
REPORT FOR: CABINET

Date of Meeting:	10 December 2015
Subject:	Grange Farm Resident Leaseholder provision and scope of tender negotiations
Key Decision:	Yes
Responsible Officer:	Lynne Pennington Divisional Director of Housing
Portfolio Holder:	Glen Hearnden, Portfolio Holder for Housing
Exempt:	No, except for Appendices 2 and 3 which are exempt under paragraph 3 of Schedule 12A to the Local Government Act 1972 (as amended) in that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information)
Decision subject to Call-in:	Yes
Wards affected:	Harrow on the Hill
Enclosures:	Appendix 1 Equity Loan scheme Appendix 2 Northolt Road Community Centre options (<i>note this document is exempt – Part I</i>) Appendix 3 Acquisition of land at Northolt Road (<i>note this document is exempt – Part II</i>)

Section 1 – Summary and Recommendations

This report sets out to agree a scheme of equity loans for resident owners of the Grange Farm estate, to authorise negotiation and conclusion of an agreement with the MOD to acquire land adjacent to the Grange Farm estate and to give authority to potentially include additional land in the negotiations with developers.

Recommendations:

- a) To approve the proposed scheme for giving equity loans to resident owners living on Grange Farm where they are unable to afford suitable alternative accommodation with the sale proceeds from their existing home and to delegate to the Divisional Director for Housing, following consultation with the Portfolio Holder for Housing, the power to use discretion in the exercise of the equity loan scheme to increase the council's loan where owners face additional difficulty in securing comparable property.
- b) To approve the potential to include land currently occupied by the Northolt Road community centre and adjacent flat block 29 in the negotiations with bidding developers and the negotiation and conclusion of any necessary agreements with existing occupiers, and taking of all other necessary steps, in order to secure vacant possession of the site.
- c) To approve the negotiation and conclusion of an agreement with the Ministry of Defence for the acquisition of the land used by Air Cadets at Northolt Road as outlined in the report.
- d) To delegate authority to the Corporate Director Communities, following consultation with the Portfolio Holder for Finance & Major Contracts and the Portfolio Holder for Housing, to agree any final terms relating to the above recommendations and to enter into necessary contracts.

Reason: In order to facilitate the acquisition of leasehold flats prior to the demolition of the Grange Farm estate the council will need to support resident owners in acquiring new homes. The potential to incorporate the activities taking place at the Northolt Road Community Centre into the new Grange Farm Community Centre allows for consideration of the development potential of the site which could be used to make the development of Grange Farm more affordable.

The acquisition of the land owned by the MOD would enhance the entrance to the new estate from Northolt Road.

Section 2 – Report

2.1 Introductory paragraph

The regeneration of the Grange Farm estate is a major redevelopment in the borough and the proposal in this report to offer equity loans is intended to support families who otherwise would be forced to move considerable distance to find affordable replacement properties. Whilst the actual size of the funding gap to be met by the council will only be crystallised when tenders

are returned for the development of the estate, the land identified on Northolt Road offers a significant development opportunity which could either deliver capital injection into the Grange Farm scheme and or produce more affordable homes.

2.2 Options considered

Options considered before recommending these options included;

1. Provide properties for resident owners on the new Grange Farm estate via shared ownership. This option will be available for those resident owners who want to do so.

Offering land at the rear of block 29 Northolt Road. to the MOD in exchange for the land currently used between Templar House and East Croft House, Northolt Road. While this option may yet emerge as the preferred option for the MOD at the time of preparing the report this option appears to be less attractive to the MOD.

3 Background

Resident Owners

- 3.1 There are 29 privately owned properties on the Grange Farm Estate that need to be acquired a thirtieth has already been acquired. Of the 29 remaining
 - 21 are sublet to private tenants
 - 8 are occupied by the owners
 - 5 by resident leaseholders
 - 3 by resident freeholders
- 3.2 Through the council's policy of purchasing 100 homes on the open market the council has now gained detailed information of local sub markets and the prices that various properties are trading at on these markets.
- 3.3 For those who have purchased Resiform flats in particular, the valuation of their property will mean that they will find it very difficult to repurchase in Harrow and might be forced to move many miles away. There will be options for them to buy new properties which will be for sale at Grange Farm but these being new and built to a high standard will command high values. Shared Ownership will also be an option in this situation but will not help if the owner needs to move out during the first phase of demolition when no alternative will have been built.
- 3.4 It is proposed that we continue to offer shared ownership within the new development for owner occupiers currently on the site but also to offer an alternative of shared equity elsewhere. Appendix 1 sets out the proposed terms of an agreement that we would offer. In summary it requires that;
 - The owners invest all the sale proceeds from their current home into the new property
 - The council takes a charge on the new property by making up the difference between the value of the Grange Farm property sold and the typical cost of a similar property, in the local vicinity, as an equity share
 - Upon sale of the property purchased the council receives the same % of the prevailing value of the property as it invested originally (unless the owner has previously increased their equity stake – see below)

- The resident owner can increase their equity stake over time by buying further % stakes from the council at the prevailing market value.

Community Centre Northolt Road

- 3.5 The original discussion with Grange Farm residents was that a community centre currently on the estate and owned by the church would be replaced when the new estate was built. The provision of a new community centre with flexible use could become a major asset for the wider community. Early discussions with Carramea Community Resource Centre at 29 Northolt Road and with the Herga nursery using the rear of the Northolt Road community centre has confirmed that they would be open to sharing a new purpose built facility which would give both organisations scope to expand.
- 3.6 On this basis the council could consider consolidating all community facilities in one location. Appendix 2 identifies the potential uses of the site if the Northolt Road. Community Centre and block 29 Northolt Road were made available as a plot.
- 3.7 Block 29 Northolt Road does contain 10 tenanted flats and an initial consultation with those residents is being carried out as this report is being prepared.

Land at Northolt Road occupied by Air Cadets

- 3.8 When architectural tenders for the development of the Grange Farm estate were received each of the 5 bidders all identified the major benefit to flow from improving pedestrian access from Northolt Road.
- 3.9 The current access arrangement is particularly unattractive and by having a right angle corner leading on to the estate is a source of concern particularly for people walking alone at night.
- 3.10 The restriction on broadening this footpath to create an attractive landscaped entrance comes from the adjacent land being occupied by two large wooden huts used by the MOD for air Cadets.
- 3.11 Appendix 3 sets out the history of negotiations with the Land owners and a proposed way forward to reach agreement for the council to acquire the land for the improvement of the Grange Farm estate regeneration.

Legal Implications

The Council has the power to acquire and dispose of land interests, and to incur expenditure in the performance of its statutory functions, in accordance with the provisions of the Local Government Act 1972 and the Housing Act 1985. It also has a power of general competence in accordance with s1 of the Localism Act 2011 to do anything that individuals generally may do subject to any restrictions provided for elsewhere in legislation.

The equity loans proposed by this report would be secured by legal mortgages in favour of the council. In some cases where the existing leaseholders require additional mortgage finance in order to purchase an alternative property, the council would take a second mortgage and its security would therefore rank behind the bank or building society's first mortgage in the event of a repossession and forced sale of that property. The

terms of the council's mortgage would however provide that additional loans could not be advanced under the first mortgage without the consent of the council in order to preserve the equity in the property available to the council. The value of the council's equity share may rise or fall depending upon the prevailing property market and would be redeemed on a sale of the property by the original borrowers or otherwise on their death. Under s7 of the Local Government Act 1986 the Council can only transfer a mortgage to a third party with the consent of the borrowers.

Financial Implications

1. The potential cost of providing assistance to all resident owners is estimated at up to £1.3m, which would need to be funded from the existing land assembly budget, some items of which being deferred until phase 2 of the project is ready. If each resident remains in occupation for an average of 10 years there is the likelihood of a significant capital appreciation of the equity share for the Council based on current markets, although there is an appreciation that changes in the economic climate such as the outlook for interest rate rises could cause a softening of the market.
2. There is no guarantee as to when these funds will be repaid to the council.
3. The value of the site combining the Northolt Road Community Centre and block 29 is identified in Appendix 2.
4. The value of the land occupied by the Air Cadets has been estimated and is contained in Appendix 3.

Equalities implications / Public Sector Equality Duty

An Equalities Impact Assessment in respect of the estate redevelopment as a whole is still being developed and will be refined once the architect's designs are confirmed and the resident surveys completed.

The provision of a Community Centre on the site would be designed to meet a range of needs relating to all sectors of the community both within and beyond Grange farm. Already identified by local residents are the needs of young people and elderly. The incorporation of Carramea into the community centre allows the expansion of its work across a wide range of protected characteristics. The discussions with the MOD will only be resolved by ensuring an alternative provision and so the involvement of this group will be protected.

Council Priorities

The Council's vision:

Working Together to Make a Difference for Harrow

The Homes for Harrow programme which includes the Grange Farm regeneration project will contribute positively to the Council's vision for Harrow Working Together to Make a Difference for Harrow and the Council's priorities in the following ways:

1. Making a difference for the vulnerable – building a range of new affordable homes including homes for those who are most in need.
2. Making a difference for communities – This work provides an opportunity to involve and engage residents on the Grange Farm estate and from the wider community in the development of new homes, the replacement of poor housing and improvements to the external environment.
3. Making a difference for families – Improving the worst social housing in Harrow and building homes to meet family needs. Other benefits flowing from the regeneration programme include the creation of apprenticeships, jobs and training opportunities to help those most in need, especially the young.

Section 3 - Statutory Officer Clearance

Name: Dave Roberts	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: 26 November 2015		
Name: Matthew Adams	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 26 November 2015		

Ward Councillors notified:	YES
EqIA carried out:	NO
EqIA cleared by:	An initial high level assessment identified no reasons to believe that there will be any significant adverse impacts. A full EqIA will be concluded once the

resident survey relating
to rehousing preferences
has been completed

Section 4 - Contact Details and Background Papers

Contact: Paul Mullins, Interim special Project Manager, Direct Telephone No. 0208 420 9680 paul.mullins@harrow.gov.uk.

Background Papers:

Cabinet report 20 June 2013, Housing Business Plan 2013, consultation draft Asset Management Strategy, Proposals for a future Affordable Housing Programme, and Proposed Grants to Move scheme

<http://www.harrow.gov.uk/www2/documents/g61429/Public%20reports%20pack%20Thursday%2020-Jun-2013%2018.30%20Cabinet.pdf?T=10>

Cabinet report 10 April 2014 Affordable Housing Programme Update

<http://www.harrow.gov.uk/www2/documents/g61438/Public%20reports%20pack%20Thursday%2010-Apr-2014%2018.30%20Cabinet.pdf?T=10>

Cabinet report 17 July 2014 Homes for Harrow

<http://www.harrow.gov.uk/www2/documents/g62354/Public%20reports%20pack%20Thursday%2017-Jul-2014%2018.30%20Cabinet.pdf?T=10>

Cabinet report 15 January 2015 Grange Farm Regeneration Scheme

<http://www.harrow.gov.uk/www2/documents/g62359/Public%20reports%20pack%20Thursday%2015-Jan-2015%2018.30%20Cabinet.pdf?T=10>

Cabinet report 17th June 2015 Grange Farm Regeneration Progress Planning and Implementation

<http://www.harrow.gov.uk/www2/documents/g62614/Public%20reports%20pack%20Wednesday%2017-Jun-2015%2018.30%20Cabinet.pdf?T=10>

**Call-In Waived by the
Chairman of Overview
and Scrutiny
Committee**

NOT APPLICABLE

[Call-in applies]