

Appendix 1 – Aylesborough Close Phase 1 Project Appraisal

1 Summary

1-8a and 39-50 Aylesborough Close currently consists of 24 units, a mix of one, two and three bedroom (one only) flats and maisonettes. Twenty are rented by City Homes and four have been sold. These flats and maisonettes were approved for consideration for redevelopment as part of the Council's 3 Year Rolling Programme in June 2009.

2 Reason for Investigation:

1-8a and 39-50 Aylesborough Close was identified in the Cambridge City Council Housing Land Audit 2005 carried out by Savills as a site having potential to improve the layout of units on the site and increase the density. Housing officers have indicated that the flats are becoming more unpopular due to their size, particularly the one bedroom flats.

3 Feasibility:

Existing Dwellings:

The table below shows the current mix of dwelling types

1-8a Aylesborough	12 flats	2 bedsits	8 x one bedroom flats	2 x two bedroom flats
39-50 Aylesborough	12 flats		-	12 x 2 bedroom maisonettes

Size of Existing Dwellings:

The table below shows the size of the current dwellings compared to both Homes and Communities Agency (HCA) guidance (set out in HCA Housing Quality Indicators v4 (April 2008)) and the size of the proposed new units.

Size shown in sq metres	Bedsits	1bed 2person flat	2bed/ 4person flat	2bed/ 4person maisonette	3bed/ 5person house	4bed/ 7person house
Current scheme	32.6	42.61 (average)	52.68	60.2	-	-
HCA (HQI v4)	30-35	45-50	67-75	67-75	82-85	108-114
Proposed scheme	-	48	71	75 (2bed/ 4person house)	82.8	108

The table shows that sizes of all the current units (except the bedsits) fall below the minimum government guidelines and are much smaller than the proposed new units.

Although all the units are occupied at present, officers in the Housing Advice service confirm that the bedsits and one bedroom flats are refused more, they are small and not suitable for couples.

Homelessness legislation; national housing policy and the Council's Lettings Policy (common with all local housing authority policies) inevitably give least priority for housing to working age single people. Of the single people who are housed it is most often those who have support needs, for whatever reason, whether it be in relation to mental health, a learning difficulty or a vulnerability through substance or alcohol misuse.

There is demand for the two bedroom flats, however they are not as popular as two bedroom houses in other parts of Arbury. Some residents of the flats have expressed the view that the existing dwellings are unsuitable for families with young children as the garden areas are not secure, and there is a lack of adequate

storage for families. The flats are also not always suitable for families with a household member who has a physical impairment due to the size, design and layout of the flats.

The block of nine garages is located some distance from the two flats raising concerns over security and use.

Local Housing Need

The table below shows figures taken from the Home-Link Register in November 2012, indicating the demand in South Arbury/Kings Hedges from applicants with a local connection (North Arbury is not presently recorded).

	1 bed	2 bed	3 bed	4 + bed
S Arbury	1061	314	141	27
Kings H	1057	297	143	25

Maintenance and Value for Money

Figures on past, current and predicted future expenditure on repairs and maintenance are not in themselves conclusive in an analysis of the feasibility and viability of the redevelopment of the properties. However, the question to be asked is, to what extent does this represents value for money for the Council to continue to invest in sustaining housing that no longer meets current day standard and expectations of residents both now and in the future.

Density

As part of the feasibility exercise, planning and urban design officers have provided views on the existing site and the potential for future development. The current dispersed arrangement of the flats and open spaces has resulted in the current density of 31 dwellings per hectare. A higher density of between 40 and 50 dwellings per hectare has been recommended by the urban design officer. The density of the new scheme will need to meet planning requirements and the new design will also remedy the following issues that informal planning advice has raised regarding the existing scheme –

- Concern over the security of the properties that back on to Aylesborough Close.

- The relationship between the blocks of flats, the large open spaces and the surrounding properties means the backs of St Albans Road and Verulum Way houses are less secure.
- The poor distinction between front and backs of the blocks of flats means that both blocks can be freely accessed from wider, public community areas, making them less secure.

Site Constraints

The site has good access to local amenities with Arbury local centre located within ten minutes walking distance. Bus stops linking the site to the city centre are located within three minutes walk on Mere Way and within five minutes walk on Arbury Road. The location is close to schools, medical facilities and recreation areas.

The existing development already has a single access road from St Albans Road and forms a loop road within the centre of the site. Pre application discussions with planning and highways officers will highlight any issues to be resolved. Consideration will need to be given to neighbouring houses that currently access and park within the scheme.

There are significant mature trees on site and the design will take into account advice from the arboriculture officer.

Engagement with Existing Residents

There has been a mixed reaction, for and against, to the proposals from the tenants and leaseholders. As mentioned above, some of the tenants with families are keen to move to more appropriate accommodation.

All the four leaseholders and the twenty tenants have been contacted, and discussions have begun with all but one tenant (this is in hand) about their preferences for alternative housing. The Home-Link details for the majority of tenants have been updated and one tenant has transferred to another property and a second has accepted an offer of a property.

The three resident leaseholders would prefer not to move as they have invested in their existing property and are also concerned that they will not be able to afford to buy another property on the

open market. Officers are working with leaseholders to look at their options and work is underway to consider the Council developing an 'equity share' model of housing that would prove a an option for leaseholders. If feasible, the leaseholder would invest their capital stake in their current flat home into another home owned by the Council with the Council retaining the balancing stake.

City Homes officers are offering support as required to two tenants that are 'vulnerable' and are aware of their support networks.

Further information on the profile and support needs of residents are covered by the confidential EQIA for the project.

4. Proposed scheme:

The **proposed mix** of the new scheme is as follows.

Affordable Housing – Total 16

3 x 1 bed/2person apartments
7 x 2 bed/4person apartments
2 x 2 bed/4person houses
2 x 3 bed/5person houses
2 x 4 bed/7person houses

Market Housing – Total 12

2 x 1 bed apartments
6 x 2 bed apartments
4 x 3 bed house

All of the Affordable Housing will meet Lifetime Homes Standard
All units will meet Level 4 of the Code for Sustainable Housing
The Market Housing will be built and sold at the developer/house-builder partners risk.

Target Start date	April 2014
Target completion date	March 2015

An indicative layout plan of the proposed scheme is attached.

Costs, Funding and Viability

Capital Costs

Construction Costs	£ 1,488,352
Home Loss Costs	£ 775,398
Quantity Surveyor	£ 20,093
Internal Development Fee (2%)	£ 29,767
Total	£ 2,313,610

Funding

Grant	£ 280,000
Borrowing	£ 2,033,610

Viability – A benchmark used by Registered Providers whether new scheme is viable are when the scheme breaks even in revenue terms (typically 12 years) and when the total capital used is paid back (typically 30 years). This benchmark relates particularly to vacant sites. There is no ‘industry’ benchmark for sites where existing housing is required to be redeveloped. The viability against the benchmark is shown below both inclusive and exclusive of Home Loss costs. The relatively high number of leaseholders at Aylesborough Close influences the figures more significantly than on other schemes in the programme.

a. Net of Home Loss costs

Pay-back period – 27 years
Break-even - Year 5

b. Inclusive of Home Loss costs

Pay-back period – 41 years
Break-even – Year 15

Rent Levels –

- 1 bed - £115 per week
- 2 bed - £126 per week
- 3 bed - £149 per week
- 4 bed - £197 per week

VAT implications

VAT is not payable on new build construction costs. However, advice will be sought from the Council's VAT specialist to ensure that there are no adverse VAT issues affecting the project.

The Procurement

At the Community Services Committee on the 25 March 2010 the Executive Councillor for Housing approved that an Affordable Housing Development partnership be procured. This partnership was to enable the redevelopment of City Homes housing considered feasible for redevelopment in the 3 Year Rolling Programme. The 25 March 2010 report stated that two developer partners would be procured; due to procurement regulations it was not possible to procure two partners. Therefore a procurement exercise was undertaken to select one partner, which adhered to procurement rules.

The procurement process was completed in October 2011 and Keepmoat was the successful tenderer.

The principles behind the development model used on other Council schemes already approved is repeated here ie a mixed tenure scheme, developed with the a house-builder/developer partner, providing for the cross-subsidy of the Affordable Housing from the sale of market houses, thereby minimising capital outlay for the Council.

The model involves the disposal of freehold plots to the house-builder/developer partner where Market Housing is proposed and/or disposal under long leases where Market Apartments are involved. The Council will retain the freehold of land upon which the Affordable Housing is provided and the freehold of land should Market Apartments be provided.

It is the intention to control and procure the redevelopment by way of a Development Agreement and a standard form JCT Design and Build contract to cover the building works. The draft agreements have been set up with the Council's legal team.

In summary, the key points of the draft Development Agreement are as follows;

The contractual arrangements with the house-builder/developer are conditional on the achievement of a satisfactory planning permission. The Development Agreement is also conditional on the Council confirming it has secured sufficient funding for the Project, achieved vacant possession and achieved all necessary Executive Councillor approvals. The Council must approve a scheme prior to the house-builder/developer submitting a planning application. The cost of the redevelopment to the Council is capped at 10% above the Construction Cost of a final scheme agreed with the house-builder/developer to allow for any onerous conditions that may be applied through the planning process (this is within the limits allowed by the Council's Contract Procedure Rules).

Key Risks

The Development Agreement will be conditional on the Director of Resources confirming that the Council has the finance in place to fund the scheme. Therefore a key consideration is developing a finance package that is acceptable to the Director of Resources.

A planning application will need to be agreed between the developer / house-builder partner and the Council that is satisfactory to the Strategic Housing division.

Subject to the approval of the Committee of the scheme presented, the Development Agreement will be signed and our house-builder/developer partner will proceed to submit a planning application after vacant possession has been achieved. The Development Agreement will include a clause allowing our house-builder/developer partner to claim back a proportion of the cost of achieving planning permission should the Project not proceed for reasons that are not the fault of our partner. In the unlikely event that the Council does not wish to proceed with the redevelopment, the risk is mitigated by the fact that the land will have a planning permission that will have a value to the Council.

Residents living at the Aylesborough Close flats will need to secure alternative housing. The Council is discussing the redevelopment of the flats Aylesborough Close with both tenants and leaseholders and the new Home Loss Policy will apply. This leads to the possibility that vacant possession will not be achieved.

Should the Project proceed with HCA grant a key risk will be not meeting key deadlines for the HCA grant funding.

Other implications

Davis Langdon has been appointed Quantity Surveyor for the Council 146 Programme and will verify that costs provided by Keepmoat are reasonable in the prevailing market.