

Appendix 1 – Atkins Close Garage Site and Play Area Project Appraisal

1. Summary

This garage site was identified for possible re-development via a citywide review of garages in 2010. Out of the 14 garages on this site 7 are empty, and only 1 of the 7 let is rented to a local resident of Atkins Close. These garages were approved for consideration for redevelopment as part of the Council's 3 Year Rolling Programme in January 2011.

2. Reason for Investigation:

The site was identified in an officer review carried out in 2010 of unpopular garages that had redevelopment potential.

3. Feasibility:

Existing Site : 14 garages, and existing play area.

The current garage block is in varying states of disrepair with new lights, guttering and doors required. The site is located at the end of Atkins Close and is tucked behind a block of maisonettes. Due to the lack of surveillance the garages do occasionally attract anti social behaviour.

The play area is opposite the garage site, but has no natural surveillance from the surrounding houses and no play equipment for children to play on. Due to this the play area is not used by any of the families that live in Atkins Close. Advice on the re-provision of a new play area has taken place with the council's technical officer in Streets and Open space and in principle supportive of the re-provision of a new play area.

Maintenance and Value for Money

The garages require some maintenance in their current form. Demolition costs of the garage site will be circa £35,000.

The garage site has suffered a rental loss from 7 garages of £463.83 since January 2012.

Local Housing Need

The table below shows figures taken from the Home-Link Register in February 2013, indicating the demand City wide from applicants with a local connection.

	1 bed	2 bed
Band A	198	104
Band B	328	209
Band C	3029	679
Band D	1602	763

Site Constraints

The site has good access to local amenities with Kings Hedges local centre located within easy walking distance. Bus stops linking the site to the city centre are located within easy walking distance. The location is close to schools, medical facilities and recreation areas.

The site already has a single access road from Atkins Close with a play area to one side. Consideration will need to be given to the neighbouring properties that currently use part of grass area behind the maisonettes that will be within the new scheme.

There are significant mature trees on site and the design has taken into account the advice from the Councils arboriculture officer who is in principle happy with our proposals.

Engagement with Existing Residents

Housing officers held a resident engagement afternoon/evening meeting in January 2013 so that the local residents of Atkins Close, Ward Councillors, Housing Management Board tenant representatives and the surrounding neighbourhood could see the proposals before being presented to Committee. Four residents from Atkins Close attended. Their main concern was the loss of play space, but after seeing the new proposals and the re-provision of a new play area they were in favour of the proposals. One private resident from Stott Gardens raised objections to the

proposals with the main concern being the number of existing trees against their boundary fence. A more detailed tree appraisal will be carried out should the proposal be approved to address the resident's concerns. The Housing Management Board tenant representatives that attended and the Ward Councillor were supportive of the scheme and felt that the new dwellings would be a good addition to the area.

If approved, the scheme will also go through a robust process of neighbourhood engagement at the pre-application and formal planning applications stages.

4. Proposed scheme

The proposed scheme (subject to planning) will deliver a total of 11 homes. The **proposed mix** of the new scheme is as follows:

Affordable Housing – Total 7

6 x 1 bed/2 person apartments
1 x 2 bed/4 person house

Market Housing – Total 4

2 x 2 bed houses
2 x 3 bed houses

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

Target Start date	Oct 2013
Target completion date	Oct 2014

An indicative layout plan of the proposed scheme is attached.

5. Costs, Funding and Viability

Capital Costs

Net Construction Costs	£662,508
Quantity Surveyor	£ 19,938
Internal Development Fee (2%)	£ 24,615
Total	£707,061

Funding

Grant	£124,061
Borrowing	£572,228

Viability

A typical benchmark used by Registered Providers to determine whether new scheme is viable is when the scheme breaks even in revenue terms (typically 12 years) and when the total capital used is paid back (typically 30 years). The viability against this benchmark is shown below:

Payback period	26 years
Break-even	Year 1

Rent Levels –

1 bed - £119.14 per week
2 bed - £130.54 per week

The rents include the RPI (currently 2.5%) +0.5% increase that will be applied to base rents from April 2013, reflecting the scheme coming into management during the 2013/14 financial year.

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.

6. 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 i.e. 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.

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.