

REPORT TO: HOUSING COMMITTEE - 23RD APRIL 2012

REPORT ON: NATIONAL HOUSING TRUST INITIATIVE ROUND 2

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

REPORT NO.: 166-2012

1. **PURPOSE OF REPORT**

- 1.1. To inform the Committee of the outcomes from Round 2 of the National Housing Trust (NHT) initiative providing homes for mid market rent in Dundee.

2. **RECOMMENDATIONS**

- 2.1. It is recommended that Committee approve the scheme proposed by Keiller Estates for the development of 75 flats at Wallace Craigie Works subject to necessary planning consents.

3. **FINANCIAL IMPLICATIONS**

- 3.1. The Council originally agreed in 2010 (Committee Report 165-2010) to fund around 50 units under the NHT scheme. It was then calculated at an average cost of £130,000 per unit that the total cost of 50 units would be in the region of £6.5m. and, given the Council would require to fund 65% of the cost, that additional prudential borrowing within the General Fund would be around £4.225m.
- 3.2. At the inception of the NHT scheme there was no way to predict how many acceptable proposals would be brought forward in Dundee. Now that the Council has participated in Rounds 1 and 2, the scheme at East Links Place has been approved in Round 1 and approval from Committee is now being requested for the scheme at Wallace Craigie Works. The Director of Corporate Services has confirmed that provision can be made to provide the necessary additional prudential borrowing to fund these schemes on completion, £1.5m. for East Links Place and £7.175m. for Wallace Craigie Works, amounting to £8.675m. in total. The debt servicing costs of the additional prudential borrowing will be funded from the rental income.
- 3.3. In accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code Councils must ensure that their prudential borrowing plans are affordable, prudent and sustainable. The Scottish Government will ensure that any additional borrowing specifically for NHT purposes will not affect prudential borrowing limits.
- 3.4. There is no 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 agents proposed are Angus Housing Association for East Links Place and Caledonia Housing Association for Wallace Craigie Works.
- 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 for 75 units (1, 2 and 3 bedroom flats) to be developed under the NHT with the other units being completed for sale.
- 4.6. The pre planning application notice has been approved by the Council and the developer's agent is in discussion with Dundee City Council on the full planning submission. A site plan of the proposed blocks is contained in Appendix 1. 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. None.

Elaine Zwirlein
DIRECTOR OF HOUSING

Marjory Stewart
DIRECTOR OF CORPORATE SERVICES

April 2012

APPENDIX 1

