

Agenda Item 27

Cabinet

5 October 2011

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Affordable Housing – Holmdale Sidmouth

Exempt Information

Para 3 Schedule 12A - Information relating to the financial and business affairs of any particular person (including the authority holding that information)

Summary

This report sets out a revised proposal seeking consent from the Cabinet to transfer East Devon District Council (EDDC) owned land and property to a preferred Registered Provider (RP) Devon and Cornwall Housing (DCH) for the provision of twelve affordable flats.

This proposal has along with two others been previously considered by the Executive Board on the 3rd December 2008 (copy of the report attached). Due to a significant change in grant funding requirements from the Homes and Communities Agency (HCA) the original proposal has had to change. We now seek support for a single affordable housing scheme (Holmdale, Sidmouth) that should deliver twelve New Build Homebuy homes.

Recommendation

- i. Approve the transfer by way of a 125 year lease agreement at a nominal amount to the Registered Provider for the provision of affordable homes. That includes the former Gym building and adjoining Car Park.

a) Reasons for Recommendation

To continue to meet the shortage of affordable housing.

b) Alternative Options

Not to provide much needed affordable accommodation.

To sell on the open market.

Do nothing.

c) Risk Considerations

Not achieving best value for our land and property interests by negotiating with preferred partners.

d) Policy and Budgetary Considerations**Positive Impact Overall**

Affordable Homes.
 Thriving Economy.
 Safe Environment.
 Excellent Customer Service.
 Inspirational Council.
 Meeting our Diversity and Equality duties.

Potential Negative Impact

Meeting our crime and disorder duties.
 Create Cashable Savings

e) Date for Review of Decision

October 2012

1 Background information

- 1.1 A report has been previously considered and approved by the Executive Board on the 3rd December 2008 (copy attached **annex 1**).
- 1.2 The proposed development at Holmdale has since secured planning permission (10/0131MFUL) this approval is for a mix of one and two bedroom flats. Unfortunately the scheme wasn't successful in securing HCA grant funding last year.
- 1.3 Following on from the Comprehensive Spending Review in October 2010 the amount of grant funding for affordable housing has been significantly reduced. This has had a serious knock on effect with potential affordable housing schemes locally and nationally. The reduction in grant per unit has meant that the traditional social rented tenure will be an exception rather than the rule. Social rented tenure has been replaced by Affordable Rent (80% of market rents including service charges) this will increase the rents charged with any shortfall being met by housing benefits.

Unfortunately even at 80% affordable rents the proposal at Holmdale shows a significant projected funding shortfall and is considered by DCH as unviable. DCH have re-appraised the proposed development using a Low Cost Home Ownership model. This alternative tenure has enabled the scheme to "stack up" in viability terms, it is therefore proposed that all 12 units are made available as New Build Homebuy (shared ownership or similar tenure). Typically shared ownership means that an individual will purchase a percentage of the property, normally between 35 / 50% of the open market value with rent being charged by the RP at between 2 – 3% of the remaining unowned equity.

- 1.4 The new HCA spending regime required that DCH re-submit a new bid for grant funding earlier this year. Early indications from DCH / HCA look very favourable. DCH will have to sign a Funding Development Agreement with the HCA in September 2011 to formalise their allocation.

- 1.5 The property is now vacant and in need of considerable improvement.
- 1.6 The adjoining Car Park is currently let on individual leases to members of the public, notice has been served advising that subject to securing funding they will have to vacate. When the proposed development is completed there should be eleven parking spaces available to rent on a first come first serve basis. The parking spaces will be transferred back to EDDC.
- 1.7 Location plan attached, Holmdale, Sidmouth – **annex 2**
- 1.8 It is proposed that DCHA will be granted a 125 year ground lease to enable the development to be undertaken on this land. It is proposed that the lease be at a nominal ground rent of £600 per annum, without a premium.
- 1.9 This transaction will be at less than ‘Best Value’ which may otherwise be achievable if the land was to be sold on the open market with planning permission for a 12 flats without restrictions on occupancy.

2. Valuations

- 2.1 A valuation of the site has been undertaken to establish the ‘Under Value’. The unrestricted open market value of the site (assuming it to have the benefit of planning permission for a development of 12 residential flats) has been assessed to be of the order of £250,000.
- 2.2 The site at present is partly occupied by a two storey commercial building that is let on a short term tenancy to Sidmouth Rugby Club and produces a rental income of £1,200 (which would be due for review to a market rent of £2,400 per annum). The adjoining land is currently used as a reserved car park for 32 cars and produces a net income of £4,200 per annum. The ‘Existing Use Value’ is therefore considered to be of the order of £250,000.
- 2.3 The ‘Under Value’ arising from this transaction is therefore considered to be £250,000 less the capitalised ground rent of £15,000 = £235,000.
- 2.4 The proposed partnership with Devon and Cornwall Housing Association will deliver twelve 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 sold on the open market without restrictions.
- 2.4 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. These costs include lost revenue from property and realising any land value.

3. Conclusions

- 3.1 The Cabinet are invited to consider whether it still wishes to provide affordable housing at Holmdale, based on the assumption that all twelve units are available as New Build Homebuy, and whether it is appropriate that we transfer the identified land and property to our preferred RP partner by means of a 125 year lease at a nominal amount.

- 3.2 If approved by the Cabinet and funding is secured the tenure will be New Build Homebuy, it is envisaged that a share of the property be made available, typically this will be between 35 – 50% of the total value of the property. The remaining un-owned equity will be rented from DCH typically at 2.5%.
- 3.3 In order to facilitate this proposal within the next few months we may have to conditionally exchange contracts, subject to relevant clauses being in place.

Legal Implications

The full terms of any documentation to be agreed upon between the legal and surveying teams. No further comments of a legal nature to be made as a result of the report.

Financial Implications

The financial implications are indicated in the report. It should be remembered that 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.

Consultation on Reports to the Executive

Background Papers

- Executive Board report 3rd Dec 2008
- Executive Board report 4th Mar 2009 (09/9003)

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Cabinet
5 October 2011