

CABINET (HOUSING) COMMITTEE

3 FEBRUARY 2016

AUTHORISATION TO PROGRESS AFFORDABLE HOUSING SCHEME:  
GREENHILL TERRACE, GREENHILL ROAD, WINCHESTER

REPORT OF THE HEAD OF NEW HOMES DELIVERY

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RECENT REFERENCES:

CAB 2738(HD) – Housing Revenue Account Revised Budget, Business Plan and Budget Options Report, 30 November 2015

EXECUTIVE SUMMARY:

This report seeks approval to submit a planning application to develop 4 x 3 bed houses on a Council owned garage block at Greenhill Terrace off Greenhill Road, Winchester.

RECOMMENDATIONS:

- 1 That the Assistant Director (Chief Housing Officer) be authorised to prepare and submit a planning application to construct four new Council houses on the Greenhill Terrace site, as set out in the report.
- 2 That the Assistant Director (Chief Housing Officer) be authorised to amend the proposals, if necessary, to prepare the schemes for planning application submission.
- 3 That the Assistant Director (Chief Housing Officer) be authorised to take all necessary actions to comply with any planning requirements that may arise following the submission of the planning applications.

- 4 That the Assistant Director (Chief Housing Officer), in conjunction with the Heads of Legal and Democratic Services and Estates, be authorised to proceed to tender for a design and build contract for the scheme either by first advertising the opportunity on Due North and Contracts Finder the procedure for which is to be agreed by the Heads of Legal and Democratic Services and Estates or by using an EU compliant framework agreement That a further report be brought back to Cabinet (Housing) Committee to approve the letting of the build contract for the scheme, and also approve release of the capital required under Financial Procedure Rule 6.4.
- 5 That the Head of Estates be authorised to negotiate and agree terms for easements, wayleaves and related agreements with utility suppliers, telecom/media providers and neighbours in order to facilitate the development.

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### AUTHORISATION TO PROGRESS AFFORDABLE HOUSING SCHEME: GREENHILL TERRACE, GREENHILL ROAD, WINCHESTER

#### REPORT OF HEAD OF THE NEW HOMES DELIVERY

##### DETAIL:

##### 1 Introduction

- 1.1 The Council has a target of building 300 new Council homes between 2012 – 2022. As part of its programme, a potential site has been identified at Greenhill Road, Winchester. The site has been included in the revised Housing Revenue Account Capital Programme that was agreed by Cabinet (Housing) Committee on 30 November 2015.
- 1.2 This report seeks authorisation to submit a planning application for the site and, if granted consent, to tender the build works. The design of the scheme has evolved in close cooperation with planning officers and reflects comments from the local community affected.

##### 2 Greenhill Road Site Options

- 2.1 There are currently 44 garages in two separate garage courts off Greenhill Road, one accessed from Greenhill Terrace and the other from Greenhill Avenue. The land in-between the two garage courts is currently let as allotments and is not part of the development proposals.
- 2.2 Both garage courts have been assessed by the New Homes Team for their development potential using Re-Format as architect and Welling's as cost consultants. The Greenhill Avenue site is the more challenging of the two sites due to the gradient changes, a significant tree adjacent to the site and heavy overshadowing from the bank to the south. Potentially it can accommodate 4 x 2 bed split level houses plus parking for up to 10 vehicles. The Greenhill Terrace site has fewer constraints as it is fairly level and is not significantly overshadowed, this site can accommodate 4 x 3 bed traditional houses plus parking for 6 vehicles.
- 2.3 A garage survey has been carried out to determine the level of car usage and of the 44 garages across both sites, Officers have been able to inspect 32. Of these, 75% were being used by cars, which is higher than other garage sites that the Council has developed. In Greenhill Terrace garage block 16 garages were inspected of which 68% were used for cars. However, only 11 garages were let to local residents of which 6 used the garage for a car.

- 2.4 A community consultation event was carried out in September 2015 which was attended by approximately 50 local residents and 32 feedback forms were submitted. The principal concern at the time was that the loss of all of the 44 garages would exacerbate parking problems in the neighbourhood. In response to this concern the whole development proposals have been modified to retain the garages at Greenhill Avenue.
- 2.5 Most responses supported wider community improvements to the rear access to the Greenhill Road properties (although the ownership of this land is unknown) and the bin collection area in Greenhill Avenue. The viability of these options will be considered as part of the development of Greenhill Terrace garage block.
- 2.6 Several local respondents opposed the development of the two garage courts for housing and made this clear in their representation. Concern was often expressed that new homes in the area would lead to increased traffic problems and traffic generation. It is considered that 4 or 8 new homes would not significantly increase traffic generation (as the loss of garages would have a greater impact on traffic movements). Several respondents also indicated concern regarding the contemporary appearance of the new homes (in particular to use of timber cladding) and the relationship in terms of height with nearby building and windows. The Council will re-consider these matters and examine various options, including materials, for the Greenhill Terrace site prior to the submission of a planning application.
- 2.7 Persons attending the consultation event were asked what level of parking provision would be suitable for the new homes. The majority of respondents considered that the new homes should not be served by two dedicated parking spaces and that a lesser level of parking provision would be sufficient and provide more communal parking for local people.
- 2.8 Three development options have been considered and evaluated, the development of both sites, the development of only Greenhill Avenue garage court and the development of only Greenhill Terrace garage court.

Development Option	Advantages	Disadvantages
Both sites	<p>Comprehensive site development to meet housing need</p> <p>Ability to improve Greenhill Avenue by providing bin store and shared road surface</p> <p>16 casual car parking bays to compensate for loss of garages</p>	<p>Loss of 44 garages and impact on local car parking</p> <p>Expensive scheme failing Council's viability criteria</p> <p>Unpopular with local residents</p> <p>Challenging in planning terms</p>

Greenhill Terrace block	<p>Financially viable with 4 rented dwellings</p> <p>4 new family homes to meet housing need</p> <p>Loss of garages could be mitigated by offering garage at Greenhill Avenue</p> <p>6 new parking bays created</p>	<p>Loss of 23 garages</p> <p>Not viable to enhance Greenhill Avenue</p>
Greenhill Avenue block	<p>4 new family homes to meet housing need</p> <p>Loss of garages could be mitigated by offering garage at Greenhill Terrace</p> <p>Ability to enhance immediate area</p> <p>10 new parking bays created</p>	<p>Not financially viable as a stand alone development</p> <p>Loss of 21 garages</p> <p>Impact on significant tree adjacent to site</p>

### 3 Costs, Recommendation and Procurement of Building Contract

3.1 The current estimated build cost of the scheme, which has been completed by the Council's appointed Quantity Surveyor, is £1,612,106 for the whole site development or £804,135 for Greenhill Terrace and £824,491 for Greenhill Avenue. Only the Greenhill Terrace development meets the viability criteria that the Council uses for its new schemes (details in Appendix 1).

3.2 Having regard to the advantages and disadvantages of each option, the results of the community consultation and viability, it is recommended to develop the Greenhill Terrace only option. The Greenhill Avenue garages would be retained, all existing licencees would be given Notice to Quit and the garages then re-let to local residents on a priority basis (details of which to be determined). Additional car parking spaces created by the development will be available for local permit holders to use on a first come first served basis.

3.3 The build contract will be tendered on a "design and build" basis to contractors either using a tender process which is first advertised on due north and Contracts Finder ( the procedure to be used having first been approved by the Heads of Estates and Legal and Democratic

Services)) or by using an EU compliant framework . A report will be brought back to a future meeting of Cabinet (Housing) Committee to approve the

letting of the build contract, once tenders have been received. Under the Scheme of Delegation, Cabinet (Housing) Committee has the authority to let contracts up to £2,000,000, and it will therefore be able to authorise the letting of the contracts provided the tender sums are below this figure.

#### OTHER CONSIDERATIONS:

#### 4 COMMUNITY STRATEGY AND PORTFOLIO PLANS (RELEVANCE TO):

- 4.1 Developing new homes is a key priority for the Council as it seeks to promote active communities: 'to support local people in accessing high quality and affordable housing which meet their needs'. It also facilitates the District's economic prosperity.

#### 5 RESOURCE IMPLICATIONS:

- 5.1 The revised development programme was approved by Cabinet (Housing) Committee on 30 November 2015 (CAB 2738(HSG) refers) and the total indicative cost for the whole scheme development option was estimated as £2,165,000. The Greenhill Terrace scheme option is currently below the budget estimate and is viable when tested against the Council's policies (see Appendix 1).

- 5.2 It is important to note that actual costs of the scheme will only be known once tenders have been received. This will also inform final rent levels. The unit cost and compliance with the viability test will be reassessed when this information is available. A final report on the results of the tender exercise will be brought back to Members for consideration before the build contract is entered into.

- 5.3 On 30 November 2015, Cabinet (Housing) Committee formally approved the spending on initial fees in accordance with Finance Procedure Rules 6.4. At this stage, formal approval of the rest of the scheme budget under Financial Procedure Rule 6.4 is not being sought. This will be done when tenders have been received.

#### 6 RISK MANAGEMENT ISSUES

- 6.1 The Council wants to develop and deliver an ambitious programme for the building of new council houses. Building homes involves significant risks. This is why market developers and investors demand high returns in reward for that risk. Risks lie in delays arising from inadequate resourcing, abnormal costs, unnecessarily bureaucratic procedures, local opposition, planning objections and a weakening of political commitment. It is important that risk is carefully managed.

- 6.2 At a high level, risk management is carried out by ensuring that proposals have a strategic fit with the Housing Development Strategy, particularly with respect to viability. The Council's corporate project and risk management processes will be used to mitigate detailed risk and ensure that projects are progressed in a logical sequence to ensure

that the Council is not overexposed to risk. It is important to note that it is rare for risk to be totally removed.

6.3 Appendix 1 includes details of headline risks specific to the scheme.

APPENDICES:

Appendix 1 – Greenhill Road, Viability and Risks

## Appendix 1 – Greenhill Road Viability and Risks

### Financial Appraisal Summary

#### Recommended Scheme:

Scheme description and costs					Tests of Financial Viability			
Appraisal name	Unit types	Estimated Total Scheme Cost	Open Market Value	Weekly Rents assumed in appraisal	Total scheme cost as % of open market value	Net present value per unit	Loan repayment year	Total internal subsidy to repay loan by year 35
Greenhill Terrace, Fulflood  (4 unit scheme)	4 x 3 bed rented houses	£1,085,029	£1,400,000	3 bed £211.87	77.5%	£18,612	33	0

#### Alternative Schemes:

Scheme description and costs					Tests of Financial Viability			
Appraisal name	Unit types	Estimated Total Scheme Cost	Open Market Value	Weekly Rents assumed in appraisal	Total scheme cost as % of open market value	Net present value per unit	Loan repayment year	Total internal subsidy to repay loan by year 35
Greenhill Road, Fulflood  (Full scheme)	2 x 2 bed & 4 x 3b rented houses; 2 x 2b shared ownership houses	£2,198,275	£2,660,000	2 bed £177.69; 3 bed £211.87	82.6%	(£2,284)	36	18,273



Scheme description and costs					Tests of Financial Viability			
Appraisal name	Unit types	Estimated Total Scheme Cost	Open Market Value	Weekly Rents assumed in appraisal	Total scheme cost as % of open market value	Net present value per unit	Loan repayment year	Total internal subsidy to repay loan by year 35
Greenhill Avenue, Fulflood  (4 Unit scheme)	4 x 2b rented houses;	£1,149,861	£1,200,000	2 bed £177.69;	95.8%	(£49,788)	Over 45	199,151

- Scheme costs are based on an indicative assessment
- The scheme costs include a consideration to the General Fund for loss of the garage rental income. The site would need a formal valuation to assess the level of consideration due to be paid.
- The rent level shown above for the 3 bedroom properties are restricted by Local Housing Allowance levels and equate to 65.6% of current market rents for the area

### Risk Management Issues

- If the final contract price is substantially above the estimate this may impact on viability
- Homes and Communities Agency approval for rent levels not granted
- Objections to planning from local residents due to the loss of garages and perceived impact on parking in the area.