

EXETER CITY COUNCIL

EXECUTIVE 4 DECEMBER 2012

PURCHASE OF AFFORDABLE HOUSING UNITS AT ROYAL NAVAL STORES DEPOT

1. PURPOSE OF THE REPORT

- 1.1 To seek Members' approval to increase the supply of new build homes into the Housing Revenue Account by the purchase of 6 x 2 bed flats at the former Royal Naval Stores site.

2.0 PROPOSAL

- 2.1 Persimmon approached the Council in October 2012 and advised that they were unable to sell the last remaining block of 6 x 2 bed flats at Phase 7 Upper RNSD on the open market and requested that these units were sold to a Registered Provider (RP) as affordable housing. Given the changes to the Housing Revenue Account, the Council now has the scope to purchase these units.

- 2.2 These units have been offered in lieu of the 9 x affordable units (6 x 2 beds and 3 x 1 beds) on Phase 1 Lower RNSD site which gained planning permission in July 2012. Persimmon has already started the ground works on this development. These nine units that have been approved as affordable housing units on the Lower RNSD would no longer be provided as affordable housing but would be sold as private units on the open market. Whilst this would reduce the amount of affordable housing on the Phase 1 Lower RNSD by 9 units, a further 19 units (17%) will still be provided as affordable housing. In addition, the adjoining site, Phase 2 Lower RNSD, owned by the same developer obtained planning permission in October 2012 for 289 units of which 70 units (24%) will be provided as affordable housing.

3.0 FINANCE

- 3.1 A purchase price of £30,000 has been established as the transfer value of these 6 units as affordable housing. This is based on a comparative analysis of the average purchase price of 2 bed flats of £50,000 by Registered Providers operating within the Exeter Homes Partnership. The purchase of these units will also be subject to stamp duty land tax at 3%.
- 3.2 In accepting this offer, there would be a reduction of 3 x 1 bed affordable units on the Lower RNSD site. To assist in offsetting the reduction in affordable housing and to provide compensation Persimmon have agreed to pay £240,000 as a commuted sum payment back to the Council on the sale of the nine open market units on Lower RNSD site or within 18 months of the transfer of the six units on the Upper RNSD site, whichever is sooner. The commuted sum payment would then be used to increase the delivery of new affordable housing elsewhere in the City or on Council Own Build (COB) sites.

- 3.3 Repayment of the commuted sum of £240,000 will be secured by a Deed of Variation of the S106 agreement on the Lower RNSD site, subject to approval under delegated powers from the Head of Planning and Chair of Planning Committee. This will need to be signed at the same time as the transfer of the 6 x 2 bed flats on the Upper RNSD site to the Council. This s106 agreement will also cover the transfer of a 5-bed wheelchair unit to the Council for £82,414.80 on the Lower RNSD site Phase 2.

Housing Revenue Account

- 3.4 The units will be transferred to the Council and will form part of the Council's existing stock of social housing. The capital cost will be met by the HRA making a revenue contribution to capital. Once acquired, these properties would sit within the HRA and would be let out at Target (social) Rent levels, generating additional revenue income into the HRA.
- 3.5 Since the HRA became self-financing in March 2012, the Council now has the scope to increase its stockholdings, either through the purchase of new units or by building new affordable housing ourselves. In September this year, members approved the purchase of eleven new homes within Phase 7 of the RNSD development and a further five wheelchair adapted properties.
- 3.6 Undoubtedly, further opportunities will arise to transfer affordable housing negotiated through s106 agreements to the Council. Work is being undertaken to assess the scope of the HRA Business Plan to purchase future s106 affordable housing transfers to the Council's Housing Revenue Account. This would be subject to establishing clear parameters for the potential purchase of additional units to ensure that they meet housing need, the type and size of property, the transfer value and any additional benefits such as wheelchair accessible units.

4.0 RECOMMENDED

- 4.1 That the purchase of 6 x 2 bed flats at the Royal Naval Stores Depot at a price of £300,000 plus an additional £9,000 to cover stamp duty land tax at 3% funded from the HRA Capital Programme, is approved.

SARAH WARD
ASSISTANT DIRECTOR HOUSING AND CONTRACTS

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:-

None