



London Borough of Hammersmith & Fulham

CABINET

11 NOVEMBER 2013

EDWARD WOODS ESTATE - NORLAND, POYNTER & STEBBING ROOFTOP APARTMENTS

Report of the Cabinet Member for Housing – Councillor Andrew Johnson

Open report

Classification - For Decision
Key Decision: Yes

Wards Affected: Shepherds Bush Green

Accountable Executive Director:
Melbourne Barrett – Executive Director Housing and Regeneration

Report Author:
Stephen Kirrage –
Director Asset Management & Property Services

Roger Thompson – Head of Planned Maintenance

Contact Details:
Tel: 020 8753 3064
E-mail:
stephen.kirrage@lbhf.gov.uk

Tel: 020 8753 3920
E-mail:
roger.thompson@lbhf.gov.uk

1. EXECUTIVE SUMMARY

- 1.1 On 15 October 2012 the Council adopted four Housing Strategy documents that would be used in guiding its approach to housing.
- 1.2 The common thread running through the Housing Strategy, Homeless Strategy, Tenancy Strategy and Housing Allocation Scheme is the Council's "Borough of Opportunity" vision which seeks to foster more balanced, mixed- income communities, increase and balance housing and home ownership options and to support hardworking households in affordable housing.
- 1.3 The over-arching vision of Hammersmith & Fulham's Housing Strategy, "*Building a Housing Ladder of Opportunity*", is to create a borough of housing opportunity for all. One which enables all local people to have a real stake in the area and share in its growing prosperity. Central to this is

the creation of the opportunity for a wider section of the community to be able to access a greater range of housing options and varieties of tenure.

- 1.4 In the context of the overall housing strategy, and in particular, the need to increase the range of intermediate housing products within the Borough, the tenure of the new properties being completed on the top of Norland, Poynter and Stebbing houses on the Edward Woods Estate has been reviewed and will be offered on a Discount Market Rent basis to persons on the Home Buy Register. This will create an opportunity for applicants on the Home Buy Register to access suitable accommodation below market rates, enabling them to save for a deposit which can be used to access low cost homeownership options.
- 1.5 The new properties form part of a Major Regeneration Scheme, which also comprised concrete repairs and energy efficiency works to the three existing high rise blocks, and is now nearing completion.
- 1.6 Initially the scheme was conceived in 2005 and was taken forward by the now defunct ALMO H&F Homes. It was aimed at transforming the visual impact of Edward Woods as a major west London landmark, delivering reductions in energy consumption & costs, improving the appearance of the towers at both estate and wider neighbourhood level and creating a flagship renewable energy project within the borough.

2. RECOMMENDATIONS

- 2.1. That the rooftop apartments are retained by the Council within the HRA and let at discount market rent (80% of market rent), estimated to be in the region of £243,288 per annum (based on £1,646 per month for each of six 735 sq ft 2 bed flats and £1,733 per month for each of six **1,044 sq ft** 2 bed flats). This equates to a Net Present Value (net of management costs) over 30 years of £ 2,936,871.
- 2.2. That the letting of the rooftop apartments be carried out by the Home Buy Team initially to applicants on the Home Buy register on a 2-year fixed-term tenancy, and that the management be carried out by the in-house Housing Management service.

3. REASONS FOR DECISION

- 3.1. The reason for this decision is to ensure the most economically advantageous use of the rooftop apartments is adopted at this time and, in line with Hammersmith & Fulham's Housing Strategy – *Building a Housing Ladder of Opportunity*, create access to a wider range of housing options and varieties of tenure.

4. INTRODUCTION AND BACKGROUND

- 4.1. The Edward Woods Estate is located in the northeast of the borough overlooking the Westfield shopping centre. It is a purpose built estate consisting of three high rise (23 storey) and 4 medium rise (4/5 storey) blocks of flats and maisonettes. Over the last fifteen years, the estate has benefited from major public and private investment to support various regeneration and redevelopment initiatives. This has included the demolition of one medium-rise block and replacement with 122 new homes for sale and rent; the creation of a new urban park; the installation of CCTV; new pitched roofs, new windows and general improvements to the medium-rise blocks. All blocks have benefited from internal modernisation to meet the decent homes standard. In addition, the medium-rise blocks have recently received external cladding to improve thermal efficiency and reduce householder fuel bills.
- 4.2. The final phase of the original regeneration project was to address the three tower blocks and secure their structural integrity, improve thermal insulation, and enhance their physical appearance. Following a very limited scoping exercise at the schemes inception in 2005/2006, the need for extensive brick and concrete repairs was highlighted in 2007 when bricks fell from the nineteenth storey of Norland House during high winds. The block was declared a dangerous structure by Building Control, and this necessitated temporary restraining measures for all three blocks
- 4.3. The tower block project comprised the over cladding and regeneration works at Norland, Poynter, and Stebbing Houses, and included insulation; the provision of enhanced energy saving (photovoltaic panels and associated works); the provision of gas central heating to studio flats; the construction of 12 new residential accommodation units on the roofs of the three blocks (originally intended for sale); the creation of office accommodation in unutilised ground floor areas (intended for commercial / voluntary sector letting).

5. PROPOSAL AND ISSUES – Rooftop Apartments

- 5.1 Twelve rooftop apartments have been created, four per block at the 23rd floor level. As the project commenced, Goldschmidt Howland were appointed as the marketing agents and Spence, Harris & Hogan as the interior designers.
- 5.2 The original 2005 feasibility scoping of the project gave consideration to, but did not proceed with, the re-engineering of the lifts serving each block to extend the lift service to the new rooftop apartments. Rather it was proposed that residents of the rooftop apartments would alight at the 22nd Floor and then walk up an access controlled flight of stairs to their accommodation. This does have an impact on marketability, although the existing lifts are scheduled for a full upgrade in the pending Housing Capital Planned Programme.

5.3 Costs

5.3.1 The flats are due to complete in November 2013. The current anticipated outturn costs for the construction of 12 rooftop apartments is £3,887,006 (i.e. circa £324,000 per unit). The table below provides a breakdown of main expenditure items:

Summary of Key Elements of Construction Costs of Rooftop Apartments		
		£
Preliminaries	14.5%	337,693
Measured Works		
Internal works to 23 rd floor (within existing envelope)		752,197
New works to levels 23 and 24		839,828
M & E installation		287,095
Provisional sums, dayworks & contingencies		440,199
Variations relating to Rooftop Apartments		1,229,994
Estimated total costs for Rooftop Apartments		3,887,006

5.4 Sales

5.4.1 The estimated sales value of the Rooftop Apartments in the July 2009 Cabinet report was £5,103,000. Officers obtained two updated valuations in December 2011 at which time Goldschmidt Howland projected a net sales value of £4,204,000 and Lambert Smith Hampton a net sales value of £4,626,000. These figures have recently been revalidated confirming that the values remain substantially unchanged at this time.

5.4.2 These prices were significantly lower than the 2009 valuation due to:

- Changes in the residential property market,
- A reduction of specification to the ground floor communal internal areas to Norland and Stebbing Houses to just painting and new flooring (Poynter House entrance lobby was only painted).
- Some of the internal flat specification has been downgraded due to budget issues.
- No lift serving to the 23rd floor or upgrading of existing lifts until 2015/16.

5.4.3 Therefore, based on the revised valuations, any sales receipt is expected to be between £477,000 to £899,000 less than the anticipated capital receipt originally reported to H&F Decent Homes Committee in July 2009.

5.5 Letting

5.6.1 Officers have investigated two letting options for the rooftop apartments.

(a) *Discounted Market Rent*

Officers have investigated this option and are recommending it because:

- While only applicants on the H&F Home Buy register will initially be considered, it has been confirmed that there are sufficient numbers on that register who would be interested in short term letting.
- The total estimated net discount rent at 80% of the market rent per annum for 12 properties is £243,288.
- The Net Present Value of the estimated rental of 80% of the market rent (net) over 30 years (including running costs) is £ 2,936,871 using a discount rate of 6%.
- It would be in line with Council's adopted Housing strategy, "Building a Borough of Opportunity", creating options for persons on the Home Buy Register to access suitable accommodation.

It is recommended that letting be carried out by the Council's Home Buy Team but there are two options for the management of the properties:

- i) Management and maintenance of the properties is carried out in-house (Hammersmith North Neighbourhoods Team) and the Customer Services Centre.
- ii) Management and internal maintenance of the properties is given to an external agency. The service to be procured through a mini tender exercise within the framework agreement being set up by Property & Valuations Department.

An example of the costs that could be incurred by choosing Option(ii) is given below:

Agency X would charge 9% of the total rent for the period of the tenancy plus VAT on a sole agency basis. Assuming full occupancy and a 2 year rental period, this would result in a cost of £43,804 plus VAT. If there is some turnover in rentals, then this figure would rise as the agency would charge 9% plus VAT for each tenancy renewal or extension.

For this reason, Option (i) is preferred as likely to incur less costs.

b) Full Market Rent

Officers have investigated letting at full market rent; however this is not being recommended because, although this would have resulted in an NPV over 30 years of £3,774k, as opposed to £2,937k for Discounted Market Rent (at 80% of market rent), this option does not meet the criteria for expanding the provision of intermediate housing products as outlined within the Council's adopted Housing Strategy and which is a significant consideration for the Administration.

- 5.6.3 As a landlord the Council can only offer secure tenancies (either periodic or fixed). The Council is unable to offer shorthold assured tenancies. In line with the Council's tenancy strategy and housing allocation scheme it is proposed to let the properties on 2 year fixed term tenancies. It is intended that these tenancies will be a platform for stepping up to low cost home ownership. It should be noted that only a tenant who has lived in a property for 5 years (which can include time spent in other public sector tenancies) would be eligible for Right to Buy.

6. OPTIONS AND ANALYSIS OF OPTIONS

- 6.1. Options regarding the disposal/ use of the rooftop apartments have been considered in section 5 above.

7. CONSULTATION - Residents

- 7.1. A Resident Working Group has met on a monthly basis throughout the project and a Satisfaction Survey Questionnaire has been prepared and will be issued to all Residents upon completion. Progress of the project has been notified through the regular distribution of Newsletters. Specific consultation on the disposal/use options for the rooftop apartments has not been undertaken with residents.

8. EQUALITY IMPLICATIONS

- 8.1. An Equality Impact Assessment is not required in relation to this report; relevant issues have not changed since original approval of this project.

9. LEGAL IMPLICATIONS

- 9.1. The Council, as a housing authority, has a broad discretion under s24(1) of the Housing Act 1985 to "make such reasonable charges as they may determine for the tenancy or occupation of their houses". This discretion would permit the letting of the flats at a discounted market rent given the small number of flats involved and the particular circumstances requiring reconsideration of the manner in which the regeneration is to be financed.

- 9.2. All Council properties must be allocated in accordance with the Council's housing allocation scheme. It is proposed that the roof top apartments be let to applicants on the Council's Home buy register. The Council's Housing Allocation Scheme contains provision for doing this through a Local Lettings Plan pursuant to Section 166A(6) of the Housing Act 1996. This enables local housing authorities to allocate particular accommodation, such as these properties, to be let to people of a particular description whether or not they fall within the reasonable preference categories.
- 9.3. Implications verified/completed by: Janette Mullins, Principal Solicitor (Housing and Litigation) 020 8753 2744

10. FINANCIAL AND RESOURCES IMPLICATIONS

- 10.1. Officers have reviewed the underlying assumptions contained within the net present value (NPV) calculation. The NPV of £2.9m over 30 years is considered to be a robust estimate and will provide a net revenue benefit to the Housing Revenue Account if let at 80% of market rent.

It is noted that although the sales estimates exceed the NPV figure above, selling is not currently a viable option for the reasons outlined in section 5 (limited commercial market interest).

- 10.2. Implications verified/completed by: Danny Rochford, Head of Finance, 020 8753 4023.

11. RISK MANAGEMENT

- 11.1. The risk of financial loss through the sale of deeply discounted rooftop apartments has been considered. By seeking to let these at discounted market rent competitive income can be recovered and further consideration given to sale in a future, more receptive, property market.

12. PROCUREMENT AND IT STRATEGY IMPLICATIONS

- 12.1. Not applicable.

LOCAL GOVERNMENT ACT 2000

LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	Original Approval Papers	Roger Thompson ex3920	HRD
2.	Contract Documents	Roger Thompson ex3920	HRD
3.	Rooftop apartments I Advice	Matin Miah ex 3480	HRD