

# Strategy and Resources Committee

## 26 January 2023

### **FUNDING AND RELEASE OF LAND**

<b>Head of Service:</b>	Mark Shephard, Head of Property and Regeneration Rod Brown, Head of Housing and Community
<b>Wards affected:</b>	(All Wards);
<b>Urgent Decision?(yes/no)</b>	No
<b>If yes, reason urgent decision required:</b>	
<b>Appendices (attached):</b>	Appendix 1: Commercial particulars Appendix 2: Haus Collection Brochure Appendix 3: Confidential Business Case

### **Summary**

This report recommends the change of use of a former commercial storage yard to residential to deliver 3 temporary accommodation family micro homes.

### **Recommendation (s)**

#### **The Committee is asked to:**

- (1) Agree to the change of use of Fairview Road from commercial to residential to support the delivery of additional temporary accommodation;**
- (2) Agree to purchase 3 FamilyHaus micro homes at a total cost of up to £435,000 allocated from S106 developer funds;**
- (3) Authorise the Head of Property & Regeneration, Head of Housing and Community and Chief Finance Officer to progress the project to completion.**

#### **1 Reason for Recommendation**

- 1.1 To enable delivery of additional temporary accommodation units in order to expand the range of in-borough temporary accommodation options.
- 1.2 To bring back into use a vacant brownfield site to maximise the Council's property asset and thereby support essential services.

#### **2 Background**

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- 2.1 The site is located off Fairview Road, Epsom, to the rear of 131 – 139 East Street and adjacent to the Kiln Lane Sainsbury's petrol station and car park. It benefits from direct access to Fairview Road, a residential street off East Street, 0.75 miles from Epsom mainline railway station.
- 2.2 To the north of the site is a footpath which provides pedestrian access to Glyn School, Ewell and the Longmead Industrial Estate.
- 2.3 The site comprises a 0.24 acre plot of vacant open land which has, in the past, been used for storage as part of the Council's commercial property portfolio. It was previously leased as a builders' storage yard and last marketed at an annual rent of £16,000 pa.
- 2.4 The previous marketing generated limited interest due to the restricted vehicular access (the former marketing particulars are attached at Appendix 1). Furthermore, from an asset management perspective, the commercial use was only considered temporary at the time. This was due to the site forming part of a larger potential redevelopment opportunity with the existing East Street / Fairview Road properties.
- 2.5 The Council's property consultants tentatively approached the neighbouring property owners to gauge their appetite for a wider redevelopment. Whilst two property owners were potentially receptive, there was insufficient neighbouring interest to support a financially viable scheme.

## 3 Temporary accommodation

- 3.1 More recently, officers have explored the opportunity to use the site for temporary accommodation. Under legislation, the Council is required to provide applicants with emergency accommodation whilst their application is being investigated and, if their application is accepted, until they are housed in settled accommodation.
- 3.2 This duty is fulfilled through placing applicants in accommodation owned by the Council, a Housing Association, the Private Rented Sector or as a last resort, expensive nightly paid accommodation.
- 3.3 Demand for temporary accommodation is acute, due to the shortage of social housing and the high cost of private rented accommodation, which often prevents the Council from discharging its homeless duty. The Council has established a senior officer Strategic Housing Group to ensure that all opportunities are explored.
- 3.4 Following conversations with the Planning Department, the Fairview Road site was identified as having potential to provide up to 3 family sized prefabricated micro homes, which could be used as first step temporary accommodation.

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### 4 Brownfield Land Release Fund (BLRF)

- 4.1 A bid was submitted to the Department for Levelling Up, Housing and Communities to access the BLRF to provide an element of funding to assist in the development of the site.
- 4.2 The Government fund seeks to unlock the development potential of challenging brownfield sites that would otherwise be unviable to develop for housing.
- 4.3 Due to its proximity to the historic Kiln Lane infilled brick pit and the site's former use for storing building materials (including possible on-site use of chemicals and bonfires), the Council put forward the case that it would likely require decontamination and incur site clearance costs.
- 4.4 The funding bid was successful and the Council secured £75,000 from the BLRF to assist with the preparation of the site for development i.e. approved bid activities include site levelling, clearance, contamination, foundations or drainage preparation.
- 4.5 The two main conditions of the funding are that work must commence:
  - 4.5.1 before the end of March 2023 and,
  - 4.5.2 be completed by 31st March 2026.
- 4.6 To comply with the work commencement date, a planning application has been prepared. Initial site clearance / foundations excavations are, subject to planning, scheduled to start before the end of March 2023.

### 5 Micro Homes – Haus Collection

- 5.1 Micro homes are most often associated with converted cargo shipment containers which rarely complement residential neighbourhoods. Alternatively, they can be confused with starter homes that include both traditional construction as well as modular prefabricated designs.
- 5.2 In contrast to the above and to best utilise the Fairview Road site, the Council is proposing the Haus style of micro home, produced by The Hill Group. Hill is considered the market leader in micro home production which provides a quick, affordable and secure solution for temporary accommodation.
- 5.3 Several councils and housing charities have already developed schemes with Haus units, including:
  - **Cornwall County Council** placed 15 units on part of the old County Hall site in Truro. In addition, Cornwall are placing 10 units at the former Cowlins Mill site in Pool, 18 in Newquay and a further 18 in Penzance. They have recently gained planning consent to place 6

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units in Commercial Road, Penryn. In total, Cornwall have purchased 79 SoloHaus units.

- **London Borough of Haringey** developed a former local authority depot site which is now home to 33 Haus units (32 are used to house residents while a single unit is used as an office and meeting space).
  - **Ipswich Borough Council** took delivery of an 8 unit Haus scheme which was project managed from start to finish by the Hill Group.
  - **Dacorum Borough Council** placed 8 Haus units in Hampton Close, Hemel Hempstead.
  - **Southend City Council** took delivery of their first Haus development of 6 single units in July 2022.
  - **Jimmys** a local Cambridge housing charity, has worked across 3 separate sites around the city, providing a total of 18 Haus units over the three sites.
  - **Basildon Borough Council** has agreed two Haus schemes in the town - a 10 unit development which will be managed by Peabody South East and a 6 unit scheme which will be managed by the Salvation Army.
- 5.4 The buildings are constructed off site at either Hill's Telford or Shrewsbury factories and craned into position. The micro homes do not require a standard domestic foundation and can be installed on a 'pad' foundation (a robust paving slab style foundation). They have a 50 to 60 year life span and are fully Disability Discrimination Act (DDA) compliant. Each micro home comes fully furnished.
- 5.5 Since the first prototype in 2019, Haus has pioneered exceptional energy efficiency. They combine air tightness and insulation which ensures a warm, quiet living environment that is at least as good as a traditionally built home.
- 5.6 Heating and hot water is provided via an onsite plant room, which houses an air source heat pump which supplies the Haus units.
- 5.7 Haus micro homes are at the forefront of prefabricated, energy efficient design and in just 3 years, have established themselves as the market leader.
- 5.8 The Council requires a micro home that not only exceeds current energy efficiency and DDA requirements but is also a proven product. The micro home industry is only a few years old, but in this short time, and as demonstrated above, Haus units have been proven and trusted by various local authorities.

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- 5.9 The Hill Group's Haus micro homes can be procured by the Council through the National Framework Partnership (NFP). The NFP is an established framework provider which has already undertaken the necessary procurement and supplier due diligence.
- 5.10 The NFP provides for direct supplier selection and it is envisaged that the procurement process can be completed within a matter of weeks.
- 5.11 The Haus brochure is attached at Appendix 2.

## 6 Proposal – FamilyHaus Units

- 6.1 To assist the Council meet the acute demand for temporary accommodation, it is proposed to use Fairview Road for 3 family sized Haus micros homes as first step temporary accommodation.
- 6.2 The proposal is subject to planning permission for a 5 year temporary consent and obtaining planning consent is considered the greatest risk to project delivery.
- 6.3 The intention would be for the capital cost to be funded from S106 developer receipts which presently stands at £1.57m.
- 6.4 The total budget requirement to fund the 3 family sized units and prepare the site is £435,000. The business case is attached at confidential Appendix 3.

## 7 Proposed timeline

- 7.1 To meet the BLRF commencement deadline, the proposed timeline is:

Month (2023)	Description
January	Submit planning application for 5 year temporary consent
February / March	Decontaminate, clear and level site – this can be carried out ahead of planning consent
March	Subject to planning, prepare site for groundworks to include foundations.
April +	March 2026 project deadline i.e. once the ground works are completed, there remain 3 years to complete the project.

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### 8 Risk Assessment

Legal or other duties

#### 8.1 Equality Impact Assessment

8.1.1 None

#### 8.2 Crime & Disorder

8.2.1 None

#### 8.3 Safeguarding

8.3.1 None

#### 8.4 Dependencies

8.4.1 The proposal is subject to planning permission for a 5 year temporary consent and this is considered the greatest risk.

#### 8.5 Other

8.5.1 There is possible contamination due to previous uses (builders' yard and brick pit), which would increase costs.

### 9 Financial Implications

9.1 Investing £435,000 of S106 affordable housing sums in three family units, would reduce the S106 balances available for investment in other future schemes from £1.57m to £1.135m.

9.2 Investment of these funds is expected to generate net annual revenue savings on temporary accommodation costs of c£84,000, as set-out in Appendix 3.

9.3 However, this would be partially offset by an estimated £17,400 per annum reduction in treasury management income, assuming investment returns of 4%.

9.4 **Section 151 Officer's comments:** The Council would expect to generate net revenue savings, after factoring in reduced treasury management income, of c£66,600 per annum from three family units, meaning the payback period for the £435,000 investment is expected to be around 6.5 years.

### 10 Legal Implications

10.1 The proposed scheme is eligible to be funded by S106 affordable housing sums, because it meets the following two criteria, which were agreed by Social Committee in January 2012:

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- 10.1.1 Where a financial analysis of the s106 investment required can be demonstrated to represent good value for money, either by reference to the number of homes delivered for the investment (e.g. by comparing the level of investment to the average level of grant that might be paid by the Homes & Communities Agency for a home of a similar size and quality) or where the s106 capital investment can be demonstrated to help the Council to achieve revenue savings elsewhere, such as reducing the cost of temporary accommodation.
- 10.1.2 Where housing schemes will help the Council to prevent homelessness e.g. through the delivery of larger family sized accommodation.
- 10.2 **Legal Officer's comments:** The general power of competence in section 1 of the Localism Act 2011 allows the Council "to do anything that individuals generally may do" for the benefit of the authority, its area or persons resident or present in its area.
- 10.3 Section 9 (1) of Housing Act 1985 permits the Council to provide housing accommodation (a) by erecting houses, or converting buildings into houses, on land acquired by them or (b) by acquiring houses.

## 11 Policies, Plans & Partnerships

- 11.1 **Council's Key Priorities:** The following Key Priorities are engaged: Opportunity and Prosperity, Effective Council
- 11.2 **Service Plans:** The matter is included within the current Service Delivery Plan.
- 11.3 **Climate & Environmental Impact of recommendations:** Haus has pioneered exceptional energy efficiency. Their units combine air tightness and insulation to ensure a warm, quiet living environment.
- 11.4 **Sustainability Policy & Community Safety Implications:** The buildings are manufactured in the UK (either Hill's Telford or Shrewsbury factories), with heating and hot water provided via an air source heat pump. Electricity will be provided from 100% renewable sources.
- 11.5 **Partnerships:** None

## 12 Background papers

- 12.1 The documents referred to in compiling this report are as follows:

### **Previous reports:**

- None

### **Other papers:**

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- None