

CABINET

Bold Street Housing Regeneration 21 January 2014

Report of Chief Officer Regeneration and Planning

PURPOSE OF REPORT				
To consider the options for making further progress on the unfinished Bold Street housing regeneration scheme in the West End. The report considers the opportunities to make positive progress and the financial implications for the council.				
Key Decision	X	Non-Key Decision		Referral from Cabinet Member
Date Included in Key Decision Notice			18 December 2013	
This report is public, but Appendix 2 is exempt from publication by virtue of paragraph 3, of Schedule 12A of the Local Government Act 1972.				

RECOMMENDATIONS OF COUNCILLOR JANICE HANSON

- (1) That Cabinet includes capital growth of £391K within its proposed General Fund Capital Programme, in order to fund further property acquisitions, demolition and temporary re-surfacing on Bold Street, to deliver a cleared site for marketing.
- (2) That subject to capital funding approval, Officers are authorised to conduct a new preferred developer tender exercise to test all private and Registered Social Landlord interest in the site, with the outcome being reported to Cabinet for decision.

1.0 Introduction

- 1.1 This report outlines potential next steps for the Bold Street housing project in the West End. The area in and around Bold Street is identified in the West End Masterplan as an area for high intervention. The completed schemes on the "odd numbered" side of Bold Street (face-lifting and remodelling led by the city council) and neighbouring Marlborough Road (Adactus led development) represent considerable improvements.
- 1.2 The Masterplan also recommended a housing remodelling and improvement project involving the acquisition of the Bold Street "even numbered" properties along with property at the back of Winterdyne Terrace. The intention was to

clear the site and offer the plot to developers for the construction of private sector housing for sale on the open market. The council was part way through an acquisition programme when the project stalled due to the withdrawal of external funding opportunities, specifically the Regional Housing Board (RHB) funds that provided £2M annually for private housing projects. The loss of funding also coincided with the recession and withdrawal of interest in West End sites from private developers.

- 1.3 This outstanding part of Bold Street therefore continues to present some of the poorest property conditions in the District and the site is not contributing positively to the area. There are also ongoing Health and Safety risks associated with a part demolished row of terrace houses and ongoing holding costs associated with the council owned properties. In addition, due to the lack of interest in the site from private developers, the council has to reframe its aspirations around the potential tenure and types of homes that may be achievable and acceptable on the site.
- 1.4 At October 2011 Cabinet, Members reaffirmed strategic housing regeneration as a priority for the foreseeable future specifically highlighting Bold Street as a focus (minute ref: 48). Although future corporate priorities are under consideration as a result of more recent pressures, nonetheless there is a need to address the Council's existing interests in Bold Street properties.

2.0 Background

- 2.1 The site and the current ownership / demolition situation is shown in Appendix 1. Originally the site comprised:
- a single terrace of 17 houses on the even-numbered side of Bold Street,
 - a triangle of land directly behind containing a number of commercial workshops, garages, redundant disconnected strips of garden and a sub-station
 - at the very farthest 'tip' of the triangle, a single detached house.
- 2.2 Piecemeal acquisitions were made up until the ending of RHB. Some further progress was made when at May 2012 Cabinet Members agreed to re-use income from the sale of 9 & 11a Bold Street to fund further property acquisitions, demolitions and temporary resurfacing along "even numbered side" of Bold Street (Minute ref: 11). This allowed the council to demolish 6-10 and 28-38 Bold Street (working from the ends to the middle). For health and safety reasons one of the two large workshops on the back-land area was also demolished. The remaining workshop is currently temporarily occupied under licence and generating a rental income of approximately £5K per annum.
- 2.3 Of the 8 terraced houses remaining, the council owns 3 with 5 in private ownership. Only 2 of the remaining houses are occupied. Completing acquisition of the remaining private interests, meeting other miscellaneous capital liabilities, demolition and site treatment is currently estimated at a cost

of £391K (Appendix 2). This excludes revenue holding costs of up to £5K pa which are also being incurred and there is a need to continue to budget for these costs in future years (up to the point of demolition) regardless of the option selected (refer to Financial Implications). These costs are currently offset by a rental income in the region of £5K pa from the workshop.

3.0 Proposal Details

Implementing the planned strategy for Bold Street requires an estimated £391K additional funds to secure and clear the site for marketing and disposal for housing development.

City Council Capital Programme

- 3.1 Adding this project to the Capital Programme will give flexibility in securing a site end user and a cleared site could be marketed for development following demolition or even prior to demolition being completed.

Other External Funding / Tenure Opportunities

- 3.2 The prospect of securing external funds to complete acquisitions is poor. This is principally due to the Homes and Communities Agency's policy to move its funds away from demolition of existing homes. There is no indication this will change, although policy and opportunities around housing funding can be fluid.
- 3.3 Officers have seen that interest in developing new build private housing on local sites is limited and has marginal viability. It is likely only a relatively modest capital receipt would be offered. Private finance is therefore not a viable consideration for financing the Bold Street site acquisition/clearance cost, although a cleared site could be marketed to the private sector to explore development interest.
- 3.4 The council had previous interest in the site from a Registered Social Landlord (RSL) for development of either social or market rent housing. Due to marginal viability the RSL did not offer a capital receipt for the cleared site and this situation is unlikely to have changed. A cleared site could be marketed to an RSL to explore development interest if there is no private development interest.

4.0 Details of Consultation

- 4.1 Bold Street is a longstanding council project that has been the subject of extensive consultation since 2004 and there has been consistent support for the redevelopment of Bold Street from Members, local stakeholders and the community.

5.0 Options and Options Analysis (including risk assessment)

- 5.1 The Options are outlined in the table overleaf.
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Options	Advantages	Disadvantages	Risks
Option 1: Do Nothing	No further acquisition costs.	Negates any benefit arising from investment made to date in site. Ongoing revenue liability for rates, dilapidations, security, insurance etc. Poor condition properties and vacant site continue to detract from regeneration investment on surrounding streets.	Ongoing and increasing management costs and staff resources from properties in poor condition that will dilapidate further. Complaints from remaining private owners due to change in project, possibly leading to claims. Adverse impacts likely to be caused resulting in negative regeneration effect. Open ended risk as no telling when sufficient external funding will be secured.
Option 2: Seek capital growth to achieve cleared site through adding the project to the capital programme.	Aims to achieve positive (cleared site) outcome in the medium to long-term. Allows for the greatest range of housing tenures as final redevelopment of site can be marketed for private, social or council housing. Supports completed regeneration of surrounding properties.	Uncertainty/delays in the acquisition of the privately owned properties lead to ongoing revenue liability for rates, dilapidations, security and insurance. Ongoing poor condition of properties and vacant lots continue to detract from regeneration investment on surrounding streets. There is also uncertainty over the future receipt of the cleared site. Requires an increase in either the need to borrow or the use of reserves to finance the project, which may have an impact on other future priorities (see Financial Implications).	Ongoing and increasing management costs and staff resources from properties in poor condition that will dilapidate further. Subject to Council approval as part of budget process. Delays and other factors may result in increased capital costs of acquisition, demolition and site reinstatement – there are risks attached to gaining possession of the whole site.

6.0 Officer Preferred Option (and comments)

6.1 **Option 1** 'Do nothing' is discounted for the reasons set out in the table overleaf and because:

- Members have to date given consistent policy and financial support for continued positive intervention in Bold Street.
- There is a lack of a viable exit strategy in a 'do nothing' option: there is unlikely to be a buyer for the properties in their current condition and they are not suitable for refurbishment, so the council cannot easily withdraw from its interest in the site.
- There are increasing issues with vandalism and anti-social behaviour in and around the properties.
- There are ongoing revenue costs associated with these properties such as council tax and security and dilapidations.

6.2 **Option 2** is based around the potential for the council to apply its own finances to the issue, through the budget process. This allows consideration of relative priorities and affordability, and is therefore the preferred option.

7.0 Conclusion

7.1 There is an immediate and pressing need for further positive action on Bold Street. Adding this project to the Capital Programme enables further progress to be made. Officers advise that greater certainty of outcome can only be achieved by adding the total costs to deliver a cleared site for housing development to the capital programme.

Appendices

Appendix 1 – Bold Street Current City Council Ownership

Appendix 2 – Bold Street Acquisition/Clearance Capital Costs (**exempt from publication**)

RELATIONSHIP TO POLICY FRAMEWORK

Regenerating the West End of Morecambe is a long-standing corporate priority, subject to funding being identified, and is central to the council's health and well being and economic growth aspirations as set out in the Corporate Plan and Local Development Framework.

Bold Street is identified in the Masterplan as an area for high intervention. The progressed schemes for Marlborough Road and the odd numbered side of Bold Street are a partial solution for this area. The remainder of Bold Street (even numbered side) exhibits some of the poorest property conditions in the district. The Masterplan recommends a housing remodelling and improvement project to acquire and demolish the even numbered side of Bold Street and back Winterdyne Terrace to develop, as an initial aspiration, new private housing.

At October 2011 Cabinet, Members reaffirmed strategic housing regeneration as a priority

for the foreseeable future specifically highlighting Bold Street as a focus.

CONCLUSION OF IMPACT ASSESSMENT

(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing)

The West End Masterplan has carefully considered issues of sustainability and is based on sustainable principles. Human rights and diversity issues are given special consideration as owner interests are acquired. The proposal would have local community safety benefits by removing derelict properties which are susceptible to illegal and anti-social activities.

LEGAL IMPLICATIONS

Generally, Legal Services have been consulted and their comments inserted within the body of the report where appropriate.

However, specifically in relation to the Options would make the following further observations:-

Option 1

In the event of this being the preferred option under the terms of the funding agreement it would be at the discretion of the HCA to determine whether they wish to attempt to recoup some of their costs incurred in this aborted scheme by requiring the Council to sell off the acquired property.

Option 2

If this preferred option is approved Legal Services would assist in all matters appertaining to the acquisition of the remaining site by private treaty and thereafter agree suitable Heads of Terms for a Development Agreement to ensure that the Council retains control over this major scheme and that the Council satisfies the requirements of section 123 of the Local Government Act 1972 in achieving "best consideration" on any such disposal.

FINANCIAL IMPLICATIONS

Option 1 to withdraw from the project could appear attractive as further acquisition costs to the council could be avoided, but there is little to no prospect of selling the existing council owned properties in the short to medium term – with the associated costs and risks attached in the interim. The estimated £5K pa holding costs as well as the potential for claims against the council for adverse effects would be ongoing risks and may increase over time as the properties deteriorate. The estimated £5K pa current income from the workshop currently offsetting the holding costs may also cease.

Option 2. Current holding costs of around £5K pa being incurred in relation to the existing council owned properties would still be incurred for a period as not all properties owned could be immediately demolished, and these costs may increase over time (up to £12K) as the properties deteriorate and additional properties are acquired. The majority of this cost would relate to empty homes council tax liability. The estimated £5K pa income from the workshop would cease, in due course.

Given that the amounts involved are comparatively small, however, for ease of budgeting it is assumed that there would be no net impact on the revenue budget.

A capital budget of £391K is required to finance the planned capital works. If added to the capital programme this would need to be financed either from reserves/balances, additional capital receipts, or from borrowing. If financed from borrowing, further revenue provisions would have to be made to repay the cost (in the form of an MRP charge). This would have a revenue impact of £19.6K per annum. It is more likely, however, that any such growth would be financed through the use of reserves/balances, with only minimal revenue implications arising through the loss of investment interest. This would be the starting assumption.

Should a developer be secured for immediate disposal there may be a saving as the temporary surface and securing of the area would not be required.

Revenue holding costs are anticipated to increase by potentially up to £7K pa, although the period over which such costs would be incurred depends on how long properties are held prior to demolition works commencing.

The demolition costs are capitalised based on the assumption that the site is being reconditioned to aid marketability.

The existing properties were purchased through a combination of HCA and RHB funding. Under HCA funding agreement we may be required to repay/reinvest funding on disposal of a HCA property. Demolition does not count as disposal but if the land was transferred for development a % of sale would be applied. It is anticipated that 23% of any receipt received for the frontage strip and 10% of the backland workshops area would be repayable to HCA. However HCA have agreed to recycle any value to bring forward the Bold Street development site.

There is no requirement for RHB funding to be repaid upon disposal of the properties funded from RHB monies.

It is likely that the current carrying value (based on original acquisition costs) on the council's balance sheet will need to be reduced in line with the expected demolitions and site clearance.

A future Cabinet report will cover the outcome of the developer tender exercise and draft proposed heads of terms.

Should Cabinet approve Option 2, the proposals would be reflected within Cabinet's budget proposals, for consideration by Council in due course.

The progression of a site development scheme would impact positively on the council tax yield and New Homes Bonus funding, although it is not possible to forecast this at present because of the uncertainty in type and volume of development. The impact is not considered to be a material consideration.

OTHER RESOURCE IMPLICATIONS

Human Resources:

Internal human resources will be needed to deliver any projects in future and although these are principally from Regeneration and Planning, other services support is required, including Financial, Property and Legal.

Information Services:

There are no Information Services Implications.

Property:

The project involves the acquisition, disposal and management of residential and some commercial property. It will also involve the marketing and proposed sale of development plot once the site is cleared. The proposals are in line with key principles of the Council's Corporate Property / Disposal Strategies, which are currently under review.

Open Spaces:

There are no open space implications.

SECTION 151 OFFICER'S COMMENTS

The proposal would allow Members to consider the growth bid in light of other competing priorities and spending needs, with the aim of gaining a resolution to this longstanding issue.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments

BACKGROUND PAPERS

Winning Back Morecambe's West End Masterplan - available on Lancaster City Council Website:
<http://www.lancaster.gov.uk/planning-environment/regeneration/morecambe-s-west-end/>

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