

REPORT OF: HOUSING, HEALTH AND ECONOMIC DEVELOPMENT SERVICES MANAGER

TO: EXECUTIVE

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WHITEFIELD HOUSE SALES

PURPOSE OF REPORT

To note the progress on sales and to agree the disposal of the remaining properties to Calico to provide affordable housing.

RECOMMENDATIONS

- (1) To note the progress on sales to private buyers.
- (2) Subject to agreement of the Calico Board on 20th March 2017 agree the sale of any remaining unsold properties to Calico.
- (3) To give delegated authority to the Leader and Strategic Director to agree the final sales prices to Calico.
- (4) To note the requirement to pay 41.7% of the overall net proceeds of the Whitefield refurbishment scheme to the Homes & Communities Agency.

REASONS FOR RECOMMENDATIONS

- (1) To ensure that the properties are sold and occupied in a timely way.
- (2) To comply with the conditions of the Homes & Communities Agency Grant Funding Agreement.

ISSUE

1. Previous reports have been brought to the Executive detailing progress with the sales of refurbished properties in Whitefield. As members will be aware, sales of properties have

been slower than anticipated and as a result we have had to get approval from the Homes & Communities Agency to extend the timescale of the project. The slower sales have meant that the remaining properties have started to suffer damage from vandalism and have become damp through being left empty for an extended period. There have also been incidents of anti-social behaviour in the area, which we believe is due to the number of empty properties.

2. As previously reported, there have been frequent occasions where Liberata have accepted offers on properties and then the purchaser has withdrawn at a later stage. Sometimes this has been due to their inability to obtain a sufficient mortgage and on other occasions they have not given a reason. We have set out previously the range of incentives that have been offered to speed up sales (e.g. deposit assistance, free carpets, legal fees paid) as well as price reductions on all properties. Despite all these measures we have so far this financial year only sold 3 properties. There are still 18 properties unsold but offers have been accepted on 4 of these.

Calico Housing

3. In the previous report to Executive we set out that we had recently contacted a number of Registered Providers to see if they would be interested in purchasing any of the properties for affordable housing. Calico, a Registered Provider based in Burnley, have indicated an interest in purchasing any remaining unsold properties to provide affordable housing.
4. The majority of the houses still for sale in Whitefield are 4 bed properties. Registered Providers only have a small supply of larger houses for affordable rent in Nelson and only ten 4 bed properties have become available through the B-with-us system in the last 3 years (there are 146 families who are interested in such a property).
5. Calico's Executive have approved the purchase in principle, subject to their Board approval on 20th March. The prices that Calico can offer are based on rental levels that can be achieved at Local Housing Allowance levels so are lower than those we have accepted from private buyers. However, selling the remaining properties to Calico would have the following advantages:
 - Provide additional affordable rented housing for households who are unable to buy
 - Reduction in property management and maintenance costs which are incurred whilst the properties remain unsold (spend this year to end of December was £57,000)
 - Likely reduction of anti-social behaviour in the area
 - Opportunities to increase New Homes Bonus through bringing empty properties back into use (with a £350 premium for each property that is affordable)
 - The completion of a project that has taken significantly longer than anticipated
 - Generation of significant capital receipts (but see below about repayment arrangements to HCA)

6. It is proposed that, subject to the agreement of Calico Board, any properties that are not currently under offer be sold to Calico at a price to be agreed by the Strategic Director and the Leader of the Council.

Repayment to the Homes & Communities Agency

7. The refurbishment of the properties that are for sale has been funded mainly from the former Housing Market Renewal (HMR) programme and from the Homes and Communities Agency (HCA). Pendle originally refurbished 2 blocks of properties on Every St funded jointly by HMR and HCA funding. HCA subsequently agreed further funding of £1.361m towards a programme of refurbishment to another 3 blocks in Whitefield (11-37 Stanley St, 9-35 Albert St, 1-33 Mosley St) along with public realm works. This was matched with £2.7m of HMR funding. The HCA Grant Funding Agreement required that when all the properties were sold a percentage of the receipts would go back to HCA based on the overall input of funding into the refurbishment programme. This equated to 41.7% HCA and 58.3% HMR. The receipts from the HMR element of the funding could be retained by Pendle.
8. It was subsequently agreed by HCA that we could extend the project by refurbishing a further 4 blocks (10-36 Albert St, 140-150 Every St, 48 Macleod St/1-13 Portland St). HCA agreed that their capital receipts from 128-136 and 117-129 Every St, 11-37 Stanley St, 9-35 Albert St, 1-33 Mosley St be recycled into refurbishing the 4 additional blocks, provided that the HMR receipts were also recycled. No receipts become repayable to HCA until after all the properties had been refurbished and sold.
9. It was also agreed that an additional receipt from the sale of a property at 90 Manchester Rd be included in the calculation. The acquisition of this property was originally funded through English Partnerships (who later became HCA).
10. The final calculation of net receipts will be done when all sales have been completed and all costs are known. The costs that are included are refurbishment works, fees, showhome fitting out, sales and incentive costs, property management and borrowing costs. As the sales have been slower than anticipated there has been a need to borrow to finance the later refurbishments rather than rely on capital receipts from sales. The overall net proceeds of the scheme are anticipated to be in the region of £1.251m which would mean a repayment of around £521k to HCA and retention of £730k by Pendle.

IMPLICATIONS

Policy: None directly arising from this report

Financial: The properties which are the subject of this report are currently advertised for sale by the Council on the open market at prices ranging between £99,000 (3 bed) to £130,000 (4 bed). There is one six bedroom property currently on sale for £142,950.

Subject to agreement on final terms with Calico, the bulk sale of all remaining properties will be completed at a discount, estimated currently at 25% on asking price. Whilst this will result in a lower capital receipt, the Council has to balance this with the factors outlined in paragraphs 1

and 2 of this report together with the benefits of the sale as proposed set out in paragraph 5 above. Councillors should note that sales on the open market have generally been at less than the asking prices.

On completion of the disposal the Council will achieve a capital receipt and no longer have management and maintenance obligations for the properties with wider benefits arising for the community as a result of the properties no longer being empty. As outlined above, the capital receipt will be apportioned between the Council and the Homes and Communities Agency in the agreed proportions.

Legal: None directly arising from this report

Risk Management: None directly arising from this report

Health and Safety: None directly arising from this report

Sustainability: None directly arising from this report

Community Safety: Bringing all the properties back into use is likely to reduce the incidences of anti-social behavior in the area

Equality and Diversity: None directly arising from this report

APPENDICES

None

LIST OF BACKGROUND PAPERS

Reports to Executive February 2016 and September 2016 – Whitefield House Sales