

**Report of Executive Manager (Regeneration Projects).**

**Report to Chief Officer Economy and Regeneration**

**Date: 27 June 2016**

**Subject: Design & Cost Report for additional grant for 146, 148 and 150 Chapeltown Road.**

**Capital Scheme Number: 16501/000/000, 12154/000/000, 16663/000/000 and 16483/000/000**

Are specific electoral wards affected? If relevant, name(s) of ward(s): Chapel Allerton.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**Summary of main issues**

1. The properties at 146,148 and 150 Chapeltown Road are part of an early 19th century terrace in a prominent position within the Chapeltown Conservation Area. They are also within the Chapeltown Townscape Heritage Initiative (THI) and due to their prominence the completion of these properties will determine whether the Heritage Lottery Fund (HLF) regard this THI as a success or not. The Townscape Heritage Initiative funds are in place to address this requirement for subsidy and assist in heritage led regeneration by improving the built historic environment.
2. No. 146 Chapeltown Road and the site of the demolished 1 Grange Avenue were sold subject to a covenant allowing the council to buy back the properties. The Council intends to exercise this option and immediately resell to Unity Housing Association (UHA). Following a High Court judgement the legal permissions are now in place and the cost of transaction has been determined.
3. UHA intend to purchase 146 Chapeltown Road and vacant land adjacent in order to refurbish the building (with the support of THI grant) and extend (with the support of Homes and Communities Association (HCA) grant) to form 6 no. 2 bed apartments for social rent. The council will have nomination rights.

4. The owners of 148/150 Chapeltown Road intend to refurbish their properties with the support of THI grant and continue to offer the long established domino club/ nightclub and office facility.
5. This report seeks approval for additional funding to ensure successful completion of key projects within the THI programme. This will result in a comprehensive and prestigious architecturally designed refurbishment and new build scheme in the heart of Chapeltown which will complement the areas ongoing regeneration.

### **Recommendation**

6. It is recommended that the Chief Officer Economy and Regeneration:

authorise the additional spend of £206,000 from existing Regeneration schemes 16483/000/000, 12154/000/000 and 16663/000/000 which together with match funding from UHA, HCA and Chapeltown THI will ensure the; refurbishment of 146 Chapeltown Road and the associated delivery of six two bed apartments for social rent and roof and façade improvements to 148 and 150 Chapeltown Road.

## **1 Purpose of this report**

- 1.1 The purpose of the report is to authorise funding to facilitate the heritage standard refurbishment of three properties in a single terrace block at 146, 148 and 150 Chapeltown Road which will secure significant match funding through the HLF and UHA.

## **2 Background information**

- 2.1 Townscape Heritage Initiative is the grant giving programme for the repair and regeneration of historic environments in conservation areas which are in social and economic need. In Chapeltown THI the 'common fund' is £1,136,000 (comprising £802,000 HLF and £334,000 LCC). The common fund is further supported by £112,500 from Local Enterprise Growth Initiative (LEGI).
- 2.2 Chapeltown THI has to date regenerated 15 properties to high conservation standards and invested £1,157,094 of HLF/ LCC/ LEGI and private contribution into some of the key buildings of Chapeltown Conservation Area. This terrace at 2 Grange View, 152- 146 Chapeltown Road and the vacant site at 1 Grange Avenue has been designated the critical block for the THI, the repair and refurbishment of which will define the success of the scheme. To date, on this parade, only 152 Chapeltown Road has benefitted from a grant and been successfully refurbished. 2 Grange View is currently in the process of completing their THI eligible work.
- 2.3 Nos. 146 Chapeltown Road and 1 Grange Avenue were sold by the Council in 1995 subject to a covenant to renovate the properties to bring them back into a habitable condition. This covenant includes an option for the Council to repurchase the properties should the renovation not take place. The Council has exercised this option and in June 2015 a court order has been issued for the Council to repurchase the properties at a price equal to the market valuation (minus legal fees). However the Council is not under any legal obligations to complete the purchase of the properties.
- 2.4 A back to back agreement was entered into with UHA to ensure that it would buy 146 Chapeltown Road and site of 1 Grange Avenue immediately following the Councils purchase from the current owners. LCC legal officers confirm that UHA would be required to give four weeks' notice to extract them from the binding of the contract. Once UHA's Board approve the purchase of 146 Chapeltown Road a further contract will be drawn up to facilitate the property purchase prior to the Council exercising its option to complete the buy back from the trustees. The timescales involved is anticipated to be between one and two weeks. A property panel report was approved by the Director of City Development on the 8th March 2016 which permits the council to implement the buyback process at a price of £65,000 and immediately re sell to UHA through a back to back deal.
- 2.5 Although the delivery of 6 no 2 bed apartments for social housing are a welcome addition to local housing provision the retention of the historic fabric is the primary focus for the THI grant. However the Council will benefit by having 100% nomination rights for first lettings and 75% of subsequent lettings of the social

housing allocations brought forward from this scheme. No. 146 Chapeltown Road is included on the Council's Derelict and Nuisance property list as it is recognised that its poor state of repair is significantly impacting on the surroundings in terms of negative perceptions of the neighbourhood.

### **3 Main issues**

#### **3.1 Design Proposals and Full Scheme Description**

3.2 The proposals are for funding to facilitate the conservation standard refurbishment and retention of historic fabric of:

- 146 Chapeltown Road
- 148 and 150 Chapeltown Road.

#### **3.3 146 Chapeltown Road**

3.4 The scheme's build cost was originally estimated at £650,000. However, as a result of the legal delays and necessary changes to achieve finalisation of the scheme this estimate has been revised upwards to £850,000 primarily as a result of construction cost inflation. NPS quantity surveyors have verified the current estimates as being an accurate representation.

3.5 The refurbishment of 146 Chapeltown Road has a number of financial challenges which including its condition as a semi-derelict property with structural issues. There is also a 50-60 year tree to the rear of the property which requires extensive root protection measures, in addition to sound proofing to protect residents from the nightclub at 148 Chapeltown Road. Finally, there is a requirement to adhere to high conservation standards for materials and working practices resulting in higher costs.

3.6 Even with the £175,000 ring fenced from the THI programme, UHA's Rent and Sale Appraisal Summary has demonstrated a £180,000 funding gap which is shown (see Appendix C1).

#### **3.7 148/150 Chapeltown Road**

3.8 There is £65,000 ring fenced from the THI programme for eligible works (see Appendix C2). In order to complete essential roof repairs, conservation standard repairs and restoration of the building façade. In line with HLF guidelines it is estimated that an additional £26,000 will be required. As this is a fixed rate grant and the owners will be required to contribute a minimum of 20% of eligible works costs.

3.9 The works to these properties are included within the tender process for 146 Chapeltown Road and it is envisaged 148,150 and 146 will be jointly programmed and coordinated to encourage economies of scale and minimise programme risks.

3.10 It is proposed that, should this request be approved £2,200 of the funding will be used to support the planning application process for 148 and 150 prior to the

formal THI application being approved to meet the critical deadlines needed to ensure that all three properties can be commenced as soon as possible.

## **4 Corporate considerations**

### **4.1 Consultation and engagement**

4.1.1 The proposed project has been developed in consultation with senior officers from corporate finance, area management, legal services, planning services and asset management and regeneration including the housing growth team.

4.1.2 The Executive Member for Regeneration, Transport and Planning has been consulted and is supportive of the proposals.

4.1.3 The members for the Chapel Allerton ward have been consulted and are supportive of the proposals.

4.1.4 This rationale for funding has been discussed by the Town and District Centre Programme Board which support this request.

### **4.2 Equality and diversity / cohesion and integration**

4.2.1 The decision to support this proposal does not have any equality and diversity impacts.

### **4.3 Council policies and best council plan**

4.3.1 The THI supported development of this terrace of historic properties contributes to the aims of Best Council Plan to have a strong economy and be a compassionate city particularly through the breakthrough project priorities of helping to delivering high standards of housing growth and strengthening communities.

### **4.4 Resources and value for money**

It is estimated that should this additional £206,000 be approved the total level of associated investment in this scheme will amount to £1,281,414 (see Appendix C3). All the finance required has been identified from existing funding programmes. The capital funding and cash flow is shown below.

Previous total Authority to Spend on this scheme	TOTAL £000's	TO MARCH 2015 £000's	FORECAST				
			2015/16 £000's	2016/17 £000's	2017/18 £000's	2018/19 £000's	2019 on £000's
LAND (1)	0.0						
CONSTRUCTION (3)	1538.2	1254.2	0.0	284.0			
DESIGN FEES (6)	0.0						
<b>TOTALS</b>	<b>1538.2</b>	<b>1254.2</b>	<b>0.0</b>	<b>284.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Authority to Spend required for this Approval	TOTAL £000's	TO MARCH 2015 £000's	FORECAST				
			2015/16 £000's	2016/17 £000's	2017/18 £000's	2018/19 £000's	2019 on £000's
LAND (1)	0.0						
CONSTRUCTION (3)	204.0		0.0	204.0			
FEES (6)	2.0			2.0			
<b>TOTALS</b>	<b>206.0</b>	<b>0.0</b>	<b>0.0</b>	<b>206.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Total overall Funding (As per latest Capital Programme)	TOTAL £000's	TO MARCH 2015 £000's	FORECAST				
			2015/16 £000's	2016/17 £000's	2017/18 £000's	2018/19 £000's	2019 on £000's
LCC Supported Borrowing	829.7	536.0	0.0	293.7	0.0	0.0	0.0
Lottery Funding	802.0	617.5	0.0	184.5			
LEGI funding	112.5	100.7	0.0	11.8			
<b>Total Funding</b>	<b>1744.2</b>	<b>1254.2</b>	<b>0.0</b>	<b>490.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<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>

## 4.5 Legal Implications, access to information and call In

- 4.5.1 This report does not contain any confidential or exempt information and is thereby open to public access under the Freedom of Information Act.
- 4.5.2 The decision sought in this report will be subject to call-in and falls under the scrutiny provision in Council's governance.
- 4.5.3 THI schemes are compatible with the State Aid provisions under Article 53 of the General Block Exemption Regulations (aid for culture and heritage conservation) Legal advice has confirmed that the Council's investment (like that of the Heritage Lottery Fund and other public funding) is State Aid compliant.

## 4.6 Risk management

- 4.6.1 There are significant time pressures on this project. The HLF has agreed to extend the overall project by 12 months (completion March 2017) to allow for the renovation of the critical block subject to the additional funding being secured. The timetable (see Appendix A) will require strict monitoring and adherence as failure to complete by end March 2017 will also result in withdrawal of funding and would have the potential for reputational damage which could undermine future HLF bids.

- 4.6.2 Failure to complete this block improvement could have ramifications on future bids to the HLF as well as loss of funding for this project. In addition the withdrawal from the buyback scheme by the Council could have reputational damage amongst the wider Chapeltown community. There has been demonstrable support against the sale of the building and plot to UHA via the planning process and through a petition sent to the Executive Member for Regeneration, Transport and Planning. However this focussed more on the planning approval of a residential scheme next to a nightclub.
- 4.6.3 If UHA did withdraw their support for the scheme the council would also withdraw their intention to complete on the purchase of 146 Chapeltown Road and 1 Grange Avenue as it is not under any legal obligation to complete the purchase of the properties. There would therefore be no additional pressure on the councils Asset Management portfolio from this property and vacant site.

## **5 Conclusions**

- 5.1 The project has been complex and challenging with legal barriers which have resulted in delays far beyond those predicted by legal officers. These delays are now causing serious repercussions as, following Government changes to social housing policy UHA's financial appraisal of the refurbishment and new build takes the viability beyond acceptable limits. If no further funding can be found to support the refurbishment there will be a number of consequences namely:
- The Chapeltown Townscape Heritage Initiative could be deemed a failure by the HLF for non-completion of refurbishment works to its critical property. This could have a detrimental impact on future bids to the HLF for regeneration funding.
  - 146 Chapeltown Road will remain a prominent eyesore building which will, along with the Mobil and Jyoti building continue to be to the detriment of the wider conservation area significantly reducing the impact of the public and private investment over the previous seven years.
  - Should the UHA proposal to deliver 6 no. 2 bed apartments for social rent not go ahead the area will lose a potentially valuable and much needed supply of social housing.

## **6 Recommendations**

- 6.1 It is recommended that the Chief Officer Economy and Regeneration is requested to authorise the additional spend of £206,000 from existing Regeneration schemes 16501/000/000 12154/000/00, 16663/000/000 and 16483/000/000 to match funds from UHA, HCA and Chapeltown THI to ensure the refurbishment of 148 and 150 Chapeltown Road and the refurbishment and new build of 146 Chapeltown Road and the associated delivery of six two bed apartments for social rent.

## **7 Background documents<sup>1</sup>**

7.1 None

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<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.

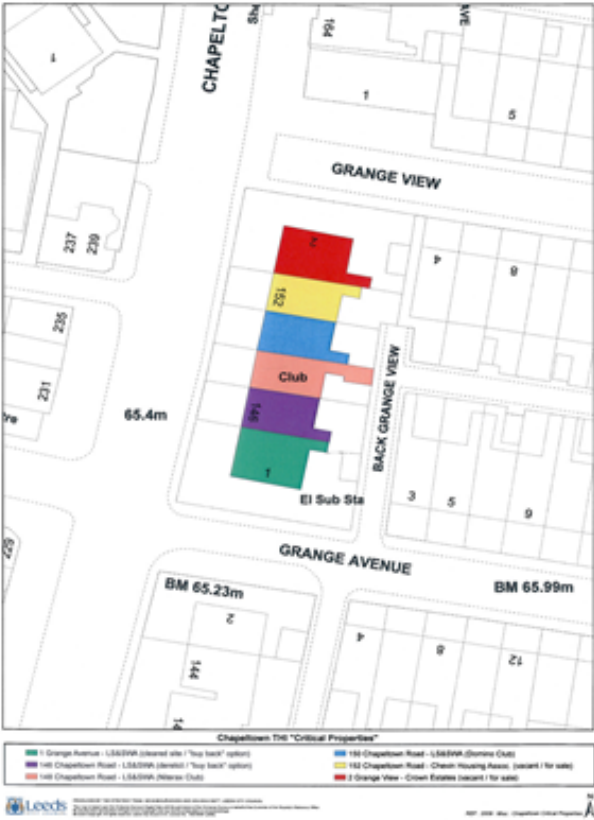


## Appendix A

Action	Responsible	Date required	Date completed
Approval of additional funding	AM&R	06/16	
Planning application resubmitted	AM&R	08/02/16	10/02/2016
LCC Property Panel approval 'in principle' to the buy back and back to back sale to Unity.	AM&R	02/16	16/03/2016
Planning decision expected	LPA	04/04/16	4/04/16
Tender process commences	UHA	23/05/16	23/05/16
Pre development planning conditions	UHA	April – July 2016	
Tender report	UHA	15/07/16	
HLF 'in principle' approval	AM&R/HLF	22/07/16	
Unity Board approval	UHA	22/07/16	
Offer letter to trustees	AM&R	22/07/16	
Transfer of property trustees/ LCC/ Unity	LCC Legal UHA Legal	08/08/16	
Application by UHA and HLF PM 4 approval	AM&R/HLF	15/08/16	
Offer letter and acceptance	AM&R/HLF	15/08/16	
Site mobilisation	UHA	15/08/16	
Start on site	UHA	22/08/16	
All heritage eligible works complete	UHA	17/03/17	
All works complete	UHA	28/03/17	

Appendix B

Site location plan and front elevation



### Appendix C1 - 146 Chapeltown Road and 1 Grange Avenue

Acquisition and development costs	£ 934,697
Development fees	£ 172,419
Default interest costs	£ 19,298
<b>Total costs</b>	<b>£1,126,414</b>
Secured HCA funding	£ 180,000
Secured THI funding	£ 175,000
<b>Total existing subsidy and other funding</b>	<b>£ 355,000</b>
Required subsidy	£ 535,000
Available subsidy	£ 355,000
<b>Shortfall</b>	<b>£ 180,000</b>

### Appendix C2 – 148/150 Chapeltown Road and 1 Grange Avenue

Development costs	£ 94,000
Development fees	£ 10,000
<b>Total costs</b>	<b>£104,000</b>
Secured match funding	£ 15,000
<b>Total existing subsidy and other funding</b>	<b>£ 15,000</b>
Required subsidy	£39,000
Available subsidy	£15,000
<b>Shortfall</b>	<b>£24,000</b>

### Appendix C3 – Overall Funding Position

	148 Chapeltown Road 150 Chapeltown Road	146 Chapeltown Road 1 Grange Avenue	Fees	Total
Total cost of works	£104,000	£1,126,414	£2,000	£1,281,414
Current allocation	£65,000	£175,000	£0	£281,000
Match inc. HCA & UHA	£15,000	£771,414	£0	£794,414
Shortfall	£24,000	£180,000	£2,000	£206,000
Additional funding				
Derelict and Nuisance		(£50,000)		(£50,000)
Town & District Centres	(£24,000)	(£44,000)	(£2,000)	(£70,000)
Capital programme		(£86,000)		(86,000)
Totals	(£24,000)	(£180,000)	(£2,000)	(£206,000)

\*construction costs are subject to tender