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Report of the Director of Neighbourhoods and Housing

Executive Board

Date: 18 October 2006

Subject: REGENERATION OF HOLBECK

Electoral wards affected:
Beeston and Holbeck

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Eligible for call in

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

Executive Summary

In line with the objectives of the Vision for Leeds 2004-2020 and the Leeds Housing Strategy an allocation of £8 million Housing Market Renewal fund (HMRF) has been secured from the Regional Housing Board to be spent during the financial years 2006/8. This funding is available for the purpose of tackling poor quality, pre 1919 housing stock in the priority regeneration areas of Beeston Hill and Holbeck.

Executive Board at its meeting of 17.5.06 approved a recommendation to utilise £2.8m of this allocation to commence the acquisition of properties within the densely terraced housing area of Holbeck.

This report advises Executive Board of the options considered for an area encompassing 53 properties in Holbeck (as shown at Appendix 1 and labelled 'target area ') and details the results of an option appraisal. Addresses of affected properties are identified at Appendix 2. The report sets out recommendations for acquisition and clearance of 53 properties at an estimated cost of £2.95m 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 is requested from Executive Board to make and promote any necessary Compulsory Purchase Orders.

1 Purpose Of This Report

A capital grant of £8m has been allocated by the Regional Housing Board (RHB) for a long term housing market renewal programme to tackle poor quality, pre 1919 housing stock in Beeston Hill and Holbeck. 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 53 properties within Holbeck by utilising £2.95m of this funding during 2006/8.

2 Background Information

- 2.1 The regeneration of Beeston Hill and Holbeck, and the South Leeds area generally are high priorities and strategically important for the Council. Beeston Hill and Holbeck experiences some of the most severe levels of deprivation in the country. According to the Government's Index of Deprivation released in 2004, of the 11 Super Output Areas/neighbourhoods that cover Beeston Hill and Holbeck, seven of these are in the worst 3% of Wards nationally, and a further three are in the worst 10%.
- 2.2 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.
- 2.3 The Leeds Regeneration Plan 2005-2008 has an overall aim to narrow the gap between the most disadvantaged people and communities and the rest of the City. The Plan recognises that there are opportunities and challenges in Beeston Hill and Holbeck and in South Leeds generally to regenerate these areas, not only in terms of investment in buildings and the environment, but also other key service delivery issues.
- 2.4 In terms of the Unitary Development Plan, there is specific listing of the importance of Beeston Hill and Holbeck, and at its meeting in February 2005, Executive Board approved a Land Use Framework for the area as Supplementary Planning Guidance. The multi-agency Beeston Hill and Holbeck Partnership Regeneration Board, which was established in 2004, wishes to use the Land Use Framework as a platform for developing a public-private sector partnership that will deliver a range of outcomes to address the serious deprivation issues in this part of the city.
- 2.5 An Expression of Interest (Eoi) proposal for Beeston Hill and Holbeck has been submitted relating to the DCLGs Housing PFI Fifth Bidding Round. If the proposal is accepted on the PFI Programme it will clearly have a major impact on the area and act as a catalyst for further investment, there are, however, a number of issues that will not be addressed using Housing PFI credits including the acquisition and improvement/clearance of privately owned 'back-to-back' properties.
- 2.6 The area of terraced housing in Holbeck forms a crucial part of the overall objective to achieve transformational change in the area through the development of an integrated regeneration strategy linked to the proposed PFI scheme. This will involve partnership/s with the private sector that will result in the construction of 200 new Council properties and the development of other Council owned land for residential purposes in addition to other private sector investment in sites such as Shaftsbury House which has detailed planning approval for the conversion of the building to 172 flats.

- 2.7 Subject to consultation, the Expression of Interest proposal is based on a working assumption that 126 Council owned 'Type 2' back-to-back terraced properties will be cleared in phases over a 10 year period with the use of PFI credits. Although these properties are clustered together, they are interspersed with approximately 146 privately owned properties that in many cases will need to be acquired to form a comprehensive and cohesive scheme.
- 2.8 Irrespective of what the eventual decision is on the PFI Expression of Interest there is an urgent need to progress this scheme as part of the first steps towards a broader regeneration strategy for Beeston Hill and Holbeck.
- 2.9 The Matthew Murray School site has been identified within the PFI Expression of Interest as a site with short term development potential which is strategically important to the regeneration of the whole area. Acquisition and clearance of the properties which are the subject of this report 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 Main Issues.

- 3.1 The area which is the subject of this report comprises of 51 brick terraced back to back houses and 2 back to back houses which have been combined to provide shop premises. It is proposed that the properties, as identified in Appendix 2, are acquired and demolished to produce a cleared site.
- 3.2 The cleared site provides an opportunity to create a more attractive link between the Mathew Murray High School site and the shopping area and open space at Holbeck Moor.
- 3.3 Of the 32 properties in private ownership only 6 are owner occupied. The high proportion of private landlords within this target area suggests that the relatively low property prices are attracting investors who are able to see the potential return from private lettings. A concentration of privately rented property can often lead to an over representation of vulnerable, mobile and anti-social residents.
- 3.4 The Vision for Leeds 2004 to 2020 identified as one of its aims the intention to "Regenerate and restore confidence in every part of the city" and to "Make sure that local neighbourhoods provide choice in the types and costs of housing available so that people do not have to move out of an area to meet their housing needs and choices by:
- Reducing the amount of housing that is unpopular or unfit
 - Providing housing that is more suitably matched to needs and choice
 - Improving the image of all types of rented accommodation
 - Making it easier to move between different types of rented housing and promoting renting as an alternative to buying.

The vision of the Leeds Housing Partnership as detailed in The Leeds Housing Strategy 2002/3 – 2006/7 is

"To create and maintain decent homes in decent neighbourhoods"

The relevant core aims of the Leeds Housing Strategy are to

- Provide and maintain decent housing

- To support the creation and maintenance of decent neighbourhoods
- To sustain healthy, accessible housing markets

These reflect the

- national policy priorities of quality, choice and social inclusion
- Regional and sub regional priorities of providing housing and services to meet needs, demands and economic requirements
- Local priorities of closing the gap

The proposals contained within this report consider how best to address these aims 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.

3.5 **Option A: Do minimum to meet legal conformity**

Generally in terms of the older housing stock, the Leeds South Homes (LSH) business plan does not support major refurbishment. Whilst LSH will maintain and repair stock, they are unlikely to undertake any significant improvement where investment in housing stock is considered to be uneconomical. The estimated cost of bringing the 19 properties owned by LCC up to the Governments Decent Homes Standard is at least £11,000 per property. Turnover in the area is increasing in momentum and while properties are lettable, tenancies are not sustainable in the long term. Generally speaking new tenants tend to be those applicants who have no other option but to accept a property in this area and who aspire to leave as soon as possible. Investment in these properties would therefore, prove financially unviable and their sustainability questionable.

Despite the uncertainty surrounding the sustainability of investment in this area LSH have a legal obligation to ensure that all the housing stock that they managed meets the Governments Decent Homes Standard by 2010.

LSH have calculated that they will need to spend £209,650 by 2010 to bring the 19 council properties in the target area up to the Decent Homes Standard. However, this standard does not address the issue of poor design, layout, the lack of gardens/private space and poor built environment. Refurbishment of LSH properties alone would provide only a piecemeal solution. It would also mean that an opportunity to contribute to the regeneration of the wider Holbeck area is missed.

Evidence suggests, therefore, that the expenditure required to comply with the above **minimum** standard would

- **not** address all of the issues identified by residents as unsatisfactory
- **not** prove to be cost effective
- **not** prove to be sustainable
- **not** enable the levels of change required to regenerate the area to be achieved

3.6 **Option B: Group repair and internal modeling.**

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 may create through terraces with better layout and room sizes which would meet (potentially exceed) the Decent Homes Standard. Consultant Architects (West & Machell) working in the Harehills area of Leeds have estimated that the remodeling of two back to backs to form 1 family house would cost £65,000 per conversion in construction costs alone. The cost of remodelling all 53 properties in the target area, including acquisition and conversion costs, is estimated at £6,495,750 (see Appendix 4).

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 £3.9m. It is also doubtful whether **long term** demand exists even after conversion. Whilst this option may address some of the issues with poor conditions and potentially the lack of gardens as raised by some residents (see Appendix 3); it cannot address issues of poor housing mix, over density or poor environment and amenity. It is highly questionable whether such extensive works and expenditure would be cost effective, justifiable, or sustainable when compared with other options.

In view of the high costs involved, the fact that limited funding is currently available from RHB, and that regeneration priorities in other areas of the city require funding this option has been ruled out as a viable option on the grounds of affordability.

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

3.7.1 The properties which are the subject of the proposals contained within this report are in the main type 2 back to back terraced properties (i.e open directly onto the street without any private external space)

3.7.2 Acquisition of the 32 privately owned properties within the target area and clearance of all 53 properties would form the first phase of the longer term strategy to commence transformational change of the area and provide a catalyst to the regeneration of the wider area.

3.7.3 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 £000
A	Do minimum to meet legal conformity	249
C	Acquisition and redevelopment of the site for housing	2598

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.

- 3.7.4 Option C (Acquisition, clearance and redevelopment) scores highly against each objective as outlined in paragraph 3.3. Clearance and redevelopment facilitates, as one option, 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.
- 3.7.5 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.

4 Implications For Council Policy And Governance

- 4.1 The Leeds Housing Strategy has identified the regeneration and renewal of areas with frail housing market conditions, poor quality or obsolete housing and issues with multiple deprivation as a key priority. This has also been identified as a key priority both in the Regional Housing Strategy and the West Yorkshire Housing Strategy. This proposal forms part of a housing market renewal component of the comprehensive regeneration programme for Holbeck.

If the acquisition of privately owned properties is approved valuations will be carried out on each individual property by a chartered surveyor to determine its current market value.

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 councils ability to reach an agreement on the purchase price with owners.

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.

4.2 Consultation

- 4.2.1 During July 2006 attempts were made by Council officers to contact and visit **all residents** whose homes are directly affected by the proposals. These visits established that of the 53 properties in the target area 9 are currently unoccupied. Of the remaining 44 face to face interviews were carried out with 36 householders.
- 4.2.2 Attempts were also made to make contact with the private landlords in the area, of which there are 26. 10 private landlords have responded and all of the 6 owner occupiers in the area have been contacted and face to face interviews conducted.
- 4.2.3 Details of the results of the questionnaires are set out in Appendix 3. In summary, 15 out of 36 residents who responded were either dissatisfied or very dissatisfied with the area and 18 out of 36 respondents were in favour of demolition. 9 of the 36 respondents stated that they would not favour demolition. In addition 5 of the 10 private landlords who responded stated that they would not favour demolition.
- 4.2.4 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.
- 4.2.5 If approval is secured to acquire and demolish these properties a number of methods will be utilised by Council officers in order to ensure that residents and stakeholders have the opportunity to be involved and informed:-
- Existing arrangements already in place to consult with and involve local residents will be utilised wherever possible. I.e. Area Forums and local community action groups.
 - Regular liaison between project officers and the officers of LSH and other RSLs will ensure that rehousing of residents is co-ordinated effectively.
 - Regular written updates for, residents and property owners in the form of a newsletter and briefing notes for Ward members, MP for Leeds Central, ALMO officers and Housing Associations.
 - A suite of information leaflets is available to advise residents of the procedure and the assistance, including compensation, which is available to them.
 - If required local surgeries will be held in the area to ensure that project officers are easily accessible to residents and stakeholders. In addition this will encourage the development of trust resulting from personal contact.

5 Legal And Resource Implications

- 5.1 The estimated scheme costs of £2.8m are detailed at Appendix 4. This estimate includes acquisition of the 32 privately owned properties; compensation and disturbance payments for owners and private tenants, and site clearance including temporary work to secure the site.

- 5.2 The preference is to acquire properties by agreement with the property owners. A compensation package equivalent to that which would be available in the event of a Compulsory Purchase Order being made will be offered to residents and owners. Details of the compensation payments available to which owners and tenants may be entitled are outlined at Appendix 5. Legally, termination of a commercial lease is permissible with 6 to 12 months notice and payment of 1 or 2 times the Rateable Value of the premises. However, historically in such circumstances compensation has been paid to leaseholders of Council owned retail premises in line with those payable in the event of a CPO.
- 5.3 Negotiations to acquire the privately owned properties will be undertaken by Council officers. The aim will be to conclude acquisition of all properties and rehousing of all residents prior to commencement of site clearance for the sake of financial prudence. However, management of the partially vacated site will be carefully monitored to ensure that safety and security is maintained for the remaining residents. A provisional timescale has been devised with the aim of acquiring and securing vacant possession of all properties by early in 2008, with demolition taking place March/April 2008.
- 5.4 Although the preference is to acquire properties by agreement with owners, ultimately, if agreement cannot be reached, authorisation is sought from Executive Board to make any necessary Compulsory Purchase Orders. 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. These powers are intended to help authorities to assemble land where this is necessary to implement the proposals in their Community Strategies and where the proposed development, redevelopment or improvement is likely to contribute to achieving the promotion of the economic, social and environmental well-being of an area. This report seeks authorisation from Executive Board to make and promote any necessary compulsory purchase order required as a last resort in the event that voluntary agreement cannot be reached with owners to sell.
- 5.4.1 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 Acts in paragraph 5.4 above are considered to be compatible with the Human Rights Act

5.5 Risks

- 5.5.1 A contingency fund of £34,530 is available to cover potential overspend on this project; 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.
- 5.5.2 While the intention is to acquire the 32 privately owned properties in this area with the agreement of owners there is always the possibility that Compulsory Purchase action may be required in the event of an inability to reach agreement. Eight out of the sixteen owners who responded to the questionnaire were not in favour of demolition. 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.

- 5.5.3 If this project is delayed due to a requirement for CPO or due to any other issue, there is the risk that funding could be lost. In addition the success of the Leeds Housing Partnership to secure further funding from the RHB may be jeopardized by failure to deliver on current projects. However, in order to ensure that these risks are minimized a compensation package equivalent to that which would be payable if a Compulsory Purchase Order was in place is offered to owners. Valuations are carried out by independent chartered surveyors in an attempt to demonstrate the Councils fairness and impartiality and thus gain the trust of owners.
- 5.5.4 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.

6 Conclusions

An allocation of £8 million has been secured from the Regional Housing Board for the purpose of tackling poor quality, pre 1919 housing stock in the priority regeneration areas of Beeston Hill and Holbeck. It was agreed at the Executive Board meeting of 17 May 2006 that £2.95m of this funding be used to tackle poor quality, obsolete housing in Holbeck. Three options have been considered for the target area encompassing 53 back to back properties. The option appraisal has identified Option C - acquisition, clearance and ultimately redevelopment of the site as the preferred option. This option is considered to be the most effective as it will complement and add value to other regeneration initiatives ongoing in the area. Of the three options acquisition, demolition and redevelopment will make the most effective contribution to local and regional strategic aims. Consultation with local stakeholders has identified a majority view which is not opposed to acquisition and demolition.

It is envisaged that the proposals within this report will form the first of a number of phases focused on the area outlined on the plan at Appendix 1 of this report which will contribute to the regeneration of Holbeck. This of course is subject to further consultation, the allocation of further funding and approvals. The menu of interventions proposed as part of this strategy will include not only acquisition and clearance but also enveloping schemes to improve the external fabric of properties and remodeling to improve the internal layout but yet retain the character of the area and provide diversity of property types and tenures.

7 Recommendations

Executive Board is requested to note the contents of the report and:

1. Approve the injection into the Capital Programme of £2.95m of Regional Housing Board money
2. Authorise Scheme Expenditure to the amount of £2.95m
3. Authorise officers to commence acquisition of the properties detailed at Appendix 2 by voluntary agreement with the owners. In the event that agreement cannot be reached with the owner of any property within the target area for its acquisition, authorise officers to make and promote any necessary Compulsory Purchase Orders.

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