

Seymour Court Scheme Approval

Committee	Community Services
Portfolio	Housing
Committee Date	9 December 2010
Executive Councillor	Councillor Smart
Lead Officer	Alan Carter

Recommendations

The Executive Councillor is recommended to;

1. Approve the mix, design and layout of the scheme for the redevelopment of Seymour Court presented to the Committee.
2. Approve the Construction Cost of the scheme to the Council of £435,000.
3. Delegate authority to the Director of Customer and Community Services, following consultation with the Director of Resources and the Head of Legal Services, to negotiate with the County Council the cost to the City Council of bringing the lease of Seymour House to an early end and with Cambridgeshire NHS a contribution to the relocation cost of staff. (see 1.4 below)

1.1 Background

At the October 2010 Community Services Committee Meeting the Executive Councillor for Housing approved the principle of the redeveloping Seymour Court as a mixed tenure scheme with the Affordable Housing to be owned and managed by City Homes. The Executive Councillor also gave delegated authority to the Director of Customer and Community Services, following consultation with the Director of Resources and the Head of Legal Services, to sign a Development Agreement with a single house-builder/developer partner to redevelop Seymour Court, subject to a

final scheme being brought before a special Community Services Scrutiny Committee Meeting for approval.

This report outlines the scheme that officers have worked up with Kier, the successful tenderer from the procurement process outlined in the October 2010 Committee report.

1.2 The Project

The redevelopment of Seymour Court will provide 21 Affordable Housing flats for people over the age of 55 that will be owned and managed by City Homes. The 21 flats comprise;

- 2 no. 1 bed, 2 person flats
- 16 no. 2 bed, 4 person flats
- 2 no. 2 bed, 3 person fully wheelchair accessible flats
- 1 no. 1 bed, 2 person flat over garages dwelling

There will also be market housing on the site that will be sold at Kier's risk and comprises 7 no. 2 bed, 4 person houses, 4 no. 3 bed, 5 person houses and 4 no. 4 bed, 7 person houses – a total of 15 houses.

Therefore the redevelopment is made up of 36 dwellings, 58% Affordable Housing and 42% market housing.

The land the market housing will be built on will be transferred freehold to Kier at nil value. (It is the Council's policy to dispose of land at nil value to housing associations to facilitate new Affordable Housing). This allows Kier to propose an extremely low build cost to the Council in comparison to the actual cost of building the 21 Affordable Housing dwellings. The Council will retain freehold ownership of the Affordable Housing land.

Seymour House is a building at the centre of Seymour Court that is currently leased to the County Council and occupied by health and social care staff. Negotiations are under way to relocate the staff and agreement has been reached for this to happen by the end of June 2011.

Kier will present plans of the layout and design of the proposed scheme at the meeting.

1.3 Aims and Objectives.

This project is in line with the Council's vision for "a city which recognises and meets needs for housing of all kinds – close to jobs and neighbourhood facilities" and provides fully wheelchair accessible dwellings, apartments for people over the age of 55 and market housing. The Affordable Housing dwellings will be owned and managed by City Homes and will contribute to the sustainability of the service.

In relation to well designed buildings, Urban Design and Development Control have been consulted and an initial assessment has shown that the silver or gold standard could be achieved for the Building for Life assessment, promoted by CABE (Commission for Architecture and the Built Environment). This represents a good standard of design.

In order to contribute to a low carbon city and minimising the schemes impact on the environment the scheme will achieve level 4 of the Code for Sustainable Homes. This is above the standard required by Building Regulations and the Homes and Communities Agency for funding.

Seymour Court is well located to allow residents to travel by public transport, bike or on foot. The site is close to the city centre and extremely close to the Mill Road Local Centre, also after a short walk to Mill Road there are buses that serve the city centre and Addenbrookes, with more buses accessible from Coldhams Lane. The scheme has been designed to allow 78 cycle storage spaces on the site, which is in accordance with planning policy.

Target Start date	December 2010
Target completion date	July 2012

1.4 Cost

Kiers has quoted a cost of £397,000 (subject to contract) to the Council to deliver the scheme. This represents a cost of £18,957 per unit of Affordable Housing (£397,000 divided by 21 units). The report to the October Committee had suggested that this cost would be in between £56,000 and £1.35m. There will be further

costs to cover the project management of the approved scheme by Cyril Sweet (£37,097). Together these figures make up a Construction Cost of £434,097.

Capital provision of £256,000 has already been agreed to cover the cost of relocating tenants and up-front viability costs.

Finally, there will be a cost to the Council to secure vacant possession of Seymour House – the building occupied by health and social care staff at the centre of the site. It has been agreed in principle that the staff will move to alternative accommodation on the adjacent Brookfields Hospital site by the end of June 2011. To facilitate this, the value of the lease of Seymour House to the County Council is currently the subject of negotiation and will be managed in the context of 'Making Assets Count. Also, it has been agreed in principle that the City Council will be make a reasonable contribution to the cost of relocating staff in Seymour House. These costs will be in respect of IT reconnection; minimal refitting of the alternative accommodation; and removal costs.

1.5 Funding

There are four possible sources of funding to meet these costs;

Housing Capital Reserves
Section 106 Funds
Council Prudential Borrowing
Homes and Communities Agency Grant

It is proposed to bid for grant to cover the Construction Cost with the balance of the cost funded from Housing Capital Reserves and Section 106 Funds.

1.6 Viability

Key indicators whether a 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).

A true assessment of viability will show recovery of all costs incurred by the Project. With no grant and should all available

reserves and s106 capital be required, the Project will break even in Year 1 and pay back the capital in 19 years.

Note – The financial appraisals are based on 2011/12 prices. The new rents for the Affordable Housing will be set at Target Rents in accordance with the rent setting process for other City Homes properties.

1.7 Key Risks

The Development Agreement with Kier will be conditional on the Director of Resources confirming that the Council has the finance in place to fund the scheme; that a planning permission that is satisfactory to the Housing Service of the Council has been achieved; on vacant possession of the site being available; and all relevant Council approvals being achieved.

Subject to the approval of the Committee to the scheme presented, the Development Agreement will be signed and Kier will proceed to submit a planning application. The Development Agreement will include a clause allowing Kier to claim back half of the cost of achieving planning permission up to a maximum £25,000 should the Project not proceed for reasons that are not the fault of Kier. In this unlikely event, the risk is mitigated by the fact that the land will have a planning permission that will have a value to the Council.

The Project will not proceed without confirmation that the units funded outside of the Housing Revenue Account Subsidy System as this would make it unviable. In effect, should this be the case, the Director of Resources would not be able to authorise that the Council is able to fund the Project.

Seymour House at the centre of Seymour Court, is currently leased to the County Council and occupied by health and social care staff. If staff cannot be relocated it will severely hinder the project. Once again the redevelopment will not be able to proceed unless vacant possession of the site can be given to Kier.

If the Project does not proceed reasonably quickly, Seymour Court would become part or fully vacant after December 2010, which could attract anti-social behaviour. The Council would also be required to pay council tax and/or empty property rates on the

empty buildings. It may be that it will be necessary to demolish to building to minimise these risks.

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

VAT is not payable on new build construction costs. However, because of the complexity of the redevelopment of this site, there is an on-going discussion with VAT specialists in the Finance and Legal Sections in order to minimise the VAT position.

1.8 Estimate of Staffing Resource

An officer from the Enabling and Development Team will act as Project Manager from the Council's perspective. A project team has been set up and meets bi-monthly. Members from City Homes, Finance, Housing, Internal Audit, Legal, and Procurement are invited. Legal services will be required to draw up a land transfer documents and have commissioned Hewitsons to assist with some of the legal work.

1.9 Background Documents

- Risk Register
- Financial Appraisal Summaries and Assumptions

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