

<b>Subject:</b>	<b>New Homes for Neighbourhoods – development of new homes on Housing Revenue Account land</b>		
<b>Date of Meeting:</b>	<b>12 November 2014</b>		
<b>Report of:</b>	<b>Geoff Raw, Executive Director, Environment, Development &amp; Housing</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Sam Smith</b>	<b>Tel:</b> <b>291383</b>
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<b>Ward(s) affected:</b>	<b>All</b>		

### 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 residential development.
- 1.2 The report seeks approval of the rent model and Housing Revenue Account (HRA) subsidy for development of new homes on the larger, western HRA owned car parking site at Ardingly Street, Kemp Town, Brighton following final feasibility study and design. Housing Committee agreed to the final feasibility study, design and development of new council housing on this site through the council's Sustainable Futures strategic construction partnership at its meeting in April 2014.

#### 2. RECOMMENDATIONS:

That Housing Committee:

- 2.1 Agree for the HRA owned car park site at Ardingly Street, Kemp Town, Brighton that the proposed design is submitted for planning approval and that an indicative capital budget of £1.1m and borrowing requirement of £0.56 m is included in the 2015/16 Capital Programme to fund this scheme.
- 2.2 Note that this scheme is based on the rent model set at 80% market rent capped at LHA rate.
- 2.3 Approve the estimated levels of subsidy required from the HRA if the rents are set at 80% market rent capped at LHA rate and delegate authority to the Executive Director of Environment, Development and Housing and the Executive Director of Finance and Resources in consultation with the Estate

Regeneration Member Board to agree reasonable amendments to that subsidy if changes arise.

### **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 At its meeting in April 2014 Housing Committee agreed 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 council housing for the larger, western car parking site at Ardingly Street, Kemp Town, Brighton.

#### **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.

## **Ardingly Street HRA car parking site**

- 3.6 The detailed design work for this site is now complete and a briefing on the final design, subject to planning permission, is attached in appendix 1. If Housing Committee support this scheme a planning application will be submitted.
- 3.7 This site comprises 13 car parking spaces on an 'L' shaped piece of cleared land next to a three storey public house and two storey terraced houses close to Ardingly Court and St James's House in Kemp Town. The parking spaces are currently let to local residents and businesses but alternative spaces are available in council housing sites nearby and a smaller adjacent site to the east, unsuitable for new housing development, could be improved to provide further spaces.
- 3.8 Final design comprises five flats and maisonettes, each with their own balcony or terrace: one ground floor wheelchair accessible 2 bedroom flat, one 2 bedroom 4 person maisonette, two 1 bedroom 2 person flats at first floor level and one 3 bedroom 6 person flat on the second floor with large roof terrace for plants or food growing. Planning advice has continued to be sought through the pre-application planning advice service and responded to.
- 3.9 Financial modelling on the latest design has been undertaken and the estimate required HRA subsidy is detailed on the table below. The figures include Right to Buy receipts which will be used to fund up to 30% of the development cost.

	<b>Ardingly Street</b> Rent per week at 80% market rent/LHA rate per week
Overview	5 flats
Rent per 1 bed flat	£151
Rent per 2 bed flat	£191
Rent per 3 bed flat	£228
HRA subsidy per home	£44,480
Total HRA subsidy requirement	£222,400

## **Next Steps**

- 3.10 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***

- 3.11 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 as well as Estate Regeneration and is managed by the council's Property & Design department.

- 3.12 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.
- 3.13 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.
- 3.14 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 (m<sup>2</sup>) 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.
- 3.15 Planning application for Ardingly Street will be submitted after the Housing Committee's meeting on 12 November, with anticipated key milestones in the table below:

Milestone - Ardingly Street	Target date
Planning Permission gained	Mar 2015
Start on site	May 2015
Handover	Feb 2016

- 3.16 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 council 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 St James' House & Ardingly Court Community Association has been kept informed and consulted on plans for the Ardingly Street scheme and local ward councillors kept updated. A consultation event for all local residents for the Ardingly Street scheme was held on 12 September 14 and over 300 letters and leaflets were distributed to local homes. Eleven local residents attended the event.

4.3 Comments, support and concerns raised at these events were considered and will be included in the planning application. Some of the positive comments and concerns raised at the events are detailed on the table below:

Resident concern	Response
<b>Ardingly Street</b>	
Positive comments about the design and improvement of an area that can attract anti-social behaviour (e.g. drug dealing and public urination)	<ul style="list-style-type: none"><li>• Comments noted</li></ul>
Positive comments about the need for affordable homes in the Kemp Town area and wider city	<ul style="list-style-type: none"><li>• Comments noted</li></ul>
Noise and dust from the planned building works	<ul style="list-style-type: none"><li>• 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</li></ul>
Loss of parking spaces and effect of works on local businesses	<ul style="list-style-type: none"><li>• Look at individual needs of businesses</li><li>• Look at measures to minimise impact of works</li></ul>

Sunlight/daylight and overlooking	<ul style="list-style-type: none"> <li>The design of the new homes aims to minimise overlooking and loss of sunlight/daylight</li> <li>Studies will be undertaken and submitted with the planning application</li> </ul>
Antisocial behaviour on existing car parking site	<ul style="list-style-type: none"> <li>Development should improve site security and wider area</li> </ul>

## 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 viability modelling shows that if all five units are rented at 80% market rent capped at LHA rates, then the HRA would need to make a subsidy of £222,400 or £44,480 per unit. Like other small in-fill sites, this scheme requires a high level of subsidy mainly due to the design constraints of a small site and the fact that fixed costs are shared among fewer units.
- 5.3 The costs of the planning application can be funded from within the current 2014/15 capital programme and are estimated at £2,310. An indicative capital budget of £1.1 m and borrowing requirement of £0.560 m will be included in the 2015/16 Capital Programme to fund this scheme.

*Finance Officer Consulted: Monica Brooks*

*Date: 22<sup>nd</sup> October 2014*

### Legal Implications:

- 5.4 Regard should be given to existing rights and easements discovered in the due diligence process for the site (Article 4 Direction restricting HMO use at Ardingly Street).

*Lawyer Consulted: Liz Woodley*

*Date: 29/10/14*

### Equalities Implications:

- 5.5 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. One of the five flats proposed for Ardingly Street is designed for wheelchair users and it is anticipated that the flat will be allocated with sufficient time before scheme completion for the flat to be fitted out to meet the new tenants' exact requirements before they move in.

#### Sustainability Implications:

- 5.6 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.
- 5.7 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:

- 5.8 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.
- 5.9 Infill sites can attract anti-social behaviour such as that highlighted during the resident consultation for Ardingly Street. Development of these sites can therefore improve neighbourhoods and reduce crime and the fear of crime.

#### Risk and Opportunity Management Implications:

- 5.10 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.

#### Public Health Implications:

- 5.11 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:

- 5.12 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.
- 5.13 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.
- 5.14 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)
- 5.15 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. Final Design – Ardingly 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 Revenue Account (HRA) land report to Housing Committee 30 April 2014