

**DISPOSAL OF LAND AT CHURCHILL COURT, DAVIS FIELD, NEW MILTON****1. INTRODUCTION**

- 1.1 The purpose of this report is to consider the disposal of land at Churchill Court, Davis Field, New Milton to Western Challenge Housing Association (WCHA).
- 1.2 The disposal will enable WCHA to develop 21 affordable homes for general need rent and low cost home ownership that would be allocated to applicants from the Council's Homesearch register.
- 1.3 Housing, in particular the need for affordable housing, is a priority that is identified in The Council's Corporate Plan 2003-2007.

**2. BACKGROUND**

- 2.1 New Forest District Council currently owns the land and a block of 26 sheltered flats upon it. It was raised and discussed by Members in 2004 that the site be redeveloped for affordable housing as the sheltered units were becoming increasingly difficult to let due to the unsatisfactory standards of accommodation.
- 2.2 A range of options were considered, including the potential to refurbish the existing sheltered housing scheme. However, the costs of refurbishment were estimated to be in the region of £900,000 which would have to be funded from the Housing Revenue Account, and could, in the long term effect the Council's ability to achieve the Decent Homes Standard by 2010.
- 2.3 At the April 2004 Cabinet it was agreed that:
  - (a) a feasibility study be carried out with a view to pursuing the option of redevelopment of Churchill Court for the provision of general needs affordable housing provided by a Registered Social landlord.
  - (b) that discussions be held with the Housing Corporation with the aim of securing funding but that it be recognised that in the absence of funding being made available through this route, consideration would need to be given to the Council providing grant assistance
- 2.4 The redevelopment for general needs affordable housing would be carried out by a housing association and be funded by a combination of private finance and grant funding.
- 2.5 It is proposed to transfer the leasehold of the site to WCHA to re-develop for a general needs affordable housing scheme. Members requested that proposals include the opportunity for single person occupancy. A planning application has been submitted by WCHA to develop 8no 1 bed flats, 4no 3 bed houses, 2no 4 bed houses for general need rent, 5no 2 bed houses and 2no 3 bed houses for shared ownership. The shared ownership properties will be affordable and sold as 40% share.

2.6 It is anticipated that the new homes will be completed by the end of December 2007.

### 3. FINANCIAL IMPLICATIONS

3.1 The existing use value of the property is £840,115. While the cost of refurbishing the flats is estimated to be in the region of £900,000. The rent loss incurred from April 2005 until March 2006 is £66,786 (not including service charge).

3.2 The Council's Valuer has set an open market valuation of £463,833 for the land, based on the housing scheme (with planning permission) proposed by WCHA in 2.5 above.

3.3 WCHA have successfully bid for social housing grant from the Regional Housing Board. The Housing Corporation has informed WCHA that it will receive £960,981 for this scheme. If the scheme is not developed, the Housing Corporation will withdraw their funding.

3.4 WCHA have offered to pay to New Forest District Council a capital receipt of £6000 per plot for rented housing and £5000 per plot for shared ownership housing. If WCHA develop the proposed 21 homes, this will equate to £119,000. The whole capital receipt can be utilised by the Council if it is used for the provision of more affordable housing within the District.

3.5 A full financial analysis and scheme appraisal for the affordable housing is attached as Appendix 1.

### 4. OPTIONS

4.1 There are 2 options for this site that are set out below:

Option	Benefits	Other Factors
1. Dispose of the land at full market value to WCHA	<ul style="list-style-type: none"> <li>➤ NFDC generate a capital receipt of £463,833</li> <li>➤ NFDC can retain 100% of capital receipt of ring fenced for affordable housing</li> </ul>	<ul style="list-style-type: none"> <li>➤ WCHA unable to develop proposed general needs scheme without discounted land to reduce costs of development</li> <li>➤ Loss of HC grant allocation of £960,981</li> <li>➤ Loss of affordable housing (as proposed in 2.5 above)</li> </ul>

<p>2. Transfer the land leasehold to WCHA for a discounted value</p>	<ul style="list-style-type: none"> <li>➤ NFDC will gain capital receipt of £5,000 per unit</li> <li>➤ WCHA have full use of the HC grant allocation of £960,981 for investment in social housing</li> <li>➤ Net gain of affordable housing stock to meet housing need</li> </ul>	<ul style="list-style-type: none"> <li>➤ Less capital receipt of £344,833 (£463,833 - £119,000)</li> </ul>
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## 5. ENVIRONMENTAL IMPLICATIONS

- 5.1 NFDC Development Control will assess the impact of the development including the environmental and highway issues through the planning process.

## 6. CRIME AND DISORDER IMPLICATIONS

- 6.1 As the sheltered scheme is now empty there are issues of anti social behaviour which are being addressed by Housing Maintenance. The flats have been boarded up to prevent trespassers. Permission has been sought from the Housing Portfolio Holder to demolish the flats, prior to the land being transferred to WCHA, for safety reasons.

## 7. CONSULTATIONS

- 7.1 There is a long history of consultation with Members and stakeholders regarding the future use of this scheme. This has included local groups in respect of the provision of sheltered housing or other community facilities. It has been established that this is financially not viable.
- 7.2 The PNA Steering Group for New Milton has been consulted and regard given to the PNA Research Report finalised in March 2006.
- 7.3 Extensive has consultation has taken place with;
- Western Challenge Housing Association
  - Community Tenant Representatives
  - Community Safety Officer
  - NFDC Tenant Participation
  - NFDC Play Officer
  - NFDC HECA Officer
  - NFDC Development Control
  - NFDC Urban Designer
  - NFDC Housing Needs and Management
  - NFDC Estates
  - NFDC Planned Maintenance
  - NFDC Finance

The Local Members for New Milton have been consulted and the proposal is supported.

## **8. CONSIDERATIONS**

- 8.1 The Council must ensure that increasingly scarce resources are optimised. Therefore this proposal demonstrates that the Council will achieve value for money whilst delivering on its corporate objectives.
- 8.2 The benefits of this proposal will be the provision of much needed affordable housing, of which the Council will control nomination rights to meet housing need.
- 8.3 The proposal to dispose the land at discounted value will enable WCHA to maximise the social housing grant allocated and build a scheme which will better meet the housing needs of the area.

## **9. CONCLUSIONS**

- 9.1 Given the priority attached to the provision of affordable housing, disposal at discounted value (option 2, section 4) is recommended.

## **10. LOCAL MEMBER COMMENTS**

- 10.1 The local Ward Members Cllr Ben Rule and Cllr John Ward were consulted about the proposal for demolition and redevelopment of Churchill Court and are fully supportive of this.

## **11. PORTFOLIO HOLDER COMMENTS**

- 11.1 The Portfolio Holder for Housing supports the demolition of Churchill Court and the redevelopment of the site for 21 affordable homes to be provided by Western Challenge Housing Association.

## **12. RECOMMENDATIONS**

- 12.1 That Churchill Court, Davis Field, New Milton is transferred leasehold to Western Challenge Housing Association for a capital receipt of £6,000 per rented unit and £5,000 per shared ownership unit to recompense the Council for the loss of the asset.
- 12.2 The capital receipt is 'ring fenced' for the provision of more affordable housing.
- 12.3 The transfer is subject to planning consent being granted to Western Challenge Housing Association to develop the site for affordable housing.

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### **Background Papers:**

## Appendix 1: Scheme Appraisal - Churchill Court

1 - Scheme Finance Contributors		£	4 - Scheme Costs		Unit Type (bedrooms)					
					1 (8)	2 (5)	3 (2)	3 (4)	4 (2)	Total
Housing Corporation		960,981	List all elements of costs (5)							
New Forest District Council (1)		344,833	Build Costs @ £1350 p/m2		496,800	533,250	245,700	517,320	295,650	2,088,720
Others (2)			Land Costs		176,696	110,435	44,174	88,348	44,174	463,827
Housing Association Input (HA)		1,627,125	On Costs		144,909	90,568	36,227	72,455	36,227	380,386
<b>Total Financial Contributions (3)</b>		<b>£2,932,939</b>	Total Scheme Costs		818,405	734,253	326,101	678,123	376,051	<b>2,932,933</b>
			<b>With Land Subsidy @ £344,833</b>		<b>£689,709</b>	<b>£648,818</b>	<b>£291,927</b>	<b>£613,755</b>	<b>£343,877</b>	<b>£2,588,086</b>
			Cost per unit (with market value land)		<b>£102,300</b>	<b>£146,850</b>	<b>£163,050</b>	<b>£169,531</b>	<b>£188,025</b>	
			Cost per unit (with discounted land)		£86,214	£129,764	£145,964	£153,444	£171,939	
			<b>Housing Corporation TCI Benchmark</b>		<b>£97,300</b>	<b>£130,700</b>	<b>£150,700</b>	<b>£157,400</b>	<b>£170,700</b>	
<b>2 - Sources of Housing Association Input</b>										
			£							
Housing Association Equity	(5 x 40% share @ £76k)	380,000	Number of Units		21					
	(2 x 40% share @ £88k)	176,000	Cost per unit (build cost, on cost & discounted land)		£123,243					
Loan Debt		1,071,125	Cost per unit (build cost & cost)		£117,576					
Other Funds (4) (RCGF)		0	Floor Area per unit (sqm)		46	79	91	95.8	109.5	
<b>Total Housing Association Input</b>		<b>£1,627,125</b>	Cost per sqm (with discounted land, build & on costs)		£1,874	£1,643	£1,604	£1,602	£1,570	
			Cost per sqm (excl land and on costs)		£1,350	£1,350	£1,350	£1,350	£1,350	
<b>3 - Funding of Housing Association Contribution</b>										
			£							
Annual Projected Rental Income		62,996								
	units (insert amount)	21								
	monthly rent (insert amount)	£249.98								
Proportion required to finance HA input to scheme		12%								

### Notes:

- (1) = please include the market value of any land less the payment you make towards it
- (2) = please provide details
- (3) = these should equal the total scheme costs
- (4) = please specify (e.g. recycled grants from local authorities)
- (5) = this should reflect the market value of the land

## **Scheme Appraisal - 2**

to be completed by Housing Association (alongside narrative scheme proposals)

### **A - Past Schemes part funded by NFDC (list all schemes part funded in past by NFDC)**

<b>Scheme Name</b>	<b>No of Units</b>	<b>Total Cost</b>	<b>Unit Cost</b>	<b>NFDC Contribution</b>	<b>NFDC Cost per Unit</b>
		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
03/04 Lime Kiln Lane	7	623,281	89,040	394,889	56,413
03/04 Hamilton Mews, Bransgore	2	263,963	131,981	50,000	25,000
04/05 Rockram Close, Copythorne	8	1,024,290	128,036	120,000	15,000
06/07 Churchill Court	21	2,588,106	£123,243	£344,833	16,421

### **B - Capital Receipts in respect of past schemes funded by NFDC (as a result of disposal / staircasing etc.)**

<b>Scheme Name</b>	<b>No of Units</b>	<b>Total Cost</b>	<b>Unit Cost</b>	<b>NFDC Contribution</b>	<b>NFDC Cost per Unit</b>
		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Nil staircasing					
Nil disposals					

### **C - show use of receipts listed in section B above, or amounts awaiting future reinvestment**

Nil

### **D - is it proposed to use any unused receipt balances for this particular scheme?**

N/A

### Scheme Appraisal - 3

to be completed by NFDC Housing

#### Local Authority Targets met:

Rent Level                      **Affordable rents set at HC target level and below H/Benefit ceiling rents. Shared equity dwellings sold at 40% OMV at ££190K & £220K.**

Number of units created                      **21**

Cost per unit to NFDC (this must include the market value foregone if land is contributed)                      £16,421

% of total costs contributed by NFDC                      **12%**

Area requirements addressed                      **High level of Housing Need in New Milton**

Housing Association Contribution maximised                      **Grant awarded is £56K for rented and £24K for S/O per dwelling - average grant levels in 06/08 will be £51K rented and £21 S/O)**

#### Impact on Housing Revenue Account:

Loss of Income to Housing Revenue Account pa                      **£66,786 rent loss 2005/06**

Reduction in Costs for Housing Revenue Account (e.g. Maintenance)                      **Recent costs of £4,800 incurred to board up premises for safety reasons**

Is there a need to recompense the HRA for loss of income (net of cost **No**  
(this could be achieved by setting a minimum contribution for land value)

If yes - state how this is to be achieved                      **N/A**

If no - state why not, and how the loss will be absorbed                      **Churchill Court will no longer account as rent loss against HRA**

#### Assessment of Land Value

What is Market Value determined by NFDC Valuers                      **£463,833**  
(this should correspond with the value in section 1)

## **Scheme Appraisal - 4**

to be completed by NFDC Housing

### **Step 1**

Build costs of scheme are above average (£1,350) due to abnormals such as demolition costs.

Affordable General Needs Rented units generate a negative Net Present Value of -£122,690.

The Shared Ownership units generate a positive Net Present Value of £148,445.

In effect, the affordable rents (which are restricted) do not generate enough income to pay back loan (over 30 years).

GNR Actual Loan = £834,811 (affordable loan = £564,497)

SO Actual loan = £236,316 (affordable loan = £260,291).