

Committee/Meeting: Cabinet	Date: 4 th August 2010	Classification: Unrestricted	Report No:
Report of: Corporate Director Development & Renewal Originating officer(s) Jo Dowle Development Officer		Title: Local Homes Initiative: Sale of additional land to Tower Hamlets Community Housing Wards Affected: Whitechapel	

Lead Member	Councillor Marc Francis
Community Plan Theme	A Great Place to Live
Strategic Priority	To deliver and manage decent homes

1. **SUMMARY**

- 1.1 The purpose of this report is to update Cabinet on the progress of the Local Homes Initiative and to obtain its approval for the disposal of an additional piece of land to Tower Hamlets Community Housing.

2. **RECOMMENDATIONS**

Cabinet is recommended to:-

- 2.1 Agree that the site detailed at a) below and identified on the Ordnance Survey maps attached at Appendix 1 to this Report, owned by the Authority (and held under provisions of Part II of the Housing Act 1985) be declared surplus to the Authority's requirements.
- a) Land at 36-42 Hessel Street, Whitechapel, E1
- 2.2 Authorise the disposal of the Authority's interest in the site to Tower Hamlets Community Housing at a sum of £1 for the purposes of providing a scheme containing 100% affordable housing on the conditions set out in paragraphs 6.2 and 6.3 below; noting that the Authority would forego a Capital Receipt of £160,000 in exchange for obtaining 100% nominations to family sized social rented homes.
- 2.3 Authorise the Director of Development and Renewal to negotiate the final details of the disposal of the land.

3. BACKGROUND AND FUNDING OF LOCAL HOMES INITIATIVE

- 3.1 On 3rd December 2008 Cabinet approved a decision to work with Tower Hamlets Community Housing (THCH) to pilot a new initiative, named the Local Homes Initiative (LHI) to provide family-sized housing on under-used pieces of council land. On 1st July 2009 a further Cabinet decision granted authority to dispose of eight small sites, intended to enable the building of 35 family sized homes. The disposals were conditional on THCH obtaining planning permission and providing 100% nominations to the completed properties via the council's Choice Based Lettings System.
- 3.2 THCH were successful in obtaining grant from the Homes & Communities Agency (HCA) to enable the development of 45 units of housing for rent. This grant allocation was split into two tranches comprising £3.185m for 2009/10 and £3.925m for 2010/11.
- 3.3 The development of the schemes intended for the 2009/10 allocation progressed more slowly than we had hoped and THCH were unable to take up the grant by the HCA's deadline. In order to ensure that the grant was used, it was agreed that this grant would be switched to two schemes providing alternative affordable housing for rent on THCH sites on the Mansford Estate. These schemes are on site at present and 23 x 3 bedroom units should be ready for occupation in spring 2012.
- 3.4 The 2010/11 allocation is for 23 units for rent and must be taken up by December 2010. This take-up is effected by the first expenditure on the scheme when the contractor starts on site. As can be seen in the table at 4.1 below, the number of sites currently available does not provide sufficient units to take up the full grant amount.
- 3.5 In order to be certain of receiving the grant, it is necessary to match the original grant application, i.e. to continue with the full number of units as submitted in the grant bid. We are therefore seeking to give THCH an additional site to enable this phase to produce the required 23 units.

4. LHI SITES: PROGRESS SO FAR

- 4.1 During the first stages of consultation with residents, two of the eight proposed sites were found to be unsuitable for development and another two sites were eliminated during the planning application process. The table below shows the current stage of progress on the remaining four sites.

Agreed Sites	Proposed units	Progress
169 Bancroft Rd	1x3b,2x4b,1x5b = 4	Planning permission granted
236 Bancroft Rd	1 x 4b, 2 x 5b = 3	Planning permission granted
Brady Street	3 x 3b = 3	Planning permission

		granted
Walter Street	1 x 3b, 2 x 4b = 3	Planning application under consideration
	Total: = 13	
Rejected sites		
Boyton Close		Planners advise site is essential housing amenity land.
Head Street North		Planning permission refused
Head Street South		Site still required for current use by school
Sidney Street Library		Strong objections to initial consultation
Proposed additional site		
Hessel Street	6 x 3bed = 6	

- 4.2 Legal work is underway on the disposal of the first four sites and the current users of the sites (licencees of garages and carspaces) are being offered alternative parking spaces. THCH have their contractors ready to start on site as soon as the disposal is complete.
- 4.3 As noted at 3.5 above, the HCA will require THCH to take up the grant for 23 units as detailed in the original grant bid. The five currently proposed sites, including Hessel Street, provide 19 family units. THCH will be able to take up the shortfall of four units by activating a number of small schemes on their Mansford Estate which have been awaiting funding. These schemes are either small infill sites or knockthrough schemes to utilize unused space adjacent to occupied flats to provide a larger family home for an overcrowded family.
- 4.4 If THCH are able to start on site on the original four sites in late summer, then the first new houses will be ready for occupation in autumn 2011.

5. DETAILS OF HESSEL STREET SITE

- 5.1 The freehold interest in most of this site was transferred to the London Borough of Tower Hamlets from the London Residual Body in 1986 and a smaller piece of land was acquired in 1996. It is understood that at one time the Wapping Neighbourhood had plans to purchase the entire block from 24 to 42 Hessel Street in order to regenerate the run-down street. This plan was never fully realised and only No. 24 (used as a car park for the adjacent council block, Delafield House) and Nos. 36-42 are in the council's ownership.

- 5.2 The land is a vacant site surrounded by hoardings and occupied by large growths of buddleia bushes which from time to time have to be cleared to prevent obstructions overhanging the street. Recent inspection shows that the hoarding is again leaning over the pavement and in need of repair.
- 5.3 The site is adjacent to a terrace of three privately owned houses in poor condition on the north side and to a parking area for the Shahjalal Medical Centre on the south side.
- 5.4 Initial studies by THCH indicate that 6 – 8 family sized (3 beds) units could be built on the site. A plan of the site is attached at Appendix 1 to this report.

6. TERMS OF THE DISPOSAL

- 6.1 It is proposed that the site is sold for the sum of £1, as this was the agreement for the earlier package of sites for the LHI. The grant allocation from the HCA assumes a nil land value.
- 6.2 The sale will be conditional upon the granting of planning permission for the development of family sized housing. THCH are still engaged in the outline design process and anticipate that they will be able to submit an acceptable planning application towards the end of the summer.
- 6.3 The sale will also require that 100% of nominations to the units produced will be granted to applicants from the Common Housing Register

7. COMMENTS OF THE CHIEF FINANCIAL OFFICER

- 7.1 This report seeks approval for the disposal of land at 36-42 Hessel Street to support delivery of the Local Homes Initiative, which aims to work with local providers, using Council owned sites, to deliver new supply of social for rent accommodation for local people.
- 7.2 It is proposed to dispose of the land to Tower Hamlets Community Housing at a nominal value of £1. The market value of the site (based on an open market valuation) is £160,000. The receipt would be wholly useable if applied for regeneration schemes, otherwise it would be 50% useable. In effect, the Council is contributing a subsidy per dwelling of between £20,000 and £25,000 depending on the final site value and mix, in return for which the Council receives full nomination rights. The subsidy rate compares favourably to the average cost of direct build or purchase for social for rent dwellings, but means ownership rests with the RSL. Members will need to balance the potential loss of capital receipts against the benefits of the schemes outlined in the report.
- 7.3 Under the 'General Disposal Consent (England) 2003', the Authority can dispose of land for less than best consideration provided that the total

discounted in any one year does not exceed £10 million. This disposal would contribute towards this limit.

8. CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE (LEGAL SERVICES)

- 8.1 Members are advised that this site is currently held for Housing purposes.
- 8.2 Restrictions exist under section 32 Housing Act 1985 which require consent for the disposal of land held for Housing purposes. In order to assist local authorities in promoting the provision of housing accommodation certain general consents have been granted which permit the provision of financial assistance or provision of what are termed gratuitous benefits, including the disposal of land held for Housing purposes, without the need to obtain express consent.
- 8.3 The General Consent under Section 25 of the Local Government Act 1988 for the Disposal of Land to Registered Social Landlords (the Consent) gives the Council the power to dispose of land at nil consideration subject to certain constraints imposed by the Consent. These are that any existing housing accommodation on the land has to be demolished; the disposal must be of the freehold or long leasehold interest; any development on the land must take place within 3 years of the disposal or such other period as maybe agreed; any new accommodation built must be used as rented or shared ownership and the local authority must not be involved in the management or maintenance of the housing provided.
- 8.4 A further restriction imposed by the Consent is that in any financial year the total value of financial or gratuitous benefits provided by a local authority may not exceed £10 million. A local authority has to provide a certificate each financial year to confirm this fact. In this financial year, officers from Resources have confirmed there is sufficient scope to accommodate the disposals at nil consideration.
- 8.5 A further point touched on in the body of the report is protecting the Council's interests if for whatever reason the proposed developments do not go ahead. As highlighted in the body of the report, these developments are subject to the securing of grant funding and planning permission. The most appropriate method to use would be to enter into a conditional contract for the disposal of the land. This would involve the Council in exchanging contracts for the disposal of the land but only completing the transaction once certain conditions are met. The Council's position is protected in this situation, as it does not part with ownership of the land until the conditions are fulfilled. The contract can also provide for a longstop date by which the conditions have to be met or notice to complete served. If nothing happens by that date, the contract will be determined. This was adopted for the earlier disposals.

9. ONE TOWER HAMLETS CONSIDERATIONS

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9.1 New build units on this site will remove an eyesore and significantly improve the neighbouring area. An increased sense of pride in the neighbourhood is likely to contribute to strengthened cohesion and bringing communities together.

10. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

10.1 As a condition of the HCA grant, all newbuild units must be built to meet level 4 of the Code for Sustainable Homes. This will ensure that the properties built on this site will have a high level of insulation, low water and energy consumption and construction will maximise the use of sustainable resources.

11. RISK MANAGEMENT IMPLICATIONS

11.1 The risks attaching to this sale have been dealt with by attaching conditions to the sale. Both the failure to gain a valid planning permission or to retain the grant allocation required to carry out the development conditions attached to this sale decision would ensure that the sale would not proceed and the site would remain in council ownership. If the sale does not proceed there is a larger risk of public dissatisfaction with a lack of action on a council asset. There are no other risks which can be identified.

	Probability	Impact	Mitigating Action	Risk Owner
A	Unlikely	Low	Include a clawback clause within the land transfer document to be activated should sufficient grant and planning permission not be granted within a set time period	LBTH, Affordable Housing Team.

12. CRIME AND DISORDER REDUCTION IMPLICATIONS

12.1 The sale of this site and the future building of new housing there is likely to bring about a reduction in crime and disorder. The current state of the site, with poor quality metal hoardings and vegetation which overhangs the footpath, may encourage the incidence of fly tipping and anti-social behaviour. The new housing on the street will enable better supervision and ownership of the public space.

13. EFFICIENCY STATEMENT

13.1 The Council is keen to maximise the social value of sites through the development of family social rented homes accessible to local people. This site has been unused for more than ten years and has required periodic expenditure to manage the poor quality hoarding and the overhanging vegetation. The development of new housing on the site will contribute to an

improved local environment and will maximise the social value of the site by providing family homes for affordable rent.

Local Government Act, 1972 Section 100D (As amended)
List of “Background Papers” used in the preparation of this report

Brief description of “background papers” Name and telephone number of holder
and address where open to inspection.

None

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