

MAIDSTONE BOROUGH COUNCIL

RECORD OF DECISION OF THE EXECUTIVE

Decision Made: 25 January 2023

Property Acquisition for 1000 homes programme (Bridge)

Issue for Decision

The development strategy to deliver 1,000 new affordable homes was agreed by the Policy and Resources Committee on 19th January 2022. As part of the agreed strategy, there is an expectation that 50% of affordable homes delivered will be from non-council owned urban brownfield sites.

As part of this programme an opportunity to purchase a town centre site has arisen. The site has an existing planning permission in place for the development of 19 residential units to include 6 x 1 beds and 13 x 2 bed apartments along with associated parking and landscaping.

Once built it is the intention to let the units as Affordable rent units set at 80% of market rent and capped at Local Housing Allowance levels.

The Committee is being asked to consider the freehold acquisition of the site, before being passed to the Executive to approve the purchase of the proposed freehold acquisition.

Decision Made

1. That the financial returns for the proposed acquisition as shown in Exempt Appendix 2 of the report, which supports the Housing Development and Regeneration Investment Plan and overall Development Strategy, be approved.
2. That the Director of Finance, Resources and Business Improvement be granted delegated authority to:
 - a) Negotiate terms for the purchase of the proposed acquisition for the sum as shown in the Exempt Appendix 2 of this report.
 - b) Procure and enter into all such deeds, agreements, contracts and documents which may be required to facilitate the purchase of the site, and the subsequent redevelopment works required to deliver the scheme referred to in this report. Including (but not limited to) any related appointments such as a suitably qualified consultants and Contractor.
 - c) Subject to satisfactory conclusion of all due diligence to negotiate and finalise and complete all legal formalities, deeds and agreements which may be required to facilitate the purchase.

3. That the Head of Mid Kent Legal Services be authorised to appoint Solicitors to negotiate and complete the necessary contract documentation, deeds and agreements associated with the purchase and construction works on the terms as agreed by the Director of Finance, Recourses & Business Improvement.
4. That, post completion of the procurement process to appoint a contractor, to bring forward for approval a detailed project delivery and investment plan (prior to the development itself commencing).

Reasons for Decision

- 1.1 As covered under the planning section an application was submitted by the vendor in 2020 and subsequently approved in 2021 to build 19 residential units to include 6 x 1 beds and 13 x 2 bed apartments together with associated car parking, cycle storage and landscaping.
- 1.2 The site lies on the western edge of the Town centres close to Maidstone West Railway station. The site is considered a highly sustainable location with good access by foot and cycle to a number of services in close proximity. There are also a high number of easily accessible bus services just a short walk from the site.
- 1.3 The surrounding area is a mix of uses, including commercial, retail, leisure, healthcare and residential. The site itself is relatively small at circa 0.12 ha and currently comprised of a retail store at ground level with fitness use at first floor and to the rear. All tenants have now vacated the premises. A surface car park is located to the west of the site which provides parking for around 29-30 cars in unmarked bays, used for staff and customers and is accessed directly off Tonbridge Road. At this point the carriageway is one way westbound.
- 1.4 The proposal seeks to demolish the existing site and provide a part 3/4 storey building providing 19 apartments with 14 car parking spaces, two of which will be electric vehicle charging spaces. The development will benefit from the use of photovoltaic panels which will be fitted to the roof. There are 20 Cycle parking spaces proposed with secure storage area. Six of the two bed units have access to private amenity space in the form of balconies although the remaining units do not. An offsite contribution towards improvements to existing open space has been secured through the S106. The planning site layout for this development is shown at Exempt Appendix 1.
- 1.5 The existing planning permission for the site has no requirement for the provision of affordable homes. The S106 does contain a viability review mechanism which is to be carried out during construction and prior to completion of the 2nd floor slab. This review mechanism will determine if any affordable homes can be delivered on site or a commuted sum payment required.
- 1.6 It is proposed the development will be delivered as 100% affordable housing, comprising of affordable rent. Also contained within the S106 is a maximum threshold of affordable units to be delivered on site which is only 6

units. This is not in line with our proposals as outlined above. We are therefore intending to seek a deed of variation to remove this cap on the number of affordable homes being delivered on site.

1.7 Should the deed of variation not be obtained then the fallback position would be to proceed with the purchase and deliver 14 market rented units and 5 affordable rented units (all located on a separate floor to the market rented units) which would be allowed under the existing planning permission and S106. The scheme has been designed to national space standards. The homes will be built to MBC standard specification for Affordable Rent.

1.8 The Councils offer for the proposed acquisition for the freehold of the site has been accepted (subject to committee approval, satisfactory contract, and RIC's Valuation). The offer was based on a desktop valuation based on Market Sales values and Market rents in the area.

Plot	Accommodation	Unit Size		Market Rent PCM	Total Gross Rent per unit /per annum capped at LHA rates	Mixed Tenure Gross Rents
		M2	Sq Ft			
1	1B2P	50	538	£ 700	£ 7,850	£ 7,850
2	2b4P	70	753	£ 900	£ 9,843	£ 9,843
3	2b4P	70	753	£ 900	£ 9,843	£ 9,843
4	2b4P	70	753	£ 900	£ 9,843	£ 9,843
5	1B2P	50	538	£ 700	£ 7,850	£ 7,850
6	1B2P	50	538	£ 700	£ 7,850	£ 8,400
7	2b4P	70	753	£ 900	£ 9,843	£ 10,800
8	2b4P	70	753	£ 900	£ 9,843	£ 10,800
9	2b4P	70	753	£ 900	£ 9,843	£ 10,800
10	2b4P	70	753	£ 900	£ 9,843	£ 10,800
11	1B2P	50	538	£ 700	£ 7,850	£ 8,400
12	2b4P	70	753	£ 900	£ 9,843	£ 10,800
13	2b4P	70	753	£ 900	£ 9,843	£ 10,800
14	2b4P	70	753	£ 900	£ 9,843	£ 10,800

15	2b4P	70	753	£ 900	£ 9,843	£ 10,800
16	2b4P	70	753	£ 900	£ 9,843	£ 10,800
17	2b4P	70	753	£ 900	£ 9,843	£ 10,800
18	1B2P	54	581	£ 700	£ 7,850	£ 8,400
19	1B2P	54	581	£ 700	£ 7,850	£ 8,400
Totals		1218	13111	£ 190,800	£ 175,063	£ 186,830

1.9 A full schedule of accommodation along with the estimated market rent per unit, per calendar month (PCM) and subsequent total gross rent per unit, per annum (PA) capped at Local Housing Allowance Levels, is summarised below:

1.10 All the affordable housing will be let as Affordable Rented Homes with rents set at 80% of market rent but capped at the local housing allowance levels as shown in table above. The homes will be let to households on the Councils Housing register in accordance with allocations scheme policy.

1.11 The Council have recently concluded the procurement process to appoint suitably experienced and qualified companies to carry out a number of professional specialist consultancy services to support our ambitious housebuilding programme. Part of these specialist services comprise of Employers Agent, Cost Consultancy, Principal Designer and Clerk of Works all of which will be required for this project. The Council will therefore utilise the services of the appointed consultancy firm (Calfordseaden) for these areas of works.

Financial Returns and Commitments

1.12 Option 1 -All Affordable Rent

For the all affordable rent option the total Gross Rent for the Scheme and subsequent total Net rent for the scheme after the deduction of allowance (before inflation and interest) is £175,063 and £161,419 respectively. Exempt Appendix 2 shows the relevant scheme financial summary.

1.13 The overall returns are reasonable, especially in terms of affordable housing. However, the costs ratio is above the required level mainly due to the unprecedented increase in build costs seen recently in the Southeast which has been seen on a number of site appraisals recently.

1.14 It is proposed the part of the total scheme Costs (£5,408,753) will be funded with £950,000 coming from Homes England grant funding through continuous market engagement bid process for the affordable homes programme 2021-2026, and a sum of £304,000 from the Brownfield Land Release Fund (BLRF). The remaining estimated total works cost would be funded from the existing approved capital programme to support delivery of affordable housing. This would provide a TSC /MVS of 103.9% after deduction of the BLRF monies from the works costs.

1.15 The acquisition is financially viable and meets the Councils minimum

internal financial parameters. It will provide much needed high quality affordable homes in the area.

- 1.16 These properties will be managed by MBC Housing Management Team, which is within the Housing and Community Services Department. The team will be responsible for all tenant contacts including repairs, voids, maintenance compliance and rent management.

1.17 Option 2- 14 Market Rent and 5 Affordable Rent Units

For the mixed tenure option, the total Gross Rent for the Scheme and subsequent total Net rent for the scheme after the deduction of allowance (before inflation and interest) is £186,830 and £181,134 respectively. Exempt Appendix 3 shows the relevant scheme financial summary.

- 1.18 The Council is in receipt of off-site s106 contributions for use towards the provision of affordable housing. It is proposed that part of the Total Scheme Cost (£5,500,493) will be funded with £225,000 coming from the aforementioned off-site contributions pool of monies and a sum of £304,000 from the Brownfield Land Release Fund (BLRF). The remainder of the estimated Total Scheme Cost would be funded from the existing approved capital programme to support the delivery of affordable housing. This would provide a TSC /MVS of 105.7% after deduction of the BLRF monies from the works costs.

- 1.19 The acquisition is financially viable and meets the Councils minimum internal financial parameters. It will provide 5 much needed high quality affordable homes and add to Maidstone Councils existing PRS stock in the area.

- 1.20 These properties will be managed by MBC Housing Management Team, which is within the Housing and Community Services Department. The team will be responsible for all tenant contacts including repairs, voids, maintenance compliance and rent management.

Proposed Delivery Timescale

- 1.21 Details of the proposed delivery timescale are given below. The dates should be regarded as indicative at this stage as the Council may need to extend and /or amend the timetable as necessary

Activity	Finish Date
Exchange and Completion of Contracts	February 2023
Procurement of Contractor	April 2023
Start On Site	September 2023
Practical Completion	April 2024

2. Consultation results and previous committee feedback

- 2.1 Previous committee feedback has expressed the desire for MBC to acquire potential housing led sites within the Maidstone borough to deliver housing for social housing purposes for the benefit of the local community. This proposal achieves that intention.
- 2.2 This acquisition will be considered by the Communities, Housing and Environment Policy Advisory Committee on 17 January 2023, and the Committee's comments and recommendations will be reported to the Executive.

Alternatives considered and why rejected

- 3.1 **Option 1 (REJECTED):** The Executive could choose not to approve the purchase of the proposed acquisition to the Executive. The Council would however lose an excellent opportunity to purchase a site with full planning permission with access to good transport links and amenities to add to its affordable housing stock. It will assist towards much needed affordable accommodation in the Borough and contribute towards the Council 1,000 Affordable Homes delivery target.
- 3.2 **Option 2 (APPROVED):** The Executive approve the purchase of the proposed acquisition on the agreed terms and procures the professional consultants and Contractor to help deliver the scheme. This site when built would assist with affordable housing provision, contributing towards delivering the 1,000 affordable homes target.

Background Papers

None

I have read and approved the above decision for the reasons (including possible alternative options rejected) as set out above.

Signed: 
THE LEADER OF THE COUNCIL

Full details of both the report for the decision taken above and any consideration by the relevant Policy Advisory Committee can be found at the following area of the [website](#)

Call-In: Should you be concerned about this decision and wish to call it in, please submit a call-in form signed by any three Members to the Proper Officer by: **5pm 2 February 2023**