

# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 7 November 2016

<b>Portfolio:</b>	Policy and Resources
<b>Subject:</b>	<b>Development of the site at 96 Highlands Road and 2 Fareham Park Road</b>
<b>Report of:</b>	Director of Finance and Resources
<b>Strategy/Policy:</b>	Asset Management
<b>Corporate Objective:</b>	Maintain and extend prosperity. Strong and Inclusive communities.

#### **Purpose:**

The purpose of this report is to seek approval to proceed with the development of the site of the former Hampshire Rose Public House and No 2 Fareham Park Road and to include provision for the scheme within the Capital Programme.

#### **Executive summary:**

In November 2014, the Council acquired the site of the former Hampshire Rose Public House at 96 Highlands Road and in May 2015 purchased the adjacent site of 2 Fareham Park Road. Work has progressed to prepare concept designs for the combined site taking into account the financial viability and planning policy considerations.

Two concept designs have been worked up, for schemes which would deliver between 18 and 21 flats, depending on the layout and quantity of amenity and parking space provided on the development.

The Executive is requested to consider the proposed development and to earmark an appropriate capital budget to allow the delivery of the preferred option.

#### **Recommendation/Recommended Option:**

That the Executive:

- (a) agrees in principle with the development of the site of the former Hampshire Rose Public House and No 2 Fareham Park Road for affordable housing;
- (b) approves a capital budget of up to £2,850,000 for the implementation of the development; and
- (c) agrees, in principle, that Aspect Building Communities Ltd should be the preferred method of delivery for the site.

**Reason:**

To progress a residential development on the site of the former Hampshire Rose Public House and No 2 Fareham Park Road.

**Cost of proposals:**

The 18 unit scheme would require a capital budget of £2,510,000. The 21 unit development would require a capital budget of £2,850,000. This would be funded through borrowing if delivered by Aspect.

**Appendices:**

**A: Location Plan**  
**B: 18 Unit Scheme**  
**C: 21 Unit Scheme**

**Background papers:****Reference papers:**

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### Executive Briefing Paper

<b>Date:</b>	7 November 2016
<b>Subject:</b>	<b>Development of the site at 96 Highlands Road and 2 Fareham Park Road</b>
<b>Briefing by:</b>	Director of Finance and Resources
<b>Portfolio:</b>	Policy and Resources

#### INTRODUCTION

1. The site of the former Hampshire Rose Public House has been vacant for many years and subject to a number of changes in ownership. The Executive, in September 2009, endorsed the submission of a bid to the agents for the receivers of the public house, but the bid was unsuccessful. The site was acquired in January 2010 by a development company who submitted two unsuccessful planning applications. The Hampshire County Council (HCC) subsequently purchased from the developers in October 2010, but no progress was made in developing the site.
2. In November 2014 the opportunity arose for the Council to acquire the site from the HCC to assist in the Councils objective to progress a residential development at this location. In May 2015 the size of the site was increased to by the purchase of the adjoining site at 2 Fareham Park Road.
3. Work has progressed to prepare a design for the combined site taking into account the financial viability and planning policy considerations and two development options have been considered.

#### DEVELOPMENT OPTIONS

##### Viability of the site

4. The site has a number of complications arising from it, such as a mains sewer, and it is also of an irregular shape and dimensions. As a result, it is naturally constrained by its physical form, making development of it more challenging.
5. An independent assessment of the site has been undertaken to establish what quantum of development is necessary to achieve a viable scheme, and this indicated that approximately 39 affordable units would be necessary to achieve a viable scheme. The form of the site makes this unachievable, without increasing the height of the scheme. This, however, is deemed to be inappropriate in the location as it would represent an over-bearing building that is out of character with the rest of the neighbourhood.

- Options have therefore been explored which allow the site to deliver as many units as possible, but in a way which is in keeping with the local area.

### **Option A – Maximum Development**

- The maximum number of units that can be constructed on the combined site is 21 units which would comprise 14 one bed roomed flats and 7 two bed roomed flats.
- This design would meet the Council's planning requirements in most respects, and would be a good quality design on the former pub site. Care has been taken to consider the impact of the development on the surrounding area, and especially on the properties in the immediate vicinity.
- Taking forward this scheme would require further discussion with the Planning Authority, to determine ways in which the requirement for amenity space and parking space could be satisfied. For example, this could be overcome through further land acquisition, off site provision, a relaxation of planning guidance given the nature of the accommodation being provided, or a reduction in bed spaces on the development.
- This is the preferred development scheme, as it provides the highest number of affordable homes in the area, where there is a high demand for 1 and 2 bed roomed accommodation.

### **Option B – Policy Compliant Development**

- In the event that agreement cannot be reached with the Planning Authority, an alternative scheme has been prepared which complies with parking and amenity space standards. This would also result in a good quality design but would require a reduction in units by 3 to an 18 home scheme. Such a development would provide 10 one bed room flats and 8 two bed roomed flats.

### **HOUSING NEED**

- Discussions with the Housing Options team have identified that there are currently 610 households on the Housing Register waiting for 1 or 2 bedroom accommodation and of those, 439 have listed North Fareham as one of the areas within the Borough that they would like to live.

### **DELIVERY OF THE SCHEME**

- The Housing Revenue Account is restricted in the amount of money it can borrow to invest in new homes, and usable reserves are limited. For this reason, officers have been pursuing the use of Aspect Building Communities Ltd, the Council's joint venture housing company, as the mechanism, for delivering the scheme.
- This would require additional up-front work to establish the legal structure for delivery, but a precedent for this has been put in place on a similar scheme within Aspect's control so it is not anticipated that it will be an onerous task.
- The scheme would then be project managed and constructed under the control of one of Aspect's delivery partners (either First Wessex or Radian), and funded by the Council. The capital budget would become a quasi-commercial loan from the Council to Aspect, repayable through rental income that Aspect would collect from the tenants.
- Early indications are that a scheme of this scale would require other sites to be incorporated into the Joint Venture structure in order to achieve economies of scale and

justify the additional costs of structuring the company. Officers have identified suitable sites to enable this scheme to proceed, but it will require the Aspect Board to determine whether it is content to proceed on this basis.

17. Consequently, it is proposed that officers continue to develop the scheme in dialogue with the Aspect delivery partners so that development does not suffer further delays, and in the event that it cannot be achieved, then the development could be brought forward within the remit of the Housing Revenue Account.
18. Assuming that the legal structure can be concluded, then this will be brought to a future meeting of the Executive for consideration.

## **FINANCIAL IMPLICATIONS**

19. Based on a build cost of £1,850 m<sup>2</sup>, the 21 unit scheme would require a capital budget of £2,850,000 with the 18 unit scheme requiring a capital budget of £2,510,000. Both figures include the cost of both works and professional fees.
20. An assessment of the financial viability of the development has indicated that for the 18 unit development, the development would pay back the costs of both the land and the development in 26 years. For the maximum development of 21 units the payback period is 21 years.
21. It is proposed that the development be funded from borrowing.

## **DELIVERY**

22. The development could be delivered via the joint venture company Aspect Building Communities Limited or by the Council.
23. The tenancy mix of the development will be determined as part of the discussions on the delivery method of the scheme.

## **PROGRAMME**

24. On the assumption that the capital funding is approved it is anticipated that construction could commence in autumn 2017 with the first occupations one year later in autumn 2018.

## **CONCLUSION**

25. Following the acquisition of the sites of 96 Highlands Road and 2 Fareham Park Road, two options for residential development have been prepared for consideration.

## **Enquiries:**

For further information on this report please contact Gareth Satherley. (Ext 4476)