

Home Loss Redevelopment of 74-82 Akeman Street including shops, flats and rear garden areas.

Project Appraisal

1. Summary

The area currently consists of 5 No. commercial units with flats above and associated land to the rear. Of the five commercial units, 3 No. are occupied with expired leases and all are holding over on these leases on their current terms and conditions, including rent; 1 No. unit is void (previously occupied by a bakery) and 1 No. unit is used as a community facility by the Community Development team.

Two of the flats are managed by City Homes for council tenants, the remaining 3 flats are included in the lease with the shop unit beneath.

2. Reason for Investigation:

The potential to redevelop this site was first highlighted by colleagues in Property Services who noted that the leases for the occupied commercial units had expired and negotiations would be required if new leases were considered. The parade of shops suffers from a lack of footfall and there has been difficulties letting vacant shops in the past. As one of the units was already void and with significant works required to the block and the garden areas it is deemed more economic to redevelop the site to increase the housing provision in the area. There have also been issues with managing the gardens and store areas at the rear of the shops.

Property Services have considered the longer term options for the site in respect of the commercial units and have noted the following specific to this location:

- There has been a lack of footfall to this area
- Historically, these commercial units have the lowest rent levels (£/sq.ft.) in the City Council portfolio

- There has been difficulty in attracting new tenants to vacant units, as currently demonstrated by No.78 that has remained unlet since the bakery vacated.
- There are some maintenance and repair issues with the structure and fabric of the building itself that has impacted on the commercial units (previously experienced flooding which has led to damp and rotten floors)
- Difficulty in finding tenants that will bring business to the area that suits the location.
- Proximity of these commercial units in relation to larger stores located on Histon Road and Victoria Road.

Further research will be undertaken to assess the viability of re-providing commercial units as part of the new development.

Further discussions have taken place with housing officers and local Members who confirmed that the area did experience some anti-social behaviour issues and that a redevelopment of the site would enhance the environment locally. There was some concern regarding the community facility that is well used by local groups throughout the week. This would need to be considered in terms of a temporary provision during any redevelopment, as well as the potential for reprovision within the scheme, or elsewhere locally upon completion. This is currently subject to a longer term project reviewing and auditing the City Council's facilities and provision for community services the outcome of which should be known in July 2016. At the current time, due to local knowledge it should be anticipated that reprovision will be required.

3. Engagement with Existing Residents and Tenants

Due to the relatively small number of tenancies affected by the proposals, more personal and individual consultation are proposed with both the commercial tenants and the flat tenants rather than more public and open consultation.

Property Services have contacted all commercial tenants to discuss the proposals and confirm that due to the intended redevelopment the Council will not be renewing leases within the block. Where possible and feasible, consideration will be given to supporting these tenants in finding suitable alternative commercial accommodation within the Council commercial portfolio.

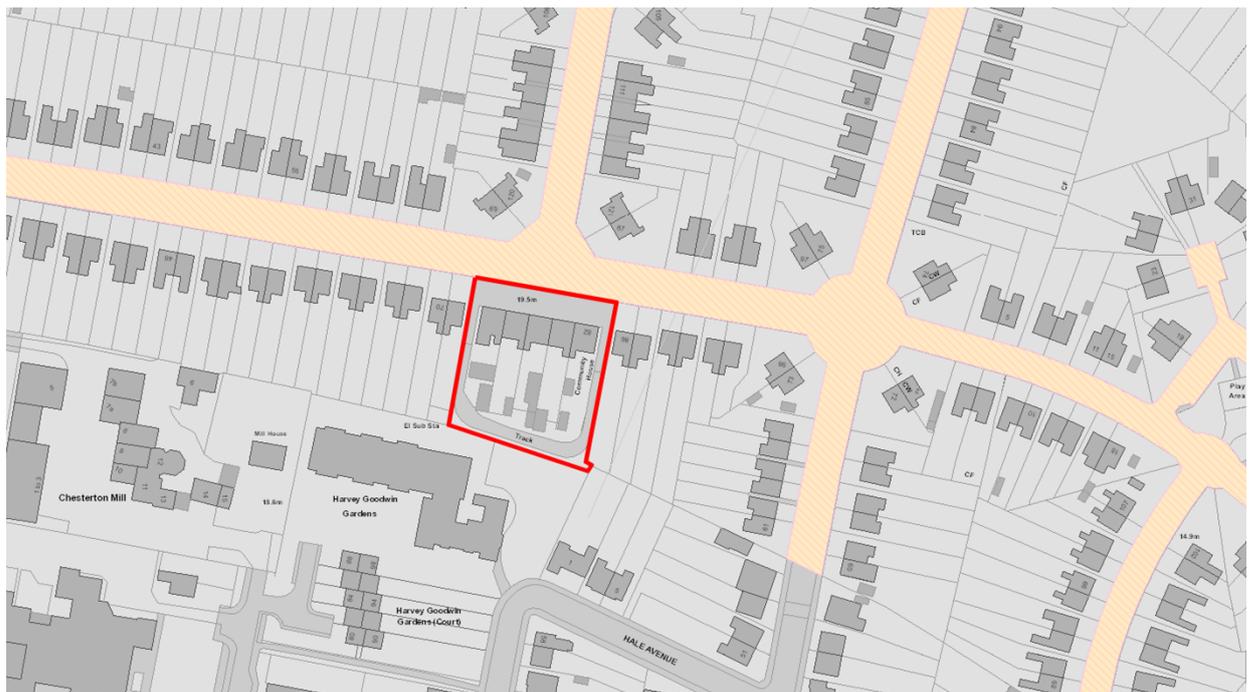
City Homes staff has consulted with the 2 tenants affected by the proposals and clarified indicative timescales for the work and what support is available to assist them with relocating to suitable property.

An EQIA has been appended to this report.

4. Feasibility:

The Site

The below plan shows the location of the site in Arbury ward. The block is located on a long established estate of pre-war housing, typically semi-detached houses, that are a mix of Council owned and private owner-occupiers.



The table below shows the details of the current leases on the site:

Address	Current Use	Lease	Approx. Area of commercial space
74	Take Away with flat above	Expired – holding over	660 sq ft
76	Shop lease only	Expired –	475 sq ft

		holding over	
	First Floor Flat	City Homes tenant	
78	Shop and flat above	Shop Vacant	795 sq ft
80	Shop lease only	Expired – holding over	690 sq ft
	First Floor Flat	City Homes tenant	
82	Community centre to ground and first floor	Facility managed by CCC	386 sq ft (GF) 461 sq ft (1 st F)

Local Housing Need

The table below shows figures taken from the Home-Link Register in December 2015, indicating the demand in Arbury from eligible applicants.

	1bed	2 bed	3 bed	4+ bed
Arbury	261	179	37	8

5. Proposed scheme

An indicative redevelopment scheme has been produced for the site as follows:

- 7 No. 2 bed 4 person houses 79m²
- 2 No. 3 bed 5 person houses 93m²
- 1 No. 4 bed 7 person house 120m²

Although the Housing Needs Register identifies a need for 1 bed properties, it is considered that family accommodation would be better suited to this location due to the existing mix of family housing locally as well as the proximity to facilities.

All units will meet Lifetime Homes Standard.

All units will achieve a minimum of Level 4 of the Code for Sustainable Housing or equivalent as adopted by the Council.

6. Costs, Funding and Viability

Using the recent build costs at Ekin Road and Hawkins Road as a benchmark a 10 unit redevelopment at Akeman Street could cost approximately £2m, inclusive of all fees and on-costs.

Capital Costs

Construction Costs	£ 1,718,000
Home Loss Costs (residential)	£ 25,000
Commercial tenant compensation	£ 23,150
Re-provision Community Rooms	£ 10,000
Quantity Surveyor (1.5%)	£ 25,770
Internal Development Fee (3%)	£ 51,540
Architect, Planning Fees etc.	£ 132,050
Total	£ 1,985,510

Funding

RTB Receipts	£ 476,522
HRA Reserves	£ 1,508,988

It is assumed no grant funding on this development.

It should be noted that the use of RTB receipts has been included to ensure the Council can achieve the required spend within the designated timescales and to avoid losing this funding stream. This can only be attributed to the additional units gained on this development, i.e. 8 homes. There is also an allowance in the HRA budget to match fund the 30% RTB receipts with 70% funding from HRA reserves.

Viability – A benchmark used by Registered Providers whether a 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). 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 inclusive of Home Loss costs.

Pay-back period – 29 years
Break-even – Year 2

Rent Levels (net of Service Charge) –

2 bed @ LHA - £140.74 per week
3 bed @ LHA - £168.45 per week
4 bed @ LHA - £218.16 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

To follow

Key Risks

- Entering into contract will be conditional on the Director of Customer and Community Services 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 Customer and Community Services.
- A planning application will need to be developed, submitted and approved.
- Subject to the approval of the Committee of the scheme presented, an agreed method of procurement will need to be undertaken to appoint a contractor before entering into contract for the works.
- There is still some unknown risk surrounding the Government announcement requiring the sale of high value void stock. It is possible that new build properties would fall into this definition. An additional report will be presented to HSC once further detail is known on this matter.

- Residents living at the Akeman Street flats will need to secure alternative housing. The Council is discussing the redevelopment of the flats with both tenants where the Home Loss Policy will apply.

Other implications

An Employers Agent/Quantity Surveyor will be appointed as part of the Delivery Team to support the Housing Development Agency.