

## **1. Background**

- 1.1. An initial options appraisal for these five blocks was carried out in summer 2022, following the identification of the significant investment work needed to bring them up to an appropriate standard, including intrusive and costly strengthening works.
- 1.2. This has included extensive work within Housing Leeds and City Development to estimate rehousing and building emptying costs, commission technical advice on refurbishment and on demolition and new build, and secure other relevant information including rent and building running costs. Finance colleagues have been closely involved and have modelled the outcomes.

## **2. Options Considered**

2.1. Two key options were appraised for the future of the blocks. These all involve rehousing residents before major work starts on unoccupied buildings.

- Option 1 Full Refurbishment
- Option 2 Demolition for redevelopment with new build council homes

2.2. Other options considered but discounted for further activity include:

- Do nothing / minimum. This would not address the need for structural improvements to be made to these blocks, and mean that we could not make any significant improvements to improve energy efficiency for residents or undertake repairs and maintenance that represent value for money.
- Managed decline and demolition. As above but greater impact on residents, and does not meet our values as a good council and landlord including to maintain our buildings.
- Structural refurbishment only: Would not address additional recognised investment needs.
- Refurbishment with residents in-situ (with some temporary decanting). Not advised by our technical consultants as appropriate for these blocks, for safety and given the scale and length of works activity and disturbance.

2.3. The principal areas of focus in the appraisal to achieve best value are:

- Costs and affordability. Making the best use of our resources.
- Alignment with council ambitions, policies and plans. These specifically include residents living in good quality and affordable homes, meeting affordable housing need and housing growth, for residents to be safe and feel safe, improving energy performance in homes and reducing fuel poverty and progress towards carbon neutrality.
- Risk.

## **3. Assumptions**

3.1. The financial modelling incorporated a range of assumptions for costs for rehousing and building emptying, refurbishment and demolition and new build, as well as in

relation to timescales for delivery, inflation and interest rates, rental incomes and losses, and temporary savings on maintenance costs during works.

- 3.2. Refurbishment, and demolition and new build costs, have been developed based on summer 2022 early stage costs plans from our technical consultants.
- 3.3. Inflation has been increasing the cost of construction and the cost of borrowing has also been increasing. Forecasts are uncertain, including from ongoing impacts on the market from Covid, Brexit, and the war in Ukraine. Inflation has been estimated as 8% for year 1 and 4% for year 2 onwards. 10% client contingency allowance was included on construction related costs including surveys for prudence, given estimates reflect an early stage of plans with low levels of design information currently available and significant uncertainties that remain to be addressed and quantified.

#### **4. Option 1 – Full refurbishment**

- 4.1. Once blocks are empty, the refurbishment option would be to undertake structural strengthening works together with external wall insulation, and other necessary investment work (for example fire safety works as needed, sprinkler installation, communal rewires, re-roofing, waste stack replacement, heating, kitchens, bathrooms, windows and doors) to prolong the life of the blocks. The type of structural solution advised by our technical consultants is to use a robust 'exoskeleton' approach. Effectively to create a steel external framework to which walls are tied, plus extensive strengthening of the walls and floors of flats as needed.
- 4.2. It is estimated to take between three and four years to complete (depending on the site and number of blocks involved), once blocks are empty. New homes could be ready at Gipton Gates in 2028, and Alderton Heights in 2029.
- 4.3. *Costs and affordability.* This is the most costly option, is not affordable (payback is not achieved within 100 years), and is not considered value for money. The indicative cost is approximately £130m, averaging at £26m per block.
- 4.4. *Council ambitions.* Refurbishment would re-provide the same number and types of units in each block i.e. a total of 300 units (50% one bedroom flats and 50% two bedroom) and improve the overall quality of homes. However, the refurbished flats and block would continue to be of the same configuration – limiting the opportunity to adjust property type to local needs. Also limited would be changes that could be made to meet modern standards and current legislation that would apply to new buildings, including in relation to accessibility and fire safety. The addition of external wall insulation to these buildings has also been highlighted as significantly reducing light levels in the flats (potentially by 25%) and narrowing balcony space.
- 4.5. In relation to carbon and energy efficiency, refurbished flats and blocks would be more energy efficient than at present, but less so than new build, given inherent issues such as cold-bridging and limitations on space and access. Use of renewables in new heating has not been factored into costs at this stage, although options are expected to be limited by both space and impact on structural loading.
- 4.6. The nature of structural works and refurbishment activity would involve similar preparatory strip out work to that needing to be undertaken for demolition, however by retaining the building shell some carbon would remain embodied in the building.
- 4.7. *Risk.* After the disruption and costs, the buildings will still fundamentally be 1960's large panel system high rise and need a 15 year intrusive inspection regime of the structure as well as continued building risk management activities. There are also no guarantees that the buildings will have an additional 40 years or more life, future

inspection surveys may identify further deterioration and corrosion within the existing concrete structure requiring further repairs and strengthening works.

- 4.8. This is also the most risky option in terms of costs and delivery. There are significantly greater construction and financial risks of carrying out complex strengthening work to a 60 year old LPS building, compared to a new build construction or normal building refurbishment. There is expected to be low industry appetite for works of this nature and complexity, which may create difficulties in finding a contractor or specialist subcontractors, and the risk of delay or project cancellation due to design and/or construction difficulty or identification of further building defects.

## **5. Option 2 – Demolition and redevelopment with new build council homes**

- 5.1. Once blocks are empty, demolition would be undertaken using a top-down deconstruction approach, floor by floor, given the nature of the blocks. New build homes would be developed by the council, procuring a contractor for delivery, to deliver new high density housing with, at minimum, the same number of units to be rebuilt on each site. New homes would be expected to be mainly a mix of one bed and two bed apartments, with a greater proportion of one bedroom units, and rented at an affordable rate (80% of market rents).
- 5.2. As option 1, it is also estimated to take between three and four years to complete (depending on the site and number of blocks involved), once the blocks are empty. New homes could be ready at Gipton Gates in 2028, and Alderton Heights in 2029.
- 5.3. *Costs and affordability.* This option would also be costly. On a like for like replacement the indicative cost is approximately £100m, averaging at £20m per block. It could payback within a 60 year borrowing period, but the council would not be able to benefit from use of Right to Buy receipts - these could only be used towards additional numbers of homes on a site. Better affordability and improved payback periods would be achieved if unit costs could be reduced, and / or increased numbers achieved on the sites. Other external funding options would be limited, but under certain development scenarios there is the possibility that additional external funding may be more accessible to third parties.
- 5.4. *Council ambitions.* Council new build would enable the reprovision of new council homes on these sites that would meet or exceed current standards and would have a minimum of 60 years life. It would enable the right type of high density housing to be developed for these locations informed by local housing needs, potentially increasing the city's provision of one bedroom properties. If a greater total numbers of homes can be provided it will also support housing growth.
- 5.5. These would be good quality, modern and energy efficient units, predominantly expected to be in high-rise buildings, and in line with all current standards including accessibility and use of renewable energy. The current Leeds Standard – a carefully selected mix of legal, environmental, design and construction standards and specifications – would be reviewed for use as part of any design briefs.
- 5.6. Recycling construction and demolition waste reduces environmental impacts, and the council would look to maximise this when buildings are demolished, retaining for re-use onsite where appropriate and minimising waste to landfill.
- 5.7. *Risk.* The key risk in relation to this option is in relation to the development potential for each site, which would need to be explored in greater detail by undertaking detailed site surveys, consultation on local housing needs, and working closely with officers from the Local Planning Authority.

5.8. Affordability is also a concern. There is a risk that the scale of investment needed in these sites could affect the delivery of other housing priority activity.

## **6. Conclusions**

- 6.1. The full refurbishment option should be discounted. This would be the highest cost, least affordable, and most risky approach with uncertainty including the additional extra years of building life that could be expected.
- 6.2. Developing new modern affordable housing on the sites, after rehousing residents and demolishing the existing buildings, would be a lower cost and a lower risk approach. It would provide homes with at least a 60 year life, that were more energy efficient than a refurbishment could achieve, and meet all current quality and safety standards.
- 6.3. As further detailed work is needed to inform the development potential and robust costs for each site and scheme affordability, a start should be made now to rehouse residents and empty the buildings for subsequent demolition. In parallel activity should be progressed to enable an appraisal of development options for each site to inform preferred options for decision making.
- 6.4. As well as working with stakeholders including Planning, this should include consideration of whether for any sites it would be appropriate for the land to be sold to a third party to develop with affordable homes, with any appropriate restrictions or options, or consideration of a joint venture partnership. This could enable other Registered Providers of Social Housing to bring Housing England or Affordable Housing grant or their own or other resources to enable development.
- 6.5. It should also consider inclusion of any other appropriate accompanying sites.