

Holloway Crescent Phase 2 Development

Community and Housing Committee, 15 March 2011, item 9

Committee: Community and Housing Committee

Agenda Item

Date: 15 March 2011

9

Title: Holloway Crescent Phase 2 Development

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Item for decision

Summary

1. This report describes the findings of site appraisals into a new build scheme on the currently unoccupied site at Holloway Crescent in Leaden Roding. The Holloway Crescent Task Group recommended that the site be developed as new affordable housing by the Council using the Stansted Area Housing Partnership Monies.

Recommendations

2. That Committee recommends Full Council approve the development of 9/10 new affordable housing units at Holloway Crescent, Leaden Roding using up to £445,000 of Stansted Area Housing Partnership funding and a loan of £555,000 against future rents.

Financial Implications

3. The estimated cost of implementing the recommendations is £1,000,000, which will be funded as follows:
£445,000* by external funding (Stansted Area Housing Partnership)
£555,000* by loan against future capitalised rental income
**This is subject to obtaining accurate quotes for build in addition to local rent levels and the will vary dependent on whether 9 or 10 units are delivered.*

Background Papers

4. The following papers were referred to by the author in the preparation of this report and are available for inspection from the author of the report.

HCA Economic Appraisal Toolkit v2.0 Full Site Appraisals

[Minutes of Holloway Crescent Task Group Meeting, 31 January 2011](#)

Minutes of Parish Council Meeting, 25 February 2011

[Minutes of Housing Initiatives Working Group, 3 March 2011](#)

Impact

5.

| | |
|---------------------------------|--|
| Communication/Consultation | There were considerable objections over previous development on this site. |
| Community Safety | - |
| Equalities | - |
| Health and Safety | - |
| Human Rights/Legal Implications | - |
| Sustainability | The development will have a sustainable element. |
| Ward-specific impacts | This development will help to meet housing need in Leaden Roding and the surrounding area. |
| Workforce/Workplace | - |

Situation

6. Phase one of the development at Holloway Crescent, Leaden Roding has been very successful. The new units have met all the required standards and have been delivered ahead of schedule. The site achieved a score of 33.5 in the Site Code of Considerable Practice assessment, placing it in the top 10% of schemes nationally. This means that the site will be automatically be entered into the Considerate Constructors Annual National Awards.
7. Housing Needs have indicated that a preferable site mix on this phase would contain some one bedroom flats (as previously requested by the parish council), and less two bedroom bungalows than on the initial designs that Flagship had drawn up. The SHLAA identified 9-15 units on phases 1 and 2 of this site, or a density of 30-50 homes per hectare. Housing Needs put forward the following desirable unit mix of 9 homes (in line with SHLAA estimates): 4x 1 Bedroom Flats, 1x 2 Bedroom Bungalow, 2x 2 Bedroom Houses & 2x 3 Bedroom Houses
8. The Homes and Community Agency and GVA Grimley Economic Appraisal Tool v2.0 was used to appraise the site. A summary of costs based on the unit mix above and an 18 month build period is displayed overleaf.
9. Potential changes in policy mean that new affordable housing developments may receive an incentive payment from the CLG of £2,100 per property spread over 6 years. Undertaking this development could enable Uttlesford to

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receive £19k in addition to an (estimated) £69k new homes bonus. This could bring the potential incentive payment for Holloway Crescent phase 2 to £88,000 over 6 years.

10. The Homes and Communities Agency has clarified will be very little grant funding available for the next four financial years. There could potentially be funding available from the Stansted Area Housing Partnership.
11. The HCA Economic Appraisal Tool provides guidance on obtaining calculations for land values, rents and build costs. Key sources used for these appraisals were; Rents were calculated as %s of the LHA; Demolition and Infrastructure were set at 8% of Total Build Costs as per HCA East Guidance; Build costs were calculated as £1000 per sq m as per new HCA East Guidance; Rental Yield, Development Costs and Contingency were calculated as per HCA Guidance; Interest during build phases was set at HCA East guidance of 7%; Rough Capital Land Values were obtained through the VOA Property Market Report Jan 2010. (It should be noted that these figures are outline estimates and are intended to demonstrate outline viability of different types of development on the site. They are subject to change due to the specific needs of the development against the generic nature of the data used to produce the viability estimate.)
12. The appraisals estimated the build costs for the site to be around £1m for the 9 unit scheme to the usual planning regulation models. Flagship's quote for the build in July 2010 came in at £1.1m for 10 environmentally sustainable bungalows. Given the higher floor space and expense of a higher quality build of Flagship's estimate, the £1m build-cost estimate seems reasonable.
13. The capital value of social rented units at 60% of open market rents did not come out high enough to cover the costs of the build. The site would require estimated additional grant of £445k to make social rented units viable. The additional £555k would be secured against the capitalised value of future rental incomes over the next 25-30 years. The best means of financing this build cost will be assessed by finance officers. Social rented units have previously been able to attract in the region of £60k per unit in central government funding, but the current situation surrounding funding means that it will almost certainly be impossible to secure grant funding at this level.
14. The use of the Stansted Area Housing Partnership funding was subject to a report to Community and Housing Committee on 9 September 2010. Because of the change in circumstances, primarily around the lack of opportunities to use the money effectively under the previous informal model of governance between the authorities, the following recommendations were agreed by the Committee:
 - I. The council agree to a scheme of delegation under which it agrees to authorise the Director of Development to make available 13.33% of the money paid by Stansted Airport Ltd and the accrued interest to each of the other three SAHP authorities subject to the conditions set out in the report (39.99% of the total pot).

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II. The Director of Development be authorised to make available to Registered Providers a proportion of the balance of 60% of the money paid by Stansted Airport Ltd and the accrued interest in relation to the subsidy requirements of a particular affordable housing scheme in Uttlesford District that is to be included in the SAHP programme, subject to consultation with the Housing Initiatives Working Group.

III. The simplified first letting only cross boundary nominations arrangements set out (In the report).

15. A request to fund £445k out of the SAHP funding was taken to HIWG on 3 March. HITG approved the use of £445k funding from HIWG. The SAHP will need to be consulted on this decision. It should be noted that these figures are estimates and are subject to obtaining accurate quotes for the build, demolition and a full valuation of the local rents.
16. This would deliver 9 affordable housing units in the Council's ownership for a grant requirement of £445k in addition to the £555k that would be secured against future rental incomes. It may be possible to build a tenth unit, a 2 bedroom house on the development, which take the totals to around £445k grant and £555k to be secured against future rental incomes.
17. This was agreed at the Holloway Crescent Task Group on 31 January 2011. The Parish Council were consulted on the broad idea of developing this site at a special meeting on the 25 February 2011. The Housing Initiatives Working Group approved the use of £445k SAHP funding on 3 March 2011. The local Concern Group will also be consulted with prior to committee and results of the meeting will be given in a verbal update. An Architect that specialises in Affordable Housing has agreed to draw up some sketches using the feedback from the Parish Council and Concern Group meetings in time for Committee.

Risk Analysis

18.

| Risk | Likelihood | Impact | Mitigating actions |
|---|---|---|--|
| Costs may vary, build time may overrun & voids may occur. | 2 – It is common for developments to overrun and a certain amount of voids should be expected | 3 – Depending on the length of delay and void times, the financial cost could escalate. | Obtain full appraisals and commission project management for the build process |

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project