



**Cabinet Member for Adults, Health and  
Housing  
20 March 2019**

# ITEM 8

Report sponsor: Greg Jennings – Director of  
City Development and Growth  
Report author: Carly Saunt - Housing  
Development Officer

## **Acquisition of a vacant 3 bedroom house in Arboretum Ward**

### **Purpose**

- 1.1 This report seeks the approval to purchase a 3 bedroom mid-terrace property which is currently vacant due its poor condition with issues including collapsed floors, a leaking roof and severe damp and dry rot which may impact on neighbouring properties if not addressed appropriately. The purchase will be funded by the Housing Revenue Account (HRA) capital programme and Right to Buy receipts (RtB).
- 1.2 The homeowner of the property, who was a hoarder, has been allocated alternative accommodation due to the condition of the property. He has agreed, following independent legal advice, to transfer ownership of the property to the Council, at an agreed value less clearance cost, so the numerous defects can be addressed effectively.
- 1.3 The Council has been permitted access to the dwelling to clear the remainder of the homeowner's belongings and secure the property at a cost of £3,278
- 1.4 The District Valuer has provided an independent valuation, post clearance works, of £30,000 for the property in its current condition. A purchase price of £26,722 has been agreed with the homeowner
- 1.5 The property will be subject to a full refurbishment once the property is in Council ownership to ensure it meets building regulations and can be brought back into use as an affordable rental home.
- 1.6 This property would form part of the Council's affordable housing stock and would be managed by Derby Homes (DH), the Council's Arm's Length Management Organisation.

### **Recommendations**

- 2.1 To approve the acquisition of the property at the negotiated purchase price of £26,722.
- 2.2 To approve the subsequent structural remediation work and full refurbishment of the property where required by Derby Homes.

- 2.3 To approve the incorporation of the property into the Council's affordable housing portfolio to be managed by Derby Homes.

### **Reasons**

- 3.1 To increase the number of affordable family homes available to those in identified housing need and ensure a vacant and derelict property is brought back into use.
- 3.2 To ensure the required works are completed to a decent standard and the property provides appropriate, affordable accommodation to meet the needs of families on the Housing Register.
- 3.3 To ensure the property is adequately managed and maintained as an affordable property.

### **Supporting information**

- 4.1 This case initially came to the attention of the Council via the Healthy Housing Hub when the homeowner was admitted to hospital, which was when the poor condition of the property was discovered.
- 4.2 The property was not habitable and so the homeowner was appropriately rehomed and the property has been cleared and secured with the homeowners express permission.
- 4.4 A Social Worker has assessed the homeowner's capacity and confirmed that he has the capacity to make decisions regarding the property. The homeowner has also instructed and received independent legal advice.
- 4.6 The 3 bedroom, mid-terrace property is of standard brick and tile construction with two brick outbuildings to the rear. The property has not been maintained for some time and is in a derelict state worsened by the homeowner's long-term hoarding.
- 4.7 A building and structural survey has been completed which identified the following major issues:
- Loose brickwork above ground floor windows due to rotting window frames.
  - Damp due to defective guttering, overgrown vegetation and no effective damp proof course.
  - Loose roof slates.
  - Cracking above internal doors
  - Rotten floor joists and defective solid floors.
  - Significant water damage.

All of the identified items could lead to more serious problems if left to deteriorate further.

- 4.13 Taking into account the isolation, vulnerability and financial position of the homeowner the decision was taken to work in conjunction with the homeowner as opposed to taking enforcement action via the Council's environmental health team.
- 4.14 This property would be an individual acquisition and is not linked to any other purchase.

### **Public/stakeholder engagement**

- 5.1 The homeowner of the property has been, and will continue to be engaged throughout the acquisition process in consultation with his solicitors and Social Worker.
- 5.2 The homeowners Social Worker has been consulted to ensure the homeowner has the required capacity to make decisions regarding the property.

### **Other options**

- 6.1 Take enforcement action against the homeowner. This was considered and discounted due to the homeowners isolation, vulnerability and financial position.
- 6.2 Acquire the property and sell on the open market. This would not ensure that the property's defects would be effectively addressed by professionals to prevent further deterioration.
- 6.3 Do nothing. This would result in either:
- Enforcement Action, or
  - Sale on the open market

Both of which have been considered and discounted.

### **Financial and value for money issues**

- 7.1 Any costs associated with the acquisition and subsequent refurbishment of the property can be subsidised by RTB receipts at a rate of 30%.
- 7.2 The homeowner is aware of the extensive works required to the property and the subsequent impact this has on the property's value. The property has been independently valued and the homeowner, following independent legal advice, has agreed to transfer ownership to the Council for £26,722.

7.3 In addition to addressing structural defects, the property requires a full refurbishment throughout to bring it up to the Council's lettable standard including but not limited to:

- New gas central heating
- Full electrical rewire
- New kitchen and bathroom
- New windows and doors
- Insulation
- Complete clearance of overgrown and derelict rear garden
- Removal and replacement of solid and timber floors
- New ceilings throughout
- Full damp proof course and replacement plaster
- Full redecoration
- General repairs internally and externally

The costs will not exceed £120,000.

7.4 The costs associated with this acquisition are as follows:

- Acquisition - £26,722
- SDLT - £802
- Fees £272
- Refurbishment - £ 120,000
- Total - £147,796

This will be funded by:

- Housing Revenue Account Capital - £103,457
- Right to Buy Receipts (30%) - £44,339

7.5 For the purposes of the appraisal, Housing Revenue Account capital has been taken to be borrowing at a rate of 2.56%. The acquisition will produce an operational surplus from year 7 with breakeven in year 30

7.6 The dwelling will be protected from any financial loss from subsequent right to buy applications by the cost floor rules, meaning that the property cannot be sold for less than the value of the cumulative total spend for 15 years from the date of acquisition.

7.7 Following acquisition of the property, an Exemption from Regulations will be submitted to the Ministry of Housing, Communities and Local Government (MHCLG). This means that, should the property be sold under a Right to Buy application, DCC will retain 100% of any capital receipt, rather than having to pool the receipt as we are required to do with properties built or acquired before July 2008. This minimises the financial loss to the Council that results from Right to Buy sales.

7.8 The acquisition of the property and any required refurbishment work can be funded from the existing Housing Revenue Account (HRA) capital budget.

7.9 Bringing this long term vacant property back into use will contribute towards the city's New Homes Bonus. A reduction in the number of empty properties attracts additional income to the council, whilst an increase attracts an equivalent penalty.

## Legal implications

- 8.1 A Social Worker has provided that the homeowner has the capacity to make decisions regarding the property.
- 8.2 The homeowner has instructed and received independent legal advice to ensure they are aware of the legal implications of their decisions.
- 8.3 The acquisition will be subject to the Council's standard due diligence throughout the transaction.

## Other significant implications

- 9.1 Bringing empty homes back into use is a priority of the Council in accordance with its Empty Homes Strategy 2015-2020. Empty properties can be detrimental to the lives of local residents as they are a magnet for crime and antisocial behaviour, drive down property values locally and contribute to urban decline and blight. They also represent a risk for the emergency services and put added pressure on various council departments such as Environmental Health and Anti-Social Behaviour Teams.
- 9.2 When dealing with empty property owners, a voluntary way forward, as adopted in this instance, is always preferred. Advice, assistance and incentives reduce demand on Council resources and the need for enforcement action at a later date.

This report has been approved by the following people:

<b>Role</b>	<b>Name</b>	<b>Date of sign-off</b>
<b>Legal</b>	Sophia Brown	21/01/2019
<b>Finance</b>	Mazer Hussain	8-3-19
<b>Service Director(s)</b>		
<b>Report sponsor</b>	Greg Jennings	
<b>Other(s)</b>	Ian Fullagar	1-3-19