

**REPORT TO:** HOUSING COMMITTEE – 14 JANUARY 2013

**REPORT ON:** NATIONAL HOUSING TRUST INITIATIVE ROUND 2

**REPORT BY:** JOINT REPORT BY DIRECTOR OF HOUSING AND DIRECTOR OF CORPORATE SERVICES

**REPORT NO.:** 12-2013

**1. PURPOSE OF REPORT**

- 1.1. To request Committee approval for an increase in units from 75 to 99 within the previously approved National Housing Trust scheme at Wallace Craigie Works, Dundee.

**2. RECOMMENDATIONS**

- 2.1. It is recommended that Committee approve the scheme proposed by Keiller Estates for the development of 99 flats at Wallace Craigie Works.

**3. FINANCIAL IMPLICATIONS**

- 3.1. In April 2012 the Council approved the development and provision of funding for 75 units by Keiller Estates under the NHT scheme (Committee Report 166-2012).
- 3.2. Prudential borrowing of £7.175m was approved for the initial scheme of 75 units, the 99 units would require total prudential borrowing of £9.749m, which is 70% of the total estimated cost of the project. The Director of Corporate Services has confirmed that provision can be made to provide the necessary additional prudential borrowing to fund the scheme on completion. The debt servicing costs of the additional prudential borrowing will be funded from the rental income.
- 3.3. This will be in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code that Councils must ensure that their prudential borrowing plans are affordable, prudent and sustainable. Any additional borrowing will be incorporated in the Council's prudential indicators.
- 3.4. There is limited financial risk to the Council since the Scottish Government will provide guarantees to underwrite the repayment of any borrowing in the event that rental or sales incomes is insufficient to repay the Public Works Loan Board (PWLB) loans.

## 4. MAIN TEXT

### Background

- 4.1. The NHT is a scheme developed by the Scottish Government to increase the supply of affordable housing from all sources of funding available for this purpose to meet housing needs. The properties will be let on short assured tenancies at mid market rents, with rents set around 80% of local housing allowance, making rents affordable to households on low to moderate incomes (£15,000 - £25,000 per year). Properties provided under the scheme will assist those who are not likely to be housed through social rented housing waiting lists and assist those who cannot obtain mortgages due to the levels of deposits required by lenders.
- 4.2. The properties developed under these NHT schemes will be run by special purpose vehicles (SPVs) comprising the Council, the NHT and the developer. A managing agent appointed by the developer is responsible for allocations, housing management and providing the repairs service. Allocations to NHT developments are separate from social rented housing waiting lists (the Council and RSLs). The managing agents will publicise the developments, maintain waiting lists from applicants in low paid employment and allocate the properties. The agent proposed is Caledonia Housing Association.
- 4.3. Completed properties will be purchased via a take out agreement with developers and let as mid market rented housing for 5-10 years. The properties would then be sold on to a registered social landlord, to the sitting tenants or sold on the open market.
- 4.4. When properties are sold the sales proceeds would be first used to repay Council PWLB borrowing. Loan note capital is repaid next. Developers holding the equity funding element would receive returns on their investment of up to 20% with any additional surpluses being accrued to the Council and the Scottish Government.

### NHT 2 - Wallace Craigie Works

- 4.5. The site is a former Mill site on the eastern periphery of the city centre owned by Keiller Estates, a local developer. The entire site has the capacity for 171 residential units and the proposals are now for 99 units (1, 2, 3 and 4 bedroom flats) to be developed under the NHT, 75 new build units and 24 flats within the converted former mill building. The developer has been granted planning permission for the whole development on the 22nd October 2012. The remainder of the units will be completed for sale.
- 4.6. As well as providing quality affordable mid market rented housing the development of the site will enhance the neighbourhood.

**5. POLICY IMPLICATIONS**

- 5.1. This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti Poverty, Equality Impact and Risk Assessment. There are no major issues.

**6. CONSULTATIONS**

- 6.1. The Chief Executive, Head of Democratic and Legal Services and all other Chief Officers have been consulted on this report. No concerns have been expressed.

**7. BACKGROUND PAPERS**

- 7.1. Housing Committee Report 166-2012, 23 April 2012.

**Elaine Zwirlein**  
**DIRECTOR OF HOUSING**

**Marjory Stewart**  
**DIRECTOR OF CORPORATE SERVICES**

**December 2012**