

## ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	<b>Meeting:</b>	<b>Cabinet Member for Safe and Attractive Neighbourhoods</b>
2.	<b>Date:</b>	<b>20th September, 2010</b>
3.	<b>Title:</b>	<b>1 Clement Mews, Kimberworth &amp; 40 Josephine Road, Ferham.</b>
4.	<b>Directorate:</b>	<b>Neighbourhoods and Adult Services</b>

### 5. Summary

1 Clement Mews, Kimberworth and 40 Josephine Road, Ferham are Council owned vacant properties in need of substantial investment.

The properties had previously been approved by the Cabinet Member for Housing and Neighbourhoods to support potential asset exchanges with private owners within Canklow, to support acquisition of their properties in that area for demolition. However, following negotiations with remaining owners, this option has not been pursued and the properties are no longer required for this purpose. Other options for the future of the subject properties have therefore been explored and are detailed in the report.

The cost of repairs and improvements to bring the properties to a lettable standard exceeds the investment threshold of £20,000 for individual properties.

In accordance with Minute No 304, Cabinet Member for Neighbourhoods 21.05.07, properties exceeding the investment threshold will be referred to the Cabinet Member for consideration. The investment threshold was re-affirmed by the Cabinet Member on 15<sup>th</sup> February 2009, Minute J138 refers.

This report presents the options considered and final recommendations for both properties.

### 5. Recommendations

**That the Cabinet Member:**

- **Approves the disposal of 40 Josephine Road and 1 Clement Mews.**

## **7. Proposals and Details**

### **7.1 Background**

1 Clement Mews is an end terraced property and forms part of a larger terrace, the remainder of which is in private ownership. 40 Josephine Road is a two bedroomed mid terraced property forming part of a larger terrace, the remainder of which is again in private ownership.

The future use of both properties has been previously considered. Both properties were subsequently approved for the purpose of potential asset exchanges with private owners/landlords within the Canklow regeneration area, to enable the Council to gain ownership of identified properties for the purpose of demolition. 1 Clement Mews was approved for this purpose by the Cabinet Member on 15<sup>th</sup> February 2010, Minute No:136 refers and 40 Josephine Road on 14<sup>th</sup> December 2009, Minute No:102 refers.

Despite extensive negotiations with owners/private landlords within the Canklow area, the option of an asset exchange has not been pursued by any of the remaining owners and the two properties are therefore no longer required for this purpose. As such, alternative options for the future use of the properties have been considered.

Both properties require significant levels of investment to bring them to a Decent Homes standard. The estimated cost to rectify identified structural repairs, implement Decent Homes Investment and repair to lettable standard for both properties is as follows:

- 1 Clement Mews - £43,712
- 40 Josephine Road - £24,101

A detailed investment cost analysis for both properties is held by the Neighbourhood Investment Service. It should be noted that both properties have not received Decent Homes investment, and the above includes this investment cost. Such costs are immediate investment costs to achieve the Decent Homes Standard. The projected future investment requirements of both properties have not been identified at this stage.

The total cost of work to bring both properties up to a lettable standard exceeds the agreed investment threshold of £20,000 for individual properties.

In accordance with Minute No 304, Cabinet Member for Neighbourhoods 21.05.07, properties exceeding the investment threshold will be referred to the Cabinet Member for consideration. As such, an option appraisal has been undertaken to guide investment recommendations.

### **7.2 Option Appraisal**

A number of options have been considered for the future use of both properties. These are detailed below.

### **Option 1- Retain and Invest**

The Council would retain 1 Clement Mews and 40 Josephine Road, repair both to achieve the Decent Homes standard and re-let. The Council would continue to benefit from the asset value, the annual rental income stream generated and the availability of homes to satisfy local affordable housing demand.

However, both properties require significantly higher investment than the vast majority of vacant homes, to bring them to a Decent Homes standard. The properties are ageing miscellaneous (previously acquired) properties, not situated within purpose built estates and the Council do not own any other property in the street. Their dispersed nature presents a comparatively higher management cost and there is an increased likelihood of continuing capital investment needs moving forward, due to their age and construction. The properties offer comparatively poor space standards and as such are unlikely to meet future affordable housing needs and aspirations in the long term. There is currently a low waiting list demand for 2/3 bed miscellaneous terraced homes in the Ferham area. Although there is a high demand for 2/3 bed houses in the Kimberworth / Richmond Park area generally, the Council do not own any other property in this particular location and predominantly all adjacent housing is in private sector ownership.

This option is not recommended for the reasons stated above.

### **Option 2 - Disposal to an RP (Registered Social Landlord)**

This option would transfer the properties to a Registered Provider (Registered Provider is the new name for Registered Social Landlords) whilst retaining nomination rights. However the RP would benefit from the property asset value and future net rental income stream.

Whilst the Council would potentially benefit from a capital receipt, due to the condition of the properties, it is likely that the disposal would be on the basis of a significantly discounted value and/or subject to a dowry payment by the Council to the RP, due to the structural and internal repair costs attached.

In the present economic climate it is doubtful that a RP would be interested in acquiring miscellaneous properties where they have no other asset base and potentially may find this an unattractive offer. Indeed, some RP's are actively considering rationalising their asset base, to focus upon areas where they have a significant stock presence.

This option is not recommended for either property for the reasons stated above.

### **Option 3 – Demolition**

Demolition has not been considered for either property as due to the nature of their construction, whilst technically feasible, the costs of demolition and remediation to retained properties would far exceed the projected costs of retention and investment. In addition, neither area is identified for future clearance activity.

This option is not recommended for either property for the reasons stated above.

#### **Option 4 - Open Market Sale**

Disposal of the properties would generate a capital receipt to the Council and transfer investment liabilities to the new owner.

Specific sale conditions relating to repair requirements would be explored in order to ensure that the properties were brought up to a decent standard by the new owner and not left in disrepair.

The Asset Management Service, EDS has estimated the market values of the properties as follows:-

1 Clement Mews, Kimberworth	- £45,000 - £60,000
40 Josephine Road, Holmes	- £40,000

The capital receipt obtained is dependant upon market conditions at the time of sale and can fluctuate. The Council's Asset Management Service has indicated that there will be market interest in purchasing properties of this type should they be placed for sale.

This option is the recommended option for both properties.

#### **7.3 Ward Member Consultation**

1 Clement Mews is within the Rotherham West Ward. Ward Members have been consulted about the options presented above and support the option of disposal.

40 Josephine Road is situated in the Rotherham West Ward. Ward members have been consulted about the options and support the recommendation to dispose of the property.

#### **8. Finance**

With regard to Option 4, the costs of disposal of the properties would be recovered from the resultant capital receipt obtained.

#### **9. Risks and Uncertainties**

Delays in investment decision making will negatively impact upon void performance indicators measuring empty homes relet times and income recovery performance.

At a time of fiscal constraint and growing pressures upon capital investment budgets, the effective management of empty homes is paramount, in both financial and service delivery terms.

The presence of empty homes produces a negative perception of neighbourhoods and a negative reaction from customers, particularly at a time of increasing demand for affordable homes.

The recovery in the housing market is still fragile and there is no guarantee of a successful sale, should properties be presented to the market for disposal. However, the recent successful disposal of similar properties by the Council, such as 28 Nelson Street, Clifton, suggest an active market interest in acquiring such properties for investment.

## **10. Policy and Performance Agenda Implications**

Timely decision making with regard to investment in empty homes will contribute towards empty homes performance indicators, void rent loss performance and support increasing demand.

This proposal is making effective use of assets and managing them to best effect. It contributes to the sustainable neighbourhood's agenda by addressing identified housing issues and will help deliver better choice and quality of affordable housing to the community.

The proposal contributes towards our key corporate strategic themes of:-

- Rotherham Proud
- Rotherham Safe
- Rotherham Alive
- Fairness
- Sustainable Development

These key themes are reflected within the Individual Well-being and Healthy Communities outcome framework, as follows:

- Improved Quality of Life – by creating opportunities for an improved quality of life, by dealing with empty homes and stimulating investment in the built environment (Objective 6)
- Economic well-being – providing affordable high quality housing options, to meet identified needs and create sustainable neighbourhoods
- Safe – by creating neighbourhoods that are safe, clean, green and well maintained with well-designed, good quality homes and access to local facilities.

The key investment themes within the LIP are:-

- New homes – supporting delivery of housing opportunities in the Borough to meet current and future needs and aspirations.
- Economic recovery – delivering investment activity which supports the recovery and stimulates local economic growth, sustaining businesses and jobs and training opportunities.
- Renewal – continuing the transformation of the Borough.
- Affordable housing – to meet the current and future needs of the Boroughs citizens.
- Sustainable communities – ensuring that our communities are safe and healthy and benefit from the range of essential services and provision that they need.

These key investment themes align with the Councils Corporate Priorities of:-

- Making sure that no community is left behind.
- Helping to create safe and healthy communities.
- Ensuring care and protection are available for those people who need it most.
- Providing quality education, ensuring people have the opportunity to improve their skills, learn and get a job.
- Improving the environment.

## **11. Background Papers and Consultation**

Valuation advice has been received from the Valuation Service, Asset Management.

- Cabinet Member for Neighbourhoods, 20.5.07, Minute No:304
- Cabinet Member for Housing and Neighbourhoods, 15.2.10, Minute No: J138.
- Cabinet Member for Housing & Neighbourhoods, 15.2.10, Minute No:136
- Cabinet Member for Housing & Neighbourhoods, 14.12.09, Minute No:102

### **Contact Name:**

Sharon Pedersen, Property Investment Coordinator, Neighbourhood Investment Service, extension 34972, [sharon.pedersen@rotherham.gov.uk](mailto:sharon.pedersen@rotherham.gov.uk)