



To: Executive Councillor for Housing (and Deputy Leader): Councillor Catherine Smart
Report by: Julia Hovells, Business Manager / Principal Accountant
Relevant scrutiny committee: Community Services Scrutiny Committee 13/3/2014
Wards affected: East Chesterton

LEASE OF HOUSING LAND - EASTFIELDS, CHESTERTON

Key Decision

1. Executive Summary

- 1.1 The Council's Housing Revenue Account (HRA) owns the freehold to a number of parcels of land on which Hundred Houses Society historically had built a number of homes for social rent. Hundred Houses Society currently lease the land from the City Council under two long leases, due to expire in January 2065 and March 2119.
- 1.2 The housing on the site, which comprises 82 homes built in 1935 and 41 in 1993, is now in need of some refurbishment / re-development to ensure that the housing provision continues to be maintained to an appropriate standard.
- 1.3 To facilitate a financially viable refurbishment / re-development of the site, Hundred Houses Society are seeking to re-negotiate the terms of the two existing leases with the City Council, to arrive at one new consolidated lease.

2. Recommendations

The Executive Councillor is recommended:

- a) To agree that a new consolidated lease with Hundred Houses Society, for lease of the land at Eastfields, Chesterton (the areas marked on the plan at Appendix A), is negotiated.
- b) To delegate responsibility to the Director of Customer & Community Services, in consultation with the Head of Property Services, Head of Legal Services and Section 151 Officer, to agree the final terms for the

lease, and to subsequently enter into a new consolidated lease for the land at Eastfields, Chesterton.

3. Background

- 3.1 Hundred Houses Society hold two leases for approximately 10.65 acres of land at Eastfields, Chesterton with the City Council, for the purpose of delivering affordable housing on the site.
- 3.2 The lease for the largest parcel of land (8.4 acres) was last varied in 1985, extending the term of the lease until January 2065. The second lease for a smaller parcel of land (2.25 acres) was negotiated in 1994 for a term of 125 years.
- 3.3 The lease with the City Council for the larger parcel of land was originally constructed on the basis that the HRA receives 20% of the annual rental yield from the properties erected on the land which is leased from the Council. The lease for the smaller parcel carried a premium of £10,000 upon completion, but was based upon payment of one peppercorn annually on an ongoing basis.
- 3.4 Hundred Houses Society has had 123 dwellings built on the land, all of which they have let and managed since their completion.
- 3.5 The properties have been identified as being in need of major refurbishment or potential re-development, to ensure that the housing supply continues to meet current housing need and housing property standards. Any re-development has the potential to increase the density of housing on the site, and therefore potentially the supply of affordable housing in the city.
- 3.6 The requirement in one lease to pay the City Council 20% of the annual revenue stream has proved prohibitive to Hundred Houses Society in their financial appraisals to re-develop the site, as they have been unable to arrive at a reasonable pay-back period for any investment.
- 3.7 Hundred Houses have met with officers of the Council on a number of occasions over the past few years, to discuss proposals as to how the Society might terminate the lease. Options that were considered included proposals for both land and property swaps between the Society and the HRA. In no instance thus far, has any proposal proven financially viable for both the HRA and Hundred Houses Society.
- 3.8 The latest proposal, leading to the recommendations in this report, is for the City Council to enter into a new consolidated lease with

Hundred Houses for the same parcels of land, with a new lease term of 125 years. The lease premium in the new lease is proposed to be based initially on the rental income for 2013/14 of approximately £80,500, but for the monetary sum to be divorced from the current link to 20% of the rental stream for **all** properties on the site. The lease premium of approximately £80,500 would be inflation linked, using a methodology agreeable to both parties.

- 3.9 This approach would ensure that the current revenue stream to the HRA would be fully protected, whilst Hundred Houses Society would benefit fully from the additional rental income that any increased density on the re-developed site would bring, facilitating their business case for investment. The Society would seek to deliver a scheme which combines improvement to some of the dwellings and demolition and re-development of others, with pay-back for the investment being within 35 years.
- 3.10 It may be necessary for Hundred Houses Society to introduce some market housing or shared ownership accommodation onto the site to make the investment financially viable, but with a guarantee provided that there would be an increase in the overall supply of housing on the site, with no decrease in the supply of affordable housing provided.
- 3.11 Any increase in the number of affordable housing units that may be deliverable would of course assist in meeting the Council's strategic aim to increase the supply in the city to meet housing demand.

4. Implications

(a) Financial Implications

The Housing Revenue Account currently receives in the region of £80,500 per annum in respect of 20% of the rental stream for the houses erected on the relevant leased land.

Based upon the latest proposal by Hundred Houses Society, as incorporated within this report, the Housing Revenue Account's financial interest will be maintained, with the revenue stream inflation linked. This is fully in line with the assumptions made in respect of this income in the HRA Business Plan and Budget Setting Report and associated financial planning and forecasting models.

(b) Staffing Implications

There are no direct staffing implications associated with this report.

(c) Equal Opportunities Implications

There are no direct equal opportunities implications as a result of this report, and an EqIA has not been completed in respect of this proposal.

(d) Environmental Implications

There are no direct environmental implications associated with this report. The environmental impact of any re-development of the site will be considered by the Hundred Houses Society as part of their option appraisal for the site.

(e) Procurement

There are no procurement implications associated with this report.

(f) Consultation and Communication

Consultation with existing residents in the housing provided on the land leased from Cambridge City Council, is being undertaken by Hundred Houses in their capacity as housing landlord for the site.

(g) Community Safety

The community safety implications associated with the re-development of the site, will be considered by Hundred Houses in their capacity as housing landlord for the site.

5. Background Papers

There were no publicly available papers used in the preparation of this report.

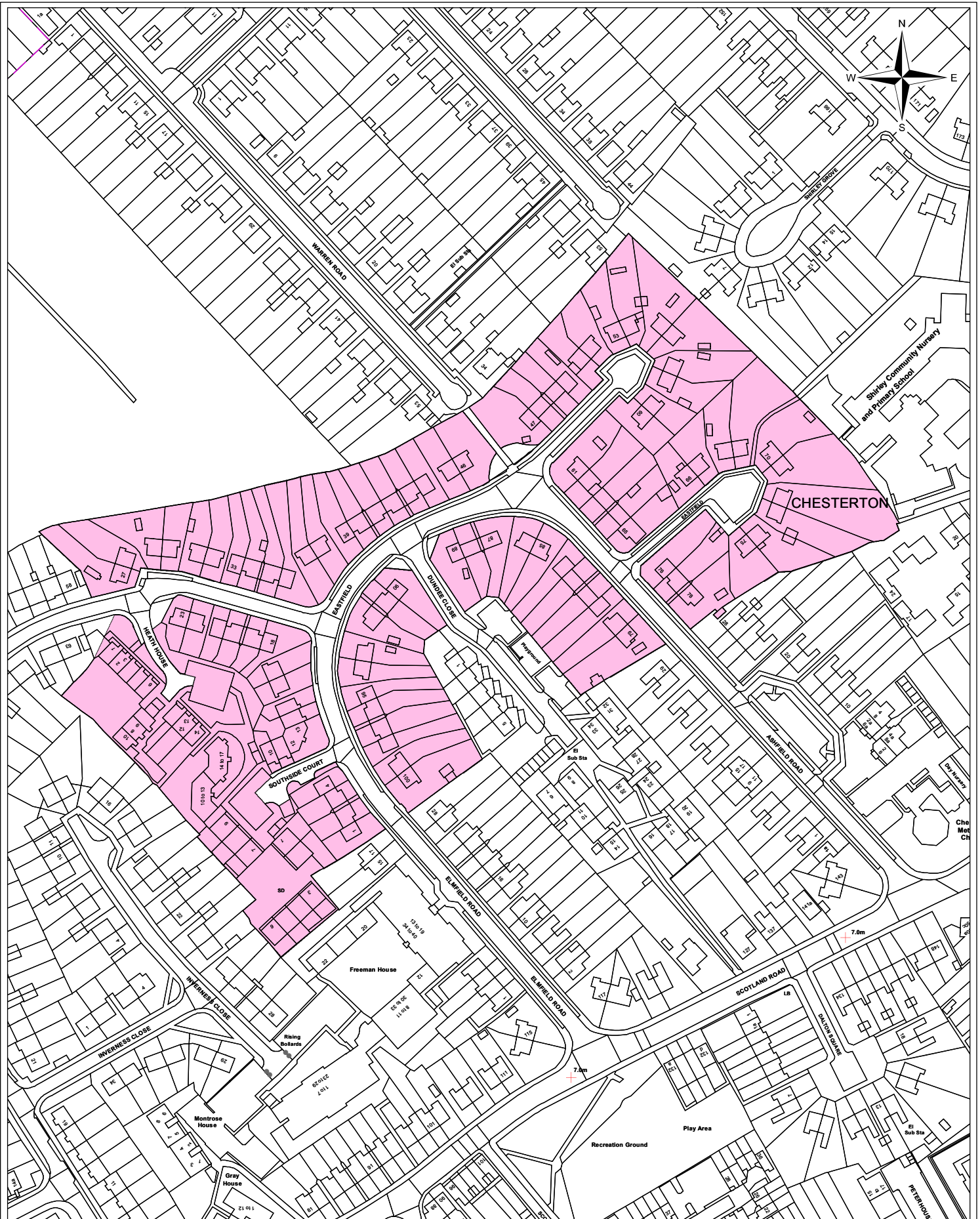
6. Appendices

Appendix A – Site Plan, Eastfields, Chesterton

7. Inspection of Papers

To inspect the background papers or if you have a query on the report please contact:

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Information Systems
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Eastfields Lease

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