



Derby City Council

**COUNCIL CABINET**  
**8 June 2016**

Report of the Cabinet Member for Urban  
Renewal

# ITEM 8

## Parkland View Extra Care Apartments for Sale

### SUMMARY

- 1.1 On 10<sup>th</sup> July 2013, Cabinet authorised the Council to tender for the purchase of a development to provide affordable housing within the city. The bid was successful and Parkland View, an Extra Care development consisting of 82 apartments has just been completed.
- 1.2 The previous report proposed a tenure mix of affordable rent and affordable shared ownership flats for older people. It stated that the shared equity apartments would be sold at 75% of open market value with no rental charge on the retained portion as stipulated by the Homes and Communities Agency (HCA) guidance relating to affordable Older Persons Shared Ownership (OPSO) products.
- 1.3 This report seeks approval for the marketing and sale of the shared ownership apartments and the terms of such.

### RECOMMENDATION

- 2.1 To agree the properties can be marketed for shared ownership for older people by Graham Penny Estates.
- 2.2 To approve the sales value at 75% as set out at Appendix 2, with no rental on the retained equity above 75% in accordance with HCA guidance on OPSO.
- 2.3 To agree, that the values set out at Appendix 2, can be periodically reviewed by an external Chartered Surveyor.
- 2.4 To agree that where purchasers are not in a financial position to purchase 75% of the apartment, that a lower share can be bought with a rental level of 2.75% on the un-purchased share, as detailed in paragraphs 4.3 and 4.4.
- 2.5 To agree that the lease will include a service charge calculated by estimating the cost of services for the whole scheme with each lessee paying 1/82th of the total service cost, as detailed in paragraph 4.10.
- 2.6 To delegate to the Strategic Director of Communities and Place, the power to convert the tenure to affordable rent on any apartment not sold after a minimum of 6 months of active marketing.

- 2.7 To agree that any net capital receipt arising from the sale of apartments shall be reserved for housing and regeneration purposes in accordance with capital regulations.

<b>REASONS FOR RECOMMENDATION</b>
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- 3.1 This will allow the properties to be marketed through an experienced agent and provide a mixed tenure development in accordance with the supporting information within the previous approved report
- 3.2 This confirms the market values provided by an independent Chartered Surveyor and is in line with the HCA's definition of affordable shared ownership for older people.
- 3.3 This will allow for the properties to be marketed at a value that reflects the current market conditions
- 3.4 To allow prospective purchasers with lower value properties, who may not be eligible for affordable rented accommodation, access to the development so they can continue to live independently.
- 3.5 This will ensure that the shared ownership properties are sold in accordance with standard terms and conditions and contribute towards the on-going service and maintenance of the development and the communal facilities they will have access to.
- 3.6 This will prevent apartments being vacant for a prolonged period of time.
- 3.7 To ensure that the entire capital receipt can be retained by the Council, rather than be redistributed to the Government.



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Report of the Strategic Director Communities and Place

**SUPPORTING INFORMATION**

- 4.1 On 10<sup>th</sup> July 2013, Cabinet authorised the Council to tender for the purchase of a development to provide affordable housing within the city. The bid was successful and the Council has recently taken possession of Parkland View, an Extra Care development consisting of 82 apartments. This is the first Extra Care scheme within the City owned directly by the Council.
- 4.2 Supporting information within the previously approved July 2014 Cabinet report outlined that the development would be a mixed tenure scheme with affordable rent and affordable shared ownership apartments sold at 75% of open market value with no rental charge on the retained portion.
- 4.3 Under the provisions of the HCA shared ownership lease for older people, the maximum share a leaseholder can purchase is 75%. It is a requirement, that a 25% minimum share be offered, with a rental level based on 2.75% of the capital value charged on the un-purchased share up to 75%. The 2.75% will be subject to an annual rent review based on CPI + 1.0% or the rent review criteria applicable by the HCA, or equivalent body, at the time of each review.
- 4.4 The % share a leaseholder can purchase will be determined by their level of savings and/or equity in their current home. Leaseholders will be unable to purchase below 75%, if it would result in them retaining capital in excess of £75,000 as they would not meet the HCA's affordability criteria and comply with the affordable housing definition. In these circumstances the leaseholder would have to increase their purchase share up to a maximum of 75%.
- 4.5 The definition of affordable housing is incorporated within planning policy guidance and by the Homes and Communities Agency (HCA) which is the Government agency responsible for the delivery of affordable housing and regeneration, and the regulation of Registered Providers. The terms set out within this report are in accordance with those requirements.
- 4.6 20 apartments have been identified for shared ownership and they are pepper potted throughout the development allowing purchaser's choice of location, floor level and orientation within the development. Apartment numbers are shown at Appendix 2.
- 4.7 Members of the public have already contacted the authority and expressed an interest in purchasing apartments within the development. To date, all have expressed an intention to purchase the maximum 75%.

- 4.8 It is proposed that the properties be marketed for shared ownership for older people by Graham Penny Estates whose services were procured in April 2015 contract reference 9RLK-N6UMGQ (TD 0668) for a term of 5 years with extensions. The contract was advertised on Source Derbyshire.
- 4.9 The market valuation was carried out by an external independent Chartered Surveyor in accordance with the RICS Valuation – Professional Standards.
- 4.10 It is proposed that the lease will include a service charge calculated by estimating the cost of services for the whole scheme with each lessee paying 1/82th of the total service cost, on an actual cost basis with estimated charges levied during the year and an adjustment at year end. The service charge covers the cost of maintaining communal facilities with a sinking fund for the replacement of specified major components for all shared ownership units
- 4.11 Parkland View has been partially funded with Right to Buy Receipts. The agreement (section 11(6) of the Local Government Act 2003) between the Secretary of State and the Council in respect of the redistribution of Right to Buy receipts stipulates that receipts can only be allocated to dwellings defined as affordable housing.

<b>OTHER OPTIONS CONSIDERED</b>
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- 5.1 The Council could determine to sell the 20 flats at either 75% or full open market value. This would not however achieve the affordable housing objectives agreed by Members in July 2014 and would not contribute towards the Council's objective of freeing up large family homes which are currently under-occupied by older people. This option would also not comply with the Government's funding agreement in relation to the re-use of capital receipts as outlined in paragraph 4.11 above.

**This report has been approved by the following officers:**

<b>Legal officer</b> <b>Financial officer</b> <b>Human Resources officer</b> <b>Estates/Property officer</b> <b>Service Director(s)</b> <b>Other(s)</b>	Olu Idowu Mazer Hussain, Toni Nash Liz Moore Jayne Sowerby-Warrington Christine Durrant Ian Fullagar, Head of Strategic Housing Fareed Hussain – Cabinet Member for Urban Renewal
<b>For more information contact:</b> <b>Background papers:</b> <b>List of appendices:</b>	Karen Brierley 01332 640318 karen.brierley@derby.gov.uk None Appendix 1 – Implications Appendix 2 – Sales Values

<b>IMPLICATIONS</b>
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**Financial and Value for Money**

- 1.1 Sale of shared ownership properties was included within the financial appraisal undertaken to assess the viability of this development which was approved within the previous confidential Cabinet report.
- 1.2 Sufficient allowance was included within the previous report for marketing and associated fees for the sale of the shared ownership properties so no additional budget is required.
- 1.3 In accordance with the supporting information contained in the previous Cabinet approval there will be no rent charged on the retained share above 75%. However rent of 2.75% of the capital value will be charged on any un-purchased share below 75%. The rental amount will be subject to an annual review in accordance with the HCA guidelines applicable at the time of the review. This is in line with the national definition of affordable housing, therefore allowing Right To Buy Receipts to be used to part fund the shared ownership dwellings.
- 1.4 The 20 units under shared ownership will be, as a minimum, 25% HRA owned and not be subject to a rental charge which is valued at £25,000 in the first year, increasing in subsequent years when rent increases are taken into account, to remain affordable and meet HCA guidance

**Legal**

- 2.1 The lease terms have been developed in accordance with the HCA's model lease for Shared Ownership for Older Persons and the Council's own lease terms for housing.

**Personnel**

- 3.1 None directly arising from this report.

**IT**

- 4.1 None directly arising from this report.

**Equalities Impact**

- 5.1 This will provide a mixed tenure development and allow all residents of Derby access to Extra Care.
- 5.2 This development will allow people to remain in their own homes and offers an alternative to residential or care homes.

**Health and Safety**

6.1 None directly arising from this report.

**Environmental Sustainability**

7.1 None directly arising from this report.

**Property and Asset Management**

8.1 None directly arising from this report.

**Risk Management**

9.1 Where apartments do not sell within 6 months of active marketing the price can be reviewed or, alternatively, the tenure can be changed to affordable rent.

**Corporate objectives and priorities for change**

10.1 A strong community.

10.2 An inspiring place to live allowing residents to remain within their own homes

## Appendix 2

### Sales Values

Apartment number	Market valuation	Sales value at 75%
9	143,500	107,625
10	143,500	107,625
15	141-,000	105,750
28	143,500	107,625
29	146,000	109,500
30	147,000	110,250
36	146,000	109,500
37	147,000	110,250
38	143,500	107,625
49	146,000	109,500
50	146,000	109,500
52	147,000	110,250
53	147,000	110,250
60	147,000	110,250
61	143,500	107,625
73	146,000	109,500
74	146,000	109,500
75	148,500	111,375
81	147,000	110,250
82	148,500	111,375