



**Not for publication:** Report exempt from Access to Information Procedure Rules by reason of 10.4(3)-Appendices 1, 2 & 4 only

## REPORT OF THE DIRECTOR OF NEIGHBOURHOODS AND HOUSING

### TO EXECUTIVE BOARD

**Date:** 14 November 2007

**Subject:** REGENERATION OF HOLBECK Phase 3

|   |  |
|---|--|
| <b>Electoral wards affected:</b><br><br>Beeston and Holbeck | <b>Specific Implications For:</b><br><br>Equality and Diversity <input type="checkbox"/><br><br>Community Cohesion <input type="checkbox"/><br><br>Narrowing the Gap <input checked="" type="checkbox"/> |
|---|--|

Eligible for call in

Not eligible for call in  
(details contained in the report)

### Executive Summary

It is anticipated that Leeds will receive approximately £15m from the Single Regional Housing Pot (SRHP) for 2008/11. The money will be spent on tackling poor quality, pre 1919 housing stock in the regeneration priority areas of the city and will help to deliver the objectives of the Vision for Leeds 2004-2020 and the Leeds Housing Strategy.

The proposals set out in this report will utilise £2m of this allocation to extend the existing phases 1 and 2 of acquisition and demolition within Holbeck to provide a development opportunity for new housing, an enhanced frontage onto Holbeck Moor and improved access to the former Mathew Murray School site.

This report outlines the options considered for an area encompassing 34 back to back properties (as shown at Appendix 1 and labeled 'Holbeck target area phase 3, addresses are listed at appendix 2) and details the results of an option appraisal. The report recommends the acquisition and demolition of these properties by utilising £2m of SRHP fund over the financial years 2007/9 and seeks in principle approval to proceed with the acquisition of the properties within the target area by agreement with their owners. In the event that agreement cannot be reached with owners authorisation will be requested from the Director of Environment and Neighbourhoods and the Director of City Development to make and promote any necessary Compulsory Purchase Orders.

To assist in maximising grant approved in 2006-08 it is proposed that phase 3 will be brought forward to December 2007. Executive board are requested to inject £2m into the capital programme and authorise scheme expenditure of £2m outlined within this report.

## **1.0 Purpose of This Report**

- 1.1 The purpose of this report is to consider the options for regeneration of the Holbeck area and to seek approval for the acquisition and clearance of 34 properties within Holbeck by utilising £2m of this funding during 2007/9.

## **2.0 Background Information**

- 2.1 Beeston Hill and Holbeck are identified as target areas for large scale improvement within the Vision for Leeds 2004-10, the Corporate Plan 2005-8 and the Leeds Regeneration Plan 2005-2008.
- 2.2 The Councils Executive Board at its meetings of 18 October 2006 and 24 January 2007 approved the commencement of the acquisition of 41 properties within phases 1 and 2. Phased demolition is anticipated to commence within the current financial year and ultimately 69 properties of mixed tenure/ownership which make up phases 1 and 2 will be demolished. This is anticipated to occur during 2008. The date of the complete clearance of the site will depend upon whether a Compulsory Purchase Order is required on this scheme.
- 2.3 In order to progress the redevelopment of the footprint of phases 1 and 2 it is important that a commitment is made to the acquisition and demolition of phase 3. This approach will not only help to provide a site which is more attractive in size and shape to potential developers but will also help to ensure a comprehensive plan for the combined site can be drawn up rather than the emergence of piecemeal plans as each phase is cleared.
- 2.5 The Matthew Murray School site has been identified as a site with short term development potential which is strategically important to the regeneration of the whole area. Redevelopment of the amalgamated sites cleared by phases 1, 2 and 3 would provide an opportunity to enhance the access route from Holbeck Moor to the Mathew Murray school site and potentially increase its value for redevelopment.

## **3.0 Main Issues.**

- 3.1 The area which is the subject of this report comprises of 34 brick terraced back to back houses. It is proposed that the properties, as identified in Appendix 2, are acquired and demolished to produce a cleared site which would consolidate phases 1 and 2.
- 3.2 The combined cleared site (phases 1, 2 and proposed 3) has the potential to create a more attractive frontage to Holbeck Moor and an enhanced access route to the Mathew Murray School site.
- 3.3 The proposals contained within this report consider how best to address the aims of the Vision for Leeds and the Leeds Housing Strategy by reducing unpopular and unfit housing so as to be able to replace it with modern decent homes with the resources available. The option appraisal has considered 3 options for the area with reference to their ability to meet the defined objectives:

- Option A: Do minimum to meet legal conformity
- Option B: Group Repair and internal remodeling
- Option C: Acquisition and redevelopment of the site.

### 3.4.0 **Option A: Do minimum to meet legal conformity**

3.4.1 Aire Valley Homes (AVH) have a legal obligation to ensure that all the housing stock that they manage meets the Governments Decent Homes Standard by 2010. The estimated cost of bringing the 15 properties owned by LCC up to the Governments Decent Homes Standard is estimated at £182,250. However, even with investment of this nature the poor design and layout of the properties would not be tackled and added to sustainability issues, investment in these properties would prove financially unviable.

3.4.2 The conclusion to be drawn from this option is that the expenditure required to comply with the Decent Homes Standard would not

- address all of the issues identified by residents as unsatisfactory
- prove to be cost effective
- prove to be sustainable
- enable the levels of change required to regenerate the area to be achieved

### 3.5.0 **Option B: Group repair and internal modeling.**

3.5.1 Enveloping works to the exterior of the properties would create a visually superior and uniform street scene. This, coupled with major remodeling of the properties could create through terraces with better layout and room sizes which would meet, and potentially exceed, the Decent Homes Standard. It is estimated that the remodeling of two back to backs to form 1 family house would cost at least £70,000 per conversion in construction costs alone. The cost of remodeling all 34 properties in the target area, including acquisition and conversion costs, is estimated at over £3m (see Appendix 4).

3.5.2 Even if ultimately these properties were sold on the open market for an optimistic £100,000 each this could potentially result in a net loss to the Council of approximately £1.3m. It is also doubtful whether long term demand exists even after conversion.

3.5.3 The conclusion to be drawn from this option is that the high level of investment would address some of the issues with poor condition but it would not

- tackle poor housing mix
- tackle issues of over density
- tackle poor environment
- be cost effective

### 3.6.0 **Option C. Acquisition, Clearance and redevelopment of the site for housing**

3.6.1 Acquisition of the 19 privately owned properties within the target area and clearance of all 34 properties would form the next phase of the longer term strategy to commence transformational change of the area and provide a catalyst to the regeneration of the wider area.

3.6.2 Whilst the cost would be high, £2m funded through the SRHP, once cleared and together with phase 1 and 2 sites it would create a development opportunity to create modern high quality housing as well as tackling the issues of poor environment. A development of this nature would fit with the regeneration plans for the area.

## 4.0 Option Appraisal

4.1 A formal Option Appraisal in accordance with the corporate procedure has been carried out to assess Options A and C, option B having been ruled out on grounds of affordability. Both financial and non financial aspects of Options A and C have been considered.

A discounted cash flow exercise has been carried out for options A and C and the net present values are as follows

| Option | Description   | NPV<br>£000 |
|--------|---|-------------|
| A      | Do minimum to meet legal conformity                   | 93          |
| C      | Acquisition and redevelopment of the site for housing | 1879        |

4.2 This exercise and the table above illustrate the cost of each option over the next 25 years at today's value. Although the financial element of the option appraisal would suggest that Option A is preferable the pursuance of the stated objectives of this project are critical to the achievement of the strategic aims of the Vision for Leeds and the Leeds Housing Strategy.

4.3 Option C (Acquisition, clearance and redevelopment) scores highly against the objectives of the Leeds Housing Strategy and the Vision for Leeds. Clearance and redevelopment facilitates the potential to create high quality housing, which is of a type and size matched to the needs and choices of residents, in an attractive environment which would as a consequence contribute to the improved image and regeneration of the area and community. Option A (Do minimum to meet legal conformity), is able only to meet some of the objectives to a limited extent and potentially for a limited timescale. Other objectives, i.e. matching housing to needs and choice and tackling poor environmental quality, are not met at all by Option A. This is due to the fact that the governments Decent Homes Standard is a minimum standard which focuses on fitness, disrepair and the provision of modern facilities within the dwelling. It does not consider the external environment or the internal layout, size or number of rooms.

4.4 Whilst the financial analysis in isolation would seem to support option A the assessment of non financial factors must be given careful consideration also. The contribution of Option C to key strategic objectives outweighs the differential in financial terms in this instance. Option C is, therefore, the one recommended to Executive Board.

## 5.0 Implications for Council Policy and Governance

5.1 The acquisition and demolition will follow Council policies.

5.2 The public interest in maintaining the exemption in relation to appendices 1,2 and 4 attached to this report outweighs the public interest in disclosing the information by reason of the fact that:-

a) Appendix 1 and 2 - The success of the scheme could potentially be prejudiced by speculative investors acquiring properties in advance of the Councils action.

b) Appendix 4 - The costs attributed to the purchase of private properties are purely estimates at this stage and their disclosure could prejudice the council's ability to reach an agreement on the purchase price with owners.

5.3 Copies of the exempt appendices 1, 2 and 4 will be circulated to members of the Executive Board once members of the public have been excluded and will be collected in at the conclusion of the meeting.

## **6.0 Consultation**

6.1 A consultation exercise was carried out in September 2007. Visits to the 34 properties in the target area established that 4 are currently unoccupied. Of the remaining 30 contact was made with 25 householders and face to face interviews were carried out with 22, the remainder completed and returned a questionnaire.

6.2 16 private landlords operate in the in the area who were also consulted. 6 private landlords have responded, 3 of them are not in favour of demolition and 3 "do not know".

6.3 The full results of the consultation are set out in Appendix 3. In summary, 15 out of 25 residents who responded were in favour of demolition. Of the other respondents 6 stated that they were not in favour of demolition and 4 state that they "do not know". 9 of the 25 respondents state that they are thinking of moving away from the area.

6.4 Following the conclusion of the residents' survey local ward members were briefed on the results and gave their full support to the proposals for acquisition and demolition contained within option C of this report.

6.5 If approval is secured to acquire and demolish these properties residents, elected members and other stakeholders will be kept fully apprised of developments.

## **7.0 Legal and Resource Implications**

7.1 The estimated scheme costs of £2m are detailed at Appendix 4. This estimate includes acquisition of the 19 privately owned properties; compensation and disturbance payments for owners and private tenants, and full site clearance including temporary work to secure the site.

7.2 The preference is to acquire properties by agreement with owners and details of the compensation package are set out at Appendix 5. Ultimately, however, if agreement cannot be reached, authorisation will be sought to make any necessary Compulsory Purchase Orders (CPOs).

7.3 Should Compulsory Purchase action become necessary, in this instance, Section 226(1)(a) of the Town and Country Planning Act 1990 (as amended by Section 99 of the Planning and Compulsory Purchase Act 2004) is the most appropriate legislation in the circumstances. Regard must be had to the Human Rights Act 1998 including Article 8 (respect for private family life and home). The recommendation to authorise officers to make and promote any necessary CPOs strikes a clear balance between the public interference with private rights, which will arise if a CPO is pursued. Compensation would be payable to the person affected, and the provision of the above Acts are considered to be compatible with the Human Rights Act.

## 8.0 CAPITAL FUNDING and CASHFLOW

| Authority to Spend required for this Approval | TOTAL<br>£000's | TO MARCH<br>2007<br>£000's | FORECAST          |                   |                   |                   | 0<br>£000's |
|---|-----------------|----------------------------|-------------------|-------------------|-------------------|-------------------|-------------|
|   |                 |                            | 2007/08<br>£000's | 2008/09<br>£000's | 2009/10<br>£000's | 2010 on<br>£000's |             |
| LAND [1]                                      | 1799.9          |                            | 500.0             | 949.9             | 350.0             |                   |             |
| CONSTRUCTION [3]                              | 200.1           |                            |                   |                   | 200.1             |                   |             |
| <b>TOTALS</b>                                 | <b>2000.0</b>   | <b>0.0</b>                 | <b>500.0</b>      | <b>949.9</b>      | <b>550.1</b>      | <b>0.0</b>        | <b>0.0</b>  |

| Total overall Funding (As per latest Capital Programme) | TOTAL<br>£000's | TO MARCH<br>2007<br>£000's | FORECAST          |                   |                   |                   | 0<br>£000's |
|---|-----------------|----------------------------|-------------------|-------------------|-------------------|-------------------|-------------|
|   |                 |                            | 2007/08<br>£000's | 2008/09<br>£000's | 2009/10<br>£000's | 2010 on<br>£000's |             |
| RHB Grant   | 2000.0          |                            | 500.0             | 949.9             | 550.1             |                   |             |
| Total Funding   | 2000.0          | 0.0                        | 500.0             | 949.9             | 550.1             | 0.0               | 0.0         |
| <b>Balance / Shortfall =</b>                            | <b>0.0</b>      | <b>0.0</b>                 | <b>0.0</b>        | <b>0.0</b>        | <b>0.0</b>        | <b>0.0</b>        | <b>0.0</b>  |

## 9.0 REVENUE EFFECTS

There are no revenue implications within this scheme.

## 10.0 Risks

- 10.1 A contingency fund of £100,000 is available to cover potential overspend on this project, for example in the event of an increase in property prices. If this is not required it may be made available to future phases in the longer term strategy for the regeneration of Beeston Hill and Holbeck.
- 10.2 If Compulsory Purchase action is required this will inevitably have implications for the timescale of the project. Compulsory Purchase action would also involve additional costs i.e. publicity costs, officer time including legal fees, and the costs incurred surrounding the staging an Inquiry if objections are made.
- 10.3 In addition delay could also be caused by the incapacity of the ALMO or RSL to rehouse displaced residents. Displaced residents who apply for tenancies through the Leeds Homes register are awarded 'Priority Extra' in recognition of their additional housing need caused by the action of the Council. Council officers will liaise regularly with officers of the ALMOs and RSLs to progress rehousing requests as efficiently as possible in an attempt to minimize this risk.

## 11.0 Conclusions

- 11.1 The development of Holbeck phase 3 would build on the work commenced in phase 1 and 2 and continue to support the regeneration of the area in line with the Vision for Leeds and the Leeds Housing Strategy.
- 11.2 Of the options considered option 3 is considered to provide the more holistic solution.

## **12.0 Recommendations**

Executive board are requested to :

1. Approve the injection into the capital programme of £2m of Regional Housing Board funding to enable Phase 3 of the Holbeck scheme to be brought forward.
2. Authorise Scheme expenditure to the amount of £2m.
3. Agree to allow officers to proceed in accordance with option 3
4. Agree to allow the Director of Environment and Neighbourhoods and the Director of City Services to authorise and promote any necessary Compulsory Purchase Orders should a CPO become necessary

## **Appendices**

1. Plan 1 target area (Exempt from Access to Information Procedure Rules 10.4(3))
2. Address list (Exempt from Access to Information Procedure Rules 10.4(3))
3. Summary of residents survey results
4. Costs associated with option B and C (Exempt from Access to Information Procedure Rules 10.4(3))
5. Compensation Payments