



DERBY CITY COUNCIL

**COUNCIL CABINET**  
**14 JUNE 2005**

# ITEM 22

Report of the Director of Policy and the Director of Corporate Services

## **Redevelopment of the 'Isle of Wight Blocks', Branksome Avenue/Durley Close, Alvaston.**

### **RECOMMENDATIONS**

- 1.1 To approve the options being investigated for the redevelopment of the 'Isle of Wight Blocks' outlined in this report.
- 1.2 To approve a start to decanting the remaining tenants from the flats so that the redevelopment can proceed.
- 1.3 To receive a further report with a recommended option for decision.
- 1.4 To refer the report to the Community Regeneration Commission.

### **REASONS FOR RECOMMENDATIONS**

- 2.1 To take forward the redevelopment of the 'Isle of Wight Blocks'.
- 2.2 To give current tenants and residents of the area greater certainty about proposals for the flats.
- 2.3 To obtain vacant possession of the flats.

### **SUPPORTING INFORMATION**

#### **The 'Isle of Wight' Blocks**

- 3.1 The 'Isle of Wight Blocks' comprise 51 flats located in five blocks – Freshwater House, Ryde House, Shanklin House, Ventnor House, and Yarmouth House – together with a number of blocks of garages, on Durley Close, off Branksome Avenue in Alvaston. The flats are a mix of bedsits, one-bed flats and two-bed flats and are currently managed by Derby Homes. In addition, there is a shop and the Alvaston Resource Centre on the ground floor of Yarmouth House. A map is attached at Appendix 2.
- 3.2 In recent years, the flats have become unpopular and difficult to let when they become vacant. The bedsits are unpopular because of their small size, while the two-bed flats tend to be too large for single people, but unsuitable for families because they are on the first and third floors and do not have gardens.

- 3.3 Crime and vandalism can be a problem, even though security features such as door entry systems, and extra lighting have been installed.
- 3.4 The blocks are of a non-traditional form of construction. One of the consequences of this is that their thermal efficiency is poor and they are expensive for tenants to keep adequately heated.
- 3.5 The stock condition survey carried out by Derby Homes has indicated that the flats need new kitchens, bathrooms and some heating and electrical upgrades. The estimated cost to bring the flats up to the Decent Homes Standard is £16,000 a flat, or a total of £816,000 for the five blocks.
- 3.6 The falling demand for the flats and the high cost of the improvement work resulted in Derby Homes, in conjunction with the Council, deciding to consult on a variety of options for these properties.

## **Consultation**

- 3.7 In June 2003, public meetings were held with the residents of the flats, to give information on the options appraisal that had been carried out and to gather their initial views. At the end of June 2003, all residents living in the flats were sent consultation documents by Derby Homes, which included a brief questionnaire asking for their views and opinions. The questionnaires gave a choice of three initial options:
  - a. the blocks being demolished and the site being redeveloped with homes for rent and/or purchase
  - b. the blocks being improved with tenants remaining in their existing improved flat or in another block on the site
  - c. unable to make a decision at the present time and wanting to discuss the options further.

The response rate was 80%, of whom 86% were in favour of the site being cleared for redevelopment.

- 3.8 The Derby Homes Board considered the outcome of the consultation in October 2003 and decided to recommend to the Council that the flats be demolished.
- 3.9 Further consultation with local residents took place during the autumn of 2004, when it was agreed that a 'sounding board' of residents would be set up to discuss the options for the redevelopment of the Blocks. Subject to Cabinet agreeing to the recommendations contained in this report, the first meeting of this group will be set up for the end of June 2005.
- 3.10 The leaseholder who occupies a flat in Ryde House has indicated that he would be willing to enter into further discussions should a decision be made to demolish the Blocks.
- 3.11 Both the shopkeeper and the Chair of the Alvaston Resources Centre have been involved in early consultation, and are aware of the options currently being considered.

- 3.12 Orange, who have a mobile phone mast on the top of Yarmouth House, and T-Mobile, who have the right to erect a mobile phone mast on the top of Ryde House, are also aware of the options currently being considered. Further discussions will be required with both organisations to agree terms for the removal and relocation of the Orange equipment and ending the T-Mobile agreement.

## Redevelopment proposals

- 3.13 In recent months, we have been investigating a number of redevelopment options. These all involve the sale of the blocks to a partner, demolition of the existing blocks of flats and their replacement with a development of low rise flats and houses, for affordable rent, shared ownership or outright sale.
- 3.14 The four options being considered, in order of preference, are ...
1. **A development in partnership between a firm of private developers and Derby Homes.** The Housing Corporation are currently running a pilot exercise where private developers are able to bid for a share of a £200m programme – known as New Partnership in Affordable Housing – to provide affordable housing. A number of developers who have submitted bids for this funding have discussed the 'Isle of Wight Blocks' with Derby Homes, and the Council. It has been agreed that they will give the Blocks priority in the schemes that they would fund if they were successful in their bid. This would result in a private developer leading the demolition and redevelopment but then selling the new homes to Derby Homes or the Council. The success of this proposal is far from certain as, not only does it require one of the bids to be successful, it also requires the Office of the Deputy Prime Minister – ODPM – to confirm that it is possible for either the Council or Derby Homes to take ownership with a number of safeguards in place. However, if successful, the resulting scheme would essentially be for affordable rent and shared ownership. The outcome of the bidding process should be known in the summer.
  2. **The scheme to form part of Derby's proposed Housing PFI.** We have recently submitted the Outline Business Case – OBC – for the proposed Housing PFI, which would include 125 new-build properties. The properties to be built on the site of the blocks could help contribute towards this total. If successful, this option could again deliver affordable rent and shared ownership properties on the site. They would, however, be owned by the lead developer or a housing association, although it may be possible for Derby Homes to take on their management. This proposal is also not certain. The Council is awaiting approval by the ODPM of the proposed Housing PFI. The outcome of this should be known in the summer.
  3. **The scheme to form the basis of a bid to the Housing Corporation during the 2006/08 bid round.** This is likely to be held in the summer / autumn of this year. This option would again deliver high numbers of affordable rent and shared ownership properties, but they would be owned by the partner developer / housing association. It may be possible for Derby Homes to take on the management of the properties. The proposal is also not certain, as it does depend upon the Housing Corporation supporting the scheme. The outcome of the bidding process is likely to be known during the winter.

4. **The scheme to form a self-financing development.** Here, the surplus created by the sale of market properties would finance the cost of demolishing the flats, building the replacement properties and possibly financing the provision of some replacement affordable properties. This is our least preferred option as it would deliver the lowest level of affordable rent and shared ownership properties on the redeveloped site, requiring a high number of properties for outright sale to raise the necessary funding. However, as it would be a self-financing scheme, it would provide a 'fallback' position should it prove not to be possible to proceed with the other three options.

We will bring a further report to Cabinet once there is a recommended option for decision.

- 3.15 All of these options would involve the demolition of Yarmouth House and the relocation of the Orange mobile phone mast. Officers have been in discussion with Orange about other locations for the mast in the area, but it has not been possible to find a site in Council ownership in the area that will provide adequate coverage. Therefore, at this stage, we are pursuing the option of relocating the mast within the redeveloped site.
- 3.16 The site is currently primarily used for residential purposes. Planning consent would be required for the redevelopment of the site.
- 3.17 Out of the 51 flats in the 'Isle of Wight Blocks', seven are currently vacant with a further seven being used as temporary accommodation. We anticipate that it could take 12-18 months to decant the remaining tenants.
- 3.18 The confidential report later in the Agenda sets out valuation aspects – Appendix 2.

#### OTHER OPTIONS CONSIDERED

4. The main alternative would be to refurbish the blocks, rather than redevelop. However, this would not be a cost effective option and would also be against the wishes of tenants currently occupying the flats.

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<b>Background papers:</b>	None other than those in the public domain
<b>List of appendices:</b>	Appendix 1 – Implications Appendix 2 – Map of the site Appendix 3 – Confidential Report on Valuation Aspects

## IMPLICATIONS

### Financial

- 1.1 The sale of the 'Isle of Wight Blocks' will potentially generate a capital receipt to the Council. The land is held within the Housing Revenue Account, and so 100% of this receipt will be useable for affordable housing and / or regeneration projects under the amended rules on the use of receipts stemming from the disposal of housing land. Use for any other purpose would require a payment to the Government of 50% of the receipt.
- 1.2 The site is classified as Brownfield. The Council is committed to developing on Brownfield sites and has set a Local Public Service Agreement – LPSA – target of increased development on Brownfield sites. The redevelopment of this site will contribute to the achievement of this target, contingent on which is access to additional Council funding at the end of the LPSA period.
- 1.3 Individual tenants will be eligible for Home Loss Payments from the Council amounting to £3,400 for each tenancy. A disturbance payment will also be made to cover matters such as removal costs. Typically, this can amount to £250 for each property.
- 1.4 The tenants of the shop and Resources Centre will be entitled to compensation under the Landlord & Tenant Acts.
- 1.5 The Council will experience rent loss for the flats held empty until they are demolished.
- 1.6 To enable the redevelopment of the Blocks to proceed, the flat subject to a long leasehold interest will have to be purchased. We hope this can be achieved by agreement although, if this is not possible, we may have to use compulsory purchase powers.

### Legal

- 2.1 The Local Authorities (Capital Finance) (Amendment) (England) Regulations 2003 introduced revised set aside provisions for capital receipts from disposal of housing land other than through the Right to Buy or stock transfer.
- 2.2 One of the flats in Ryde House has been purchased by the former tenant under the Right To Buy legislation and is now subject to a long leasehold.
- 2.3 The following leases are currently in place:
  1. The shop at 2 Yarmouth House is subject to a lease expiring on 20 October 2005. The tenant will be allowed to hold over until possession is required.
  2. The Resources Centre at 3 Yarmouth House is subject to a lease expiring on 11 March 2007.

Once the shop tenant is holding over, the lease can be brought to an end by serving six months written notice. The lease on the Resources Centre can be brought to an end by serving a minimum of six months written notice prior to the expiry date of the lease. Possession of the shop and Resources Centre can be achieved on the grounds of redevelopment.

3. Two of the flats are currently let to Refugee Housing Association, who provide support services to asylum seekers. Eight of the flats were originally let, with six having been returned to Derby Homes. It is understood that the remaining two will be returned in the near future.
4. Orange has a lease allowing them to place equipment on the roof of Yarmouth House. This lease was originally for a term of 15 years from 1996, and therefore expires in 2011.
5. T-Mobile has a lease allowing them to place equipment on the roof of Ryde House. This expires on 18 December 2013, although it can be brought to an end on 18 December 2007. As they have not exercised their right to place the equipment on the roof, discussions are currently taking place concerning an early surrender of the lease.

## **Personnel**

3. None directly arising.

## **Equalities impact**

4. The redevelopment of the 'Isle of Wight Blocks' would help meet the needs of all groups, including minority ethnic communities, disabled people, general needs and older people.

## **Corporate objectives and priorities**

- 5.1 The proposal promotes the Council's objectives to create **healthy, safe and independent communities** and **a shared commitment to regenerating our communities**.
- 5.2 The proposal also furthers the priority of **working in partnership to achieve socially cohesive communities**.
- 5.3 The proposals also assist the Council to achieve the LPSA target for the development of Brownfield sites, and the Corporate Plan targets relating to affordable housing provision.

