

## Agenda Item 26

**Cabinet**

**5 October 2011**

**PL**



### **Affordable Housing – Phase 3 Bonners Glen, Axminster**

#### **Exempt Information**

Para 3 Schedule 12A Information relating to the finance or business affairs of any particular person.

#### **Summary**

This report sets out a revised proposal to deliver a development of ten new affordable homes at Bonners Glen, Axminster. For this development to proceed we are seeking approval from the Cabinet to dispose of the site currently owned by the council to a Housing Association partner (Sanctuary Housing), who will demolish two existing council houses, numbers 2 and 3 Bonners Glen. The site will then be redeveloped to a higher density. The proposal differs from an earlier approval because our partner proposes affordable rents on all the new properties.

#### **Recommendation**

To transfer the land by the way of a 125 year lease at a nominal rent to Sanctuary Housing Association, and approve the demolition of two existing council houses to provide approximately ten new affordable homes.

#### **a) Reasons for Recommendation**

To provide ten new affordable homes.

#### **b) Alternative Options**

For the council to redevelop the site, sold on the open market, or do nothing.

#### **c) Risk Considerations**

Planning permission refused or the redevelopment does not proceed for some other reason.

#### **d) Policy and Budgetary Considerations**

#### **Positive Impact Overall**

Affordable Homes.

Thriving Economy.  
 Safe Environment.  
 Clean Environment.  
 Green Environment.  
 Inspirational Council.  
 Meeting our crime and disorder duties.  
 Meeting our Diversity and Equality duties.

### **Potential Negative Impact**

Recycling.

#### **e) Date for Review of Decision**

Oct 2012

## **1 Main Body of the Report**

- 1.1 The first phase of re-development of council owned housing land at Bonners Glen started in 1997. This involved the demolition of 8 Cornish Units flats (Prefabricated Reinforced Concrete Housing Systems built between the Wars and in the 50's and 60's). After the site was cleared it was sold to Sanctuary Housing Association who built 6 no. 2 bedroom houses, 3 no. 3 bedroom houses, 1 no. 4 bedroom house and a children's play area.
- 1.2 A second phase was completed by Sanctuary Housing Association in 2010 and delivered twelve homes, comprising 8 no. 1 bedroom flats, and 4 no. 3 bedroom house's for rent.
- 1.3 Reports have been presented and supported by both the Strategic Management Team (Sept 2010) and the Housing Review Board (Nov 2010) for the re-development of a third phase involving the demolition of two council homes.
- 1.4 We have considered developing the site ourselves, but due to the upfront at risk costs that includes demolition of the two existing houses (£15/20k), architects fees, planning permission, site surveys etc we are unable to generate sufficient income from the rented units to service our borrowing requirements. We could however borrow more to cover the additional cost of demolition. This at risk work could amount to approximately £30 / 50k without any certainty that when the Localism Bill is enacted early next year that the Authority can charge higher rents (affordable Rent). We would need to be able to charge up to 80% of market rents to enable the scheme to "stack up". The Registered Provider (RP) could proceed much quicker than the Authority with less uncertainty about funding.
- 1.5 The Homes and Communities Agency has confirmed grant allocations to the RP following the affordable housing framework offer and Contracts will be in place in September. Work is progressing to move schemes forward to ensure delivery of early wins', specifically on land owned by RP's and Local Authorities. Bonners Glen Phase 3 has been approved by the HCA as part of Sanctuary's 2011/15 Grant Funded Programme.

## 2. Affordable Housing Proposal

- 2.1 The Council has identified a further potential redevelopment site at Bonners Glen for the provision of affordable homes (Phase 3). This would involve demolishing two (currently empty) semi detached council houses. Both houses in their present condition fall below current acceptable standards, this is due to both previous tenants refusing upgrades. They are Cornish Units of non traditional construction.
- 2.2 The proposed affordable housing scheme provides 10 homes for affordable rent made up of 2 x 1 bedroom flats (and the intention is to provide 2 ground floor level access properties that are suitable for disabled access), 2 x 2 bedroom flats, 4 x 2 bedroom houses and 2 x 3 bedroom houses.
- 2.3 In line with the HCA framework the properties would be expected to meet Code for Sustainable Home Level 3 – performing at 25% better than Building Regulations for energy use, providing reduced energy bills for the occupants.
- 2.4 Property rents will be in accordance with the HCA affordable rent product and are anticipated (subject to confirmation by a suitably qualified valuer) to be approximately £85 per week for smaller properties and £138 per week for the 3 bedroom houses. These rents are in line with the HCA criteria of 80% of market rents for the Bonners Glen area of Axminster. These properties will be made available for local people, giving priority to those with connections to Axminster and will be advertised through the Choice Based Letting system, Devon Home Choice.
- 2.5 A Section 106 Agreement will ensure that nominations are sought from the Housing Register.
- 2.6 Attached is a plan of the proposed affordable housing scheme, this is subject to planning permission, site surveys and final site appraisal. **Annex 1.**

## 3. Estimated scheme costs

- 3.1 The estimated scheme costs are detailed below:

Site Value	£	Land transfer at nil value (ground rent payable)
Build	£	882,000
On-Costs (Internal/External)	£	111,030

**Total Works** £ 993,030

Funded by:

HCA Grant	Sanctuary's national grant
funding secured	
Sanctuary Housing	£ 902,247

- 3.2 Sanctuary Housing's external on-costs include, Legal Fees, Architects Fees, Quantity Surveyor, Topographical Survey,

Geotechnical Engineer, Planning Supervisor, Valuation Fees, NHBC, and Clerk of Works.

Sanctuary Housing's internal on costs are a contribution towards the cost of development services.

- 3.3 To enable this proposed development to progress it requires the council to transfer its land identified in **Annex 2** by the way of a 125 year lease at a nominal amount to Sanctuary Housing.
- 3.4 According to our Senior Estates Surveyor, the current use value of the existing units, if offered on the open market with vacant possession, is estimated at £160,000.
- 3.5 The estimated value of the serviced site if offered on the open market for housing development without structures or restrictions other than on the basis of a 40% requirement for affordable housing, would achieve bids of the order of £200,000.
- 3.6 The proposed partnership with Sanctuary Housing Association will, subject to planning permission etc deliver ten low cost homes. However, this transaction will be a disposal at less than best value than would otherwise be achievable if the land were to be to be sold on the open market without restrictions.
- 3.7 Whilst doing our best to enable more affordable homes to be delivered in East Devon, consideration must be given to the fact that as a Local Authority it may be necessary to meet some of the development costs through our enabling role. These costs might include lost revenue from property and realising any land value.
- No 2 and No 3 Bonners Glen previously generated an income of approx. £6k per annum.
  - If we were to consider bringing both properties up to a higher standard, we would have to spend approx £45k per property.
- 3.8 East Devon District Council will benefit from annual ground rent for the land and at the expiry of 125 year lease the properties will return to EDDC ownership. The use of an existing and acceptable lease agreement on phase 2 (Sanctuary Housing) at Bonners Glen also controls legal costs. This can be replicated for phase 3.
- 3.9 Subject to pre-application discussions, planning permission, Member support, surveys and external funding, it is hoped that this redevelopment would start on site early next year.

#### **4. Conclusion**

- 4.1 There are a number of changes from the previously reported scheme, namely that the rents have increased in accordance with current HCA guidelines, in an attempt to meet the shortfall of HCA grant funding that was originally proposed for this scheme.
- 4.2 The tenure mix has changed to all affordable rents, this is proposed due to a slightly more favourable grant rate from the HCA, and a degree of uncertainty on the marketability of shared ownership homes in this area.

- 4.3 In a further attempt to ensure this scheme proceeds, and following HCA guidance all affordable homes will be constructed to Code Level 3 for Sustainable Homes, and not code 4 as previously hoped. This reduction in code is a direct result of reduced HCA grant funding.
- 4.4 We request that the Cabinet consider this report in the hope that they may be minded to support the proposal to transfer the land identified to enable much needed affordable housing to be delivered.

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### **Legal Implications**

There are no legal implications to comment on at this time but legal will undertake the negotiation and drafting of the 125 year lease when formally instructed.

### **Financial Implications**

The financial implications are indicated in the report but to reiterate; if the site is disposed of by way of a lease the council will be foregoing a capital receipt which could be used to fund a currently unfunded capital programme.

The proposed demolitions have been reported to central government and will be taken into account when calculating the proportion of the overall housing debt allocated to EDDC.

### **Consultation on Reports to the Executive**

### **Background Papers**

- SMT Sept 2010
- HRB report Nov 2010

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Cabinet  
5 October 2011