

Report for: CABINET

Item number: 11

Title: 500 White Hart Lane- Affordable Housing Acquisition

Report

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Ward(s) affected: White Hart Lane

**Report for Key/
Non Key Decision:** Key Decision

1. Describe the issue under consideration

- 1.1 In July 2016, the owners of the 500 White Hart Lane site (“the Site”), Tottenham Hotspur Football and Athletic Co Ltd (“THFC”), were granted outline planning approval for a residential led mixed use development, which included 144 new homes, of which 29 are affordable, and accompanying commercial, retail and employment space.
- 1.2 The S106 Agreement for the Site made provision for the Council to acquire the 29 affordable homes due to be built on the Site at an agreed minimum price per square foot (subject to build cost inflation). This report seeks authority to acquire the 29 affordable homes and delegation to the Director of Regeneration and the s151 Officer, after consultation with the Cabinet Member for Housing, Regeneration and Planning, to agree the purchase price and the final terms of the acquisition of these affordable homes.

2. Cabinet Member Introduction

- 2.1 As set out in our Housing Strategy we “need a step change in the number of homes being built in our borough” so that our residents have more housing choice and we “need to drive up the quality of homes” to ensure that our residents “can live happy fulfilled lives”.
- 2.2 Development opportunities, such as 500 White Hart Lane, which will deliver 144 new homes and regeneration opportunities such as High Road West, which will deliver up to 2,500 new homes, provide us with opportunities to not only increase the housing supply and choice but also deliver brand new homes that will be built to new fire and safety standards and residents’ needs in sustainable neighbourhoods.

- 2.3 Whilst it is our priority to ensure that an increased number of high quality affordable homes are delivered across the borough, we understand that the landlord of the affordable homes is a key concern and priority for our residents. We understand, as shown by the recent s105 consultation on the Love Lane Estate, that when given a choice between the Council and a Housing Association being the landlord of their home, most existing council tenants want the Council to remain their landlord.
- 2.4 It is not always possible on estate regeneration schemes and on development sites for the Council to acquire, own and manage either additional or replacement affordable homes, due to the impact this has on the Council's budgets and the impact this has on the viability of each bespoke scheme. But, where financially and legally possible, we will seek to acquire and manage homes, so that we can increase our housing stock, provide greater housing choice for our residents and meet the Housing Strategy objective to drive up the quality of council housing.
- 2.5 For the Site, officers have negotiated a legal mechanism for the Council to acquire 29 safe, new affordable homes and a price per square foot for the homes, which the Council can afford. This has been possible as the justification for developing the Site was predicated on the fact that the Site would facilitate the delivery of the High Road West Scheme, which is a mile from the Site. The Site would facilitate High Road West by providing rehousing opportunities for Love Lane residents. Whilst, all secure Council tenants and resident leaseholders are guaranteed a new home within High Road West if they would like one, I promised the Love Lane residents that I would seek to maximise their rehousing choices.
- 2.6 In an effort to do this, I requested that officers initiated a dialogue with Love Lane residents and THFC about utilising the affordable housing built on the Site as replacement housing for them. Love Lane residents were supportive of replacement homes being built for them at 500 White Hart Lane as it increased their rehousing choice. Subsequently, they worked with THFC in developing the planning application for the Site, feeding into the overall design and layout of the Site and the design proposals for the affordable homes.
- 2.7 Given that the acquisition of the 29 affordable properties on the Site supports our housing objectives, responds to residents' aspirations, is affordable to the Council and also offers the opportunity for us to utilise Right to Buy ("RTB") receipts I am recommending that the Cabinet agree to acquire these properties.

3. Recommendations

- 3.1 It is recommended that Cabinet:
- I. Agrees to the future acquisition of 29 affordable homes for housing purposes to be constructed on the Site for a maximum total sum of £5m plus acquisition process costs and that the monies for the purchases shall be from:

- a. Housing Revenue Account (“HRA”), including but not limited to the ‘HRA Stock Acquisitions Reserve’ which currently has a budget of £6.4m
 - b. Right to Buy (“RTB”) capital receipt retained budget
- II. Give delegated authority to the Director of Regeneration and the S151 Officer, after consultation with the Cabinet Member for Housing, Regeneration and Planning, to agree the purchase price for each of the properties and the final heads of terms of the acquisition which will be based on the terms of the s106 Agreement found at Appendix 1.

4. Reasons for decision

Supporting the Council’s housing objectives

- 4.1 The acquisition will increase the Council’s housing stock. Increasing the Council’s housing stock will help address the significant housing demand and housing waiting list in the Borough. Even if some of the properties are used to rehouse Love Lane residents, it will mean that the replacement affordable homes in the High Road West Scheme can be freed up to rehouse residents on the housing waiting list. It will also mean that the Council has a wider variety of unit sizes and typologies, which will provide residents with greater housing choice.
- 4.2 As the Council will be setting the specification of the homes, the Council will have control over the physical quality and performance of the homes. It will also have control over the quality of housing management. All of which support the Housing Strategy objective to drive up the quality of Council homes.

Supporting the High Road West Scheme and responding to residents’ aspirations

- 4.3 By acquiring these homes and ensuring that Love Lane residents have the opportunity to move to them¹, the Council is increasing Love Lane residents’ rehousing choice and responding to their request for new homes which are owned and managed by the Council.

Financial Case

- 4.4 The costs of acquiring all of the 29 affordable homes will be c.£4.5m. These acquisitions will qualify for the use of retained RTB capital receipts to fund 30% of the cost of the scheme provided they are affordable rented housing. If the Council does not spend the RTB receipts within 3 years of the receipt, the money will be returned to DCLG together with interest. Therefore, acquiring the 29 affordable units at 500 White Hart Lane ensures that the Council can spend RTB receipts on new affordable homes for Haringey.

5.0 Alternative options considered

¹ Subject to agreement of a Local Lettings Policy for the 29 affordable homes which prioritises Love Lane residents

- 5.1 The s106 Agreement for 500 White Hart Lane sets out two options for the affordable homes; the Council acquires the 29 affordable homes, or a Registered Provider (“RP”) acquires the 29 affordable homes.
- 5.2 Officers have considered the implications of a RP acquiring the affordable homes and have chosen not to recommend this option for reasons which are set out below.
- 5.3 If the Council choose not to acquire the properties, the S106 Agreements ensures that the Council would be able to approve the RP and approve the ‘Affordable Housing Scheme’ which sets out the tenure and location of the affordable homes. This provides some comfort regarding the quality of the landlord and the affordable housing which will be delivered.
- 5.4 However, the Council would not have as much control over the tenure, affordability and type of housing products as it would if the Council owned the homes. If an RP acquires these properties, the Council can only exercise its planning controls as the Council does not have a direct contractual agreement with the RP. Council control is important, especially if these homes are used to rehouse Love Lane residents, or residents affected by regeneration schemes as the Council needs to be able to meet its rehousing commitments and be able to flex the tenure to meet the needs of residents.
- 5.5 As an example, the s106 Agreement states that the 29 affordable units will comprise of the following;
- 17 social rent units
 - 6 intermediate units
 - 6 social rented and/or affordable rented and/or intermediate
- 5.6 It also states that if an RP were to acquire the affordable homes, the last 6 units referred to in the bullet above are likely to be intermediate units.
- 5.7 The number of intermediate properties and the intermediate product type is important in facilitating the rehousing of Love Lane resident leaseholders who will be seeking the most affordable housing product.
- 5.8 Whilst it may be possible for the Council to negotiate with the RP to secure exactly what it wants in terms of tenure, product and affordability it may be that the RP would seek a financial contribution from the Council.
- 5.9 If the Council were to acquire the affordable homes it would have control over the tenure and products of the intermediate properties and could flex the product to meet the needs of Love Lane residents or other priority need.

6.0 Background and summary information

Planning Application

- 6.1 In July 2016, THFC were granted outline planning approval for a residential led mixed use development, which would deliver 144 new homes, of which 29 are affordable, and accompanying commercial, retail and employment space for 500 White Hart Lane (HGY/2016/0828).
- 6.2 The Site is located on the north side of White Hart Lane close to the junction with Devonshire Road, a site plan can be found at Appendix 2. The Site is 0.9 hectares in size and at the time the planning application was submitted, was divided into two sections. The south section was vacant, containing debris from demolition of previous industrial / commercial buildings, and some remaining derelict structures and the north section was being used as builder's yard and contained several permanent and temporary buildings, along with a significant area of hardstanding used for the storage of materials, and parking of commercial vehicles.
- 6.3 The Planning Committee report sets out the justification for allowing a residential led, mixed use development on 500 White Hart Lane which was at the time designated employment land. The fact that the Site could facilitate the High Road West regeneration scheme, by providing replacement homes for Love Lane residents and potential commercial space for businesses affected by the High Road West Scheme was a central component of this justification.
- 6.4 With regards to the 29 affordable units, the Planning Committee report stated that:
- “The Tottenham Regeneration Team are seeking to acquire these 29 units to:
- Support the rehousing of Love Lane residents and expedite the High Road West Scheme;
 - Meet residents' desires to have an opportunity to move to this site; and
 - Ensure that the Council remains the landlord of the replacement homes.”
- 6.5 The Council has first option to acquire the 29 affordable units but the final terms for the acquisition of these homes were not agreed/finalised with THFC . Instead, a process for acquisition was agreed within the s106 Agreement as described below.

S106 Agreement- Process

- 6.6 The s106 Agreement, completed on 30th November 2016, gives the Council an option and set out the process for the Council to acquire the 29 affordable homes. If the Council does not acquire the replacement homes, they will be disposed of to a RP. The process for a decision on the ownership of the affordable units is detailed in page 13 of Appendix 1 and is summarised below.
- 6.7 Prior to, or at the same time as the Reserved Matters Application, THFC will submit an “Affordable Housing Scheme” to the Council for approval. The Affordable Housing Scheme will set out the tenure, size and location of the affordable housing units. This is beyond that which is agreed as part of the S106 agreement as indicated below:
- 17 social rented units (12x 1 bed, 4x2 beds, 1x3 beds)
 - 6 intermediate units (1x1 bed, 3x2 beds and 2x3 beds)

- 6 units to be either social rent, affordable rent or intermediate (2x1 bed, 2x2bed and 2x2bed)

6.8 Once the Affordable Housing Scheme has been approved by the Council the parties have six months to enter into an acquisition agreement.

6.9 The Council can at any time from the date of the S106 Agreement, serve an “Affordable Housing Notice” on THFC informing them that the Council does not wish to acquire the 29 affordable housing units (and by extension of this that the units shall be transferred to an RP). This can take place up to six months following approval of the Affordable Housing Scheme. This six-month period is concurrent with the deadline for the parties to have entered into the Affordable Housing Acquisition Agreement. If the agreement is not completed within this time then THFC can offer the affordable housing units to a RP.

THFC’s Request for a Decision

6.10 THFC have requested that the Council, as early as possible, confirm their intention to purchase or not the affordable housing units. This is due to the fact THFC are wishing to progress detailed designs for the scheme and state that they are unable to do this without a decision from the Council regarding ownership of the replacement homes.

6.11 Whilst the Council does not have to make a decision at this time, it is reasonable that THFC do not progress to detailed designs until they are clear on the owner of the replacement homes and thus the required specification for these homes.

6.12 An early decision also permits a timely commencement of the scheme, which could provide an opportunity to utilise RTB receipts (as described below).

Costs of acquiring the affordable homes

6.13 The S106 agreement sets out a minimum price per square foot for the affordable homes. The breakdown of values is as follows:

- £140 p/sqft for the Social rent units
- £325 p/sqft for the affordable rent and or intermediate homes
- £223 p/sqft for the aggregate minimum
- These figures are subject to RICS Build Cost Information Service All-in TPI to the date of the acquisition agreement.

6.14 Prior to adding the inflation, the homes would be acquired for £4.1m, this equates to £143k per unit. Based on an average 5% build cost inflation (over the past 5 years), the anticipated cost of acquiring these homes in two years would be c.£4.5m. The table below details the average price per unit based on the unit size proposed in the planning application.

1 bed	2 bed	3 bed
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Size	543 sqft	709 sqft	808 sqft
Social Rent	£77,649	£101,387	£115,544
Intermediate	£176,475	£230,425	£262,600

- 6.15 The acquisition costs detailed above are significantly lower than the costs of acquiring affordable homes elsewhere in the borough.

Additional costs

- 6.16 If the Council chooses to acquire the affordable homes, it will also need to cover the costs of processing the acquisition and of employing an Employer's Agent to ensure that the homes are built to the agreed standard and will need to cover SDLT (anticipated to be £211,696) and legal costs. It is suggested that the additional costs could be up to £500k.
- 6.17 It is intended that the homes will be managed by Homes for Haringey. The rental income received is sufficient to cover all management and running costs of these properties.
- 6.18 It should also be noted that tenants that move into the social rented properties will retain the Right to Buy.

Budgets- RTB receipts

- 6.19 RTB receipts can be utilised to pay towards 30% of the total scheme costs (this includes acquisition costs and project costs such as fees) associated with the social rented units and the affordable rented units only. They cannot contribute towards shared ownership and or shared equity units. Therefore, the amount of RB receipts which the Council can put towards the acquisition of the 29 units, will depend on the tenure of each unit.
- 6.20 The Council currently has £1,690,000 of RTB receipts. If not used, RTB receipts will be returned to DCLG together with an interest at 4% above the base rate. Some of the monies have been allocated to projects. Future RTB receipts will also be available and suitable for spend against this requirement.

Budgets- HRA Stock Acquisitions Reserve

- 6.21 It is proposed that any remaining cost which is not covered by RTB receipts is funded from the HRA budget i.e., 70% of the total scheme costs.
- 6.22 There is currently £6.4m of funds within the HRA Stock Acquisition Reserve which can be utilised to cover the costs of acquiring the 29 affordable homes.
- 6.23 The amount of funding required from the HRA Site Acquisitions budget will depend on the final mix of the affordable homes. The maximum contribution (assumes that 17 social rented units attract RTB receipts and 12 intermediate do not) is £4,073,328.00 and the minimum contribution (assumes that all 29 of the homes attract RTB receipts) is £3,253,784.00.

7. Contribution to strategic outcomes

- 7.1 The recommendations outlined in this report are key to supporting the Council in the delivery its corporate plan *Priority 5: Create homes and communities where people choose to live and are able to thrive* as well as support the Housing Strategy *Objective 3: Drive up the quality of housing for residents*.
- 7.2 The acquisition of these homes will increase the Council's housing stock. Increasing the Council's housing stock will help address the significant housing demand and housing waiting list in the Borough. Even if some of the properties are used to rehouse Love Lane residents, it will mean that the replacement affordable homes in the High Road West Scheme can be freed up to rehouse residents on the housing waiting list. It will also mean that the Council has a wider variety of unit sizes and typologies, which will provide residents with greater housing choice.
- 7.3 The acquisition can also help expedite the High Road West Regeneration Scheme by offering early rehousing opportunities. The High Road West scheme, and the hundreds of millions of pounds of private sector investment it will bring to north Tottenham, supports the Council in the delivery of two of its corporate plan priorities - Priority 4: Drive growth and employment from which everyone can benefit; and Priority 5: Create homes and communities where people choose to live and are able to thrive. In terms of growth and employment, the major new leisure and commercial quarter located around Moselle Square and the new work spaces being created as part of the scheme, will deliver an increase in employment in the area and attract significant visitor spend. As importantly, the High Road West scheme will deliver up to 2500 new homes aimed at a variety of income levels and support our ambitions to deliver a truly mixed and sustainable community in north Tottenham.

8.0 Statutory Officers comments (Chief Finance Officer (including procurement) Assistant Director of Corporate Governance, Equalities)

Finance

- 8.1 This report seeks cabinet approval to:
- The acquisition of 29 affordable homes for housing purposes to be constructed on the Site for a maximum total sum of £5m and that the monies for the purchases shall be from:
 - Housing Revenue Account ("HRA"), including but not limited to the 'HRA Stock Acquisitions Reserve' which currently has a budget of £6.4m
 - Right to Buy ("RTB") capital receipt retained budget
 - Give delegated authority to the Director of Regeneration and the S151 Officer, after consultation with the Cabinet Member for Housing, Regeneration and Planning, to agree the purchase price for each of the properties and the final heads of terms of the acquisition which will be based on the terms of the s106 Agreement found at Appendix 1.

- 8.2 The total acquisition cost of the 29 units is £4,154,053, which amounts to an average cost of £143,243 per unit. This is significantly lower than the costs of acquiring affordable homes elsewhere in the borough.
- 8.3 The cost of acquisition of these units can be part funded from the RTB retained capital receipts. The retained receipts will be used to fund 30% of the total cost of the scheme provided they are affordable rented housing units.
- 8.4 It is estimated that based on the past and current trend of Right to Buy receipts, there will be sufficient RTB retained receipts available to fund 30% cost of the scheme.
- 8.5 The remaining 70% cost of the scheme will be funded from the HRA stock acquisition budget which has a budget of £6.4m in 2017/18.
- 8.6 It is intended that the homes will be managed by Homes for Haringey. The rental income received is sufficient to cover all management and running costs of these properties.
- 8.7 The total cost of scheme includes purchase price, legal fees, SDLT, etc. The £4.2m shown above is the purchase price. The SDLT of acquiring the 29 units is £211,696. Legal fee is not known at this point.

Procurement

- 8.8 Strategic Procurement notes the content of this report; however there is no procurement input required.

Legal

- 8.9 The terms of the section 106 agreement are noted above. The section 106 agreement allows the Council to purchase the affordable housing units. THFC can instead offer the units to a RP if (1) at any time the Council decides not to purchase the units and serves an Affordable Housing Notice to THFC, or (2) the Affordable Housing Acquisition Agreement is not completed within 6 months (or any other time agreed between the parties) from the date the Affordable Housing Scheme is approved by the Council.
- 8.10 The report seeks authority to acquire affordable housing units that are yet to be built. The Council has authority pursuant to section 120 of the Local Government Act 1972 to acquire for the purposes of any of its functions under the 1972 Act or any other enactment, by agreement any land, whether situated inside or outside its area. The properties will be held within the Housing Revenue Account.
- 8.12 The properties are yet to be built, and heads of terms for the purchase have not as yet been agreed therefore legal advice must be obtained as to how best to protect the Council in this acquisition.

Equality

- 8.13 The Council has a public sector equality duty (PSED) under the Equality Act (2010) to have due regard to:

- Tackle discrimination and victimisation of persons that share the characteristics protected under S4 of the Act. These include the characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex (formerly gender) and sexual orientation;
- Advance equality of opportunity between people who share those protected characteristics and people who do not;
- Foster good relations between people who share those characteristics and people who do not

8.14 It is not expected that this decision will have direct negative impacts on the nine protected characteristics. The Council will ensure that the PSED is rigorously applied to the allocation process for the new housing stock acquired by this decision in the development of a Local Lettings Plan, which will also be subject to future public consultation.

8.15 The report sets out how the recommended option achieves the best balance of quantity of Council- owned units and per unit cost to Council budgets, respecting the wishes of affected residents as expressed in consultation, and facilitating the regeneration of the White Hart Lane area through developments involving the Council, THFC and other partners. The Council is pursuing the third of three options listed in section 8.3 of this report, as this will provide the largest amount of social rented and affordable units available to residents affected by the regeneration of the Love Lane estate.

8.16 This option will enable more of these types of units to be managed by the Council, after consultation indicated there was demand from current residents for the Council to remain their landlord when they move from their current properties. This option will also maximise the amount of retained Right to Buy (RTB) receipts that can be used to subsidise the Council’s purchase of new housing stock. The RTB receipts currently held by the Council must be spent by December 2017, when they would have to be returned to DCLG with interest.

8 Use of Appendices

9.1 The table below details the appendices relevant to this report:

Appendix	Document
Appendix 1	S106 Agreement
Appendix 2	500 White Hart Lane Site Plan

9 Local Government (Access to Information) Act 1985

10.1 Background Papers:

- 500 White Hart Lane Planning Decision Notice (HGY/2016/0828)
- Agreement Relating to Land Known as 500 White Hart Lane (S106)
- Officer Report for Planning Committee (July 2016) related to 500 White Hart Lane (HGY/2016/0828)

