

CABINET MEETING: 14 DECEMBER 2017

**THE ACQUISITION OF NEW BUILD HOUSING SCHEME AT
FORMER WALTERS BUILDING, BUTETOWN FOR COUNCIL
HOUSING**

**HOUSING AND COMMUNITIES (COUNCILLOR LYND
THORNE)**

AGENDA ITEM: 7

Director of Communities, Housing and Customer Service

Appendices 2 & 3 to this report are not for publication as they contain exempt information of the description contained in paragraph 14 of Part 4 and paragraph 21 of Part 5 of Schedule 12A to the Local Government Act 1972

Reason for this Report

1. To enable the Council to enter into a package deal with Cadwyn Housing Association, for the acquisition of 50 flats for council rent and to delegate authority to the Director for Communities, Housing & Customer Services to enter into a contract subject to Heads of Terms being agreed including all due diligence and viability approval.

Background

2. The Council has a target of delivering at least 1,000 new council homes within 5 years and this scheme will be part of this delivery.
3. In order to meet this target a number of delivery routes have been prioritised including entering into 'Package Deals'. The Housing Development Manager has approached the Housing Associations with development status in Cardiff (through a recent Development Managers meeting) to offer the opportunity for the Council to work with Housing Associations to deliver package deal opportunities.
4. The former Walters Buildings site is located in the Butetown area of Cardiff, off Clarence Road. The site is surrounded by flatted residential developments and is accessible by public transport and in easy reach of the city centre and local community facilities. A Site location map is attached at appendix 1.

5. The Butetown ward is identified as an area where there are high levels of housing need for both Council and Registered Social Landlord affordable rented properties. The apartments will provide much needed quality council homes in a city centre environment with all the benefits of good access to local amenities and public transport.
6. Cadwyn Housing Association has an option on the site for residential development but do not have the capacity to deliver this site within their own stock. Therefore they have approached the council to determine if delivering the properties as a council rented scheme through a package deal is viable.

Issues

7. A scheme of circa 50 one and two bed DQR compliant flats is being proposed. Subject to the Council's agreement Cadwyn will begin the detailed design of the scheme, submit a planning application and complete a detailed cost assessment.
8. A final sign-off for the project will be granted only subject to a number of things being satisfactory. These are listed below. Cadwyn are liable for ensuring these are all in place:
 - Planning permission being granted for a DQR (Welsh Government Development Quality Requirements) compliant scheme
 - Cadwyn owning the site and an independent land value being obtained
 - A detailed cost assessment being provided
 - A suitable contractor identified and to be appointed by Cadwyn (undertaking all due diligence)
 - Legal approval
 - Council viability model confirming the scheme is financially viable within the councils financial parameters (including land, build costs & on-costs)
9. **Costs** – subject to the above the scheme is being offered to the Council under a 'package deal' arrangement. 'Package deals' are a way of generating new affordable housing developments where the scheme proposal, site layout and unit designs are led by the developer or landowner, which in this case is Cadwyn Housing Association who will own the land. The Council will enter into an appropriate form of contract and the cost of the 'package deal' (build costs, land costs & on-costs) will be independently verified by Strongs Partnership Ltd, Chartered Quantity Surveyors on behalf of Cardiff Council. Indicative costs based on a 50 unit scheme have been provided (Appendix 2)
10. **Land Valuation** – An indicative land value has been provided but once a scheme has achieved a planning consent this will need to be reviewed and an independent land value report provided.

11. **Financial Viability** – the total scheme will be offered to the Council on a ‘turn-key’ basis for a fixed sum of which includes acquisition costs, works and all fees/charges. A ‘turn-key’ basis means they will be providing completed units that are ready for immediate occupation. The ProVal viability tool will be used to determine financial viability. An assumed level of subsidy will be identified (from S.106 affordable housing contributions) should this be available and will form part of the due diligence review. Initial viability report attached in **appendix 3**.
12. Cabinet is recommended to give delegated authority to the Director for Communities, Housing & Customer Services to complete all due diligence in relation to scheme and enter into a contract subject to Heads of terms being agreed and the scheme being financially viable to the Council.

Local Member consultation

13. Local Ward Members have been consulted about this proposal – no objections have been received.

Reason for Recommendations

14. To enable the Council to achieve its target of delivering at least 1,000 new council homes within 5 years and this scheme will be part of this delivery.
15. To enable the Director for Communities, Housing & Customer Services to complete all necessary final approvals for a package deal subject to due diligence and viability assessments.

Financial Implications

16. The report proposes the purchase of Housing units to make available for Social Housing. This is only if the conditions outlined in the report are met. The Directorate have confirmed that there are no financial commitments to the Council should the Council not wish to proceed. Funding is available in the approved HRA Capital Programme and Business Plan for the purchase and development of new units to support the delivery of new homes.
17. Long term HRA Capital expenditure plans must remain within the current cap set by Welsh Government and remain affordable in the long term. This should be closely considered when determining the pipeline and prioritisation of Housing development schemes to be taken forward in meeting the target for new Council homes.
18. As identified in the report, the development of the site will require a subsidy to ensure affordability and options are available to secure subsidy in terms of WG support and Affordable Housing Planning Gain where received or certain in terms of receipt. Any finalisation of legal agreement will be subject to confirmation that subsidy is in place.

Legal Implications

19. The Council is acquiring dwellings for the purpose of providing housing accommodation in accordance with its powers under Part II of the Housing Act 1985. The Council is required to obtain value for money from its property acquisitions and in this case supporting advice from external valuers and costs consultants is set out in the appendix 2 to this report

RECOMMENDATIONS

Cabinet is recommended to delegate authority to the Director for Communities, Housing & Customer Services to enter into a contract with Cadwyn Housing Association for the acquisition of 50 flats subject to Heads of Terms being agreed including all due diligence and viability approval.

SARAH MCGILL

Director

8 December 2017

The following appendices are attached:

Appendix 1 – Site location plan

Appendix 2 – Indicative costs and land value (confidential)

Appendix 3 – initial viability report (confidential)