

Subject:	New Homes for Neighbourhoods – development of new homes on General Fund land		
Date of Meeting:	12 November 2014 – Housing Committee 4 December 2014 – Policy & Resources Committee		
Report of:	Geoff Raw, Executive Director, Environment, Development & Housing		
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Ward(s) affected:	All		

FOR GENERAL RELEASE**1. SUMMARY AND POLICY CONTEXT:**

- 1.1 The Estate Regeneration team has continued to explore opportunities to build much needed new homes on council land and to commission initial feasibility and design studies for sites which have potential for council development.
- 1.2 This report includes the findings of two business case studies of potential development sites on General Fund land for the New Homes for Neighbourhoods Estate Regeneration Programme and seeks Housing Committee's agreement to recommend the transfer of these sites to the Housing Revenue Account (HRA) and to develop these sites for new housing through the council's Sustainable Futures strategic construction partnership.
- 1.3 The report also requests in principle agreement for the car parking site at Frederick Street, Brighton to be transferred to the HRA. This cleared former residential site is managed as a small commercial car parking site on behalf of the council and belongs to the General Fund. The site has development potential and the Estate Regeneration team would like to explore opportunities for development of new housing on the site.

2. RECOMMENDATIONS:

That Housing Committee:

- 2.1 Note the initial design and viability modelling and recommend to Policy & Resources Committee that each of the following sites is appropriated to the Housing Revenue Account for planning purposes and for the development of new housing:
 - (i) Former library site, Whitehawk Road, Whitehawk, Brighton and
 - (ii) Wellsbourne site, Whitehawk Road, Whitehawk, Brighton.

- 2.2 Agree that the Estate Regeneration team, in conjunction with the council's Sustainable Futures strategic construction partnership, undertake final feasibility studies, design and development of new housing on sites (i) and (ii).
- 2.3 Agree to initial feasibility/viability studies, consultation, analysis and research to identify potential wider regeneration opportunities in the vicinity of site (i).
- 2.4 Recommend that Policy & Resources approve the transfer of a sum of £1.3M from the HRA to the General Fund for sites (i) and (ii) for best consideration for the land value (as detailed in paragraph 3.8-3.9).
- 2.5 Recommend that Policy & Resources Committee to agree in principle to the appropriation of the car parking site at 7-9 Frederick Street, North Laine, Brighton to the HRA if a suitable council-led housing development can be worked up for that site.
- 2.6 Agree that the Estate Regeneration team explore opportunities and options for the delivery of new housing on the car parking site at 7-9 Frederick Street.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

Background

- 3.1 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. The council's New Homes for Neighbourhoods programme is looking at vacant land and infill sites to develop new homes across the city in order to meet City Plan targets and housing need.
- 3.2 The New Homes for Neighbourhoods report to Housing Committee on 6 March 2013 gave an overview of sites that were being considered for inclusion in the programme including the former library site in Whitehawk. The report advised that officers were working with colleagues in the corporate Property & Design Team to identify opportunities to develop new homes on General Fund land.

Tenure mix and rent levels

- 3.3 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 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
- 3.4 Although recognising the need to consider a range of rent levels for new homes and build mixed tenure developments to maximise numbers, 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 presented to Housing Committee and that Affordable Rents should be capped at Local Housing Allowance levels of Housing Benefit in accordance with the Tenancy Strategy.

- 3.5 In approving final schemes for new homes on three former garage sites and the former Manor Place Housing Office at its meetings in June and September 2014, Housing Committee agreed that the rent levels for the new homes should be 80% Market Rents capped at Local Housing Allowance (LHA) levels in accordance with this strategy.

Whitehawk General Fund sites

Background

- 3.6 The former Whitehawk Library site is contained a patch office, occupied by social workers, and a Youth Centre as well as a library. The library and social care service were relocated to the new co-location building in Whitehawk, 'The Hub'. The provision of the Youth service underwent significant change. All buildings have been demolished and the site boarded.
- 3.7 The Wellsbourne site used to form part of Whitehawk Primary School, but was declared surplus several years ago. The site, which included a 1930's built school block was leased to EB4U (a regeneration vehicle which had funding through New Deal for Communities) for 25 years to use as offices. EB4U had plans to develop the site, but eventually surrendered it back to the council. The council built a Children's Centre on part of the site and leased another part on a long lease to a developer who built a GP surgery. Another part of the site was more recently developed as The Hub which accommodates a range of council services including a new library that opened in July 2011. There is one development plot that remains undeveloped – the Wellsbourne site.
- 3.8 The total capital receipt from both these sites is required to be in excess of £1m as this had been identified to help fund part of the construction of the co-location building in a report agreed by the former Cabinet on 14 January 2010. The money was forward funded from the education capital programme and needs to be repaid.
- 3.9 The General Fund need to ensure that they achieve best consideration for the site as they could have sold it on the open market to a private developer. Based on the marketing of the site that was undertaken last year, this is estimated at £1.3m.

Proposals

- 3.10 Architectural feasibility studies have been undertaken by Feilden Clegg Bradley Studios (FCB).
- 3.11 The proposal for the former library site has 57 apartments in two buildings designed to maximise the regeneration impact of this prominent site and transform the ‘gateway’ to Whitehawk. The new homes are accommodated in two new buildings, each is 4 storeys high, on the Western and Eastern edge of the site. It is proposed that these buildings are made of brick with individual balconies for each apartment (see appendix 1).
- 3.12 The Wellsbourne proposal is for a three storey scheme that fits comfortably below the Whitehawk Hub and new library and the context of the Whitehawk valley. The eastern building looks out over the pedestrian walkway and the front entrance of the Whitehawk Hub and library, enhancing security. Landscaped central amenity space affords on site parking provision to relieve parking pressure in Whitehawk Road and natural surveillance over the area and adjacent path(see appendix 2).
- 3.13 Both designs include wheelchair accessible properties, are designed to Code Level 4 sustainability standards and meet Lifetime Homes standard.

Business Case findings

- 3.14 Initial viability modelling has been undertaken for the two Whitehawk sites looking at different options including:
- Provide all units at 100% Affordable Rents capped at LHA levels
 - Provide a mix of 60% market sales and 40% Affordable Rent
- 3.15 The modelling included funding and marketing costs, an allowance for s106 contributions and to achieve Code for Sustainable Homes Level 4 plus a One Planet Living offer, site abnormalities and external works.
- 3.16 Modelling on 100% Affordable Rent capped at LHA levels indicates subsidy requirements as follows:

	Former Library site Rent per week at 80% market rent/LHA rate per week	Wellsbourne site Rent per week at 80% market rent/LHA rate per week
Overview	57 flats	28 flats
Rent per 1 bed flat	£151	£151
Rent per 2 bed flat	£190	£190
Rent per 3 bed flat	£228	£228
HRA subsidy per home	£17,000	£14,980
Total HRA subsidy requirement	£969,000	£419,400

- 3.17 So, if all units are rented, the HRA subsidy required for the two sites is £1,388,400. As the general fund requires a capital receipt for this site of £1.3m, this is £2,688,400 in total. This equates to £31,628 per unit in subsidy from the HRA.
- 3.18 Financial modelling indicates that council led development of the two sites at 60% market sales and 40% Affordable Rent in line with the council's Affordable Housing Brief could deliver a surplus estimated at £2,069,300.
- 3.19 The former library could deliver an estimated surplus for the scheme of £1,508,200 and the Wellsbourne site an estimated surplus for the scheme of £561,100.
- 3.20 The size and tenure profile of the flats is based on the council's Affordable Housing Brief, delivering 40% Affordable Housing as follows:

	Market sale units Former library	Affordable units Former library	Market sale units Wellsbourne	Affordable units Wellsbourne
1 bed	5	7	9	3
2 bed	23	10	8	5
3 bed	6	6	0	3
Total	34	23	17	11

- 3.21 Affordable units are 100% Affordable Rent in this modelling as there is a shortage of rented as opposed to shared ownership affordable units coming forward in affordable housing across the city. The estimated surplus at this stage is in excess of the £1.3 million required by the General Fund and there may therefore be potential to increase the percentage of affordable homes. The financial modelling assumes that Right to Buy receipts can be used to fund 30% of the development costs of the affordable rented units only.

Wider Regeneration Opportunities

- 3.22 The proposed Whitehawk developments are located in an area of the city which has high levels of deprivation. There are a number of existing council homes in the area that are of high cost to the council in terms of maintenance and therefore have high long-term investment needs. The development of new homes on the former library and Wellsbourne sites could act as a catalyst for wider regeneration of the area by providing high quality new homes that could be used to decant residents of existing properties in the South Whitehawk area. Any proposals would require careful analysis, consideration and in-depth community consultation. The team would like to undertake initial feasibility/viability studies, analysis and research to identify potential opportunities and associated issues. Findings will be reported back initially to the cross-party Estate Regeneration Members Board.

Frederick Street

- 3.23 The car parking site at 7-9 Frederick Street, Brighton BN1 4TA consists of eight car parking spaces on a cleared site in the middle of residential terraced houses

(see site plan at appendix 3). There are office buildings to the rear of the site. Around 2-3 housing units are estimated as potentially deliverable.

- 3.24 The Estate Regeneration Team is asking for in principle agreement for the site to be appropriated into the HRA if a suitable council-led housing development can be modelled for that site, so that opportunities and options can be explored.
- 3.25 The site was identified as a potential infill opportunity by consultants in the HRA Estate Masterplan, but belongs to the General Fund. The site is currently managed as commercial car parking spaces on behalf of the council. Initial calculations indicate that the loss of rental income to the General Fund will potentially be offset by the combined income from New Homes Bonus and Council Tax associated with the new homes. Should a suitable proposal be developed for the site, more detailed analysis will need to be undertaken and best consideration for the General Fund demonstrated. Any proposal will be reported back to the Housing and Policy & Resources Committees.

Next Steps

- 3.26 If Housing Committee agrees to proceed to final feasibility studies, design and development of new council housing on the Whitehawk General Fund sites and P&R approves their appropriation to the HRA, they will follow the same delivery route as the former Manor Place Housing Office site. Final design, construction and development will be undertaken by the council's in-house architecture and design team and corporate Sustainable Futures strategic construction partnership.

Strategic construction partnership

- 3.27 The partnership was procured under an OJEU procurement process authorised by Policy & Resources Committee on 21st 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 as well as Estate Regeneration and is managed by the council's Property & Design department.
- 3.28 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 ensue from being part of a large value established partnership.
- 3.29 The design team, including the constructor and sub contractors, work with the Estate Regeneration team right from the handover of the initial design and viability studies. This early involvement ensures that final design and construction risks are minimised and that new homes will meet Housing's requirements. Throughout the design process prices for each element are

obtained and reviewed by the team and if necessary the design is amended to ensure that the budget is met.

- 3.30 The design team, including a member of the Estate Regeneration team, meet every four weeks and 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 best value. 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.
- 3.31 For the Whitehawk Library and Wellsbourne sites, subject to Housing Committee and P&R agreement, it is anticipated that development would largely follow the timetable below. The former library site would be developed first with work starting on the Wellsbourne site three months later; this will enable effective phasing of the works and efficient use of resources across the two projects.

Milestone	Former Library Target date	Wellsbourne Target date
Policy and Resources decision	4 Dec 14	4 Dec 14
Project handover	Dec 14	Mar 14
Detailed design and consultation	Jan-April 15	Apr-Jul 15
Final design and financial modelling to Housing Committee	April 15 (date to be set)	April 15 (date to be set)
Planning decision	Aug 15	Nov 15
Mobilisation	Sep-Oct 15	Dec-Jan 16
Construction	Nov 15-Nov16	Feb 16-Feb17
Handover	Dec 16	Mar 17

- 3.32 Regular updates on progress and costs will be provided to the cross-party Estate Regeneration Member Board.

4. COMMUNITY ENGAGEMENT AND CONSULTATION

- 4.1 A wide range of communication and consultation has taken place with residents and other stakeholders for sites included in the New Homes for Neighbourhoods programme including:
- Letters to local residents
 - Drop-in consultation events for local residents
 - Briefings, site visits and updates for ward councillors
 - Presentations and updates at local resident association meetings
 - Presentations to Area Housing Panels

- Presentations and stand at tenants' and leaseholders' City Assemblies

In addition, information has been made available on the New Homes for Neighbourhoods page on the council's website and in the council tenants' and leaseholders' newsletter Homing In.

- 4.2 The team has liaised with the Whitehawk Neighbourhood Council and their Task and Finish Group about the Whitehawk sites. The team will continue and increase this engagement as the project develops.
- 4.3 The Estate Regeneration team will continue to update local ward councillors and involve resident associations and residents as schemes are progressed. Proposed consultation with local residents on the former library and Wellsbourne sites includes a Planning for Real session for in early 2015. This will enable public consultation on the proposals, understanding of local concerns and exploration of wider redevelopment opportunities.

5. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 5.1 The financial viability modelling sets out to show whether a given scheme can pay for itself by using the new rental stream only (net of management and maintenance costs) over 30 years to pay for the principal and interest on the borrowing required to fund the development. It also assumes that 30% of the development costs are met from retained Right to Buy (RTB) Receipts. If the rental stream and RTB receipts are insufficient to meet the costs, then a subsidy is required by the HRA..
- 5.2 The costs of final feasibility studies and design for these sites can be funded from within the current 2014/15 capital programme. The Whitehawk and Wellsbourne indicate scheme development costs are currently estimated at £16 m and the viability modelling indicates that if all units were let at 80% market rent capped at LHA rate, then the subsidy required from the HRA is an estimated £1,388,400 (excluding the Land value) for 85 units. Taking account of the need to pay £1.3m to the General Fund for the land means this equates to £2,688,400 or £31,628 per unit. However, the sites would make a surplus of £2,069,300 (or £769,300 net of the payment of £1.3m to the General Fund), if 60% of the properties were sold at market prices. Further analysis of the tenure mix of rented /open market sales to reduce the HRA subsidy requirement will be undertaken subject to the final feasibility studies, design and development. Therefore once the final feasibility study and design is complete a full report will be submitted to Housing Committee and Policy & Resources Committee detailing the full financial implications including capital, revenue and borrowing requirements.
- 5.3 The feasibility study and design costs for Frederick Street site will be included in the TBM forecast for the HRA capital programme and will cost a maximum of £25,000. If committee agrees to the recommendations of this report and a

viable business case is developed for this scheme a further detailed project report will be report back to the appropriate Committees.

Finance Officer Consulted: Monica Brooks

Date: 22nd October 2014

Legal Implications:

- 5.4 Section 122 of the Local Government Act 1972 permits the council to appropriate land held for one purpose for use for any other purpose for which the council is authorised to acquire land by agreement.
- 5.5 Regard should be given to existing rights and easements discovered in the due diligence process for the sites, such as a Tree Preservation Order at Wellsbourne Centre.
- 5.6 Legal advice has been sought from Trowers and Hamlins solicitors, who have confirmed that the council is able to develop for market sale. Consent for disposal is covered under general consents.

Lawyer Consulted: Liz Woodley

Date: 29/10/14

Equalities Implications:

- 5.7 An increase in housing supply will extend opportunities to provide new, well designed homes to local households registered in need. New development provides an opportunity to better meet the needs of particularly vulnerable households including those, such as existing elderly residents, who may be under occupying a home that no longer meets their changing needs. Building all homes to Lifetime Homes standard and at least 10% in the New Homes for Neighbourhoods programme to wheelchair standard will meet the needs of residents with mobility needs and wheelchair users.

Sustainability Implications:

- 5.8 High sustainability standards are important for new homes built by the council and we want to achieve homes that are energy efficient and minimise carbon emissions. New homes will also include features to help support people to live sustainable lifestyles and encourage the development of more sustainable communities.
- 5.9 The designs are for homes to be built to Code for Sustainable Homes Level 4 which includes high sustainability and energy efficiency standards. The architects have also looked at ways that One Planet Living can be supported and an allowance for that has been included in the estimated scheme construction costs.

Crime & Disorder Implications:

- 5.10 The New Homes for Neighbourhoods Estate Regeneration Programme offers the opportunity to provide new, well-designed homes and link to wider

regeneration opportunities, including work to deliver the council's economic and sustainability objectives. Good urban housing has been shown to influence the rate of crime and disorder and quality of life. New developments are designed to Secure by Design principles to minimise risk of crime.

- 5.11 Infill sites and underused garages are places that can attract anti-social behaviour and fly-tipping. Development of these sites can therefore improve neighbourhoods and reduce crime and the fear of crime.

Risk and Opportunity Management Implications:

- 5.12 There are a number of risks and benefits associated with the Estate Regeneration Programme and a risk log is maintained to monitor these and ensure mitigation measures and contingency plans are in place. Key risks for these schemes include:

Risk	Mitigation
<p>Financial risk Increasing costs due to construction inflation</p>	<ul style="list-style-type: none"> • The Strategic Partnership which would deliver the schemes works on basis of agreed rates and Agreed Maximum Price for schemes in order to control the risk of costs increasing • Early involvement of Quantity Surveyor and the constructor Westridge in scheme development means that schemes are fully costed and controlled from earlier stage than Design & Build or traditional procurement would enable
<p>Financial risk Whitehawk General Fund schemes do not deliver required surplus of £1.3M</p>	<ul style="list-style-type: none"> • Initial financial modelling undertaken by financial/housing consultancy with extensive experience • Financial modelling based on assumptions developed with input from Estate Regeneration, Housing, HRA Finance Team and Property & Design • Council is developing in-house capacity to undertake financial modelling which will enable rolling update of financial model as scheme progresses • Marketing expertise would be procured at an early stage to minimise marketing risk for any sales units • Legal advice is SDLT would not be payable for land transfer to HRA • Schemes not dependant on HCA funding; Right to Buy receipts could help finance development
<p>Planning risk Planning permission is not achieved for the sites</p>	<ul style="list-style-type: none"> • Planning have been consulted from an early stage in the development of the council's proposals • Workshops held with Planning as initial and final design developed • Head of Planning & Enforcement and Development Control Manager both attend Estate Regeneration Programme Board
<p>Community risk Scheme is not supported by local community</p>	<ul style="list-style-type: none"> • New Homes for Neighbourhoods programme is committed to early consultation with residents and other stakeholders • Ward councillors and Neighbourhood Council Whitehawk Economic Development Task & Finish Group have been informed about proposals

<p>Legal Risk Council does not have sufficient powers to develop for market sales and make a surplus</p>	<ul style="list-style-type: none"> • Legal advice has been sought from Trowers and Hamlins who have confirmed that the council is able to develop for market sale and consent for disposal is covered under general consents
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Public Health Implications:

- 5.13 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:

- 5.14 The Sustainable Futures Partnership is committed to working with the Local Employment Scheme to ensure that work, apprenticeship and training opportunities are provided as part of the development of these sites.
- 5.15 Each new unit of housing has potential to generate new income for the council by providing New Homes Bonus. The New Homes Bonus (NHB) is paid by government for each new unit of housing or home brought back into use in the city. This is paid annually for six years and is based on Band C Council Tax (currently £1,366.36) plus an additional £350 for each affordable unit.
- 5.16 Every new unit of housing in the city is potentially a source of additional Council Tax income for the council. This is potentially affected by the following factors:
- Single persons get a Council Tax discount of 25% (45% of households in the city are single occupancy)
 - People in receipt of Council Tax benefit will not pay full Council Tax (7-93% depending on income)
- 5.17 New housing has an economic impact in a number of ways:
- Homes and Communities Agency analysis estimated every £1 spent on construction creates £2.60 in added economic value
 - Construction jobs – direct and indirect (one new home gives equivalent of one job for 2-3 years)
 - Local supply chain
 - Stable housing enables people to get stable work
 - Mix of tenure needed for mix of skills in labour market
 - Good mixed housing improves ‘place competitiveness’

SUPPORTING DOCUMENTATION

Appendices:

1. Initial design briefing note including site map – Former Whitehawk Library
2. Initial design briefing note including site map – Wellsbourne
3. Site map – Fredrick Street

Documents in Members' Rooms

None

Background Documents

New Homes for Neighbourhoods – Estate Regeneration Programme report to Housing Committee 6 March 2013
New Homes for Neighbourhoods – development of new homes on Housing