

Subject:	New Homes for Neighbourhoods – development of new homes on Housing Revenue Account (HRA) land			
Date of Meeting:	30 April 2014			
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 commission initial feasibility and design studies for developing new homes on a number of sites on Housing Revenue Account (HRA) land in accordance with Housing Committee's agreement in September 2012. This report includes the findings of four of these business case studies of potential infill sites for the New Homes for Neighbourhoods Estate Regeneration Programme and seeks authority to develop these sites through the council's Sustainable Futures corporate strategic construction partnership.

2. RECOMMENDATIONS:

That Housing Committee:

- 2.1 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 council housing on the sites of:
- (i) the larger car parking site at Ardingly Street, Kemp Town, Brighton
 - (ii) the northernmost garage site (Site A) at Patchdean, Patcham, Brighton
 - (iii) the southernmost garage site (Site B) at Patchdean, Patcham, Brighton and
 - (iv) the garage site in Buckley Close, Hangleton, Hove
- under the second phase of the New Homes for Neighbourhoods Programme.

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. In

order to achieve the City Plan target of 500 homes on HRA land by 2030 the council needs to develop small infill sites as well as unlocking larger development opportunities. The council's New Homes for Neighbourhoods programme is looking at vacant land and infill sites (for example garage and car parking sites) which can be developed relatively quickly as well as potential larger scale estate regeneration opportunities which will inherently take more years to achieve.

Tenure mix and rent levels

- 3.2 In order to inform decisions on individual schemes the business cases have looked at various rent and tenure options in their financial viability modelling. 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 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.
- 3.4 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 Code for Sustainable Homes level 4 (the minimum for homes planned in the programme) showed that energy bills reduce by between 68% and 86% compared to a traditional home¹. This means that an average family combined energy bill of around £1,500 per year could be reduced by between £1,020 and £1,290 per year.

Business Case findings: larger car park at Ardingly Street, Kemp Town

- 3.5 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

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

currently let to local residents and businesses but alternative spaces are available in council housing sites nearby and a smaller adjacent site, unsuitable for new housing development, could be improved to provide further spaces. Initial design comprises five flats and maisonettes, each with their own balcony or terrace: one ground floor wheelchair accessible 1 bedroom flat, two 2 bedroom 4 person maisonettes with their own street entrance, one 2 bedroom 3 person flat at first floor level and one 3 bedroom 6 person flat on the second floor with large roof terrace for plants or food growing. Details of the site and initial design are at Appendix 1. Planning advice has been sought through the pre-application planning advice service and responded to.

- 3.6 Initial estimates of construction costs for the scheme, including professional fees and contingency but excluding future inflation and any borrowing costs, are £648,000. Initial viability modelling estimates that the development would require subsidy at the following levels, depending on rent levels and tenure mix chosen:

Ardingly Street

Rent level options	Viability gap for scheme if developed by the council and all 5 homes (100%) are rented at:	Viability gap if 50% are shared ownership sales and 50% are rented at:
Affordable Rent at the lower of 80% Market Rent or LHA cap	- £264,958	-£189,944
60% of Market Rent	-£351,950	-
Target Rent +5%	-£532,239	-

However net 'Right to Buy' receipts will be available to cover up to 30% of development costs, therefore reducing the estimated required subsidy levels significantly (see paragraph 5.1 below).

Business Case findings: two garage sites at Patchdean, Patcham

- 3.7 Around half of the 40 garages at this estate are unlet and there is no waiting list. There is therefore potential to decant from two of the four garage sites into the middle two garages sites, freeing up a site at each end of Patchdean, each large enough for two houses.
- 3.8 The northernmost garage site, Site A, could accommodate two 2 bedroom houses in line with the existing terrace. A 3 bedroom house and one 2 bedroom house could fit on the end of the terrace on the southernmost site, Site B. Details of the sites and initial design are at Appendices 2 and 3. Planning advice has been sought through the pre-application planning advice service and responded to.

- 3.9 Estimated works costs, including professional fees and contingency but excluding future inflation and any borrowing costs, are £330,000 for Site A and £326,000 for Site B. Site A is slightly more costly as it would require more extensive ground works and retaining walls due to the slope in the land. It would also deliver a lower income than site B which includes a 3 bedroom house. Initial viability modelling estimates that the development would require subsidy at the levels below, depending on rent levels and tenure mix chosen:

Patchdean Site A

Rent level options	Viability gap for scheme if developed by the council and both homes (100%) are rented at:	Viability gap if 50% are shared ownership sales and 50% are rented at:
Affordable Rent at the lower of 80% Market Rent or LHA cap	-£158,272	-£133,031
60% of Market Rent	-£210,644	-
Target Rent +5%	-£255,286	-

Patchdean Site B

Rent level options	Viability gap for scheme if developed by the council and both homes (100%) are rented at:	Viability gap if 50% are shared ownership sales and 50% are rented at:
Affordable Rent at the lower of 80% Market Rent or LHA cap	-£127,422	-£95,346
60% of Market Rent	-£177,007	-
Target Rent +5%	-£233,202	-

However net 'Right to Buy' receipts will be available to cover up to 30% of development costs, therefore reducing the estimated required subsidy levels significantly (see paragraph 5.1 below).

Business Case findings: garages at Buckley Close, Hangleton

- 3.10 At Buckley Close in Hangleton less than one third of a row of 51 garages are let and nearly half are long term empties in need of major repair. Alternative

garages are available to let nearby. The proposed scheme would achieve 13 flats and houses on this long, narrow site. Overlooking of surrounding properties is minimised as the existing Buckley Close blocks of flats are set at an angle, the maisonettes behind the garages are at a higher level and the proposed new homes would have windows facing away from them. The initial design comprises four 1 bedroom ground floor flats, including one wheelchair accessible flat, four 2 bedroom flats, two 3 bedroom flats, one 3 bedroom house and two 2 bedroom houses, all with private courtyards or terraces. Details of the site and initial design are at Appendix 4. Planning advice has been sought through the pre-application planning advice service and responded to.

- 3.11 Initial estimates of construction costs for the scheme, including professional fees and contingency but excluding future inflation and any borrowing costs, are £1,889,000. Initial viability modelling estimates that the development would require subsidy at the following levels, depending on rent levels and tenure mix chosen:

Buckley Close

Rent level options	Viability gap for scheme if developed by the council and all 13 homes (100%) are rented at:	Viability gap if 50% are shared ownership sales and 50% are rented at:
Affordable Rent at the lower of 80% Market Rent or LHA cap	-£1,095,217	-£943,172
60% of Market Rent	-£1,369,889	-
Target Rent +5%	- £1,546,191	-

However net 'Right to Buy' receipts will be available to cover up to 30% of development costs, therefore reducing the estimated required subsidy levels significantly (see paragraph 5.1 below).

Sustainable Futures strategic construction partnership

- 3.12 If Housing Committee agrees these proposed schemes should progress, final design, construction and development 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 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 and is managed by the council's Property & Design department.

- 3.13 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.
- 3.14 The design team, including the constructor (contractor) and sub contractors, will 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.
- 3.15 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 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.

Next Steps

- 3.16 If Housing Committee agrees to proceed to final feasibility studies, design and development of new council housing on these sites, then the council's in-house architecture team and strategic partnership will work up a final costed design and a detailed timetable for construction and development through the council's strategic construction partnership.
- 3.17 It is anticipated that a final report will be presented to Housing Committee in November 2014 to agree final scheme design, tenure mix, the contribution from the HRA and required level of borrowing. Planning applications will be submitted after that meeting. Regular updates on progress in the interim will be provided to the cross-party Estate Regeneration Project 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 Q&A at local resident association meetings
- Presentations to Area Housing Panels
- Presentations and stand at tenants' and leaseholders' City Assembly.

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 For Ardingly Street, local ward councillors were informed of this potential site before the initial design and viability study was commissioned. A member of the Estate Regeneration team attended a meeting of St James' House & Ardingly Court Community Association on 4th February to inform local residents and answer questions, accompanied by a member of the council Housing Car Parks and Garages team. We have asked to attend the next meeting to show the initial design and get residents' feedback. There is currently no tenant and resident association covering Patchdean but local ward councillors were informed of the business case commissioning and two were met on site to discuss the development potential and how resident feedback could be sought.
- 4.3 For Buckley Close, local ward councillors were informed at an early stage and gave their views and suggestions. The Estate Regeneration team attended a meeting of the North Hangleton Residents Association on 12th February to explain that an initial design and viability study was to be carried out on the Buckley Close garage site and to answer questions. Residents also made several suggestions of other potential development sites in the area. The Estate Regeneration team will attend the next meeting to show the initial design and get residents' feedback.
- 4.4 The Estate Regeneration Team will continue to update local ward councillors and involve resident associations and residents as schemes are progressed and will consult local residents on final scheme design.

5. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 5.1 The current estimated cost of these 4 sites is £3.193million for 22 units. The viability modelling shows that the future rental income stream from any of the different tenure mixes does not cover the cost to develop these sites, therefore these schemes will require a subsidy from the HRA. However the use of net 'Right to Buy' receipts will be available to cover up to 30% of these development costs, therefore reducing the estimated required subsidy levels significantly, by approximately £0.958million. If all properties were to be let at LHA/80% market rent levels, the overall estimated level of subsidy requirement of £1.646million is reduced to approximately £0.688million (an average of around £31k per unit).
- 5.2 As a comparison, if all properties were let at target rents +5%, the estimated subsidy required would increase from £0.688million to £1.609million.

- 5.3 The current HRA capital programme includes £1.0million for new build on garage sites during 2014/15 and provisional funding of £3.9million in 2015/16. The current estimated build costs of £3.193 can be met from this budget.
- 5.4 Once the final design and development plans are known, there will be a further report to Housing Committee and Policy and Resources Committee to agree the final scheme design, tenure mix, the contribution from the HRA and required level of borrowing.

Finance Officer Consulted Monica Brooks Date: 16/04/14

Legal Implications:

- 5.5 There are no procurement implications arising from the report's recommendation to use the Construction Partnership to undertake the final feasibility studies etc. In March 2013 Policy and Resources Committee approved a formal procurement process for a new Construction Partnership to run for 5 years. The new agreement commenced on 11 March 2014.

Lawyer Consulted Liz Woodley Date: 15/04/14

Equalities Implications:

- 5.6 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:

- 5.7 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.
- 5.8 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:

- 5.9 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.

- 5.10 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:

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

- Planning – that planning permission is not given or there is a protracted planning process for individual schemes. In mitigation, planning advice has been sought from before the initial design was commissioned and has been responded to as the design has progressed.
- Stakeholder – that local communities do not support individual schemes. In mitigation, engagement with local ward councillors and resident associations has been initiated from the start of each project and will continue with wider local residents and stakeholders.
- Financial – that costs for individual schemes escalate. In mitigation, control measures are built into the strategic construction partnership processes.

Public Health Implications:

- 5.12 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:

- 5.13 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.
- 5.14 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.
- 5.15 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)

5.16 New housing has an economic impact in a number of ways:

- HCA 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 – Ardingly Car Park Site Housing Study
2. Initial design briefing note – Patchdean Garages Site A Housing Study
3. Initial design briefing note – Patchdean Garages Site B Housing Study
4. Initial design briefing note – Buckley Close Garages Site Housing Study

Documents in Members' Rooms

None

Background Documents

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

