1. **SUMMARY**

1.1 The purpose of this report is to update Members on the Local Homes Initiative (LHI) Pilot Project between the Council and Tower Hamlets Community Housing (THCH) and to approve the process which will enable the LHI to continue. The new homes developed will have a particular focus on creating larger family accommodation for acutely overcrowded families and will be targeted at current Tower Hamlets residents.

1.2 Poplar HARCA has also joined the Initiative as a suitable site became available in their area of operation. This report therefore also seeks Cabinet approval to dispose of a vacant site between Uamvar Street and the Limehouse Cut (previously occupied by David House) to Poplar HARCA.

1.3 The site is suitable for the construction of a 100% affordable rented housing scheme which would produce a receipt for the Council of less than the full market value but enables the Council to have 100% nominations to 26 social rented homes. The report provides the reasons for selecting Poplar HARCA as a specialist purchaser to provide the housing on this site.

1.4 The sale of the site will be conditional on Poplar HARCA gaining planning consent for their proposed scheme and also obtaining sufficient grant from the Homes and Communities Agency.

1.5 The Local Homes Pilot Project will deliver 61 new social rented homes of which 50 will be family sized homes of 3 bedrooms and over.
2. **RECOMMENDATIONS**

Cabinet is recommended to:-

2.1 Agree that the eight sites listed at (a) to (h) below and identified on the Ordnance Survey maps attached at Appendices 3 (a) to 3 (h) 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) Bancroft Road Garage Site 1, E1  
   b) Boyton Close Sites, E1  
   c) Head Street North, E1  
   d) Head Street South, E1  
   e) Bancroft Road Garage Site 2, E1  
   f) Walter Street, E2  
   g) Brady Street, E1  
   h) Sidney Street Library, E1

2.2 Authorise the disposal of the Authority’s interest in the eight sites referred to in recommendation 2.1 above, to Tower Hamlets Community Housing at a sum of £1 for each site for the purposes of providing schemes (referred to in Appendix 1 and 2 to the report) containing 100% affordable housing on the conditions set out in paragraphs 4.2 to 4.5 below; noting that the Authority would forego a Capital Receipt of £2,705,000 in exchange for obtaining 100% nominations to 35 family sized social rented homes.

2.3 Agree that the vacant land between Uamvar Street E3 and the Limehouse Cut canal identified on the map attached at Appendix 4 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.

2.4 Authorise the disposal of the Authority’s interest in the land at Uamvar Street, referred to in recommendation 2.3 above, to Poplar HARCA at less than market value for the purposes of providing a scheme containing 100% affordable rented housing on the conditions at paragraphs 7.2 and 7.3 below.

2.5 Authorise the Director of Development and Renewal to negotiate the final details of the receipt for the land. The current indicative scheme produces a minimum value of £525,000 but this may increase subject to negotiation.

2.6 Agree that the final receipt for the land at Uamvar Street be further discounted by £162,000, in order to balance a receipt required for a strip of land at Burdett Road / Lovatt Arms sold to Poplar HARCA for £162,000, detailed at paragraph 7.7 below.
2.7 Approve the process for the continuation of the Local Homes Initiative for the delivery of larger family affordable housing set out in paragraph 8 of this report.

3. **BACKGROUND**

3.1 In December 2008 Cabinet approved a report titled ‘Local Homes Initiative – Pilot Project’. The Report approved the proposal to enter into an arrangement between THCH and the Council to deliver affordable homes on small Council owned sites in the Borough. The purpose of this proposal was to address the substantial problem of long waiting times for waiting list applicants for family sized homes and the subsequent overcrowding problems.

4. **LOCAL HOMES INITIATIVE – PILOT PROJECT**

4.1 Planning briefs have been prepared for the five sites set out in Appendix 1 and are currently being prepared for the sites set out in Appendix 2.

4.2 The schemes that THCH wish to develop on these sites will provide 100% affordable family sized rented homes. The schemes have not yet been submitted for planning approval but the proposals would deliver 35 family sized homes for social rent.

4.3 THCH has successfully been allocated £7,110,000 of grant from the Homes and Communities Agency (HCA) to assist with the development costs of the proposed schemes and some other schemes not yet identified. The grant applications assumed that the Council would contribute the land at a notional value.

4.4 The sale/transfer of the sites will be conditional on THCH obtaining planning permission and the sale contact will contain a time limit for this process, after which the offer to sell/transfer will be withdrawn. It is proposed that a time limit of one year is agreed.

4.5 THCH is a partner member of the Council’s Common Housing Register so allocations to the new homes will all be to local families. The schemes are only financially viable with the inclusion of HCA funding which would normally trigger the sub-regional allocations process. However, as these schemes are all part of estate regeneration they are exempted from the sub-regional nominations process.

4.6 The sites have been valued by external valuers and they advise that the market value of the eight sites totals £2,705,000. The Council will be foregoing an
additional receipt of £2,705,000 in order to achieve 35 new family sized social rented homes to which they would receive 100% nomination rights.

4.7 The 35 new family sized social rented homes will receive HCA grant in the region of £5,078,571 and the land value of £2,705,000. This gives a subsidy rate in the region of £48,953 per habitable room. This is at the higher range of the Borough averages but can be justified as the resultant housing is low density family social rented accommodation in the western part of the Borough.

5. **DISPOSAL OF SITE TO POPLAR HARCA**

5.1 This 0.12 hectare site (Title number NGL 43881) is located between Uamvar Street E14 and the Limehouse Cut canal. A location map is attached at Appendix 4.

5.2 The land used to form part of a larger site which contained three similar council-owned blocks: David, Mallory and Irvine Houses. All three blocks were scheduled for redevelopment under a Poplar HARCA masterplan drawn up in 1997 for the redevelopment of the Teviot Estate. This was to be financed using SRB (Single Regeneration Budget) funds alongside Housing Corporation grant and ERCF (Estate Renewal Challenge Fund) funding for the transferred Teviot Estate. The Council successfully applied for SRB Round 4 funding in 1998. The housing element of the bid included the demolition of these blocks and the provision of new housing via the Council’s development partners, East Thames Housing Group and Poplar HARCA.

5.3 The development of the three portions of the David, Mallory and Irvine site was complex, involving the decant of the blocks and the rehousing of some residents into the new blocks produced on the first phase sites. There were delays affecting some early phases, and by the end of the SRB4 programme in 2002 it transpired that although the demolition of David House had been accomplished the site was no longer needed to achieve the promised SRB new housing outputs.

6. **REASONS FOR DISPOSING OF THE SITE TO POPLAR HARCA**

6.1 Whilst the Council is now at liberty to dispose of the site to an alternative developer, it can be seen that Poplar HARCA have been working with the Council for a considerable time in developing the strategy for regeneration of this area and should be considered as a specialist purchaser for this site. The reasons for this are described below, and are in summary.

   a) their previous input into regenerating the surrounding sites
   b) that they are the landlord of all the surrounding social housing
c) that their business plan requires the development of new housing sites such as this in order to balance the risk of taking transfer of the Coventry Cross Estate and the Council places a high value on achieving the Coventry Cross transfer on the terms currently offered by Poplar HARCA and the CLG.

6.2 Poplar HARCA currently own the two adjacent canal-side blocks and are the landlord of the surrounding Teviot and Aberfeldy estates, with their head office located at Chrip Street market and their Teviot Community Access Centre nearby at Wyvis Street. There are no other Registered Social Landlord sites in the immediate vicinity and the Council's view is that RSLs should aim to develop their property portfolios in areas where they already hold stock, to provide coherent local management.

6.3 The reason for bringing forward a decision on the disposal of this site, which has been unused since the demolition of David House in 2003 is that the Council is about to move forward on the delayed transfer of Coventry Cross estate to Poplar HARCA under the Council's Housing Choice programme. Cabinet approval for the transfer was granted on 7th May 2008, subject to further negotiations with Poplar HARCA and Communities & Local Government (CLG).

6.4 The Coventry Cross estate contains only 157 flats, but the cost of regenerating the estate and bringing tenanted units up to the Decent Homes standard has been estimated as requiring expenditure of £5.9 million over the next 5 years. Despite the tenants' vote in favour of transfer in December 2007, the transfer has been delayed due to the CLG's inability to agree an increased level of gap funding.

6.5 The CLG had indicated that the additional gap funding required should be found from Council or RSL resources. The Council has been unable to offer additional funding resources but Poplar HARCA have recently made some revisions to their business plan for the Coventry Cross estate and have agreed to fund this "gap" of £1.3M themselves. This will enable the transfer to proceed with the input of the £2.5M gap funding which CLG has offered.

6.6 Achieving this last Housing Choice transfer of an estate with high refurbishment costs is an important factor in limiting the exposure of Tower Hamlets Homes to additional costs in achieving Decent Homes standard on all the Council's remaining estates.

6.7 The transfer of Coventry Cross estate represents a fairly high risk scheme with an overall negative impact on Poplar HARCA's business plan. The transfer of the David House site on the terms stated in this report, i.e. with adequate levels of grant and with planning permission and at less than the market value, provides a balancing element to their business plan, as the production of new housing on the site will be relatively risk-free and will be a positive contribution to their stock portfolio.
7 TERMS OF THE DISPOSAL TO POPLAR HARCA

7.1 The scheme which Poplar HARCA wish to develop on the site will provide 100% affordable family housing. The outline scheme has not yet been submitted for planning approval, but it currently comprises 26 units of rented affordable housing units. 15 of the 26 units are for family accommodation and the remaining 11 units are 2 bedroomed.

7.2 The sale of the site will be conditional on Poplar HARCA obtaining planning permission and the sale contract will contain a time limit for this process, after which the offer to sell will be withdrawn. It is proposed that a time period of two years be agreed.

7.3 Poplar HARCA will be applying for grant from the Homes & Communities Agency (HCA) to assist with the development costs of their proposed scheme. They have recently been awarded Investment Partner status by the HCA which will enable them to apply for grant directly, replacing their previous reliance on a development partner RSL. It is proposed that the final sale of the site will be conditional on Poplar HARCA obtaining sufficient grant to support the scheme.

7.4 Poplar HARCA are a partner member of the borough’s Common Housing Register, so allocations to the units produced on this site will be maximized.

7.5 The indicative purchase price of £525,000 offered by Poplar HARCA has been generated by a financial appraisal showing the assumed build cost of the scheme and their associated development and loan costs. The scheme costs are supported by an assumption of the receipt of £25,100 per person grant from the HCA, which the Council will support in its feedback on grant applications to the HCA. The appraisal produces a land value which the scheme can sustain. This appraisal is to be refined and scrutinised by the Council to provide the best possible value for the Director of Development and Renewal’s approval.

7.6 A valuation exercise has been carried out by Corporate Property Services which produced an open market valuation of £1,100,000. The Council may therefore be discounting the land value by up to £575,000 in order to achieve a 100% affordable housing scheme.

7.7 Over a considerable period of time the Council has been negotiating the details of the disposal of a small piece of land, adjacent to a new development on the site of the former Lovatt Arms public house on Burdett Road, E14. Due to a pressing need to complete this transaction, the Council was obliged to sell this site at a
market value of £162,000. Authority is sought to net this amount off the receipt from Poplar HARCA for the Uamvar Street site.

8. LOCAL HOMES INITIATIVE – CONTINUING DELIVERY

8.1 The LHI the project needs to be driven by the Strategic Housing Team as a key priority of the Housing Strategy but co-ordinating a number of other services.

8.2 Some work has already been started to enable officers to understand the full potential of the LHI to deliver not only affordable family homes but to also ensure that other corporate priorities are delivered. These estates are now managed by Tower Hamlets Homes all offer different opportunities and challenges for this initiative. Each estate will need to be surveyed and an Estate Prioritisation Options Appraisal Model approved by the LHI Project Board. The current proposed model would take each estate through the following options appraisal.
8.3 The Estate Prioritisation Options Appraisal will become an essential tool for not only forecasting the number of new family sized affordable homes that could be produced over the next 5 years but also to forecast how much funding could be made available to cross subsidise the Decent Homes Programme and also to inform our Housing Investment Programme.

8.4 The estates which have been prioritised for the LHI will then have to go through the following process which involves the selection of Development Partners who are HCA Preferred Partners and have access to National Affordable Housing Programme funding. It should not be assumed that the Development Partners will manage the new homes or in future schemes that any land is transferred at nil value.

8.5 Recent announcements from the HCA could make it possible for the Council to obtain funding to build housing. This maybe a more cost effective delivery mechanism for the LHI in the future.
8.6 The LHI could start to deliver affordable rented family homes as early as February 2010 if the correct estates are prioritised for delivery.

9. COMMENTS OF THE CHIEF FINANCIAL OFFICER

9.1 This report seeks approval to a number of disposals 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.

9.2 Firstly authority is sought to dispose of land set out in Appendix 3 to Tower Hamlets Community Housing at nil consideration. The market value of the sites in question (based on open market valuations) total some £2.7 million. The receipts would be wholly useable if applied for regeneration schemes, otherwise they would be 75% useable. In effect, the Council is contributing a subsidy per dwelling of between £55,000 and £103,000 per dwelling depending on 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.

9.3 Authority is also sought to dispose of vacant land, as identified in Appendix 4, to Poplar HARCA at less than market value, so that they can provide for a scheme containing 100% affordable housing, which will support a viable business plan for the transfer of the Coventry Cross estate. Again there will be a potential loss of capital receipt which is to be ascertained following negotiation with Poplar HARCA but can be no more than £575,000. It should be noted that the actual loss, following negotiation is anticipated to be significantly less. This must be considered in the context of the benefits of the proposal which is intended to produce 26 units of affordable housing. Further authority is sought in recommendation 2.6 to discount the final receipt for that received for a strip of land relating to a separate development in Burdett Road for the reasons set out in paragraph 7.7 of the report. This will facilitate delivery affordable housing on that site.

10. **CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE (LEGAL)**

10.1 Members are advised that at present all the land that it is proposed to dispose of in order to enable this element of the LHI Project to proceed is currently held for Housing purposes.

10.2 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.

10.3 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.

10.4 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
tear to confirm this fact. In this financial year, officers from Development and
Renewal have confirmed there is sufficient scope to accommodate both
disposals at nil consideration.

10.5 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.

11. ONE TOWER HAMLETS CONSIDERATIONS

11.1 The LHI Pilot Scheme and the LHI has significant potential to reduce
inequalities. The lack of large family accommodation for social rent is well
evidenced and is causing significant harm to households that are currently living
in substandard and/or temporary accommodation. By creating more decent and
appropriately sized accommodation this presents an opportunity for household
members - particularly children and young adults – to fully release their
personal potential, which is often constrained by a poor living environment.

11.2 The provision of more family accommodation for social rent has the potential to
improve community cohesion, and the Council needs to be mindful of and tackle
if necessary, any perception that one section of the community is gaining to the
detriment of another.

11.3 The provision of more family rented social housing is set within a Local Area
Agreement target which the Tower Hamlets Housing Partnership is responsible
for providing leadership for, along with the Community Plan itself. By delivering
more accommodation of this type the Partnership will be helping to improve the
quality of life for a very vulnerable section of the community.

12. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

12.1 The Council will be seeking to maximize the environmental performance of all
homes created under the LHI Pilot Project and the ongoing LHI. This will
include delivering homes that meet or exceed the Code for Sustainable Homes
Level Four.
13. **RISK MANAGEMENT IMPLICATIONS**

13.1 The key risks associated with this project are related to the financial viability of each scheme, gaining planning approval and ensuring that each individual scheme contributes to housing and wider Community Plan objectives.

13.2 There is a small risk to the Borough:

(A) That the proposed schemes will not gain planning permission  
(B) That Poplar HARCA will not be allocated grant sufficient to carry out their proposed scheme

<table>
<thead>
<tr>
<th>Probability</th>
<th>Impact</th>
<th>Mitigating Action</th>
<th>Risk Owner</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Low</td>
<td>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</td>
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</table>

14. **EFFICIENCY STATEMENT**

14.1 The core purpose of this report is to facilitate a faster and more effective way of delivering affordable family housing on Council owned land. The LHI Pilot Project identified a number of issues that have been addressed in the main body of this Report for the continuation of the LHI.

14.2 The LHI Pilot Project raised a number of issues around working on a ‘partnering’ basis and the ability to assess value for money issues. The Council is keen to maximise the social value of sites through the development of family social rented homes accessible to local people. The Council also has a corporate need to maximise financial value from sites in order to fund other priorities that it wishes to see realised. The Council also needs to ensure that it does not unduly limit the development potential of sites by focusing too heavily on large low rise family accommodation for rent, when a higher density mixed tenure development may prove more financially viable and sustainable. These issues will be addressed by the LHI Project Team through an ‘options appraisal’ process which will identify the appropriate use of each site.
<table>
<thead>
<tr>
<th>Brief description of  “back ground papers”</th>
<th>Name and telephone number of holder and address where open to inspection.</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>Alison Thomas, Ext 2527, Anchorage House</td>
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</table>
APPENDICES

Appendix 1 – Schedule of Proposed Sites for LHI Pilot Project with Planning Briefs
Appendix 2 - Schedule of Proposed Sites for LHI Pilot Project without Planning Briefs
Appendix 3 - Location plans for eight sites for disposal to THCH
Appendix 4 – Location plan for site at Uamvar Street for disposal to Poplar HARCA

Appendix 1 – Schedule of Proposed Sites for LHI Pilot Project with Planning Briefs

<table>
<thead>
<tr>
<th>Name of Site</th>
<th>Indicative Mix but subject to planning approval</th>
<th>Open Market Value (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bancroft Road Garage Site 1, E1</td>
<td>5 x 4 bedroom houses</td>
<td>£400,000</td>
</tr>
<tr>
<td>Boyton Close Sites, E1</td>
<td>2 x 5 bedroom houses</td>
<td>£160,000</td>
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<tr>
<td>Head Street North, E1</td>
<td>1 x 5 bedhouse and 2 x 3 bedroom w/c homes</td>
<td>£300,000</td>
</tr>
<tr>
<td>Head Street South, E1</td>
<td>3 x 3 bedroom houses</td>
<td>£310,000</td>
</tr>
<tr>
<td>Bancroft Road Garage Site 2, E1</td>
<td>8 x 3 bedroom maisonettes</td>
<td>£630,000</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>21 social rented family homes</strong></td>
<td><strong>£1,800,000</strong></td>
</tr>
</tbody>
</table>
## Appendix 2 – Schedule of Proposed Sites for LHI Pilot Project without Planning Briefs

<table>
<thead>
<tr>
<th>Name of Site</th>
<th>Indicative Mix but subject to planning approval</th>
<th>Open Market Value (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Walter Street, E2</td>
<td>4 x 3 bedroom houses</td>
<td>£220,000</td>
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<tr>
<td>Brady Street, E1</td>
<td>4 x 3 bedroom maisonettes</td>
<td>£305,000</td>
</tr>
<tr>
<td>Sidney Street Library E1</td>
<td>6 x 3 bedroom houses</td>
<td>£380,000</td>
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<tr>
<td><strong>Totals</strong></td>
<td><strong>14 social rented family homes</strong></td>
<td><strong>£905,000</strong></td>
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Appendix 3 – Location plans for eight sites for disposal to THCH

Item 3(a) Bancroft Road garages Site 1, E1
Item 3 (b) Boyton Close sites, E1
Item 3 (c) Head Street North, E1
Item 3 (d) Head Street South, E1
Item 3(e) Bancroft Road garage Site 2, E1
Item 3 (f) Walter Street, E2
Item 3 (g) Brady Street, E1
Item 3 (h) Sidney Street library, E1
Appendix 4 – Location plan for site at Uamvar Street for disposal to Poplar HARCA