

MAIDSTONE BOROUGH COUNCIL

**RECORD OF DECISION OF THE CABINET MEMBER FOR
REGENERATION**

CABINET MEMBER FOR REGENERATION (POST)

Decision Made: 27 August 2010

Affordable Housing Capital Expenditure

Issue for Decision

Approval of a capital allocation of £100k towards the proposed scheme at the former Lipscomb Volvo site, Cavendish Way, Bearsted will deliver 20 high-quality new affordable homes in partnership with Hyde Housing Association.

The level of funding required from the Homes and Communities Agency (HCA) towards this scheme has been confirmed, following approval of the bid at a recent bids' clinic.

Decision Made

That £100k be allocated towards the cost of the proposed scheme at the former Lipscomb Volvo site, Cavendish Way, Bearsted to part fund and provide 20 high quality new affordable homes for shared ownership, in partnership with Hyde Housing Association.

Reasons for Decision

The Council has identified high levels of housing need within the Borough. The Strategic Housing Market Assessment (SHMA) identified a net affordable housing shortfall of 1,081 dwellings per annum. This represents an increase from the figure of 962 recorded in the previous Housing Needs Survey 2005. This increase since the last Housing Needs Survey reflects that since 2005, the cost of entry level market housing has risen faster than the level of local incomes and that unemployment is now relatively higher than in 2005. There are also 3,455 applicants on the housing register as at July 2010, with a further 675 on Moat Housing Association's HomeBuy Register. In order to meet this need in part, the council agreed through its Housing Strategy and as a key priority, to enable the delivery of decent, good quality housing that people can afford.

Outline planning consent was granted on 21st September 2006 for the redevelopment of the former Lipscomb Volvo car dealership site, in Cavendish Way, Bearsted to provide 400m² of office floor space and 14

apartments together with car parking and landscaping. A reserved matters application was submitted to the council and approved on the 29th October 2007.

The permission has been implemented and substantial ground works have already been undertaken, with the development now at ground floor level. However work has ceased due to economic conditions.

The permitted scheme for this site commenced on the basis of there being an element of office floor space in the scheme which would have been marketable and of interest to local businesses. However, the developers have been advised that such commercial floor space is unlikely, in current circumstances, to be appropriate or suitable for the local commercial market. The evidence for this is the current amount of office floor space that is unoccupied or undeveloped both in this area and in Maidstone generally.

A new amended application was submitted to the council in June 2010 which proposes to change the use of the consented office space to accommodate 4 two-bedroom flats and 2 one-bedroom flats. Additional landscaping is incorporated in lieu of previously approved parking spaces which allows for a greater degree of green space within the development. The site still includes provision for 20 car parking spaces, including 2 disabled bays. There are no material changes to the design or external appearance of the building.

The previously permitted scheme had no obligation for affordable housing as it was below the policy threshold of 15 units. Due to the downturn in the housing market, the developer (Oakwood Group) has offered Hyde Housing Association the opportunity to secure the 20 dwellings on this development for affordable housing purposes, which they had originally intended to sell on the open market.

Hyde Housing Association had their offer accepted by the developer, and contracts have been exchanged for the purchase of the land. The 20 dwellings comprise 2 one-bed flats, 16 two-bed flats and 2 three-bed flats.

The new amended application is being dealt with under delegated officer authority with the recommendation for approval. There are no material concerns or objections raised through the latest consultation process. A draft s106 Agreement has also been prepared which is acceptable to all parties.

The scheme proposals will mean that 20 affordable homes will be available, providing housing for an estimated 60 local people who would otherwise be waiting for appropriate accommodation of this standard on Moat's Homebuy Register. Moat is the government's appointed Local Homebuy Agent for people wishing to live in Essex, Kent or Sussex. Homebuy helps people who cannot afford to buy a property that suits their household needs on the open market to get their first foot on the property ladder. HomeBuy also helps those people who wish to rent but cannot afford to pay private market rent rates. There are various

Homebuy products and options available, including part-buy, part-rent (shared ownership), which this scheme is providing.

Hyde also offers the 'Try Before You Buy' incentive. 'Try Before You Buy' is a way of assisting first time buyers who, because of the current housing market, are unable to obtain a mortgage. The scheme allows a new home to be rented at a discounted rent for up to 3 years before taking the opportunity to buy a share of between 25% - 75% of the property. Whilst renting the home, options will be available for the occupiers to save toward a deposit. Once they are able to obtain a mortgage to purchase a share in their home they can do so through the part-buy, part-rent Homebuy scheme.

A recent report (as of June 2010) by Moat showed that Maidstone had the second largest number of active registered applicants (675) within Kent, who have specifically expressed an interest in Homebuy properties within the Maidstone area. A total of 440 applicants (65%) require a minimum of one bedroom, with 174 (26%) requiring two bedrooms, 57 (8%) requiring three bedrooms and 4 (1%) requiring four bedrooms.

The 20 homes in Bearsted will therefore make a significant contribution to alleviating housing need and affordability for first-time buyers within the borough. They also reflect the Government's aim of building better homes, in terms of design and environmental impact. The homes are being constructed sustainably and to a high standard of design, and will also help to form part of a new community, in a prime location, with good access to local services and facilities.

Housing Minister Grant Shapps recently announced proposals that the Government is planning to offer Council Tax incentives to local authorities, which would be provided through a new "matching fund" to encourage new house building and the provision of affordable homes. The proposals suggest that the Government will match pound for pound the Council Tax revenue received on all new homes given planning approval by local authorities for a period of six years, with extra (*125 pence for every pound received in Council Tax*) provided for affordable homes for first-time buyers.

Investment Options Appraisal

Hyde Housing Association has submitted a bid to the Homes and Communities Agency for the majority of funding which is required for the 20 dwellings for shared ownership. The bid has been submitted in accordance with the HCA's new continuous bidding process.

A number of scheme bids within Maidstone, including this one, had been put on hold, as the HCA were under Purdah rules and could not make any decisions until after the general election, and spending review announcements.

The Chief Executive to the Treasury confirmed on 6th July 2010, that £390 million of funding will be available to the HCA nationally for the remainder of 2010/11. The HCA has a programme reduction in 2010/11 of £450m in

total. This reduces the national capital budget for 2010/11 by around 10 per cent, to £4.11bn.

The HCA are now able to firm up the position with partners to create more certainty around schemes that have been put on hold. As a result of the funding settlement, the HCA has confirmed that it will be able to meet the existing contractual commitments across all of its programmes, as well as providing funding for some additional affordable housing schemes.

The balance of funding available will be used to maximize the delivery of affordable housing. The HCA local investment teams are reviewing pipeline schemes, and will determine which of those that can be funded with available resources based on the aim of maximising affordable housing and achieving best value for money. As part of this process, the HCA have recently confirmed that the bid submitted by Hyde housing Association for this scheme has been approved. The bid includes the following proposed contributions from the council and the HCA:-

	Grant	Homes	Persons	(£) Allocation Per Unit	(£) Allocation Per person
HCA	£500K	20	60	£25K	£8,333
MBC	£100K			£5k	£1,667
TOTAL	£600K	20	60	£30K	£10,000

A total number of 20 affordable homes are proposed to be provided in return for the council's investment of £100k. This equates to an average cost per unit of just £5k, and an average cost per person of just £1,666 to the council per unit, which represents excellent value for money.

The scheme proposal includes a good range of accommodation which will help to address the housing needs of first-time buyers as well as key workers by enabling them to get their first foot on the property ladder.

Alternatives considered and why rejected

Not to invest in this affordable housing scheme would increase slippage in the capital programme, and could lead to the council being criticised for not fulfilling its key objective of enabling the delivery of quality, decent affordable housing. In addition, it would also impact on the bid approved by the HCA, and failure to invest in the scheme could potentially impact on the council's very good relationship with the HCA.

The HCA have been set challenging reductions in their budget by the Government, and are under pressure to maximize the number of new homes produced from available resources. Therefore the HCA have expressed the view that as they have limited funding to allocate, providers should consider working with their Local Authority partners to joint fund

schemes and consider if any other subsidy could be utilised within the scheme.

A lack of investment from the council would place the scheme at severe risk in terms of delivery and being financially viable and would also potentially limit the funding that Hyde Housing Association can secure from the HCA in the shorter and longer term. There is a pressing need to secure funds against this development, to enable Hyde to achieve milestone delivery dates which are conditions upon receiving grant, for start on site this year (2010-11) and completion during 2011-12.

The scheme proposal also offers the opportunity to develop a windfall site that will deliver quality affordable housing, thereby increasing the delivery of affordable housing, and assisting the council to meet its internal and Local Area Agreement (LAA) affordable housing targets.

Background Papers

Housing Strategy

Strategic Plan 2009-2012

Sustainable Communities Strategy

HCA Design and Quality Standards Guidance (April 2007)

HomeBuy Agent Report (June 2010)

Should you be concerned about this decision and wish to call it in, please submit a call in form signed by any two Non-Executive Members to the Head of Change and Scrutiny by: xxxxxxxxxx.
