

<b>Subject:</b>	<b>Disposal by lease of two sites at Dunster Close, Hollingdean</b>	
<b>Date of Meeting:</b>	<b>Housing Committee 18 September 2019 Policy &amp; Resources Committee 10 October 2019</b>	
<b>Report of:</b>	<b>Executive Director for Neighbourhoods, Communities &amp; Housing</b>	
<b>Contact Officer:</b>		
	<b>Name:</b>	<b>Emma Kumar</b>
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<b>Ward(s) affected:</b>	<b>Hollingdean &amp; Stanmer;</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. 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 Members Board (HSMB formerly Estate Regeneration Members Board) for agreement to proceed to committee stage.
- 1.2 The pathway assesses sites for a number of uses including considering if the site is viable for the council's own new build programme or specialist housing use. Council owned land is one of a range of site finding options for community-led housing.
- 1.3 Disposal of land to a community-led housing provider is assessed based on three key factors:
  - Achieving best consideration for the site
  - A nominations agreement with the partner
  - Optimum use of the site in terms of density
- 1.4 The two sites at Dunster Close comprise one ex garage site and another area of underused amenity land at the end of Dunster Close and are in the ownership of the Housing Revenue Account (HRA). The sites are identified below as Site A and Site B.
- 1.5 Having been agreed through HSMB as suitable for a community-led housing development, confirmation that the sites could be developed for community led housing was given to the Brighton & Hove Community Land Trust (BHCLT) who are the council's lead partner for community led housing. BHCLT recommended Bunker Housing Co-op as developer for these sites due to their previous experience and preparedness.



Site A is the former garage site. It is situated down a narrow access road which will remain in council ownership as access is needed to two remaining garages at the entrance to the proposed housing site.

Site B is a grassed area at the hammerhead ending of Dunster Close.

Photographs of both sites are attached as Appendix 1.

## **2. RECOMMENDATIONS:**

- 2.1 That Housing Committee recommend to Policy & Resources Committee the disposal by lease of two areas of land identified at Dunster Close (Site A and Site B), to Bunker Housing Co-operative for a 125 year period with the freehold retained by the council's Housing Revenue Account (HRA). The granting of the lease for the site is on the basis that best consideration can take the form of an annual ground rent instead of an initial capital payment, and is subject to Bunker obtaining planning consent, securing funding and entering into a nominations agreement with the council.
- 2.2 That the decision at 2.1 be implemented by Housing who will report details and progress to the Housing Supply Members Board.

## **3. CONTEXT/ BACKGROUND INFORMATION**

- 3.1 Future options for the use of these HRA sites 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 A local housing co-operative scheme was a pilot scheme originally approved by Housing Committee on 5 March 2014. The intention was to deliver much needed affordable housing on small, challenging sites and developed in response to difficulties encountered in the procurement of a delivery partner (including Registered Providers, developers and large construction firms) for smaller former council housing garage sites.
- 3.3 Bunker Housing Co-operative was identified through CHIBAH (Co-operative Housing in Brighton & Hove) and the council has worked closely with them since that time. The pilot scheme at Plumpton Road to provide two self-build family houses at affordable rents (Local Housing Allowance) is now on site.
- 3.4 The meeting of the Housing & New Homes Committee on 15<sup>th</sup> March 2017 approved a recommendation that twelve garages in Dunster Close, Hollingdean be demolished on the grounds of low demand, structural safety and negative financial impact on the HRA and recommended that options for the site be considered. The garages have now been demolished.
- 3.5 Housing & New Homes Committee has previously resolved '*That, building on the successful pilot working with Bunker Co-op, exploration of scope for development of sites such as the Dunster Close garage site in Hollingdean be progressed further enhancing the capacity of co-operative partners*'.
- 3.6 From April 2017 the council worked with BHCLT fully supporting development of a local Community Led Housing Programme in response to the creation of the government's Community Housing Fund. The council provided £464,540 of funds allocated by central government direct to the programme in order to progress community led housing awareness and activity in the city.
- 3.7 This funding concluded in July 2019 but the council continues to work closely with BHCLT in securing funds and identifying sites to progress development further. BHCLT have secured further funding of £150k to maintain a community led housing 'hub' in the city until March 2021.
- 3.8 The recommendation that the sites be put forward for community led housing was considered by the cross party Estate Regeneration Members Board (now Housing Supply Members Board) on 10 December 2018 and it was agreed to take this forward with a community-led housing partner. This was on the basis that the sites were not viable for the council's own new build housing programme and subject to best consideration, nominations and acceptable development density.
- 3.9 Bunker Housing Co-operative (working with BHCLT) then produced a business plan based on the development of ten homes (five on each site), to be provided at no more than Local Housing Allowance rent levels. This was considered by Estate Regeneration Members Board on 11 March 2019.
- 3.10 Options considered for the sites are outlined below.

- 3.11 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 these sites.

### **Valuation**

- 3.12 The sites were valued in November 2018 with an independent valuer instructed to provide firstly market assessments for both sites and secondly assessments based upon an assumption of 100% affordable rented housing for each site, subject to prevailing Local Housing Allowance (LHA) rates.
- 3.13 They were valued on the notional basis of achieving two houses or four flats on Site A and one house or two flats on Site B and concluded that the provision of affordable housing effectively delivers a negative value of the land. The valuations are shown in the table below.

<b>Site</b>	<b>Market Value (MV) Private</b>	<b>MV 100% affordable rented to LHA Ceiling</b>
<b>Garages Site A (2 x Houses)</b>	<b>£171,000</b>	<b>-£33,000</b>
<b>Garages Site A (4 x Flats)</b>	<b>£143,000</b>	<b>-£230,000</b>
<b>Hammerhead Site B (1 x House)</b>	<b>£86,000</b>	<b>-£16,000</b>
<b>Hammerhead Site B (2 x Flats)</b>	<b>£50,000</b>	<b>-£165,000</b>

- 3.14 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; 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
- 3.15 The council will enter in to a long lease with Bunker Housing Co-operative through which they will pay an agreed annual ground rent of £250 per unit per annum.
- 3.16 A nominations agreement for the homes provided will be agreed.
- 3.17 The lease will include confirmation of what happens should Bunker cease to exist or be unable to maintain the properties.

### **Business Plan / Funding**

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

- Both sites to be developed by Bunker Housing Co-op
- Number of units proposed = 5 per site, total 10
  - Site A (garage site): 1 x 4 bed house ,3 x 2 bed flats, 1 x 1 bed flat
  - Site B (hammerhead land at end of Dunster Close) 1 x 3 bed house , 3 x 2 bed flats , 1 x 1 bed flat
- Totals : 1 x 4 bed / 1 x 3 bed / 6 x 2 bed / 2 x 1 bed. Lease direct with Bunker Self Build Housing Coop directly, based on similar lease signed for Plumpton Road, but with an extension to 125 years (instead of 99 years) to enable better financing options
- BHCC nominations agreement (as at Plumpton Road)
- Ground rent payable in place of capital receipt (as at Plumpton Road)
- Rent levels of up to a maximum of the LHA rates
- Timescales: subject to BHCC approval and planning negotiations, a programme of predevelopment and construction resulting in handover January 2021

3.20 Bunker sought pre-planning advice. This supported the proposal in principle and recommended some minor adjustments to the siting and massing.

3.21 Bunker have been awarded £190,790.00 for pre-development costs for this development from the Homes England Community Housing Fund.

3.22 BHCC may be able to submit a bid for infrastructure costs from the Community Housing Fund when the figure for these is known subject to any necessary agreements. Bunker's business plan does not rely on any income from this.

#### 4. ANALYSIS & CONSIDERATION OF OPTIONS

Option	Risks	Benefits
Development by the council	Not viable – the sites were assessed through the council's New Homes for Neighbourhoods programme and deemed unviable.	Provision of council housing.
Grant a lease to a community-led housing partner	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

		<p>Supports community-led housing delivery</p> <p>Council retains freehold</p> <p>Regenerates and improves local amenity at no cost to the council</p> <p>Delivers self-build housing</p>
Disposal on open market of the sites	<p>Council loses control of HRA asset</p> <p>No affordable housing</p>	<p>Capital receipt would be received and private market valuation of freehold interest higher than value based on affordable rents.</p> <p>Receipt could be used towards affordable housing provision elsewhere in the city.</p>
Use the sites for off road parking	<p>Garages were unused hence revised use of site.</p> <p>Housing needs not met</p> <p>Costs of preparing the site/s for parking use and continued maintenance thereafter</p>	<p>If there was demand HRA could generate income from renting out the spaces</p>

## 5. COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 Ward members have been notified of the proposal. HSMB have been consulted throughout the steps of this proposal.
- 5.2 Bunker Housing Co-op sought pre-planning advice for the sites and have been on site regularly preparing topographical studies etc. related to this. They have informally met several neighbours through this process. They will commence more formal consultation following the pre-planning discussions as they will have a clearer idea of what will be developed on the site after that time.
- 5.3 Local residents received information prior to the demolition of the garages in 2017. The Area panels were briefed in writing at the time of the demolition and views received included the following comments:

**North Panel:** *'I think it is an excellent idea to demolish these garages. It is a real shame that this land cannot be used for any sort of housing.'*  
*'I am all for improvement in the overall look of an area and these garages look as if they are making the area look scruffy and a waste of useful space. Any scheme that brings money back in has my approval.'*

**Central Panel:** ‘

*‘The Dunster Close site, if it truly cannot be developed for social housing should be sold as is for a premium and the funds lodged with the HRA’.*

**6. CONCLUSION**

- 6.1 The decision to grant a long lease of these small, hard to develop sites to a community led housing group would increase housing supply helping to meet housing needs in the city and making 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.

**7. FINANCIAL & OTHER IMPLICATIONS:**

Financial Implication

- 7.1 As outlined in paragraph 3.7 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 both of the sites. The recommendation in 2.1 is to allow the site to be leased to Bunker Housing Co-operative Limited (Bunker) over a 125 year period to build up to ten new affordable homes. Council officers have reviewed Bunker’s financial appraisal of the proposal and are satisfied that this supports the report’s recommendations and includes realistic and reasonable assumptions at this point in time.
- 7.2 The construction of the ten 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. At the end of the 125 year lease agreement all costs associated with the potential handing back and making good the site to the council will be met by Bunker Housing Co-op.
- 7.3 An external valuation of the site has been carried out to ensure that the council is receiving best consideration for the site. The £2,000 cost of the external valuation has been met by the feasibility budget held by the Property & Investment team. The result of the valuation was 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 £250 per home, totalling £2,500 per annum on current levels of new housing assumed.
- 7.4 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; 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.
- 7.5 The HRA has not received any income for the garages at the Dunster Close site for a number of years. The proposed lease agreement could generate income of £2,500 pa and as highlighted in the March 2017 report converting the garages

into car spaces could generate a small amount of income of up to £3,000 pa, with no affordable housing delivered on the site.

*Finance Officer Consulted: Craig Garoghan*

*Date: 29/07/2019*

#### Legal Implications:

- 7.6 The council's constitution requires any proposed disposal of land to be referred to Policy, Resources and Growth Committee for approval. The grant of a lease is a disposal of land. Section 32 of the Housing Act 1985 gives the Council discretionary power to dispose of land held for housing purposes with the consent of the Secretary of State. However, express consent is not required if the disposal falls within the General Housing Consents 2013. That Consent authorises the disposal of vacant land.
- 7.7 Section 33 the Housing Act 1985 goes on to provide that the local authority may impose such covenants and conditions as they think fit, except that certain conditions specified in section 33(2) can only be imposed with the consent of the Secretary of State.

*Lawyer Consulted:*

*Name Liz Woodley*

*Date: 28/09/19*

#### Crime and Disorder Implications

#### 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

**Documents in Members' Rooms**

None

**Background Documents**

None

## Appendix 1 : Photographs of sites

Site A: Former garage site



Access road to site





Site B: Land at hammerhead.

Site facing West



Site facing south



