

TRAFFORD COUNCIL

Report to: Planning Development Control Committee
Date: 12 November 2015
Report for: Decision
Report of: Interim Head of Planning and Development

Report Title

Supplemental Deed to the Section 106 Agreement relating to land at Deansgate Lane/Canal Road, Timperley, dated 30th May 2014.

Summary

Approval is sought for a Supplemental Deed to vary the terms of the Section 106 Agreement, Schedule 4 – Affordable Housing, relating to land at Deansgate Lane/Canal Road, Timperley, dated 30th May 2014.

The Supplemental Deed varies Schedule 4 of the original Section 106 Agreement which relates to the four affordable housing units provided on the site by the Developer.

The reason for the variation to the Section 106 agreement is to satisfy the lending requirements of financial institutions which provide finance to Great Places Housing Group and to meet the lending requirements of financial institutions providing mortgage credit to purchasers of the affordable housing units which will be offered for sale on a shared ownership basis.

Recommendation

That Planning and Development Control Committee approve the Supplemental Deed to the Section 106 Agreement relating to land at Deansgate Lane/Canal Road, Timperley dated 30th May 2014.

Contact person for access to background papers and further information:

Name: Richard Morris
Extension: 5776

1.0 Introduction

1.1 Planning consent (Application 81212/Full/2013) was granted on 2nd June 2014 for the erection of 32 no. two and three story dwellings following demolition of the existing industrial buildings at Deansgate Lane and Canal Road, Timperley.

- 1.2 Under the terms of the Section 106 agreement there was a requirement for 40% of the units to be developed as affordable housing (13 units). The affordable housing provision was agreed between the Council and the Developer to consist of four units on site and the remaining nine units to be delivered via a commuted sum of £728,746.
- 1.3 Following discussions with the Developer, the Council and the Registered Provider (housing association), Great Places Housing Group, it was agreed that the four on site affordable units would be marketed as shared ownership housing to be sold to qualifying applicants.

2.0 The Supplemental Deed

- 2.1 The Council has been approached by Great Places Housing Group with a request for Schedule 4 of the Section 106 Agreement to be amended via a Supplemental Deed which includes the variation of the of a Mortgagee in Possession clause (MIP).
- 2.2 The variation of the MIP clause has been requested by Great Places Housing Group following advice from their solicitors. The inclusion of the MIP clause in the Supplemental Deed enables Great Places Housing Group to satisfy the lending requirements of their funders and raise finance charged against their housing stock.
- 2.3 The variation of a MIP clause will also enable purchasers of the shared ownership units to obtain mortgage credit from lending institutions. Without the varied MIP clause it is unlikely that mortgage credit would be obtainable for shared ownership purchasers.
- 2.4 The new Mortgagee in Possession clause provides protection for lenders in that it does “not bind any mortgagee or chargee of a Registered Provider or any administrator, fixed charge receiver, including any receiver appointed under the Law of Property Act 1925, administrative receiver or any other person appointed under any security documentation to enable such mortgagee or chargee to realise its security or any other successors deriving title thereof”. In simple terms, this enables a lender who repossesses a shared ownership property to dispose of it with no requirement that it be for affordable housing. A mortgage lender would have the first charge on the property and the Registered Provider would have a second charge for the share of the property equity they retain. Repayment of the outstanding mortgage debt would take precedence in the event of repossession.
- 2.5 In the unlikely event that Great Places Housing Group went into liquidation, the receivers would still be obliged to honour the terms of the shared ownership leases which purchaser had entered into. Any institution acquiring the unsold equity would be obliged to charge rent in line with the terms set out in the lease and allow owners to staircase up to 100% ownership of the property should they wish to do so.
- 2.6 These type of varied Mortgagee in Possession clauses are now a standard requirement for registered providers. In this particular case, the risk associated with repossession of individual shared ownership properties is that they may be lost as affordable housing in the event of a repossession sale. Mortgage lenders now require this level of assurance in order for them to lend on shared ownership properties.

3.0 Recommendation

That Planning and Development Control Committee approve the Supplemental Deed to the Section 106 Agreement relating to land at Deansgate Lane/Canal Road, Timperley dated 30th May 2014.