

CABINET

17 September 2019

Title: Refurbishment of Redundant Units via Habitat for Humanity Model	
Report of the Cabinet Member for Regeneration and Social Housing	
Open Report	For Decision
Wards Affected: Village and Mayesbrook	Key Decision: Yes
Report Author: Neil Pearce, Strategy & Commissioning, Inclusive Growth	Contact Details: Tel: 020 8227 5733 E-mail: neil.pearce@lbbd.gov.uk
Accountable Strategic Leadership Director: Graeme Cooke, Director of Inclusive Growth	
Summary: <p>The Council owns several dilapidated flats above shops within its General Fund commercial portfolio which are in a hazardous condition and are incapable of being commercially let. Returning the upper units back to use would require a capital investment deemed prohibitive to the General Fund but without significant funding they will remain wasting and depreciating assets causing neighbourhood blight.</p> <p>Based on a successful pilot project at restoring one of the Borough's oldest buildings at 35 East Street, Barking it is proposed that the Council lease 4-5 Royal Parade, 16a Woodward Road and 496 Gale Street, Dagenham to a charitable community housing group, Habitat for Humanity, who will be responsible for the repair obligations to the properties and returning the properties back to use.</p> <p>Under the proposal, Habitat for Humanity (HfH) will enter into leases for a set period of time and invest £665,472 refurbishing the units to a high-level specification agreed with Children's Services, which will return the properties back to habitable use and alleviate the pressure of finding accommodation for care leavers at risk of becoming homeless.</p> <p>Children's Services will appoint an appropriate agent to manage the units while HfH will recoup the refurbishment costs through the rental income for the duration of the lease. The Council will have nomination rights for the entirety of the tenure. The properties will return to the Council for their exclusive let and use on expiry of each lease.</p> <p>Without this upfront investment the units will deteriorate further and become structural liabilities. This proposal ensures restoration of the assets, while providing 11 bed spaces (14 including East Street) and mitigating the threat of homelessness for vulnerable care leavers coming through the system for at least 15 years.</p>	
Recommendation(s) <p>The Cabinet is recommended to:</p> <p>(i) Approve the lease of 4-5 Royal Parade, 16a Woodward Road and 496 Gale Street, Dagenham, to Habitat for Humanity to provide housing for care leavers at risk of homelessness, based on the terms set out in the report; and</p>	

- (ii) Delegate authority to the Director of Inclusive Growth, in consultation with the Cabinet Member for Regeneration and Social Housing, the Director of My Place and the Director of Law and Governance, to finalise the terms and enter into the leases, contracts and all other necessary or ancillary agreements with the Habitat for Humanity.

Reason(s)

The proposals contribute to the Council's vision and priorities set out in the Corporate Plan:

- Develop place-based partnerships
- Shape great places and strong communities through regeneration
- Enable greater independence and protect the most vulnerable

1. Introduction and Background

- 1.1 In September 2016, following an audit of some of the Council's accommodation above shops, the Capital Assets Board agreed to work with not-for-profit housing charity, Habitat for Humanity (HfH) on a pilot project to renovate and refurbish the upper floors of one of Barking's oldest buildings 35 East Street. This was purchased as part of the regeneration scheme which created the Short Blue Place and Barking Technical Skills Academy in 2011 but has remained in a worsening state of dereliction with no planned future use.
- 1.2 The upper levels were completely dilapidated and returning them back to commercial or habitable use was considered prohibitive to the Council's General Fund. Structural surveys in 2014 suggested the need for extensive works to the joists, installation of steel beams; corner ties to support the floors and partitions; complete renewal of the roof and rebuilding of the chimneys; erection of new stair access to the side of the building; general rewiring, new plumbing and replastering to bring the building up to a simple, basic standard. In 2014 surveyors Davies Burton Sweetlove provided a conservative estimate of works of at least £137,000 for the basic remediation. These costs did not include renovating the units for habitable living.
- 1.3 It was noted at the time that even if the basic structural remediation was carried out at significant expense there were no guarantees of commercial interest in the upper floor units, even for storage purposes. As it stood the commercial tenant on the ground floor was uninterested in taking on the responsibility of additional repair obligations or an increased rent for two levels of dilapidated space and with access only possible through the shop premises it was unattractive to any other user.
- 1.4 Mindful that there were further properties with similar conditions and access problems, the Council tested the market in 2016/17 for organisations interested in bringing these types of properties back to use for social impact purposes and found little interest. Only HfH proposed a not-for-profit arrangement based on their previous experience of renovating empty homes. Their proposals were both sensitive to the design requirements of a locally listed building and their ethos shared our vision for providing new accommodation for households at risk of homelessness.

- 1.5 For the purposes of context, HfH are a global charity who provide decent, affordable homes for vulnerable people in housing need in locally appropriate ways around the world. Their values revolve around empowerment and partnership by engaging different sectors of society (voluntary, private and public) in helping communities to in providing local solutions to housing and community need. HfH works in London carrying out a range of construction-based projects to bring empty and underused buildings and land back into good community use, especially where possible as affordable rented homes for groups in local need such as vulnerable women and disadvantaged youth. With these empty homes' projects, they have also secured grant funding from Nationwide Foundation to provide on-site construction skills training for young people from local technical colleges in Barking and Dagenham. Several students from the local college have learnt practical on-site construction skills at East Street and more opportunities will arise with other properties.
- 1.6 The Capital Assets Board consequently approved a draft proposal to return the upper floors to residential use through a lease and repair arrangement. Under the model, HfH would provide the upfront investment on the proviso that the units are converted to habitable use for a set lease period in which they would recoup the costs through rental income. The Council would have the right to nominate the tenants, nominally care leavers at the risk of homelessness, and on expiry of the lease the property would return to the Council as potentially affordable housing or move-on accommodation.
- 1.7 Working with Care & Support services, HfH devised plans to reconfigure the two storeys while retaining the integrity of the buildings, with National Heritage having been involved in the plans. The current proposal, endorsed by Be First last year, will deliver two en-suite 1-bed units with shared dining facilities and living spaces in addition to a living quarter and office for an on-site support worker. New access has been provided by the erection of a design-sensitive stairwell leading directly from the Short Blue Place to the two floors of 35 East Street.
- 1.8 The total scheme costs for 35 East Street amounted to £261,000. HfH was successful in attracting £105,000 in grant from Land Aid, which works to improve the lives of disadvantaged children and young people in the UK, especially those at risk of homelessness. An additional £11,000 has come from Be First to restore the frontage and roofing of the dwellings as part of a townscape improvement programme of Barking town centre.
- 1.9 The refurbishment has since been carried out under a lease and repair arrangement with completion due in October 2019. On completion of works there will be an underlease back to the Council and, accordingly, the Council will have full use of the property with the lease expected to expire within 14 years.
- 1.10 The head-lease will be at a peppercorn rent and HfH will recoup their costs through the rent paid through the underlease by the Council through the tenants which will be £16,135 per annum. The rent has been calculated on the basis of the Local Housing Allowance (LHA) shared accommodation rate of £77.00 per week in addition to a just below market rate of £160 per week for the on-site worker's accommodation and office space.

- 1.11 To comply with the conditions of the Land Aid grant, Children's Services will, for at least the first seven years, occupy the dwelling and utilise the space for care leavers at risk of homelessness, although Care & Support are likely to utilise it for the full term of the lease. The service will be responsible for all nominations, client liaison, organising on-site support, management of the property and making sure the rent payments are made.
- 1.12 It is important to emphasise the value of this programme in ensuring suitable accommodation for Care & Support. The Council has a statutory duty under the Children's (Leaving Care) Act 2000 to act as Corporate Parents for young people leaving care. This duty requires the local Authority to provide accommodation and support tailored to the needs of each vulnerable young person.
- 1.13 As Council budgets continue to come under pressure, Children's Care and Support have been working closely with the SAFE Programme, private providers and the Council's Housing Services to source quality accommodation at a reduced cost against higher cost placements for Care Leavers. The current average cost across of all providers is £276 per week per individual as opposed to the £77 proposed under this model. Existing accommodation arrangements mean that many care leavers in receipt of housing benefit have an average £15 per week shortfall to make up to fund their housing costs.
- 1.14 These placements can be expensive and due to the limited number of move-on options many young people (18+) who are ready for independence remain in supported and semi-supported accommodation for longer than necessary – this results in them becoming reliant on services and places significant additional pressures on budgets. In order to be successful, they need to be given as much information, choice and control as possible whilst having flexible support that adapts to meet their needs, so sourcing accommodation which is safe and suitable to live in is integral for them to make a positive transition.
- 1.15 As this approach is cost effective, provides upfront investment, returns dilapidated units back to use and alleviates a housing and cost pressure on care leavers at risk of homelessness, the Capital Assets Board has proposed the same working model be adopted for three other small poor condition above-shop units including 4-5 Royal Parade, 16a Woodward Road and 496 Gale Street and recommended to Cabinet for approval.

2. Proposal and Issues

- 2.1 All of the identified buildings will continue to deteriorate, becoming structural liabilities and potentially vitiating our insurance policies. The proposed model rectifies this problem at no cost to the Council, while providing new high specification accommodation, supporting vulnerable households and in the case of Royal Parade contributing two new business spaces available for commercial let, thereby generating an income for the General Fund.
- 2.2 Below the report sets out the general strategy for refurbishment of each of the three units, delivering 11 new valuable bed-spaces for care leavers seeking to transition to independent living based and are based on specifications driven by Children's Services and associated quantity surveyor costs and architect designs.

- 2.3 All of the properties are expected to be completed by the end of 2020. As with the East Street example, Care & Support, Inclusive Growth and Legal Services will retain oversight of initial delivery. My Place will work with Be First to ensure compliance and quality assurance through a monthly project implementation group. Regular updates on progress will be reported to the Capital Assets Board. Care & Support will work with their providers to ensure suitable cohorts of care leavers are nominated over the period of the lease.
- 2.4 **4-5 Royal Parade, Church Street, Dagenham**
- 2.4.1 The property is set within a terrace of ten shops, each with a flat above the premises. 4-5 Royal Parade are two 2-storey shops which have been converted into one premises with the upper flats being separately retained but used for storage by the previous commercial tenant.
- 2.4.2 Built between 1900 and 1910 the property was described as being in 'very poor condition and not fit for purpose' in a structural report by John Burke Associates in 2015. The property is currently a shell with significant water ingress, numerous cracks in the external wall, hazardous roofing, floors, ceilings and dangerous wiring. The derelict and currently unoccupied state leave the property prone to squatting and pest invasion. The surveyor's report estimated basic repair and remediation costs to be to the value of at least £175,000 but could be more if further structural deterioration is found.
- 2.4.3 The proposal for Royal Parade is to deliver a basic shell renovation for the ground floor and reprovide two smaller commercial lets which My Place believe to be more attractive to current traders and thereby produce an income. The upper floor will be refurbished into one unit with 4 en-suite bed spaces with shared communal, kitchen and dining spaces. To make the scheme work existing internal staircases and a chimney breast will have to be removed and a new access to the upper floor from the front of Royal Parade will be provided by the right internal wall of the ground floor premises, separated from access to the commercial ground floor. Externally the property requires repairs to the brickwork, new glazing, new doors, extensive roof and guttering repairs and clearing of the yard at the rear of the property.
- 2.4.4 The costs of works are estimated to be £379,900 including VAT and will be delivered under a lease and repair arrangement as per East Street. The shell renovation to the commercial lets is expected to cost around £21,000 and is to be met by My Place as a one-off cost. The refurbishment costs for the upper floors are expected to be £358,900, with a significant external grant funding of £125,000 with HfH recouping the rest of their costs through the rent paid by the Council for the underlease which will be approximately £14,000 per annum. The rent has been calculated on the basis of the LHA shared accommodation rate of £77 per week per person and the expected lease period is 17 years.
- 2.4.5 Care & Support will be responsible for all nominations, client liaison, organising on-site support and management of the property. The rent payments should generally be covered by Housing Benefit.
- 2.4.6 Subject to Cabinet approval, the proposals would require planning permission for a change of use. Although the property is owned by the Council and is therefore exempt from licensing for the purposes of being a House in Multiple Occupation

(HMO), we will ensure that they meet the expected standards. Works could begin on-site by January 2020 with completion expected within 9-10 months.

2.4.7 A one-year licence has already been agreed for HfH to utilise the ground floor premises to allow volunteers, supplied by companies seeking to demonstrate their corporate social responsibility, help the projects in their initial stages. The unit will act as a base until works are completed.

2.5 **496 Gale Street, Dagenham**

2.5.1 This retail unit is situated at the end of a shopping parade built as part of the Becontree Estate around the mid-1920s and neighbours a MOT centre abutting Becontree underground station. While the property does not suffer from the same severe dereliction as Royal Parade, it is in poor condition following an unauthorised conversion of its upper stories into a drug and alcohol rehabilitation centre with bedsits without the relevant planning permissions. The commercial let is currently vacant.

2.5.2 The upper stories require significant internal refurbishment including an entirely new heating and drainage system, rewiring, kitchen and bathroom facilities. Internal walls have suffered damage from water ingress from suspected leaks in the roof. Externally the property requires repairs to the brickwork and window dormers, secondary glazing, re-insulation, new doors and roof repair. It does not require new access as this already exists to the side of the property.

2.5.3 The proposal seeks to provide a high specification conversion for 3-bed spaces, all en-suite with shared living spaces, kitchen and dining facilities, in line with the requirements laid out by Children's Services and will be used to provide accommodation for care leavers at risk of homelessness. A peer landlord model of management is likely to be adopted whereby one of the chosen care leavers volunteers to take responsibility for basic housing management, acting as the link between the household and the property manager.

2.5.4 The costs of works are estimated to be £189,372 including VAT and will be delivered under a lease and repair arrangement. HfH will recoup their costs through the rent paid by the Council for the underlease which will be £12,000 per annum and generally covered by Housing Benefit. The rent has been calculated on the basis of the LHA shared accommodation rate of £77 per week per person and the expected lease period is 16 years.

2.5.5 The proposals are deemed to be lawful development and not subject to planning permission. Although the property is owned by the Council and is therefore exempt from licensing for the purposes of being a HMO, we will ensure that they meet the expected standards. Works could begin on-site by January 2020 with completion expected within 9-10 months.

2.6 **16A Woodward Road**

2.6.1 The property is situated three units into the Woodward Road shopping parade comprised of nine outlets. It acts as one of two units with a T-shape roof plan with unequal ridges and dormers which are common among the many shopping parades constructed on the Becontree Estate in the mid and late 1920s.

- 2.6.2 The ground floor commercial unit is currently let to a newsagent but the large two-storey upper floors are unused and were previously poorly refurbished for residential use by the former tenant. Like its Gale Street counterpart, the property requires extensive internal refurbishment including a new heating and drainage system, rewiring, secondary glazing, new flooring and new doors. Externally the property requires brickwork repair, secondary glazing, re-insulation and new doors. However, no additional access is required as this is currently provided from the parade.
- 2.6.3 Unlike its Gale Street counterpart, the two-storey upper units are quite spacious and designs provide for a high specification conversion for 4 en-suite bed spaces and shared living spaces, kitchen and dining facilities, in line with the requirements laid out by Children's Services and will be used to provide accommodation for care leavers at risk of homelessness. Again, the property will adopt a peer landlord model of management whereby one of the chosen care leavers volunteers to take responsibility for basic housing management.
- 2.6.4 The costs of works are estimated to amount to £191,383 including VAT and will be delivered under a lease and repair arrangement. HfH will recoup their costs through the rent paid by the Council for the underlease which will be £16,000 per annum and generally covered by Housing Benefit. The rent has been calculated on the basis of the LHA shared accommodation rate of £77 per week per person and the expected lease period is 13 years. Even though the refurbishment costs for Woodward and Gale are comparable, a shorter lease period is achievable for this unit because of the additional bedroom provided.
- 2.6.5 The proposals are deemed to be lawful development and not subject to planning permission. Although the property is owned by the Council and is therefore exempt from licensing for the purposes of being a HMO, we will ensure that they meet the expected standards. Works could begin on-site by January 2020 with completion expected within 9-10 months.

3. Options Appraisal

- 3.1 Failure to rectify the hazardous conditions and structural dereliction will ensure the properties remain wasted, blighted assets, deteriorating further over time. The upper floors remain commercially unattractive to retail tenants either because of lack of direct access from the shop, the inability to easily shift goods up several flights of narrow stairs or due to the general poor condition of the flats.
- 3.2 The General Fund repairs and maintenance budget does not extend to covering the kind of prohibitive costs required for these properties. What are in effect major works would draw away funding from other minor and cyclical maintenance costs required across the portfolio occupied by commercial tenants yielding rents for the Council.
- 3.3 Soft market testing provided interest from only two parties with specialist experience in converting shops above flats into residential accommodation and only one of those parties offered an approach that was not-for-profit, sought to alleviate homelessness and came with a proposal which did not seek to gain a significant commercial mark-up.

- 3.4 The model is being recommended as a last resort approach for properties in the worst condition with the most prohibitive costs and it is not proposed that this model become normal practice. A new assets review is currently being undertaken and this will be the platform for making further investment decisions about other properties requiring extensive works, but which are unlikely to suffer the same level of dereliction.

4. Consultation

- 4.1 The draft plans have been discussed extensively with Be First, Inclusive Growth, Care & Support and the external stakeholders throughout the process. Where there are ground floor tenants affected, they have been advised that the Council is looking to refurbish the upper floors and adjust the tenancies and rents accordingly. Ward members have also been briefed on the proposals.

5. Financial Implications

Implications completed by: Kofi Adu, Group Finance Manager, Finance

- 5.1 The funding for this project will be at no cost to the Council, Under the proposal Habitat for Humanity (HfH) will enter into leases for a set period of time and invest £665,472 refurbishing the units to a high-level specification agreed with Children's Services which will return the properties back to habitable use and alleviate the pressure of finding accommodation for care leavers at risk of becoming homeless.
- 5.2 This funding arrangement will save the Council in the long term from the associated cost relating to homelessness. Part of the project such as Royal Parade will also bring into use two new business spaces which will be made available for commercial let, thereby generating an income for the General Fund.
- 5.3 As part of the project the council will be responsible to defray one off cost to the value of approximately £21,000, this will be funded from the My Place cost centre. This cost will not cause any financial burden to the council and the project will be managed within the budget envelop.

6. Legal Implications

Implications completed by: Ann Towndrow, Property Solicitor, Legal Services

- 6.1 The Council has the power to grant leases of the properties to HfH and to take leasebacks of the units, but must do so in accordance with the Council's acquisition and land disposal rules.
- 6.2 Disposal powers are contained in section 123 of the Local Government Act 1972 (1972 Act) under which the disposal of an asset must be at the best consideration reasonably obtainable unless ministerial consent is obtained or the disposal is to further local well-being. Acquisition powers are contained in s124 of the 1972 Act. In addition, section 111 of the 1972 Act enables a Council to do anything which is calculated to facilitate, or is conducive to or incidental to the discharge of any of its functions, whether or not involving expenditure, borrowing or lending of money, or

the acquisition or disposal of any rights or property. Further, section 1 of the Localism Act 2011 provides local authorities with a general power of competence.

- 6.3 Under section 18 of the Housing Act 1985, where a council acquires a building which may be suitable for housing, it must ensure that the building is so made suitable either by themselves executing the necessary works or by leasing or selling it to some person subject to conditions for securing that it will be made suitable, and these obligations should be covered in the documentation.
- 6.4 The Legal Practice confirms there is no legal reason preventing approval of the recommendations in this report, but the ring fence between the General Fund and the Housing Revenue Account must be fully observed.

7. Other Implications

- 7.1 **Risk Management Issues** – Based on the experiences of the East Street model, the parties involved have worked to mitigate risks of the project failing and continue to work closely to minimise any risk through the appropriate planning, building regulation, legal and commissioning services as well as overall project oversight from the project implementation group. The Council is confident of working with HfH as it is a renowned global charity with a sound financial footing.
- 7.2 **Contractual Issues** - The Council will enter into an agreement for lease and underlease with HfH who will be responsible for the execution of all remediation works. HfH will then sub-lease the premises to the Council on completion of works for the entirety of the demise. These leases are to be drafted and on the basis of the East Street template. The project implementation group will be responsible for monitoring the contractual arrangements.
- 7.3 **Corporate Policy and Equality Impact** - The scheme supports the Council's objectives and design specifications within the Draft Local Plan. Returning the properties to is a key requirement of making better use of our assets underpinning the My Place Improvement Plan and emerging Inclusive Growth Strategy and will provide much needed move-on accommodation for care leavers at risk of homelessness. The proposal is neutral in its impact upon the protected characteristics outlined in the Equality Act 2010.
- 7.4 **Safeguarding Adults and Children** - Refurbishing and returning the properties to use with the potential to accommodate young adults leaving care ensures the project has regard to the Children Act 2006 by improving the accommodation offer to a commissioning service which already has difficulty sourcing affordable and appropriate premises. Relevant safeguarding issues have been given due consideration and are intrinsic to the design.
- 7.5 **Crime and Disorder Issues** - Due consideration has been given to s.17 of the Crime and Disorder Act 1998. There are no general crime and disorder issues but leaving the property dilapidated and vacant creates blight and attracts the potential for anti-social behaviour and criminal damage.
- 7.6 **Property / Asset Issues** - The Council is proactively seeking to make better use of its stock and where viable convert hard-to-let commercial premises to residential use to ease the chronic lack of supply of housing in the borough. The proposal

allows the Council to retain ownership of the dwellings as landlord and ensure the tenant meets the repair obligations generally required of all lessees.

Public Background Papers Used in the Preparation of the Report: None

List of appendices: None