections which are entered into sequentially once sufficient information is available on the scheme. The first agreement that the Council must enter into is an Overarching Borough Agreement. This sets out the general principles upon which it has been agreed that Housing Zone funding is to be made available by the GLA and is superseded in due course by the individual Borough Intervention Agreements that are then subsequently entered into between the parties. The OBA is in the process of being completed currently.
- 5.6 Prior to any funding drawdown the Council must enter into a Borough Intervention Agreements (BIA). Each BIA will set out the detailed terms and conditions upon which specific amounts of funding will be advanced to the Council by the GLA and the outputs which we must commit to delivering in return. The Council is not formally bound to deliver these outputs until the BIA is entered into and funding advanced.
- 5.7 A significant part of the Housing Zone grant for Catford is aimed as supporting the scheme to deliver a greater percentage of affordable housing. However, certainty on specific housing outputs from the redevelopment of key sites in the town centre will not be known until the design is sufficiently advanced. It is likely that subsequent Borough Intervention Agreements will not be entered into until planning approval for each development phase has been achieved.
- 5.8 Discussions on the form of affordable housing to be delivered will be continued with the GLA as plans for redevelopment are advanced and as the housing priorities of the new Mayor of London become clear. The Council will continue to seek that new affordable housing clearly meets the housing needs identified by the borough.

6. Funding Issues

- 6.1 On 21st of November the GLA wrote to the Council to confirm that when the current Mayor for London came to office he asked for a review of all Housing Zones to look at whether delivery could be accelerated or whether there was a

better way to support boroughs in delivering their housing ambitions. Following this review a deadline of 31st January 2018 was set by which time all due diligence must be completed and schemes should be in contract.

- 6.2 Given the current position of both the Housing Zones within the borough it has not been possible to advance either scheme to the point where sufficient clarity can be provided to the GLA on delivery of outputs to meet their due diligence requirements.
- 6.3 Funding allocated to both schemes through the Housing Zone mechanism is therefore no longer available. The GLA have however indicated their continued support for delivery of housing in both locations and future approaches for financial support may be possible subject to timing and availability of funds.
- 6.4 The GLA have continued to support the Council's ambitions for the improvement of Catford Town Centre including providing support for our Housing Infrastructure Fund – Marginal Viability Fund bid. In February 2018 we learnt that our request for financial support to move the south circular and help bring forward housing development in the town centre had been allocated £10m. We anticipate completing this key infrastructure improvement in 2022.

For further information please contact: Gavin Plaskitt, Senior Programme Manager - Capital Programme Delivery Ext: 46398