

Report of Director of City Development

Report to Executive Board

Date: 7th November 2012

Subject: Disposal of Richmond Court Hostel, LS9, to Yorkshire Housing for affordable housing redevelopment.

Are specific electoral Wards affected? If relevant, name(s) of Ward(s): Richmond Hill and Burmantofts	<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: 10.4(3) Appendix number: 3	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Summary of main issues

Richmond Court was until recently used as a hostel for homeless families. The site was declared surplus to operational requirements by the Director of Environment and Neighbourhoods on 21st April, 2011. Following its closure in August 2011 the property was transferred to Corporate Property Management to manage prior to disposal. Housing Associations operating in the city have been approached with the aim of assessing interest in the site for the provision of affordable homes. Yorkshire Housing has expressed a strong interest in acquiring the site. Yorkshire Housing has an option to purchase the adjacent privately owned and vacant Butterfield Manor, which was sold to a private developer in 2009 and is currently on the Council's derelict sites list. They intend to develop the subject site in conjunction with the Butterfield Manor site to provide 37 units of affordable family accommodation. This proposal, however, is dependant on Yorkshire Housing being able to obtain the Richmond Court site for less than best consideration. Yorkshire Housing have also stated that it would not be financially viable for them to develop Richmond Court in isolation.

Recommendations

Executive Board is requested to approve the sale of Richmond Court to Yorkshire Housing at a less than best consideration as detailed in the attached confidential appendix, to facilitate the redevelopment of a new affordable housing scheme of 37 units of family accommodation.

1.0 Purpose of this report

- 1.1 This report sets out the options considered for the redevelopment of the Richmond Court site and seeks approval from Executive Board to dispose of the site at less than best consideration to ensure the financial viability of the scheme. This will facilitate the redevelopment of the combined sites to provide 37 units of family accommodation, 18 of which will be provided on the Richmond Court site.

2.0 Background information

- 2.1 Richmond Court was until recently used as a hostel for homeless families. The site was declared surplus by the Director of Environment and Neighbourhoods on 21st April 2011 and the facility closed in August 2011. Adjacent to the site lies the vacant Butterfield Manor, formerly a City Council aged persons home. This facility was replaced with a 40 unit extra care housing scheme provided by Anchor HA on a site nearby in 2001. Butterfield Manor was sold by the Council to the current owners in 2009 for £330,000 plus fees. However, the site has remained vacant and undeveloped and is on the Council's derelict sites lists. These sites are located within the East Leeds regeneration area.
- 2.2 Following the closure of Richmond Court in August 2011, an option to reconfigure and refurbish the existing buildings to provide individual general needs housing was considered by East North East Homes (ENEH). However, it is estimated that the necessary works would cost approximately £1m and design challenges meant that the resultant scheme would be poorly laid out and of a poor design.
- 2.3 In August 2011, housing associations operating in the City were approached to obtain expressions of interest in the site for the provision of affordable homes. Of the associations approached, only Yorkshire Housing has expressed firm interest in redeveloping the site. Yorkshire Housing's proposal to develop the subject site in conjunction with the Butterfield Manor site over which they have an option to purchase. Their proposals are based on the clearance of both sites and building 37 new units of family accommodation for affordable rent.

3.0 Main issues

There are 3 options considered for the future of the scheme;

3.1 Option 1 – Remodelling the existing scheme for general needs housing

The existing hostel scheme consists of a purpose built range of buildings designed to provide secure accommodation for homeless families and comprises a reception area with administration offices, storage space, a common laundry facility and a communal room. The living accommodation comprises 12, self-contained 2 storey houses and 8 one bed roomed flats. The hostel was constructed in the 1990s and all the buildings surround two linked private courtyards which can only be accessed via the reception area or through secured gates. Heating for the buildings was provided by a communal heating system housed within a separate building. Initially, it was considered that with some reconfiguration and refurbishment, Richmond Court could be converted to provide individual general needs housing and ENEH was asked to consider taking over the scheme for this purpose. However, the

scope of the works, which would also include replacing the communal heating facility with individual heating systems, was estimated to cost in the region of £1m. The layout of the existing buildings around a central paved courtyard would also present difficulties in terms of access and the provision of private gardens for each new home. Consequently, ENEH declined to take over the property as the high costs involved meant that this project was considered financially unviable and represented poor value for money.

3.2 Option 2 – Disposal of the site on the Open Market

- 3.2.1 The hostel has been closed down and declared surplus to operational requirements. It could be offered for sale on the open market for redevelopment in order to raise a capital receipt to support the Council's Capital Programme. It is assumed that a developer would undertake the demolition of the existing buildings and that planning permission would be obtained for a residential development. Whilst this option could potentially generate a Capital Receipt and introduce a different tenure mix to this part of Leeds, this option is considered unrealistic in the short to medium term. Given the stagnant nature of the residential property market there is no certainty that there will be any demand for this property. This can be evidenced by the failure of the private sector to redevelop the adjacent Butterfield Manor site since it was sold by the Council to a private buyer in October 2009.
- 3.2.2 The surrounding land uses are predominantly social housing managed by East North East Homes and housing associations, owner occupation as a result of the Right to buy, and light industrial use. These factors contribute to making the site less attractive for open market disposal. Hence, It is considered that demand for the Richmond Court site in the short to medium term will be very low and offers made to purchase the property are unlikely.
- 3.2.3 In the meantime, the Council will continue to be responsible for the maintenance and security liabilities relating to this property. As of September 2012, £79,000 has been spent on securing and maintaining Richmond Court since its closure. An annual cost of at least £25,000 is anticipated year on year until the site is disposed of. These costs are simply to ensure that the building remains secure and to cover Council Tax which will continue to increase annually with inflation, no allowance has been made for costs arising from dilapidation of the building over time. In addition there is the potential for reputational damage to the Council from the negative publicity associated with vacant vandalised buildings.

3.3 Option 3 – Disposal of the site to a Housing Association

- 3.3.1 Following the marketing exercise in August 2011, Yorkshire Housing was the only housing association to express an interest in redeveloping the Richmond Court site. Yorkshire Housing have an option to acquire the adjacent Butterfield Manor which they wish to pursue in order to redevelop the site in conjunction with the Richmond Court site. The combined development will provide 37 units of family accommodation, 18 of which will be provided on the Richmond Court site. The proposed development will consist of 18 two bed roomed and 19 three bed roomed houses all for rent via nominations from the Leeds Homes Register. The

development will also achieve Code Level 3 for Sustainable Homes and be Secure by Design compliant.

- 3.3.2 The 18 units at Richmond Court will be let at 'Social Rent Plus' and range from £91 per week for the 2 bed properties to £97 per week for the 3 bed properties. The properties on the Butterfield Manor site will be let at an affordable rent (i.e. 80% of market rent) and 50% of the units on this part of the combined site will be allocated to applicants via nominations from the Leeds Homes Register .
- 3.3.3 Yorkshire Housing has secured funding from the Homes and Communities Agency (HCA) and entered into a contract to deliver 500 affordable homes throughout the Leeds City Region over the lifetime of the current affordable homes programme (2011/15) and considers Richmond Court as a potential opportunity to provide some of these units.
- 3.3.4 Yorkshire Housing has provided to the Council a copy of the detailed financial appraisal of the proposal which was provided to the HCA as part of their funding application. Yorkshire Housing has demonstrated that the proposed development is only financially viable if they purchase the Richmond Court site for a less than best consideration. Yorkshire Housing has also confirmed that it would not be financially viable for them to develop Butterfield Manor in isolation and they would not, therefore, take up their option to acquire Butterfield Manor unless they can also acquire and redevelop Richmond Court. LCC officers have been provided with their financial viability and have confirmed that Yorkshire Housing's proposal is only viable if Richmond Court can be obtained at a less than best consideration.
- 3.3.5 The justification for disposal at less than best consideration is that the Council will obtain:
- an additional 37 units of affordable family accommodation for Leeds in this area of high housing need;
 - 100% Nomination rights for the Council on all 18 units redeveloped on the Richmond Court site at 'first let' and 75% for subsequent lettings;
 - 50% Nominations rights for the Council on the 19 units redeveloped on the Butterfield Manor site;
 - a comprehensive redevelopment of both sites which will also resolve the issue of the vacant and derelict Butterfield Manor site which is currently on the Council's derelict sites list;
 - a significant saving on security and maintenance costs. Costs to date stand at £79,000 and further annual costs of around £25,000 are anticipated year on year until the site is disposed of.
- 3.3.6 It should also be noted that the Council has already benefited from the sale of Butterfield Manor which was sold by the Council to the current owners in 2009 for the sum of £330,000 plus fees.
- 3.3.7 The programme for the proposed redevelopment of the site, subject to Executive Board Approval, is for the planning application to be made from January 2013 and subject to planning approval, the site will be disposed of in April/ May 2013. Demolition and clearance of the site will take place from May 2013 and start on site

is anticipated for March 2014, with completion due in March 2015 in order to claim the HCA funding.

- 3.3.8 Option 3 is the recommended option because it secures the redevelopment of an eyesore site and provides 37 affordable homes for rent over which the Council will be granted nomination rights.

4.0 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 Ward Members have been consulted and are supportive of the proposal subject to Executive Board approval and public consultation.
- 4.1.2 Public consultation will be held following Executive Board Approval prior to the submission by Yorkshire Housing of a planning application.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 An equality, diversity, cohesion and integration screening exercise has been carried out in relation to the proposals contained within this report. This has affirmed that the relevant issues have been effectively considered in relation to this proposal and that a full Impact assessment was not required. The EIA screening is attached in the Appendix 2.

4.3 Council Policies and City Priorities

- 4.3.1 The redevelopment of Richmond Court and Butterfield Manor site to provide 37 units of family accommodation would meet the aspirations identified in the 'Vision for Leeds, 2011 – 2030' to provide sufficient housing, including affordable housing that meets the needs of the community.
- 4.3.2 In line with the 'City Priority Plan – 2011 – 2015,' the redevelopment will maximise regeneration investment to increase housing choice and affordability within sustainable neighbourhoods.
- 4.3.3 The redevelopment proposal will increase the provision of new, good quality affordable homes in the City within a target regeneration area.

4.4 Resources and Value for Money

- 4.4.1 The sale of the Richmond Court site at a less than best consideration to Yorkshire Housing will result in the Council receiving a reduced capital receipt, as detailed in the attached confidential appendix. However, the sale will facilitate a £2.4m HCA grant assisted redevelopment and provide an additional 37 units of affordable, family accommodation.
- 4.4.2 The disposal of the site to Yorkshire Housing will also remove the long term maintenance costs and liabilities associated with maintaining vacant buildings and the site for the Council.

4.5 Legal Implications, Access to Information and Call In

- 4.5.1 Section 32 of the Housing Act 1985 provides that local authorities cannot dispose of land which they hold for the purposes of Part II of that Act without the consent of the Secretary of State. Section 25 of the Local Government Act 1988 provides that a local authority cannot provide any person with financial assistance for privately let housing accommodation without the consent of the Secretary of State. It is proposed that the land be disposed of using a general consent given by the Secretary of State, such consent being General Consent A under section 25 of the Local Government Act 1988 for the Disposal of Land to Registered Providers of Social Housing 2010 ('the Consent'). The consent also operates as a consent for the purposes of Section 32 of the Housing Act 1985. The Consent provides that a local authority may provide a registered provider (within the meaning of Part 2 of the Housing and Regeneration Act 2008) with financial assistance or any gratuitous benefit consisting of the disposal of land to that registered provider for development as housing accommodation subject to a number of conditions.
- 4.5.2 The Head of Property Services confirms that the aggregate value of assistance provided by the Council by the proposed disposal and any gratuitous benefit or financial assistance provided previously by the Council under the Consent in the current financial year has not exceeded the limit of £10 million as prescribed by the Secretary of State and Legal Services have therefore confirmed that the conditions provided by the Consent are met in relation to the proposed disposal and that consent for the disposal of the site and the provision of financial assistance by way of a disposal at less than best consideration is given by The General Consent under Section 25 of the Local Government Act 1988 for the Disposal of Land to Registered Providers of Social Housing 2010.
- 4.5.3 The information contained in Appendix 3 attached to this report relates to the financial or business affairs of a particular person, and of the Council. This information is not publicly available from the statutory registers of information kept in respect of certain companies and charities. It is considered that since this information was obtained through one to one negotiations for the disposal of the property/land then it is not in the public interest to disclose this information at this point in time. Also it is considered that the release of such information would or would be likely to prejudice the Council's commercial interests in relation to other similar transactions in that prospective purchasers of other similar properties would have access to information about the nature and level of consideration which may prove acceptable to the Council. It is considered that whilst there may be a public interest in disclosure, much of this information will be publicly available from the Land Registry following completion of this transaction and consequently the public interest in maintaining the exemption outweighs the public interest in disclosing this information at this point in time. It is therefore considered that this element of the report should be treated as exempt under Access to Information Procedure Rule 10.4 (3).

4.6 Risk Management

- 4.6.1 The sale of Richmond Court to Yorkshire Housing at a less than best consideration will result in the Council forgoing a proportion of the anticipated capital receipt.. However, due to the state of the residential property market, there is no certainty

that there will be any demand for this property, as evidenced by the fact that the adjacent Butterfield Manor has remained undeveloped since its purchase from the Council in October 2009. Furthermore, a potentially lengthy period of marketing is likely to lead to the further deterioration of the property, risk of vandalism and associated security costs. LCC may also incur further costs should demolition of the buildings prove necessary.

- 4.6.2 The Council will still receive a lower capital receipt, as detailed in the attached confidential appendix despite the current stagnant housing market. It is unlikely that there will be any other potential developer coming forward in the near future for this site and LCC will lose the potential HCA investment in this funding round and the resultant 37 new affordable houses with nomination rights if the sale to Yorkshire Housing is not pursued.
- 4.6.3 There is a risk that Yorkshire Housing's proposed scheme will not obtain planning permission. This risk will be mitigated by Yorkshire Housing undertaking public consultation events and having pre-application meetings with Planning and Highways Services Officers prior to submitting the planning application.

5.0 Conclusions

- 5.1 The proposed option 3, detailed above, to dispose of Richmond Court to Yorkshire Housing at less than best consideration in order to redevelop the property in conjunction with the adjacent Butterfield Manor for affordable housing will release the Council from its obligations for the maintenance and repair of a vacant building which suffers from the effects of vandalism and anti social behaviour. Both sides are targeted under the derelict and nuisance sites initiative. The Council will receive a reduced capital receipt but will gain nomination rights on 37 new houses and will therefore provide housing for 37 families from its waiting lists. Accepting this proposal will be acting in support of the Council's policies and strategic priorities.
- 5.2 The impact of 37 new family units on the infrastructure and services in the area is relatively small scale but will be taken in to account in due course when the scheme comes forward with the planning application.

6.0 Recommendations

- 6.1 Executive Board is recommended to approve the sale of Richmond Court to Yorkshire Housing at a less than best consideration as detailed in the attached confidential appendix, to facilitate the redevelopment of a new affordable housing scheme of 37 units of family accommodation.

7.0 Background Documents¹

- 7.1 None

¹ 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.

8.0 Appendices:

Appendix 1 - Site Plan, Richmond Court, Walter Crescent, LS9

Appendix 2 – Equality Impact Assessment Screening.

Appendix 3 – Confidential Terms of the Disposal.