



Cabinet 13 February 2013

Land at Eden Road, Haverhill (Feb13/13)

1. Summary and reasons for recommendations

- 1.1 The Council has been approached by Havebury Housing Partnership (Havebury), which wishes to develop a scheme of three houses on the Council's vacant site at Eden Road, Haverhill. This will complement the scheme of seven flats currently being built by Havebury on adjoining land fronting the High Street.
- 1.2 Havebury proposes to fund the scheme from its own resources. There is no additional social housing grant available. If the Council requires Havebury to buy the land, the scheme may become unviable and may not proceed.

2. Recommendations

- 2.1 It is **RECOMMENDED** that:
- (1) Land at Eden Road, Haverhill be gifted to Havebury Housing Partnership, as detailed in paragraph 4.18 of Report D290, with the requirement that it remains in perpetuity in affordable housing use; and
- (2) the scheme viability is reappraised at completion, and a return is made to the Council if the scheme improves its profitability, as detailed in paragraphs 5.4 and 5.5 of Report D290.

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3. Corporate priorities

3.1 The recommendations meet the following, as contained within the Corporate Plan:

- (a) Corporate priority 1: *'Working together for strong, healthy and diverse communities'*;
- (b) Corporate priority 2: *'Working together for prosperous and environmentally-responsible communities'*; and
- (c) Corporate priority 3: *'Working together for an efficient Council'*.

4. Key issues

4.1 Council land

The Council owns a site fronting Eden Road, Haverhill. The land has been included for many years in the Council's Register of unused sites. The Council has never marketed it as a private housing plot, mainly because until recently an ownership problem concerning part of the land remained a barrier to sale. That has recently been resolved with the Land Registry.

- 4.2 The site is shown on the plan at Appendix A and is approximately 0.05 acre. It was fenced, but had from time to time been subject to damage to the boundaries and illegal dumping on the land.
- 4.3 The site adjoins land being developed out by Havebury, which is currently using the Council land for materials storage.
- 4.4 The economic environment has significantly constrained new supply. Prior to the current constraints, housing supply has been unable to meet demand. This is becoming more evident from the number of applications on the Housing Register (as at 1 July 2012 there were 110 Band 'A' and 169 Band 'B' households, and on 1 January 2013 this had risen to 136 Band 'A' and 193 Band 'B').
- 4.5 Registered providers like Havebury, who are in contract with the Homes and Communities Agency (HCA), have until March 2015 to complete their contracted number of homes. After 2015, funding for affordable housing remains uncertain. It is important that the Council works with registered providers to respond to opportunities to provide much needed affordable housing, if the supply of homes is to be increased.
- 4.6 In addition to the March 2015 deadline, registered providers are facing greater financial risk as a result of the significant capital grant reductions in the Affordable Homes programme 2011–15. The majority of capital costs are now raised through capitalised rent and bank loans. Registered providers historically received favourable long term loans. However, since the introduction of affordable rents (up to 80% of market rents), banks who have traditionally financed this sector are expressing their preference for short term financing, which inevitably means the registered provider having to absorb more financing risk.

- 4.7 Options and proposals for how the Council could develop a strategy to addresses the long term issue around the future delivery and funding of affordable housing in the Borough will be the subject of a future Cabinet report.
- 4.8 Havebury Housing Partnership development
Havebury obtained in late 2011 planning permission for the erection of a three-storey building fronting the High Street, Haverhill, to include an office on the ground floor and seven flats, following the demolition of an existing building which has been vacant since the occurrence of a fire in 2002. Parking would be provided in the basement.
- 4.9 Havebury intends to occupy the ground floor office and the accommodation above will be five one-bed flats and two two-bed flats. Construction is well under way and is due for completion early in 2013.
- 4.10 Development proposal from Havebury
The Council has been approached by Havebury, which wishes to develop a scheme of three two-bed houses on the Council's site at Eden Road, Haverhill. They would be available for rent. The scheme start was originally planned to be March 2013, with completion by December. Havebury has the potential to move from its adjoining development site to build the three additional units on the Council site.
- 4.11 The principles of development would be sympathetic to the historic layout. The informal view of the local planning authority is that the principle of the development of this site is acceptable, subject to design and impacts on amenity. Particular concerns are about the impact on the daylight and sunlight of the neighbouring properties. The location of windows will in particular need careful consideration. Early consultation with neighbours has been recommended and the scheme designed to minimise all impact. Additionally, the roof needs to be reconfigured to reduce the bulk and mass of the building. Furthermore the advice proposes that no windows are included in the roof slope facing existing houses or at first floor in that elevation, unless it can be demonstrated that no harm will be caused. Other issues identified include a lack of on-site parking.
- 4.12 The principle of developing the site in a manner to reflect that which previously existed, fronting onto Eden Road, would appear to be acceptable from a conservation point of view. While observations have been made regarding the proposed scale of the development to the rear of that fronting Eden Road, if this is not visible from the conservation area it is unlikely to prove a problem from a conservation point of view.
- 4.13 In conclusion, a lot of careful design input is required, but if the issues can be overcome, there is no reason why the development of three units would not be acceptable.
- 4.14 Transfer proposal from Havebury
- 4.15 The land was originally offered to Havebury at an opening price of £23-25,000. This is based on a comparative land sales value for residential development, discounted to reflect that it is to be used for affordable units.

- 4.16 Havebury proposes to fund the scheme from its own resources, using a combination of loan funding from its bank facility and a capital subsidy from its reserves. Havebury has spent more grant than its average on schemes in the programme so far and now it would assist if some more cost effective schemes were able to off-set this. Furthermore, there is an 'expectation' from the HCA for discounted or free land where affordable rent schemes are delivered on public sector land.
- 4.17 Havebury has undertaken a development appraisal using reasonable assumptions of likely rents and build costs. The appraisal shows that if the Council requires payment for the land, it becomes very risky for Havebury to deliver, to the extent that its payback policy of 28 years cannot be met. The appraisal currently indicates a payback period of 37 years. Havebury may have to withdraw from the proposed extension to their scheme.
- 4.18 In these circumstances, while it is recommended that the land be gifted to Havebury Housing Partnership, with the requirement that it remains in perpetuity in affordable housing use, the officers are of the opinion that it would be prudent for the Council to encourage Havebury to share this risk. An option on this principle is outlined in 5.4 below.
- 4.19 Land disposal issues
There are two related matters which require consideration:
- (a) the Council's Code of Procedure relating to the Disposal of Land; and
 - (b) the sale of land at undervalue.
- 4.20 The Code of Procedure relating to the Disposal of Land requires a report to be made to Cabinet which contains background information concerning the proposed sale. Where there are occasions where it is not appropriate or possible to identify more than one interested party, the report must explain why negotiations have been conducted with one party and justification for certifying that the transaction complies with the duty to obtain best price. If this is not the case, the report must follow government guidance.
- 4.21 The General Disposal Consent (Circular 06/03, 2003) gives authorities freedom to exercise discretion in the disposal of their land at less than the best price (s123 of the Local Government Act 1972), on grounds of the promotion or improvement of economic, social and/or environmental wellbeing of the area (now amended to a 'General Power of Competence' under the Localism Act 2011). It applies to sales at undervalue of up to £2 million.
- 4.22 The Council is required under the provisions of the Consent to identify the amount of undervalue being proposed by the imposition of restrictions on the sale, in this case, to limit the use to affordable housing. The value shown in 4.23 is explained in section 5.
- 4.23 The information required in determining whether the proposed land disposal falls within the provisions of the General Disposal Consent 2003 is:
- (a) Unrestricted value: the market value for the land, assuming that planning permission can be obtained for an alternative private sector house/two flats, is £30-35,000.

- (b) Restricted value: the market value having regard to the terms of the proposed transaction, based on the development appraisal prepared by Havebury, is £nil.
- (c) Voluntary conditions: the value of voluntary conditions is assessed as the amount of capital value of voluntary conditions which produce a direct or indirect benefit to the Council which can be assessed in monetary terms. In this case, the amount of undervalue, by guaranteeing the provision of three affordable housing units, is up to £35,000.

5. Other options considered

5.1 Alternative sales options

The site is a challenging one, having a narrow frontage to Eden Road. The site's capacity for alternative residential use is probably as one private house or two flats, but it would be difficult to build on the frontage if it is built in isolation. The site would probably have a market value of £30-35,000, which is not much higher than the offer originally made to Havebury.

5.2 If the site is not used for housing, it could potentially be a small area for car parking, although management of the facility would probably be intensive to avoid abuse. Alternatively it might be used for garden land. Both uses are of limited financial value to the Council and do not reflect the added value which Havebury can achieve by developing it in conjunction with the adjoining site.

5.3 Therefore although it may not be possible to say that Havebury is the only purchaser, the options for alternative uses are limited and a transfer to Havebury is the one which delivers the most service potential for the Council.

5.4 Transfer to Havebury with a scheme completion viability assessment

A more equitable solution would be if Havebury is willing to share the risk in terms of the land value. If, for example, the build costs prove lower than anticipated, or rents achieved are higher than expected when the three units are let, with the result that the payback period to Havebury is improved, it would be fair for the Council to receive a share of that improvement in value as a contribution toward the value of the land. If this is not the case then the Council would not expect to receive a contribution for the land.

5.5 The Council could proceed with the transfer of the land, and include a requirement to reappraise the viability upon scheme completion.

5.6 Officers have spoken to Havebury and an open book arrangement has been agreed in principle, whereby the Council will receive a return if the scheme improves its profitability.

5.7 The details of the terms will be agreed by your officers, working closely with Havebury.

6. Community impact

6.1 Crime and disorder impact *(including Section 17 of the Crime and Disorder Act 1998)*

6.1.1 The site, if it remains undeveloped, could be one to where antisocial behaviour is attracted.

6.2 Diversity and equality impact *(including the findings of the Equality Impact Assessment)*

6.2.1 Development of the land as three affordable houses will assist in providing for the needs of a balanced community.

6.3 Sustainability impact *(including completing a Sustainability Impact Assessment)*

6.3.1 The development will create three houses in the centre of Haverhill.

6.4 Other impact *(any other impacts affecting this report)*

6.4.1 No other impact has been identified.

7. Consultation *(what consultation has been undertaken, and what were the outcomes?)*

7.1 The Portfolio Holders with the responsibilities for Asset Management and Housing have been consulted. While they expressed some reluctance to gift the site, rather than require Havebury to make available more of their own resources, on this occasion the Portfolio Holders are happy to support the recommendation.

8. Financial and resource implications *(including asset management implications)*

8.1 By gifting the site, or not selling on the open market, the Council will potentially lose a capital receipt of up to £35,000. However, as stated in paragraph 4.1 above, the Council has never actively marketed this site. If it did so, there is no certainty about whether it would be sold for any of the alternative uses, or the timeframe for undertaking a private sale.

8.2 If a reappraisal of value is included in the land transfer to Havebury, the Council might receive a capital receipt.

9. Risk/opportunity assessment *(potential hazards or opportunities affecting corporate, service or project objectives)*

Risk area	Inherent level of risk (before controls)	Controls	Residual risk (after controls)
	High/Medium/Low		High/Medium/Low
Havebury land banks the site	Low	The contract could be time-limited	Low
Havebury does not build affordable units	Low	The transfer will contain a restrictive covenant to ensure affordable housing is provided	Low
The viability of the scheme does not improve – no financial contribution received for land	High	Financial reappraisal at scheme completion to establish final viability	High
Havebury's scheme costs increase	Low	Council's risk is limited to contributing the land value only	Low

10. Legal and policy implications

10.1 The General Disposal Consent (Circular 06/03, 2003) provisions are invoked in respect of s123 Local Government Act 1972, as explained in paragraphs 4.12 to 4.14.

11. Wards affected

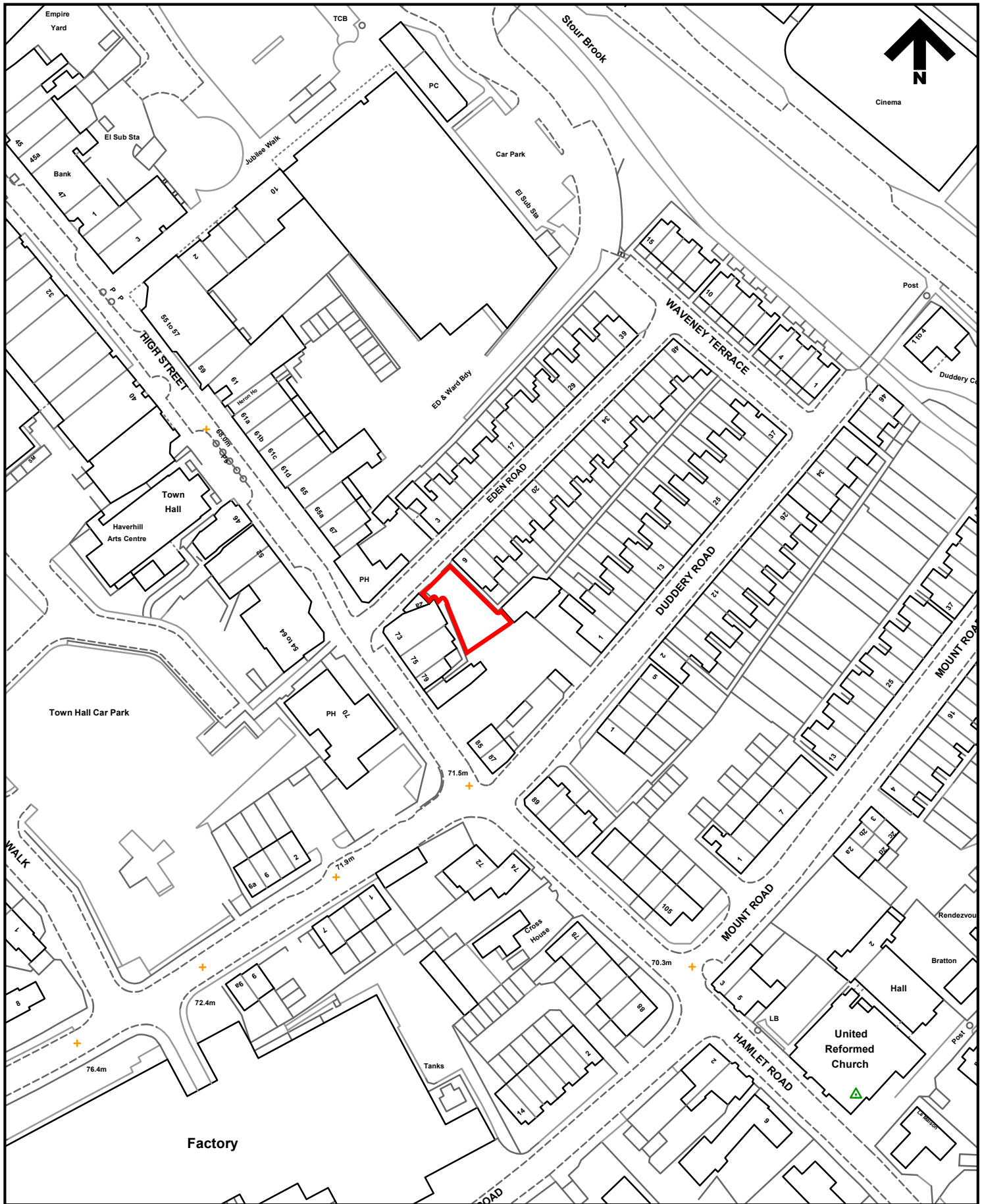
11.1 All

12. Background papers

12.1 There are no background papers.

13. Documents attached

13.1 Appendix A: Land at Eden Road, Haverhill – site plan.



Cinema



St Edmundsbury
BOROUGH COUNCIL

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Site Area 0.023 ha

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