

<b>Subject:</b>	<b>Disposal by lease of small site at Natal Road , Moulsecoomb, Brighton, BN2 4BN</b>		
<b>Date of Meeting:</b>	<b>03 December 2020</b> 18 November 2020 – Housing Committee		
<b>Report of:</b>	<b>Interim Executive Director for Housing, Neighbourhoods &amp; Communities</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Emma Kumar</b>	<b>Tel: 01273 293297</b>
	<b>Email:</b>	<b>emma.kumar@brighton-hove.gov.uk</b>	
<b>Ward(s) affected:</b>	<b>Moulsecoomb &amp; Bevendean</b>		

**FOR GENERAL RELEASE****1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 The council is working with community led housing partners to increase housing supply in the city. Bringing reports to committee identifying suitable sites to work in partnership with Brighton & Hove Community Land Trust (BHCLT) for development is a key priority of the Housing Committee Work Plan 2019-23. Our Corporate Plan, 2020-23, includes a commitment to identifying 10 sites and to work with community housing providers to develop them.
- 1.2 A pathway for identifying any council owned sites with the potential to be developed in this way has been agreed with sites reported through the cross party Housing Supply Member Board (HSMB) for agreement to proceed to committee stage. The pathway assesses sites for a number of uses including considering if the site is viable for the council's own New Homes for Neighbourhoods programme or specialist housing use. Council owned land is one of a range of site finding options for community-led housing. So far five potential sites have been considered by HSMB.
- 1.3 Disposal of land to a community-led housing provider includes consideration of three key factors: achieving best consideration for the site: a nominations agreement with the partner and optimum use of the site in terms of density.
- 1.4 The site at Natal Road is a small infill site in the ownership of the Housing Revenue Account (HRA). The site was identified as part of a wider review of small sites across the city. It was considered for use by the council's regeneration team but was not progressed due to the limited capacity of the site which would require disproportionate resources within their growing pipeline.
- 1.5 Following agreement from HSMB that the site could be put forward for community led housing, detail was given to the BHCLT who are the council's lead partner for community led housing to identify a group to take the development forward. BHCLT have identified Bunker Housing Co-operative

Limited (Bunker) as developer for this site due to their previous experience and preparedness.

## 1.6 Location of the site



## 2. RECOMMENDATIONS:

- 2.1 That Housing Committee recommend to Policy & Resources Committee the disposal by lease of the area of land identified at Natal Road to Bunker Housing Co-operative Limited for a 125 year period with the freehold retained by the council's Housing Revenue Account (HRA). Such disposal to be subject to achieving planning permission and signing a nominations agreement.
- 2.2 That Housing Committee delegate authority to the Executive Director, Housing, Neighbourhoods and Communities to take all necessary steps to implement the decision at 2.1 and report details and progress to the Housing Supply Member Board and Housing Committee including progress against the proposed delivery timetable provided by Bunker.

## 3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 Future options for the use of this HRA site have been considered in the context of the city-wide Housing Strategy agreed by Council in March 2015, the HRA Asset Management Strategy agreed by Committee in March 2016 and the Fairness Commission Report released June 2016.
- 3.2 The proposed development progresses the ongoing commitment of identifying sites for community-led housing as outlined in the Corporate Plan 2020 – 2023 and the Housing Committee Work Plan agreed in September 2019.

- 3.3 The council works closely with BHCLT to expand opportunities for community led housing in the city. This initially involved the council funding development of a local Community Led Housing Programme (CLHP) using funds allocated to the council through the government's Community Housing Fund from April 2017. This funding ended in July 2019 but the council continues to work closely with BHCLT in securing funds and identifying sites to progress development further.
- 3.4 BHCLT have secured further funding of £150k from the Ministry of Housing Communities & Local Government (MHCLG) Enabler Fund delivered via Community Homes. This is to maintain a community led housing 'hub' in the city with stated aims to raise awareness of community-led housing; enable groups to progress schemes; facilitate knowledge; build the movement and organise and lobby for policy changes locally and nationally.
- 3.5 The pathway report for this site was considered by HSMB on 25 November 2019 and it was agreed to take this forward with a community-led housing partner. This was on the basis that the site was not viable for the council's own new build housing programme and subject to best consideration, nominations and acceptable development density.
- 3.6 In line with the council's pathway for sites this confirmation was forwarded to BHCLT to allocate to one of the active community led housing partners in the city. Bunker was the chosen partner.
- 3.7 Bunker Housing Co-operative (working with BHCLT) then produced a business plan based on the development of four homes on the site to be provided at Local Housing Allowance rent levels. This was considered by HSMB on 17 April 2020.
- 3.8 As a 'land deal' no procurement is required by law but the council has worked with their partners at BHCLT to identify a suitable partner for this site based on deliverability and BHCLT have put forward Bunker Housing Co-op for this site.

#### Valuation

- 3.9 This site was valued in September 2019 with an independent valuer instructed to provide a market value assessment and an assessment of value based upon an assumption of 100% affordable rented housing for the site, subject to the prevailing Local Housing Allowance (LHA) rates (which the council requires as a rent 'cap' at new affordable rent homes).
- 3.10 The valuation was based on a notional scheme of a terrace of two x two-storey modern environmentally friendly houses. Bunker's proposal is for four flats in two buildings.
- 3.11 Consideration was given to updating the valuation in June 2020 to reflect the timing and the change in the proposed units. However, the original valuer has stated that the value is unlikely to have materially changed. The valuations are shown in the table below:

Site	Market Value (MV) Private	MV 100% affordable rented to LHA Ceiling
Natal Road	£209,000	<£1

3.12 Although sale of the land to provide affordable housing creates a negative land value, the council's intention is to lease rather than sell the land so the council retains the freehold ownership as well as receiving an annual ground rent as income. External legal advice received in 2016 for the Plumpton Road site confirmed that best consideration can take the form of an annual ground rent instead of an initial capital payment and this is still relevant for this proposal. The alternative option of selling the site on the open market would not guarantee that affordable homes would be built.

3.13 The council will enter into a long lease with Bunker Housing Co-operative Limited through which they will pay an agreed annual ground rent of £250 per unit per annum, a total of £1000 per annum.

#### Nominations and Lease

3.14 The council recognises that community-led housing offers the potential of providing alternative affordable housing (on unused and sometimes hard to develop sites) for people on low incomes while also meeting some Housing Register need for those people on the list who are willing to participate in managing their own homes cooperatively.

3.15 The Nomination Agreement will outline the criteria for letting the homes. The council has a community-led housing nominations protocol which forms part of the Nomination Agreement at the Plumpton Road development. This recognises that there may be additional requirements outlined by the co-operative. Bunker is a fully mutual housing co-operative and has provided details of all policies and procedures relating to the housing they will provide including their allocations process and criteria for people being housed. Their stated aim is to house lower income families and individuals.

3.16 Where organisations such as Bunker are not overseen by the Housing Regulator, we will develop a monitoring regime to ensure satisfactory housing management, property management and investment, health & safety and risk management measures are in place. We propose to report our monitoring proposals to a future Housing Committee. Bunker is in the process of becoming a Registered Provider and would then fall within the Housing Regulator remit.

3.17 The lease will include details of re-entry forfeiture and step in rights as used in the Plumpton Road lease, outlining what happens should Bunker cease to exist or be unable to meet any of the conditions including in the lease as covenants. These are wide-ranging covering matters including payment of rent, repair and maintenance.

#### Business Plan / Funding

3.18 The business plan proposed by Bunker Housing Co-operative outlined the following:

- Site to be developed by Bunker Housing Co-operative Limited (developers of the Plumpton Road site)
- Details of Bunkers cash-flow including funding for pre-development, planning and development works
- 4 homes proposed consisting of 4 x 2 bed flats
- Lease direct with Bunker Housing Co-operative Limited, for 125 years
- Ground rent payable in place of capital receipt (as at Plumpton Road)
- Rent levels of up to a maximum of the LHA rate (current rate £230 a week for a 2 bed flat)
- Timescales: subject to BHCC approval and planning negotiations, a programme of predevelopment and construction resulting in handover September 2023. Timescale for the build will be included within the lease and monitored to ensure no default.

3.19 Bunker will be seeking pre-planning advice as recommended by the Housing Strategy & Enabling Team and have prepared a schedule of community outreach which they will take forward after receiving this initial advice.

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

Option	Risks	Benefits
Development by the council.	Not viable – the site was assessed through the council’s New Homes for Neighbourhoods programme and deemed unviable.	Provision of council housing.  Underused site developed for affordable housing.
Grant a lease to a community-led housing partner (preferred option).	Capital valuation reduced as based on capitalising affordable rents.  Leasing process not perceived as transparent.  Community-led housing not taken up by those on the council’s Housing Register.	Delivery of housing.  Rents to be within affordable levels.  Community/ affordable housing use in perpetuity.  Council to receive nominations housing people from the council’s Housing Register.  Supports community-led housing delivery.  Council retains freehold.  Regenerates and improves local amenity at no cost to the council.

		Delivers self-build housing.  Underused site developed for affordable housing.
Disposal on open market of the site.	Council loses control of HRA asset.  No affordable housing.	Capital receipt would be received and private market valuation of freehold interest higher than value based on affordable rents.  Receipt could be used towards affordable housing provision elsewhere in the city.

## 5 COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 Ward members have been notified of the proposed use of this site for community-led housing. HSMB have been consulted throughout the steps of this proposal and will continue to be updated on progress.
- 5.2 In July 2020 Housing Strategy informed local residents of the intention to use the land for community led housing. This was in line with information sent to neighbours of development proposals brought forward through the council's New Homes for Neighbourhoods programme. A letter was sent to seven properties in, Southall Avenue and The Highway confirming the council's partnership working with BHCLT and that this site was proposed for community led housing development. The letter was sent jointly with Bunker and explained that they were the partner for this site and would be carrying out consultation on their proposal in due course. The properties receiving the letter are directly adjacent to or within sight of the proposed development site. No responses have been received at this time, although access to mail in trays is limited both email and telephone contacts for the Housing Strategy Team and Bunker were included.
- 5.3 Bunker have provided a schedule of community outreach which has the following stated aims:
- Listen to and inform the neighbouring communities about our co-op, our plans, our policies and the nature of the project and build.
  - Consult the neighbouring communities as part of the process to develop a clear, credible and coherent proposal, a sensitive design and construction schedule, and to build community awareness and understanding.
  - Involve the neighbouring communities through a range of mechanisms to ensure that issues and concerns are understood and considered as part of the decision-making process.
  - Collaborate with the neighbouring communities by developing partnerships. For example, encouraging local community-led plans via knowledge sharing. Housing Strategy will continue to work with Bunker in keeping neighbours informed.

- 5.4 Bunker are seeking pre-planning advice for the site and accessed the site in Summer 2020 in preparation for topographical studies etc. related to this.

## 6. CONCLUSION

- 6.1 The decision to grant a long lease of this site to a community led housing group will meet both housing needs in the city and make best use of HRA assets.
- 6.2 The city-wide Housing Strategy adopted by Council in March 2015 has as **Priority 1: Improving Housing Supply**, which includes a commitment to working with community housing partners.
- 6.3 The council's Corporate Plan 2020 – 2023 has a stated aim of identifying ten sites for community-led housing development, with this site contributing to this aim.

## 7. FINANCIAL & OTHER IMPLICATIONS:

### Financial Implication

- 7.1 As outlined in paragraph 1.4 in the main body of the report, it is not viable to develop housing on the site via the traditional building methods, due to the various constraints around the site. The recommendation in 2.1 is to allow the site to be leased to Bunker Housing Co-op Limited (Bunker) over a 125 year period to build up four new affordable homes, this will be subject to a financial review of Bunker. A review has been undertaken of Bunker's Business Case for the proposal and Officers are satisfied that this supports the report's recommendations and includes realistic and reasonable assumptions.
- 7.2 A financial assessment of Bunkers accounts has been undertaken by the council's Treasury management team. This assessment provided no concerns at this stage for the ability of Bunker to fulfil the lease commitment being proposed.
- 7.3 The construction of the four homes will be at a nil cost to the council with Bunker Co-op taking on all of the risks associated with the development of a self-build project, as detailed in their financial modelling and business plan. The Lease will include confirmation that all costs associated with the potential handing back and making good the site to the council at the end of the 125 year lease agreement will be met by Bunker.
- 7.4 An external valuation of the site has been carried out to ensure that the council is receiving best consideration for the site. The £0.002m cost of the external valuation has been met by the feasibility budget held by the Property & Investment team.
- 7.5 The valuation indicated that the site has a negative value for the development of 100% affordable homes with nomination rights given to the council. Current estimates are for the ground rent to be £0.001 per annum on current levels of new housing assumed.. The HRA do not currently receive any income from this site.

*Finance Officer Consulted: Craig Garoghan*

*Date: 01/10/2020*

Legal Implications:

- 7.6 Section 32 of the Housing Act 1985 prohibits the disposal of land held within the HRA without the consent of the Secretary of State. Consent can be General or Specific. The Secretary of State has issued a General Consent to obviate the need to seek consent for each and every disposal. The Consent includes the disposal of vacant land. The grant of a long lease amounts to the disposal of land. There is a general obligation on a local authority when disposing of land to achieve the best consideration reasonably obtainable. As mentioned in paragraph 3.12 this does not have to be in the form of a lump sum. Ground rent and a nominations agreement will also satisfy this obligation.
- 7.7 Legal Services will ensure that the lease includes provisions to address the matters raised in paragraph 3.16.

*Lawyer Consulted:*

*Name Liz Woodley*

*Date: 08/10/2020*

Equalities Implications:

- 7.8 Bunker Housing Co-operative have provided their Allocations policy and eligibility criteria which includes an equal opportunities statement. Their eligibility criteria requires a good understanding of equal opportunities and applications for membership and housing are subject to monitoring.

Sustainability Implications:

- 7.9 In order to obtain planning permission the homes will be required to meet sustainability standards for energy and water efficiency equivalent to Code for Sustainable Homes Level 4. Bunker aims to be as self-sustaining as possible making the most of all available green technologies including solar panels, grey water management, ecologically sensitive and sustainable materials, buried water storage systems and mechanical ventilation with heat recovery (MVHR).

Any Other Significant Implications:

- 7.10 None

**SUPPORTING DOCUMENTATION**

**Appendices:**

1. Photographs of the sites



Appendix 1 : Photographs of site at Natal Road, Brighton.

Street frontage of the site.



