

# Paper mill creates housing blueprint

The Welsh Government is joining forces with a building society to fund a housing development in Cardiff that could provide a new financial blueprint for affordable housing projects. David Hedges reports.

## Project Details

**Local authority:**  
Cardiff City Council

**Developer:**  
Elybridge Development Company (formed by the Welsh Government and the Principality Building Society)

**Number of homes:**  
700+

**Completion:**  
End of 2017

**Cost:**  
c£100m



**T**he Welsh Government and Principality Building Society have wanted to find a way to build on the Welsh Housing Investment Trust, an idea which stumbled over the issue of borrowing against existing tenanted homes at the end of 2010.

It has remained an objective to attract long-term institutional finance into housing in Wales and the Mill project is being seen as an opportunity to make a reality of the idea.

After lying derelict for 13 years, a 53-acre site in Cardiff is to be transformed with over 700 homes and a riverside park creating hundreds of construction jobs over the next five years. The site has remained vacant since the closure in 1999 of the Ely paper mill which gives the project its name.

It was acquired by the former Welsh Development Agency in 2004 but attempts to create an 'urban village' on the site have foundered with recession, falling property land values and a realisation that a traditional approach to the site's development wasn't likely to succeed.

### The Ely Bridge Development Company

The Mill project, launched in April, is being driven forward by the Ely Bridge Development Company (EBDC) – a not-for-profit social enterprise created by the Welsh Government and the Principality Building Society and run by a board with the kind of experience that's going to be essential for making a reality of the project.

EBDC's Chief Executive David Ward has been hired to deliver the project. Planning permission is expected early next year, with the first homes completed in early 2014 and the last in 2017. EBDC will raise the funds it needs for the development and then sell the completed homes to a not-for-profit

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**David Ward, chief executive, EBDC**

investment company which will raise the long-term finance from the capital markets based on the future rental income on the homes. This helps to reduce the risk for the investment company which combined with the covenant of an established housing association (and its high rating based on its skills and proven ability at managing and maintaining homes) will ease the burden of raising the finance.

Ward believes the project is being driven by clear political imperatives: better delivery of affordable homes in good numbers, a boost in the construction sector's activity and the creation of jobs.

“And,” he says, “it's being delivered through an innovative financing mechanism that can be the first of a portfolio of projects delivering large numbers of affordable homes in Wales for rent in a relatively quick way.”

### Pioneering

It's certainly pioneering. Housing associations are familiar with the idea of raising bond finance, either on their own or as part of a club. Here scalability is key to this initiative. The capital markets will be approached to fund £60-70m which is at the lower end of typical funding packages but the idea is to build on the success of this project to help seed other developments across Wales.

Importantly there's no Social Housing Grant involved, with the land at residual value requiring significant remediation before it's capable of development. The Welsh Government has loaned £6m for the remediation and site preparation on commercial terms. With the support of the local authority and Welsh Government discussions are well advanced with a local housing association which will manage the completed homes rather than owning them.