## HOUSING COMMITTEE

Agenda Item 8

**Brighton & Hove City Council** 

Subject: New Homes for Neighbourhoods – Final Scheme

**Approval** 

Date of Meeting: 18 June 2014

Report of: Executive Director Environment, Development &

Housing

Contact Officer: Name: Jaine Jolly/Sam Smith Tel: 01273 291383

Email: sam.smith@brighton -hove.gov.uk

Ward(s) affected: Hangleton & Knoll, South Portslade, North Portslade

and East Brighton

#### FOR GENERAL RELEASE

## 1. PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 Building new homes on council land is a council priority and essential if City Plan housing targets are to be met and the city's 'housing crisis' tackled. This report focuses on development proposals for four sites the team now wishes to progress through planning and construction stages. Members are asked to agree rent level and associated level of HRA subsidy for each scheme.
- 1.2 Housing Committee gave delegated authority in September 2012 to award a contract following the completion of a procurement process for a delivery partner to take forward final feasibility design and development of new council homes to rent on a range of former garage sites in the City. The Guinness Partnership were selected to take forward the sites at:
  - Flint Close North and South, Portslade, Brighton
  - Foredown Road, Portslade, Brighton
  - Hardwick Road, Hangleton, Hove
- 1.3 A further site is included in this contract at Kensington Street, Brighton which will be covered in a future Housing Committee report.
- 1.4 At its meeting in November 2013 Housing Committee agreed to the demolition works, final feasibility study, design and development of new council housing on the site at:
  - Former Housing Office at Manor Place, Whitehawk, Brighton
- 1.5 The Manor Place development will be delivered through the council's Sustainable Futures strategic construction partnership.

## 2. RECOMMENDATIONS:

- 2.1 That Housing Committee:
  - i) Notes the design
  - ii) Approves the rent model set at 80% market rent capped at LHA rate
  - iii) Approves the estimated levels of subsidy required from the HRA for the chosen rent model(s) and delegates authority to the Executive Director of Environment, Development and Housing and the Executive Director of Finance and Resources to agree reasonable amendments to that subsidy if changes arise

## 3. CONTEXT/ BACKGROUND INFORMATION

3.1 The council's New Homes for Neighbourhoods programme has been established to build much needed new homes on council land. The team has been reviewing available sites and progressing those that are suitable for the development of new housing.

#### Tenure and rent levels

- 3.2 Housing Committee unanimously agreed at its meeting on 6 March 2013 that a range of funding, rent and home ownership options should be provided in new housing to be developed on HRA land under the Estate Regeneration Programme in order to ensure that development is viable and to increase the number of new homes the Estate Regeneration Programme can deliver. The report indicated the level of Affordable Rents and the impact these higher rents would have on the number of homes the HRA could develop.
- 3.3 Although recognising the need to increase rent levels for new homes and build mixed tenure developments in order to maximise numbers built, members of Housing Committee also expressed concern about the affordability of 'Affordable Rents' if based on 80% of the market rent in Brighton & Hove. However, the council's Tenancy Strategy, also approved at the March 2013 Housing Committee meeting, seeks to make sure that Affordable Rent homes remain affordable and do not encourage long term benefit dependency. It states the council would expect Affordable Rents to be set at the lower of either 80% market rent level or the Local Housing Allowance (LHA) limit. It was agreed that rent models and tenure mixes for individual schemes would be taken to Housing Committee and that affordable rents should be capped at Local Housing Allowance levels in accordance with the Tenancy Strategy.
- 3.4 In order to inform decisions about rent levels on the sites three rent levels have been modelled:
  - 80% of Market Rent
  - 60% of Market Rent
  - +5% of Target Rent
- 3.5 The financial model used as the basis for the bid assumed the HRA land is put as a zero cost subsidy. This is consistent with recent practice for HCA sponsored developments in the City.

3.6 Higher rents for new homes will be, to some extent, mitigated by lower fuel bills as homes will be built to higher sustainability standards than our existing stock. Analysis of energy savings related to homes built to sustainability Code level 4 (the minimum for homes planned in the programme) shows that energy bills reduce by between 68% and 86% compared to a traditional home<sup>1</sup>. This means that the average family combined energy bill of around £1500 per year is reduced by between £1020 and £1290 per year. For those on full Housing Benefit this represents additional money in their household budget.

## A. The Garage Sites project

- 3.7 The sites at Foredown Road, Flint Close and Hardwick Road are former under-let council garages which were vulnerable to anti-social behaviour and fly-tipping. The proposals are for 13 much needed new family homes that meet Lifetime Homes standards. In addition to the family homes a two bedroomed fully adapted wheelchair bungalow is also proposed at Hardwick Road, Hangleton.
- 3.8 A contract has been procured with the Guinness Partnership to act as development agent for these sites with the properties handed back to the council for management. The contract covers the following areas:
  - Completing detailed viability investigations
  - Detailed design feasibility
  - Stakeholder engagement
  - Detailed design, planning application and approval
  - Development of the new homes
  - Hand over to council for management
- 3.9 Guinness has now developed detailed designs for each site and undertaken financial viability studies on these designs. Costs for developing smaller sites are generally higher per home than for larger sites due to the loss of scale economies and the need to manage complexities of the site e.g. site abnormals such as access or ground-works. The costs currently include a risk contingency that reflect these complexities. However, as the sites are delivered it is possible that some of these risks will diminish resulting in reduced overall costs. The council has instructed a Technical Adviser to scrutinise the plans and financial modelling to ensure that the council is obtaining value for money across the life of the project.
- 3.10 The garage sites are proposed as 100% rented units. However, a number of different rent levels have been modelled in order to provide a range of subsidy options for taking the schemes forward. Detailed site briefs can be found at the end of this report.

<sup>&</sup>lt;sup>1</sup> <u>http://www.sustainablehomes.co.uk/blog/bid/104136/Code-for-Sustainable-Homes-level-4-energy-bill-savings</u>

# Viability & Rent Modelling

3.11 The table below identifies the HRA subsidy requirement following rental income over 30 years and the deduction of Right to Buy capital receipts to fund 30% of total scheme costs. Rents have been modelled as set out in 3.4 above.

Flint Close	Rent per week at 80% market rent/LHA rate per week	Rent per week at 60% market rent	Rent per week at target rent + 5%
Overview	The proposal includes 4x3 bedroom homes (see appendices)		
Rent per 3 bed home	£211.50	£158.50	£127.50
HRA subsidy per home	£43,726	£93,034	£118,792
Total HRA subsidy requirement	£174,904	£372,136	£475,168

Foredown Road	Rent per week at 80% market rent/LHA rate per week	Rent per week at 60% market rent	Rent per week at target rent + 5%
Overview	The proposal includes 4 x 3 bedroom houses (see appendix A)		
Rent per 3 bed home	£223.50	£168.00	£131.26
HRA subsidy per home	£20,772	£72,500	£108,200
Total HRA subsidy requirement	£83,088	£290,000	£432,800

Hardwick Road	Rent per week at 80% market rent/LHA rate per week	Rent per week at 60% market rent	Rent per week at target rent + 5%
Overview	The proposal includes 4 x 3 bedroom homes and 1 x 2 bed wheelchair accessible bungalow (see appendix A)		
Rent per 3 bed home	£223.60	£167.50	£152.02
Wheelchair adapted bungalow (2 bed)	£184.00	£137.50	£118.38
HRA subsidy per home	£25,600	£74,661	£86,152
Total HRA subsidy requirement	£128,000	£373,305	£430,760

3.12 The development costs modelled are still subject to planning approval, and assume that delivery of the scheme is through the HRA and therefore costs and funding can only be indicative at this stage. Any significant variations to the proposed capital scheme and funding would need to be reported back to Policy & Resources committee in accordance with council's standard financial procedures.

## <u>Development timeline:</u>

Milestone	Target date
Planning Permission gained	September 2014
Constructor procured	November 2014
Start on site	January 2015
Practical completion	December 2015

#### **B.** Manor Place

- 3.13 The Manor Place Housing Office was vacated when housing staff relocated to the new Whitehawk hub in spring 2012 and is no longer required as office space. This prefabricated building would also need to be demolished to make way for new development on the site. The proposals for the site aim to be in keeping with the existing buildings of Robert Lodge and its current resident profile of residents mainly over the age of 55.
- 3.14 The architects have developed proposals for a scheme which now has a total of 15 homes with a mix of one and two bedroom flats. The footprint of the current office would not be acceptable for a building above one storey, so the homes are contained within a slimmer building at the Southern end and a new small block at the Northern end of the Robert Lodge neighbourhood garden. Revisions have been made to the initial scheme proposals following consultation, as outlined in paras 5.4 and 5.5 of the report, these include:
  - Reduction of southern block by one storey
  - Southern block entrance moved
  - Redesign of northern block to reduce impacts on neighbouring properties
  - Recessing of balconies
  - Lighter brick colour (to be agreed by Planning)
  - Railing and planting at top of Rugby Place
- 3.15 The new homes will meet the council's standards in terms of size, layout and features such as balconies, and will be built to the Lifetime Homes Standard to ensure they can be adapted as residents become frail or develop disabilities. One flat will be built to the council's wheelchair accessible standard. There is provision for the Southern building, which has 9 of the 15 homes, to have a lift. This is in line with the feedback from Robert Lodge Resident Association before the business case was commissioned.

Manor Place Southern Block	Rent per week at 80% market rent/LHA rate per week	Rent per week at 60% market rent	Rent per week at target rent + 5%
Overview	The proposal includes 8x 1 bedroom flat and 1 x 1 bed wheelchair accessible flat (see appendix 5)		
Rent	£151.50	£114.00	£90.00
HRA subsidy per home	£36,507	£49,703	£74,985
Total HRA subsidy requirement	£328,566	£447,327	£674,867

Manor Place Northern Block	Rent per week at 80% market rent/LHA rate per week	Rent per week at 60% market rent	Rent per week at target rent + 5%
Overview	The proposal includes 4x 1 bedroom flats and 2 x 2 bed flats (see appendix 5)		
Rent	1 bed: £151.50, 2 bed: £190.57	1 bed: £114.00, 2 bed: £144.00	1 bed:90.00, 2 bed: 103.00
HRA subsidy per home	£17,709	£31,819	£63,070
Total HRA subsidy requirement	£106,256	£190,912	£378,422

## Sustainable Futures strategic construction partnership

- 3.16 It is planned that planning permission and construction will be undertaken by the council's in-house architecture and design team and new corporate Sustainable Futures strategic construction partnership. The partnership was procured under an OJEU procurement process authorised by Policy & Resources Committee on 21<sup>st</sup> March 2013, following two previously successful construction partnerships. The new partnership started in early 2014 for a contract term of four years and to a value of £60 million. It is delivering construction projects from various council client departments and is managed by the council's Property & Design team.
- 3.17 This development route offers a number of benefits to the New Homes for Neighbourhoods programme. Development will be quicker as the constructor, surveyors and sub-contractors are already procured. Use of in-house architects to work up final design from the initial studies obviates the need for another procurement process and ensures good liaison with the Estate Regeneration team and Housing. Using the partnership will ensure consistency of standards and approach as more schemes are developed. Projects will benefit from the economies of scale and value for money that ensure from being part of a large value established partnership.
- 3.18 The design team, including a member of the Estate Regeneration team, meet every four weeks and will work together within the assigned budget to set the Agreed Maximum Price following on from which the Quantity Surveyor will produce a review document for audit purposes which demonstrates that the project has achieved value for money. This document benchmarks the square metre (m2) rates against previous partnered and non partnered schemes and also against national construction rates for housing. In addition, an independent partnering advisor is employed and a Core Group meets monthly to oversee the arrangements and takes a strategic view of each scheme, ensuring that key deadlines are met.

3.19 Advice from the constructor and partnership members is that construction of the two blocks should be in two phases with the Southern block developed first.

## **Development timeline:**

Milestone	Target date
Planning Permission gained	September 2014
Start on site (Southern block)	November 2014
Practical completion (Southern block)	October 2015
Start on site (Northern block)	October 2015
Practical completion (Northern block)	October 2016

#### 4 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 The development of the garage sites and Manor Place have been considered as best use of the existing land as a 'do nothing' option would continue to leave the land unused with potential for fly-tipping and anti-social behaviour etc. This would also reduce the council's ability to meet its strategic objectives, specifically the Council's commitment to meet increased housing need in the City.
- 4.2 A number of procurement options were considered for the garage sites project and soft-market testing exercises undertaken.
- 4.3 The use of the council's Strategic Partnership for Manor Place speeds up delivery as a separate procurement process is not required. The partnership also brings value for money and other benefits as described in the report.
- 4.4 Three rent models have been examined resulting in different levels of subsidy from the HRA. Rents at 80% of market rent capped at LHA rate clearly have a significantly lower call on HRA subsidy. This can either reduce the impact on other tenants by providing more resources to the HRA over the business plan period for investment, or alternatively enables more homes to be subsidised when compared with lower rent models, therefore ensuring greater value for money form developments.

## 5 COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 Ongoing consultation has taken place with area panels and residents associations. Specific consultation with local residents led by the Guinness Partnership has taken place for:
  - Hardwick Road, Hangleton (Hangleton Community Centre, 14<sup>th</sup> May, 2014)
  - Foredown Road, Portslade (Portslade Village Centre, 19<sup>th</sup> May 2014)
  - Flint Close, Portslade (Portslade Village Centre, 19<sup>th</sup> May 2014)

5.2 Comments and concerns raised at these events considered and will be included in the planning application. Some of the concerns raised at the events are detailed on the table below:

Resident concern	Response		
Hardwick Road			
Noise and dust from the planned building works	The contractor will work to minimise noise and disruption to residents and register the project with the Considerate Contractors scheme and comply with its requirements		
Security of property and personal safety, during the planned development	Secure the site boundaries and install security measures around the perimeter		
The proposed height of boundary fencing	Increase the height of the boundary fence, to deter and repel intrusion		
Being overlooked by the new property/loss of privacy	The design of the new homes aims to minimise overlooking of others homes and gardens. Also to screen the boundary with additional planting requirements		
Current issue of antisocial behaviour	Establish contact with Neighbourhood Team to tackle existing and potential future issues		
Flint Close			
Exacerbation of existing parking issues	On plot provision – at least one parking space per home. Look at options to allocate parking for existing residents		
Overlooking and shadowing	The design of the new homes aims to minimise overlooking of others homes and gardens. Also to screen the boundary with additional planting requirements		
Drainage	<ul> <li>Surface water drainage will be designed and engineered to have no adverse impact on the surrounding area</li> </ul>		

Construction Traffic	The contractor will work to minimise noise and disruption to residents and register the project with the Considerate Contractors scheme and comply with its requirements
Foredown Road	
Exacerbation of existing parking issues	Provision for one space per dwelling and a commitment from the architect to achieve more if possible.
Overlooking and shadowing	The design of the new homes aims to minimise overlooking of others homes and gardens. The new properties are 'set down' from the existing properties
Existing 'cut through' arrangements will be lost	Retention of the through route can be maintained subject to Planning.
Construction Traffic	The contractor will work to minimise noise and disruption to residents and register the project with the Considerate Contractors scheme and comply with its requirements
Mature trees	The mature trees to the rear of the site are to be maintained. One small beech tree will be lost to establish an access from Foredown Road.
Insufficient access to the site	The access off Easthill Drive is insufficient. A new access will be made off Foredown Road to ensure Fire and other emergency services can reach the new homes

- For Manor Place before we finalise the proposed design and apply for planning permission we have been consulting with all Robert Lodge residents and leaseholders and other residents neighbouring Robert Lodge.
- In keeping with the council's resident involvement commitments the Robert Lodge Resident Association have been informed and updated from the start of the project and the project manager has attended their committee meetings. The council wrote to all Robert Lodge tenants and leaseholders in March informing them of the plans. Once initial plans had been developed residents in around 350 neighbouring homes were invited to come to a 'drop in' consultation event at Robert Lodge on 29 April to see the plans, speak to the architect and council staff and let us know their views. The plans were also made available on the council's website. Some residents also completed a questionnaire or made notes at the consultation event; others have also let us know their views via email and letter

A large amount of correspondence has been received and a range of concerns about the Manor Place development have been raised. The team have been analysing residents' comments and considering how we can minimise the impact of the development and answer these concerns where possible. A list of issues raised and the council's response will be included in the planning application. Some of concerns raised in the consultation and the council's response are included on the table below:

Resident concern	Response
Loss of daylight and views from flats close to Northern block	<ul> <li>Re-design of Northern block to reduce depth and move further to the north</li> <li>Further sunlight/daylight studies</li> </ul>
Scale of southern block and impact on Rugby Place	<ul> <li>Reduction of block by one storey Setting back of balconies</li> <li>Entrance moved (see below)</li> <li>Brick colour change (see below)</li> <li>Rail and planting (see below)</li> </ul>
Concerns about dark colour of buildings in proposals	Use of lighter coloured brick (final finish to be agreed with Planning)
Feeling that design makes southern block part of Rugby Place not Robert Lodge	Entrance moved to northern side of block on to Robert Lodge gardens
Footpath will increase number of people walking through Rugby Place	Railings and planting at top of Rugby Place
Balconies will cause increased noise, overlooking and be unsightly	<ul> <li>Balconies have been set back into the building</li> <li>Balconies on far right of southern block have been moved towards left of building</li> </ul>
Parking problems will be increased	<ul> <li>It is not possible to alleviate all parking problems but provision of seven parking bays for the development will help to mitigate negative impacts</li> </ul>
Noise and disruption from the construction	The contractor will work to minimise noise and disruption to residents and register the project with the Considerate Contractors scheme and comply with its requirements
Loss of green space	<ul> <li>There will be a loss of some green space for the Northern block</li> <li>We will work with residents to ensure trees are replaced and effect on garden minimised</li> <li>Make enhancements to gardens in consultation with residents</li> </ul>
Robert Lodge court yard could attract anti-social behaviour and	<ul> <li>Seek advice and follow Secured by Design principles</li> <li>Consult with residents and Housing teams</li> </ul>

Concerns about route of proposed footpath through Robert Lodge	<ul> <li>There are constrains due to the sloping nature of the site</li> <li>Look at options for footpath route and controlling future access in consultation</li> </ul>
	with residents

5.6 Residents will be consulted further once the planning application has been submitted as part of the statutory planning process.

#### 6. CONCLUSION

6.1 Enabling the New Homes for Neighbourhoods programme to progress these schemes will enable the council to build 28 much need homes in the city.

## 7. FINANCIAL & OTHER IMPLICATIONS:

## Financial Implications:

7.1 Garage sites: The HRA capital programme for 2014-17 includes £1.0million for garage sites in 2014/15 with indicative funding of £3.9million during 2015/16 to fund the three garage site schemes mentioned in this report as well as five further garage sites. The viability modelling sets out to show whether the scheme can pay for itself by using Right to Buy receipts together with the new rental stream (net of management costs) over 30 years to pay for the principal and interest on the borrowing required to fund the development. The council can use Right to Buy receipts to cover 30% of the development costs of these schemes. However, the viability modelling shows that all of the schemes will still require a subsidy from the HRA. The model compares costs and income for each option over a 30 year period at current values (known as net present values) to enable each option to be compared on a like-for-like basis. This shows that the subsidy varies greatly depending on the rent level set. The tables in paragraph 3.11 above show the required levels of subsidy for the various rental values summarised below:

Site	Total Subsidy required at 80% market rent/LHA rate per week	Total subsidy required at 60% market rent	Total subsidy required at target rent + 5%
Flint Close	£174,904	£372,136	£475,168
Foredown Road	£83,088	£290,000	£432,800
Hardwick Road	£128,000	£373,305	£430,760
Total	£385,992	£1,035,441	£1,338,728

7.2 So, for example, if all rents were to be set at 80% of market rent capped at LHA rates, the cost to the HRA, at today's values would be £385,992. This compares to a total subsidy of £1,338,728 should the rent level at all three sites be set at target rent +5%.

- 7.3 The level of rents for the new homes therefore has a direct impact on the amount of resources that need to be met from the HRA. The level of subsidy required varies from scheme to scheme. However, using the figures above as an example, for every £1.0million of subsidy, the council could build 34 homes if all these rents were set at 80% of market rent capped at LHA rates but only 10 if rents were set at target rents +5%. Therefore, approximately three and a half times the number of homes that could be subsidised.
- 7.4 Manor Place: The HRA capital programme for 2014-17 includes £1.0million in 2014/15 for Manor Place with indicative funding of £1.3million during 2015/16. As for the garage sites, the viability modelling for Manor Place also shows that a subsidy will be required from the HRA for all of the rent models. The subsidy varies greatly depending on the rent level set as shown in the tables under paragraph 3.15 of this report. As with the garage sites, this report is recommending that the rents are set at 80% of market rents, capped at LHA rates. This will minimise the subsidy required from the HRA and therefore free up resources to build more homes.

Finance Officer Consulted: Monica Brooks Date: 05/06/14

## Legal Implications:

7.5 As the Housing Committee has overall responsibility for the council's housing functions, it is empowered to make the decisions set out in the report. In making a decision about the rent model for the development sites, the committee needs to take into account all relevant considerations, including the effect on the HRA if a lower market rent figure were adopted.

Lawyer Consulted: Name Liz Woodley Date: 03/04/14

## Equalities Implications:

- 7.6 An increase in housing supply will increase the opportunity to provide new, well designed homes to local households registered in need. New development and renovation provides an opportunity to better meet the needs of particularly vulnerable households including those, such as existing elderly residents, who may be under occupying their current home.
- 7.7 The proposals include two fully accessible wheel chair adapted homes; a two bedroom bungalow at Hardwick Road and one bedroom flat at Manor Place.

## Sustainability Implications:

- 7.8 The new homes will be built to Code for Sustainable Homes Level 4. The council will also look to include Solar Photo Voltaic systems where possible on relevant homes. New homes will also meet Lifetime Homes space standards.
- 7.9 The new homes will support One Planet Living and when contracts are tendered bidders will be asked put forward innovative ways of meeting the 10 One Planet Living principles. This could be achieved by for example:
  - Providing secure cycle storage

- Incorporating food growing areas into schemes
- Including recycling facilities in kitchen units
- Providing composting facilities in gardens and communal areas
- Incorporating water saving and re-use measures
- 7.10 Some of these measures will not need to significantly increase scheme costs and will help new residents to live more sustainable lives. Partners will also be asked to demonstrate these principles through the construction process by for example minimising distances that materials travel (e.g. local materials and supply chain), using re-cycled materials and local labour.

## **SUPPORTING DOCUMENTATION**

## Appendices:

- 1. Wider implications
- 2. Hardwick Road Briefing Note
- 3. Flint Close Briefing Note
- 4. Foredown Road Briefing Note
- 5. Manor Place Briefing Note

## **Background Documents**

1. New Homes for Neighbourhoods – Estate Regeneration Programme report to Housing Committee 6 March 2013

## Crime & Disorder Implications:

1.1 Disused garages, disused buildings and other smaller HRA sites can be unsightly; attracting anti-social behaviour and fly-tipping. Development of the 3 garage sites and former housing office are an opportunity to provide new, well-designed homes in these areas and link to wider regeneration opportunities, including work to deliver the council's economic and sustainability objectives. Good quality housing has been demonstrated to influence the rate of crime and disorder and quality of life.

## Risk and Opportunity Management Implications:

- 1.2 There are a number of risks and opportunities associated with developing new homes including:
  - Increases in construction and other costs
  - Local resident opposition to individual schemes

## Public Health Implications:

1.3 There are strong links between improving housing, providing new affordable homes and reducing health inequalities. Energy efficient homes which are easier and cheaper to heat will help support the health of households.

## Corporate / Citywide Implications:

- 1.4 As reported in the Housing Revenue Account Capital Programme 2013-2016 considered by the Housing Committee on 16 January 2013, the development of new housing has a strong economic multiplier impact on the local economy, estimated at over £3 of economic output for every £1 of public investment, creating jobs and supply chain opportunities.
- 1.5 Partners will be asked to work with the Local Employment Scheme to ensure that work, apprenticeship and training opportunities are provided for local people.