

TEIGNBRIDGE DISTRICT COUNCIL

Executive Member Decision

LEADER: Cllr Alan Connett

EXECUTIVE MEMBER: Cllr Martyn Wrigley

PART 1 – FOR OFFICER COMPLETION

SUBJECT: BROADHEMPSTON COMMUNITY LAND TRUST:
Changes to security arrangements for an existing £60,000 loan to BCLT arising from proposals to deliver 2 additional affordable, self-build homes at Easterways

DATE: 1st June 2022

REQUEST OF: Graham Davey Housing Enabling and Development Manager

REQUEST TO: Cllr Martin Wrigley (Portfolio Holder for Housing Communities and IT)

PART I

Recommendation

The Executive Member is recommended to approve the discharge of part of Teignbridge District Council's legal charge over a small, defined piece of land which forms part of a larger piece of land owned by Broadhempston Community Land Trust. The Portfolio Holder is recommended to approve. See Appendix 1.

This is subject to the following:

1. BCLT incurring all legal costs associated with the discharge of part of the legal charge
2. Consent is subject to the proposal for 2 affordable self-build plots obtaining planning consent
3. Confirmation of the Consent obtained from Ecology Building Society who hold the First Charge
4. A Red Book valuation to be provided by BCLT confirming that the residual land continues to provide sufficient cover for the Teignbridge District Council loan of £60,000.

PROGRESS BOX

Stage number	Stage description	Progress - requesting officer to mark with completed or current if "live" stage	Date
1	First draft	Mary Ridgway completed	22 December 2020

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	Second draft	Following internal consultation on the valuation of the residual land against which TDC loan is secured	14 July 2021
	Final Draft	Following further consultation with Monitoring Officer and Section 151 Officer	April 2022
2	BL/BM consultation	Yes	
3	Discussion with PH	Discussed with Mary Ridgway and Graham Davey	13/9/21
4	Initial local members / Chair O&S comments	Support received from Ward Members and O and S Chair	17/9/21
5	MO/151 consulted	EM report amended to include comments from Chief Finance Officer and Chief legal Officer	01/06/22
6	Check – any objections from stages 4 & 5	All updated.	30/05/22
7	EM approved for consultation?	Yes as per discussion between GD and Councilor Martin Wrigley.	7/06/22
		Democratic Services to complete subsequent stages	
8	All Councillors consulted		7/06/22
9	Call in completed		14/6/22
10	Originating Officer advised		20/6/22
11	Filed and placed on web		20/6/22
12	Signed copy filed		

1. PROPOSED DECISION

The consent of Cllr Martin Wrigley is sought to approve the discharge of part of TDC's legal charge over a small, defined piece of land which forms part of a larger piece of land owned by Broadhempston Community Land Trust (BCLT) at Easterways, Broadhempston.

I do not consider this a key decision.

2. BACKGROUND

Enabling officers and the Self-Build officer have been working with Broadhempston Community Land Trust on a project to bring forward 2 additional affordable, self-build plots on the site for low cost home ownership. Pre planning advice has been obtained. A Business Plan drawn up and a Community Led Housing Fund grant of £10,000 was awarded for the pre-development costs.

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2.1 DISCHARGE OF TITLE OVER LAND

Teignbridge District Council has been asked by Broadhempston Community Land Trust to discharge part of their legal charge over the land at Easterways to enable them to sell 2 additional affordable self-build plots to locally qualifying persons.

Before agreeing to discharge part of the charge, Teignbridge District Council needs to establish if the value of the remaining land at Easterways, with the original 6 homes, will remain sufficient as security for the Teignbridge District Council Second Charge for the original loan.

Teignbridge District Council (TDC) has a second charge over the whole of the site at Easterways owned by Broadhempston Community Land Trust.

Broadhempston Community Land Trust are looking at the feasibility of selling 2 additional plots of land with planning permission for 2 detached 2 bed self-build houses each of 59 sqm GIA. The houses to be sold as affordable home ownership and subject to a range of restrictions in a s106 agreement for affordable custom and self-build homes including restrictions on both plot and property size. Pre planning application advice has been given establishing the planning principles of the proposal (19/00872/PE). A full planning application has now been submitted.

2.1.1 Funding of the Original Development and Security Arrangements

In 2015/16 Broadhempston Community Land Trust built 6 detached, 4 Bed 'affordable homes' for people with a local connection to Broadhempston on the site which is a rural exception site. As an exception site plot values cannot exceed £10,000 per plot.

Teignbridge District Council provided a ten year interest only loan of £60,000 in 2018. Interest payments of 1% (£598) are due on 10th May of each year. A rise is triggered if Bank of England base rate exceeds 1.1%. TDC requests for payments for 2021/22 and 2022/23 have recently been issued and all payments invoiced have been up to date.

Teignbridge District Council have a second ranking charge on the land as security for the £60,000 loan. TDC recently agreed to a new Deed of Priorities because the CLT were refinancing their principal loan, moving from Resonance to Ecology Bank. The terms of the loan remained unaltered in the updated Deed of Priorities.

When instructing the Council's Solicitor for the Deed of Priorities it was agreed to consider BCLT's request to split the land title separately. Therefore a separate PH report has been drafted focusing on the request to split the title to land.

2.1.2 The Teignbridge District Council Loan - Capital, Interest Payments and Security

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Portfolio Holder Approval for the original loan was obtained on 16 May 2016. Security for the loan is a Second Charge over the whole of the land at Easterways shown on Plan in Appendix 1.

In 2018 the ten year, interest-only £60,000 loan was signed with the entire principal repayable on the repayment date of 10 May 2028. Broadhempston Community Land Trust received a loan not a grant because this arrangement preceded the award of the Community Led Housing Funds to Teignbridge District Council. At time of writing this report the outstanding loan amount remains the same - £60,000.

Following questions raised by the CFO further information was requested from BCLT on their ability to repay the loan in May 2028 and options for early repayment were explored.

The response to questions on repayment is set out in appendix 3. In summary;

- BCLT have refinanced their principal loan with Resonance with Ecology bank. This included additional funds to pay for mains water supply which was completed in December 2020. The new loan with Ecology is on a reduced interest rate. Ecology Bank have given their approval to the split land charge.
- BCLT have not taken out any further loans
- BCLT have a financial strategy to build up their financial reserves. This does include funding raised from the sale of 2 additional affordable self-build plots

The option of an early repayment of the loan was considered but an offer from BCLT of £30,000 was recommended for refusal as there would need to be a significant increase in the sum offered for this to be considered.

Approval for the split land charge is given by the Chief Finance Officer on the proviso that Officers continue to work with BCLT to ensure there is capacity to repay the loan in full in 2028 and to minimize the risk of non-payment.

2.1.3 Discharge of Title over the Defined Piece of the Land at Easterways

To sell the 2 additional plots Broadhempston Community Land Trust will need their lenders to agree to discharge their charges over the defined piece of land on which the 2 additional homes will be built. Without this consent the project cannot proceed.

If agreed Broadhempston Community Land Trust's solicitor (Anthony Collins) will provide the paperwork and manage the process with the Land Registry. They do not envisage there will be any financial costs for the discharge by the parties.

BCLT obtained a site and plot valuation from Connells in 2019 and this was confirmed as still being valid on 21 July 2020. Officers have received a copy of the valuation of the residual land against which the loan will be secured.

The proposed development does not appear to compromise the existing housing or the asset value of the site as takes a very small portion of the site and doesn't adversely impact the existing homes. As the land is an exception site the plot values (excluding the homes built on those plots) remain £10,000 per plot, or a total of £60,000.

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Ecology Bank who have the First Charge have accepted that not only do the additional homes not compromise the asset value of the rest of the site but that the proposal enhances both the social and economic value of the existing development as it has enable mains water to be brought to the site.

The valuation arrangements have been reviewed by the TDC Assets team and accepted, see email dated 13 July 2021 Appendix 2.

3. MAIN IMPLICATIONS

This consent will enable the delivery of 2 additional affordable self-build homes which addresses the following Teignbridge Ten priorities:

- A Roof Over Our Head
- Strong Communities

Agreement to discharge part of TDC's charge is subject to BCLT providing a red book valuation to establish that the value of the remaining land at Easterways, with the original 6 homes, will remain sufficient as security for the Teignbridge District Council Second Charge for the original loan.

4. GROUPS / INDIVIDUALS CONSULTED

This proposal was reviewed by Teignbridge District Council Legal Team, the Assets Manager, the Custom and Self-Build Project Officer and Housing Needs Lead.

5. TIME-SCALE

This issue is essential for the submission of the planning application for two additional affordable self-build homes. A timely decision is therefore sought.

6. JUSTIFICATION

This consent will enable the delivery of 2 additional affordable self-build homes which addresses the following Teignbridge Ten priorities:

- A Roof Over Our Head
- Strong Communities

Officer Graham Davey
Designation Housing Enabling and Development Manager

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Appendix 1:

Blue Line – land covered by original charge
Red line – land with request for discharge of title



Appendix 2.

From: Stephen Forsey <Stephen.Forsey@Teignbridge.gov.uk>

Sent: 13 July 2021 18:15

To: Mary Ridgway <Mary.Ridgway@Teignbridge.gov.uk>

Cc: Graham Davey <graham.davey@Teignbridge.gov.uk>

Subject: RE: Valuation for Split Land Charge at Easterways, Broadhempston

Many thanks for your email with enclosures Mary.

On the basis of the information presented and our previous discussions to understand the principles of our funding loan to this project, I am happy that our charge is amended to enable the sale of the 2 new plots – I believe the receipt from the sale of the 2 plots has now been used to provide a mains water connection to the remaining units.

If you need any further information or input from me, please do not hesitate to give me a call.

Thanks....

Stephen Forsey MRICS
Assets Manager

Tel: 01626 215185

Mob: 07990 900152

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From: Mary Ridgway <Mary.Ridgway@Teignbridge.gov.uk>

Sent: 13 July 2021 17:40

To: Stephen Forsey <Stephen.Forsey@Teignbridge.gov.uk>

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Cc: Graham Davey <graham.davey@Teignbridge.gov.uk>

Subject: Valuation for Split Land Charge at Easterways, Broadhempston

Dear Steve

I write regarding a valuation provided by Broadhempston CLLT to support a request for a split land charge at Easterways, Broadhempston. Your comments are needed as part of the Portfolio Holder Report internal consultation process.

I attach:

- A draft Portfolio Holder report that seeks approval to split the land charge on land at Easterways, Broadhempston. I will need to update this report subject to any comments you may wish to add and after consultation with our Director.
- A plan of the 2 new units that was submitted as part of the pre-app process. This shows the area for the 2 new units for which they seek release from the Charge. This is the smaller area to the south of the site, at the site entrance and within the blue lines. The remaining land against which the TDC Second Charge will remain within the red line and forms the larger part of the site.
- A valuation dated 15th Sept 2020 from Tim Davies at Bradleys provided to Ecology bank for security for a loan for the whole site. This confirms the valuation at just over £2million and that they there would be no adverse affects to their valuation from building the 2 additional homes. The only significant change since this valuation is that Easterways now has mains water connection to both the site and all six existing homes which is likely to enhance its value.
- An email from Tim Gilbert at Connells dated 20 July 2020 relating to an earlier valuation for the 2 additional affordable self build plots

TDC have a Second Charge on the land for a £60,000 ten year loan to the Community land Trust who have built 6 @4Bed detached, affordable self-build houses on an exception site.

The houses are built under a mutual shared ownership model where the CLT retains 25% of the equity in perpetuity, 25% of the equity is 'gifted' to the shared owners in return for their sweat equity in building the homes, and the remaining 50% is repaid through a loan with Ecology Building Society.

The CLT have developed proposals for 2 additional affordable self-build plots. They have been through a pre-app process to establish the planning principles, have written a business plan, established evidence of housing need for this tenure and are at a point where they could submit a planning application.

To sell the 2 plots they will need to register separate title for the 2 additional self build plots. This requires approval from both Ecology Building Society who hold the First Charge on the land for a loan of just over £1 million and TDC who hold a Second Charge for the £60,000 land .

As you can see this project has been ongoing for some time and the CLT are keen to get a decision on the split land charge to enable them to proceed.

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I look forward to your comments.

Mary

Mary Ridgway
Housing Enabling officer

Tel: 01626 215218

Email: mary.ridgway@teignbridge.gov.uk

www.teignbridge.gov.uk

Appendix 3: BCLTs Response dated 11/02/2022 re financial capacity for repayment of TDC loan

Questions/Answers

1. Community Land and Finance and Big Society Finance were Resonance's financial stakeholders. We had no direct communication with them as the funds were administered by Resonance. There have been no defaults.
2. Refinancing was always part of the arrangements with Resonance whose loan was for seven years. In fact we refinanced approximately two years ahead of schedule, thus achieving a lower interest rate. Resonance's model, as a social investment company, was that they would finance and support the project until it was in a situation when it could be taken over by a more conventional lender – like Ecology.
3. The refinancing was used to pay off Resonance. Also to finance the mains water installation in December 2020 on the collapse of the borehole which you may remember. It also provided us with a £30,000 contingency. The overall effect was to lower tenant repayments and to start to increase the contingency, consistent with our financial objectives, due to a reduced interest rate from 4.95% to 3.75%
4. No other loans/financial liabilities have been taken on.
5. In fact the Trust reserves are increasing. As Easterways is an affordable self build housing project, Resonance's original loan was for one hundred per cent as the self builders were not in a position to put in large up front monies. Resonance asked for, and received, £20,000 contingency which was provided by the directors. On completion of the homes, this was reduced to £10,000. On refinancing (see 3) we were able to increase this to £30,000 and, whilst maintaining adequate affordability, put in place a 10 year programme through rental repayments to add a further £30,000. Bearing in mind the need to repay TDC's loan in 6 year's time, the £50,000 which the 2 new homes project would provide as recorded in the business plan, is very important not only to provide two affordable homes, but also to ensure that BCLT has viable reserves into the future.
6. Mains water was connected in December 2020

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PART 2 (TO BE COMPLETED BY DEMOCRATIC SERVICES)

Decision No.....

Date of Implementation Subject to call in

PART 3 FOR MEMBER COMPLETION

DECISION: I confirm decision as set out in paragraph 1 above

REASONS FOR DECISION: I agree the justification set out in paragraph 6 above.

I have no conflict of interest in making this decision having considered the provisions of the Teignbridge Code of Conduct.

Signed..... Dated:

Wards affected	Denbury and Torbryan
Contact for more information	Mary Ridgway
Background Papers (For Part I reports only)	None
Key Decision	No
In Forward Plan	No
In O&S Work Programme	No