

**Property Acquisition for the 1,000 Affordable Homes Programme**

<b>Timetable</b>	
<b>Meeting</b>	<b>Date</b>
Corporate Services Policy Advisory Committee	13 July 2022
Corporate Services Executive	27 July 2022

<b>Will this be a Key Decision?</b>	Yes
<b>Urgency</b>	28 days' notice has not been given of a private item. However, the Overview and Scrutiny Chairman has given approval for this requirement to be waived as the decision is time sensitive.
<b>Final Decision-Maker</b>	Executive
<b>Lead Head of Service</b>	William Cornall, Director of Regeneration and Place
<b>Lead Officer and Report Author</b>	Shanaz Begum, Interim Acquisitions Consultant
<b>Classification</b>	Public Report  Appendix 1 & 2 Private – The information contained within the report has been considered exempt under the following paragraph of Part 1 of schedule 12A to the Local Government Act 1972: -  3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information)
<b>Wards affected</b>	North Ward

## **Executive Summary**

The development strategy to deliver 1,000 new affordable homes was agreed by the Policy and Resources Committee on 19<sup>th</sup> 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.

To support this programme an opportunity has arisen to purchase a site with planning consent for 28 apartments in Maidstone.

Once built, the apartments will be let at Affordable Rent, with rents set at 80% of prevailing market rent, but capped at Local Housing Allowance.

The Executive is being asked to approve the purchase of the proposed acquisition. An offer for the Freehold acquisition has been accepted by the developer (Subject to Committee Approval, Grant Receipt, RICS valuation, Site Survey and satisfactory contract).

## **Purpose of Report**

Decision

### **This report makes the following recommendations to the Executive:**

1. That the financial returns for the proposed acquisition as shown in Appendix 1, which is part 2 of the report, which support the Housing Development and Regeneration Investment Plan and the overall Development Strategy, are approved.
2. That the site acquisition be approved in line with 2.6 of the report.
3. That the Director of Finance and Business Improvement is granted delegated authority to:
  - 3.1 negotiate terms for the purchase of the proposed acquisition for the sum as referred to in the Part 2 report, subject to the site securing planning consent.
  - 3.2 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 Employers Agent and Contractor.
  - 3.3 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.
4. That the Head of Mid Kent Legal Services is authorised to appoint the solicitors required to negotiate and complete the necessary contract documentation, deeds and agreements associated with the purchase of the site and the procurement and appointment of contractors and consultants on the terms as agreed by the Director of Finance & Business Improvement.
5. 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).

# Property Acquisition for the 1,000 Affordable Homes programme

## 1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
<p><b>Impact on Corporate Priorities</b></p>	<p>The purchase of the homes described in this report supports the Councils Development Strategic plan in building 1,000 Affordable Homes, within the agreed capital spend of 200m.</p> <p>The four Strategic Plan objectives are:</p> <ul style="list-style-type: none"> <li>• Embracing Growth and Enabling Infrastructure</li> <li>• Safe, Clean and Green</li> <li>• Homes and Communities</li> <li>• A Thriving Place</li> </ul> <p>The report recommendations support all four of these.</p>	<p>Director of Regeneration and Place</p>
<p><b>Cross Cutting Objectives</b></p>	<p>The four cross-cutting objectives are:</p> <ul style="list-style-type: none"> <li>• Heritage is Respected</li> <li>• Health Inequalities are Addressed and Reduced</li> <li>• Deprivation and Social Mobility is Improved</li> <li>• Biodiversity and Environmental Sustainability is respected</li> </ul> <p>The report recommendations support the achievement of the Deprivation and Social Mobility is improved cross cutting objective by delivering a high-quality development of affordable homes, close to the town centre and in an area in need of regeneration.</p>	<p>Andrew Connors Housing Delivery manager</p>

<b>Risk Management</b>	Refer to paragraph 5 of the report.	Director of Regeneration and Place
<b>Financial</b>	<ul style="list-style-type: none"> <li>The cost of acquiring the site as described in this report will be met from the 1,000 Affordable Homes capital budget agreed by the Council on 23<sup>rd</sup> February 2022. The projected return from the investment meets the criteria set out in the Councils capital strategy. A financial summary is provided in Exempt Appendix 1.</li> </ul>	Senior Finance Manager (Client)
<b>Staffing</b>	<ul style="list-style-type: none"> <li>We will deliver the recommendations with our current staffing. However, we will employ external Employers Agent consultants to help facilitate and oversee the redevelopment works with the appointed contractor.</li> </ul>	Director of Regeneration & Place
<b>Legal</b>	<ul style="list-style-type: none"> <li>Acting on the recommendations is within the Council's powers as set out at Sec .111 and Sec.120 (1)(1) of the Local Government Act 1972 and Sec.1 of the Localism Act 2011</li> </ul>	Senior Lawyer (Property and Regeneration)
<b>Information Governance</b>	<ul style="list-style-type: none"> <li>The recommendations will impact personal information (as defined in UK GDPR and Data Protection Act 2018) the Council processes. The Information Governance Team will/have reviewed the processing of personal data affected and the associated documentation has been/will be updated accordingly, including a data protection impact assessment.</li> </ul>	Information Governance Team
<b>Equalities</b>	The recommendations do not propose a change in service therefore will not require an equalities impact assessment	Equalities & Communities Officer
<b>Public Health</b>	<ul style="list-style-type: none"> <li>We recognise that the recommendations will have a positive</li> </ul>	[Public Health Officer]

	impact on population health or that of individuals.	
<b>Crime and Disorder</b>	No implications	Director of Regeneration & Place
<b>Procurement</b>	<ul style="list-style-type: none"> <li>On accepting the recommendations, the Council will then follow procurement exercises for appointments of the necessary professionals, to complete delivery of the scheme. We will complete those exercises in line with financial procedure rules.</li> </ul>	Director of Regeneration & Place
<b>Biodiversity and Climate Change</b>	<p>The implications of this report on biodiversity and climate change have been considered and are.</p> <ul style="list-style-type: none"> <li>There are no implications on biodiversity and climate change.</li> </ul>	Director of Regeneration & Place

## 2. INTRODUCTION AND BACKGROUND

- 2.1 A planning application has been submitted by the vendor, and the decision is pending, to build 28 apartments, together with associated parking and cycle storage. The site lies within the urban boundary of Maidstone.
- 2.2 The site is near to Maidstone Town Centre. One of the mainline train stations are within close proximity. The site is well placed for transport links and easily accessible by road and public transport. Residents will have good access to the rest of Kent and London by road and public transport. There are bus stops with regular services connecting the site with the town centre.
- 2.3 The proposed acquisition will deliver 28 apartments in total comprising of 1 and 2 bed apartments. The planning site layout for this development is shown in Exempt Appendix 2.
- 2.4 The development will be delivered as 100% affordable housing, comprising of 18 one bed and 10 two bed apartments, with lift access over 4 floors. There are 14 car parking spaces and cycle storage. The scheme has been designed to national space standards. The homes will be built to MBC standard specification for Affordable Rent.
- 2.5 The Councils offer for the proposed acquisition for the freehold of the site, has been accepted (subject to committee approval, satisfactory contract, grant receipts, surveys and RIC's Valuation). The offer was based on valuation provided by local surveyors on Values and Market rents.

- 2.6 A full schedule of accommodation along with the estimated market rent per unit, per calendar month (PCM) and subsequent total gross market rent per unit, per annum, is summarised below:

<b>Accommodation</b>	<b>No</b>	<b>Unit size sq./ft</b>	<b>Market rent per unit (PCM)</b>	<b>Total Gross rent per unit (PA) capped at LHA rates</b>
1bed 2p flat	18	538	£900	£8,060.76
2bed 3p flat	3	710	£1075	£8,810.59
2bed 4p flat	4	753	£1075	£8,810.59
2bed 4p flat	3	861	£1100	£8,810.59
<b>Total</b>	<b>28</b>			

- 2.7 All affordable housing will be let as Affordable Rented Homes with rents set at 80% of market rent but capped at the local housing allowance as shown in table above. The homes will be let for Affordable Rented Housing to households on the Councils Housing register in accordance with allocations scheme policy.
- 2.8 The site is within a resident parking zone N, where residents can apply for parking permits, however there are no resident parking bays on Granville Road, and so parking under the resident parking scheme will be displaced during operational hours (8am to 6.30pm) to other residential roads in the area which are already at capacity. Due to the nature of the road (mostly commercial) there are no restrictions to parking in Granville Road. due to the nature of the road. Applicants for the properties will apply via the Kent home choice scheme for properties which will have been advertised with relevant information including parking provision so applicants will have the choice as to bid for properties suitable for their needs. There is also anticipated to be demand from applicants on the housing waiting list who would take a home without requiring a parking space. Relevant information regarding parking will be provided and enforced within the tenancy agreement.
- 2.9 Procurement options for contractor to build out the scheme are to be agreed with the Procurement Team.
- 2.10 An Employers Agent will be appointed to act on behalf of the Council, to administer the contracts, including checking progress and quality of works on site, validating and certifying payments and monitoring compliance with the Councils requirements.

## Financial Returns and Commitments

- 2.11 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 £219,570 and £190,347 respectively. The Part 2 Appendix 1 shows the relevant scheme financial summary.
- 2.12 The overall returns are reasonable, especially in terms of affordable housing. However, the costs ratio is significantly above the required level mainly due to the unprecedented increase in build costs seen recently in the Southeast.
- 2.13 It is proposed that part of the Total Scheme Cost will be funded by MBC applying for grant from Homes England as part of the Continuous Market Engagement bid process for the Affordable Homes programme 2021 -2026. The remainder of the estimated Total Scheme Cost would be funded from the existing approved capital programme to support the delivery of affordable housing.
- 2.14 The acquisition is financially viable and meets the Councils minimum internal financial parameters. It will provide much needed affordable homes in the area.
- 2.15 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.
- 2.17 Timescales: -

Acquisition Completion	09/2022
Procurement of Consultant EA	09/2022
Procurement of Contractor	12/2022
Start on site	02/2023
Practical Completion	07/2024

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## 3. AVAILABLE OPTIONS

- 3.1 **Option 1:** The Executive approves the purchase of the proposed acquisition subject to it gaining full planning consent on the agreed terms and procures the Employers Agent and Contractor to help deliver the scheme. This site when built would assist with housing provision for single persons and families in need of affordable housing and contributing towards delivering the Development Strategy of 1,000 affordable homes.
- 3.2 **Option 2:** The Executive could choose not to approve the purchase of the proposed acquisition. The Council would however lose an excellent opportunity to purchase a site with full planning permission close to the

town centre, public transport, local amenities to add to its affordable housing stock. It will assist towards much needed accommodation in the Borough and contribute towards the Council Targets of 1,000 Affordable Homes.

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#### **4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS**

- 4.1 **Option 1** is the recommended option. A significant amount of work and negotiation has been completed by officers to reach this accepted offer stage with the developer. The scheme has full planning consent on purchase and represents a good investment opportunity which supports the 1,000 Affordable Homes Development Strategy. It also offers the opportunity to work with this developer who has several other small sites in the area, that could yield more opportunities in the near future.

#### **5. RISK**

- 5.1 The risks associated with this proposal is the increase in build costs since the start of the pandemic. Due to supply chains and shortage of labour construction costs have risen. The BCIS which provides cost and price data for the UK construction Industry, is forecasting with the initial rise in January, prices will ease off slightly. Initial costings have been provided by Pelling's based on similar schemes. The scheme is of a size to attract the smaller contractors, who will have less overheads and can be competitive with pricing.
- 5.2 Officers will continue to monitor the viability, as build costs remain turbulent. Therefore, post-acquisition, officers will monitor local rental values and demand. Upon completion of the procurement process to appoint a contractor, officers will bring forward for approval to this Committee a detailed project delivery and investment plan (prior to the development itself commencing).
- 5.3 The appraisal has assumed some subsidy from Homes England. The housing will be 100% affordable rent on site, with no restrictions in planning consent and we will be seeking Homes England grant. The chances of securing such grant funding are much improved by MBC having acquired the site with secured Full Planning Consent. Were the grant not forthcoming, the homes could be provided for PRS housing through Maidstone Property Holdings Limited, so this risk can be mitigated.

#### **6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK**

- 6.1 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.



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## **7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION**

- 7.1 The next steps, subject to the decision made by the Executive, will be to secure the site with exchange and completion of contracts on the terms as agreed by the Director of Finance and Business Improvement, subject to RICS valuation, site survey, satisfactory contract and receipt of grant subsidy from Homes England. Alongside the acquisition, officers will work on procuring a suitable Employers Agent and contractor within a deliverable price and will return to Committee with recommendation for the Contractor to be appointed and confirmed costs for build.
- 7.2 The Head of Mid Kent Legal Services will also be authorised to instruct/appoint the Solicitors to complete the necessary contract documentation, deeds and contracts associated with the purchase.

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## **8. BACKGROUND PAPERS**

None

## **9. Appendices**

Appendix 1 – Extract from Part I Minutes of the Corporate Services Policy Advisory Committee held on 13 July 2022