

DISPOSAL OF LAND AT GARAGE SITE, MEYRICK CLOSE, BRANGSORE**1. INTRODUCTION**

- 1.1 The purpose of this report is to consider the disposal of land at Garage Site, Meyrick Close, Brangsgore to Western Challenge Housing Association (WCHA).
- 1.2 The disposal will enable WCHA to develop 13 affordable homes for general needs rent and low cost home ownership that would be allocated to applicants from the Council's Homesearch register.
- 1.3 Housing, and 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 owns a small garage site with adjacent paddock at Meyrick Close, Brangsgore. Consideration has been given to transfer the leasehold of this site to WCHA to re-develop for much needed affordable housing.
- 2.2 Brangsgore Parish Council has been very proactive to bring forward and suggest sites in the Parish that may be suitable to develop for affordable housing. It has been recommended by the Housing Development Team and Planning that this land would be the most feasible site for development.
- 2.3 The proposed new homes will comprise of 6no 1 bed flats, 2no 2 bed houses and 2no 3 bed houses for general need rent and 3no 2 bed houses for shared ownership to local people. The shared ownership properties will be affordable and sold as 40% share.
- 2.4 A planning application for this proposal was submitted to Development Control in July 2006. It is anticipated that the new homes will be completed by October 2007.

3. FINANCIAL IMPLICATIONS

- 3.1 The existing use value of the site (including the grazing land) is £28,000. The garages generate a rental income of £4,193 per annum and the paddock's yearly income is £75 per annum. The Assistant Director of Housing does not consider loss of income is to be significant and will not have a detrimental effect on the HRA.
- 3.2 However, an open market valuation of £435,000 has been set by the Council's Valuer for this land, based on the housing scheme (with planning permission) proposed by WCHA in 2.3 above.
- 3.3 WCHA have proposed to pay to New Forest District Council a capital receipt of £5,000 per plot (£65,000 for 13 dwellings). The full capital receipt can be used for the provision of more affordable housing.
- 3.4 WCHA have bid for social housing grant from the Regional Housing Board. The Housing Corporation has informed WCHA that it will receive £508,232 for this scheme. If the scheme is not developed, the Regional housing Board will

withdraw their funding. Therefore, this land use will generate additional finance from the Housing Corporation for investment in the New Forest area.

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

4. OPTIONS

4.1 The options for consideration are summarised in the table below:

Disposal Option	Benefits	Other Factors
1. Retain the existing garages	<ul style="list-style-type: none"> ➤ NFDC retain the asset ➤ Continued income from garage rents and paddock which equates to £4,193 gross (+ paddock) 	<ul style="list-style-type: none"> ➤ Cost to NFDC maintain and repair garages ➤ Loss of HC grant allocation of £508,232
2. Transfer the land leasehold to WCHA to develop for affordable housing	<ul style="list-style-type: none"> ➤ NFDC will gain capital receipt of £5,000 per dwelling ➤ WCHA have full use of the HC grant allocation of £508,232 for investment in social housing ➤ Gain of affordable housing stock to meet identified housing need of area 	<ul style="list-style-type: none"> ➤ Less capital receipt of £370,000 (£435k - £65k) ➤ Loss of asset and rental income
3. Sale of land at full market value £435,000	<ul style="list-style-type: none"> ➤ NFDC will gain 100% of capital receipt £435,000. (only if ring fenced for affordable housing) 	<ul style="list-style-type: none"> ➤ Loss of asset and rental income ➤ Loss of current HC grant allocation of £508,232 ➤ No immediate sites to invest capital receipt for social housing grant ➤ Loss of 13 affordable homes ➤ Increased unmet housing need in Bransgore

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 Housing Management have recorded a history of anti social behaviour on this garage site, including vandalism and fly tipping. The Council has incurred costs for repairs, maintenance and partial demolition of the garages. The new affordable homes will achieve Secure by Design standards.

7. CONSULTATIONS

- 7.1 Extensive consultation has taken place with:

- Bransgore Parish Council
- Western Challenge Housing Association
- Rural Housing Enabler, Community Action Hampshire
- NFDC Housing Needs and Management Team
- NFDC Development Control
- NFDC Urban Designer
- NFDC Estates
- NFDC Finance

- 7.2 The results of the consultations is that the proposal is supported.

8. CONSIDERATIONS

- 8.1 The Council must ensure that increasingly scarce resources are optimised. Therefore, this proposal must demonstrate that the Council will achieve value for money and deliver its corporate objectives.
- 8.2 The benefits of this proposal will be the provision of much needed affordable housing in Bransgore, of which the Council will control nomination rights to meet housing need.
- 8.3 There are no alternative uses which would achieve a similarly attractive outcome for the Council.

9. PORTFOLIO HOLDER COMMENTS

- 9.1 The Portfolio Holder for Housing supports the demolition of the garages and the redevelopment of the site for 13 affordable homes to be provided by Western Challenge Housing Association.

10. RECOMMENDATIONS

- 10.1 The land at Meyrick Close, Bransgore to be transferred leasehold to Western Challenge Housing Association for a capital receipt of £5,000 per unit to recompense the Council for the loss of the asset.
- 10.2 The capital receipt is 'ring fenced' for the provision of more affordable housing.
- 10.3 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 - Meryick Close

1 - Scheme Finance Contributors		£	4 - Scheme Costs		Unit Type (bedrooms)			
Housing Corporation		508,232	List all elements of costs (5)	1 (6)	2 (5)	3 (2)	4	Total
New Forest District Council (1)		370,000	Build Costs @ £1250 p/m2	345,000	493,750	238,300		1,077,050
Others (2)			Land Costs	200,769	167,308	66,923		435,000
Housing Association Input (HA)		847,914	On Costs	98,814	82,345	32,938		214,097
Total Financial Contributions (3)		1,726,146	Total Scheme Costs	644,583	743,403	338,161		1,726,147
(difference in total scheme cost is NFDC land subsidy £370k)			With Land Subsidy @ £370,000	473,814	601,095	281,238		1,356,147
2 - Sources of Housing Association Input		£	Cost per unit (with market value land)	£107,430	£148,680	£169,080		
Housing Association Equity (3 x 40% share @ £88k)		264,000	Cost per unit (with discounted land)	£78,069	£120,219	£140,619		
Loan Debt (payback over 30 yrs)		583,914	Housing Corporation TCI Benchmark	£90,600	£130,700	£157,400		
Other Funds (4) (RCGF)			Number of Units	13				
Total Housing Association Input		847,914	Cost per unit (build, on costs & discounted land)	£104,319				
		847,914	Cost per unit (build & on costs)	£99,319				
3 - Funding of Housing Association Contribution		£	Floor Area per unit (sqm)	46	79	95.35		
Annual Projected Rental Income		39,088	Cost per sqm (with discounted land, build & on costs)	£2,335	£1,882	£1,774		
units (insert amount)		13	Cost per sqm (excl land & on costs)	£1,250	£1,250	£1,250		
monthly rent (insert amount)		£250.56						
Proportion required to finance HA input to scheme		21%						

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)

Scheme Name	No of Units	Total Cost	Unit Cost	NFDC Contribution	NFDC Cost per Unit
		£	£	£	£
03/04 Lime Kiln Lane	7	623,281	89,040	394,889	56,413
03/04 Hamilton Mews, Brangore	2	263,963	131,981	50,000	25,000
04/05 Rockram Close, Copythorne	8	1,024,290	128,036	120,000	15,000
05/06 Meryick Close, Brangore	13	1,726,146	£104,319	370,000	28,500

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

Scheme Name	No of Units	Total Cost	Unit Cost	NFDC Contribution	NFDC Cost per Unit
		£	£	£	£
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% OMOV at £220K.**

Number of units created **13**

Cost per unit to NFDC (this must include the market value foregone if land is contributed) **£28,500**

% of total costs contributed by NFDC **21%**

Area requirements addressed **Yes - High Needs Area/Rural**

Housing Association Contribution maximised **Grant awarded is £46K for rented and £12K 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 **£4,193 pa**

Reduction in Costs for Housing Revenue Account (e.g. Maintenance) **Unknown**

Is there a need to recompense the HRA for loss of income (net of costs) **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 **No substantial loss to HRA and capital receipt to be used for more affordable housing**

Assessment of Land Value

What is Market Value determined by NFDC Valuers **£435,000**
(this should correspond with the value in section 1)

Scheme Appraisal - 4

to be completed by NFDC Housing

Affordable General Needs Rented units generate a negative Net Present Value of -£61,350.

The Shared Ownership units generate a positive Net Present Value of £111,196.

The surplus from the shared ownership units will be used as cross subsidy for the General Needs Rented loan.

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

GNR Actual loan = £509,381 (affordable loan = £384,625)

SO Actual loan = £74,533 (affordable loan = £127,142)