

**Report to:** Cabinet

**Date of Meeting:** 4 April 2016

**Report Title:** SE LEP Housing Bid - Coastal Space Phase 3

**Report By:** Andrew Palmer  
Assistant Director Housing & Built Environment

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### **Purpose of Report**

To advise of a proposed third phase of the Coastal Space project to be taken forward with the support of the South East Local Enterprise Partnership [SE LEP].

For members to consider whether the Council would make a capital contribution towards the project on similar lines agreed under phases 1 & 2.

For members to agree that the Council should work in partnership with AmicusHorizon in pursuit of the compulsory purchase (CPO) and redevelopment of long term derelict building

A report included in part two of the Cabinet Agenda provides details of the redevelopment proposal.

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### **Recommendation(s)**

- 1. That the Council approves a grant of £709,000 to AmicusHorizon in respect of a further Coastal Space project as outlined in part two of this report.**

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### **Reasons for Recommendations**

Phase 1 and 2 of the Coastal Space project have been funded in part by the Homes & Community Agency, AmicusHorizon and Hastings Borough Council.

The intention had been that a phase 3 would also be mixed funded but with the South East LEP compensating for any further significant level of Investment required of the Council. However recent policy changes introduced by central government have reduced the ability of AmicusHorizon to fund development at the levels previously envisaged for the coastal space project. Even with the addition of £600,000 SELEP funding, the Association now require a substantial financial contribution from the Council in order to proceed. The Association would commit to matching the level of investment made by the Council.

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## Introduction & Background

1. At Budget Cabinet 18th February 2013 the Council agreed to invest an initial £1.22m in a proposed AmicusHorizon housing acquisition and improvement scheme in Central St Leonards as part of the Council's continuing regeneration plans for the area. The Council also agreed to make a loan to the association of £2.4m repayable in instalments over 30 years. The Council's funding secured a total investment programme of £6.282m over the period of the 2011-15 NAHP programme and enabled the Council to continue targeted regeneration activity in the St Leonards the area. A total of 38 homes were delivered by March 2015 slightly below that original envisaged. As a consequence the overall contribution from HBC reduced in Phase 1. The Loan element reducing to £1.788m and grant from £1.2m to £909,000.
2. Under the Homes & Community Agency National Affordable Housing programme (NAHP) 2015-18. Phase 2 is being supported by £875,000 investment from the Council agreed at Budget Cabinet in February 2015. As in phase 1 the Council investment is secured by equal shares in the ownership of each property after a 30 year term. The remit in phase 2 has been extended to encompass other problematic buildings and sites outside central St Leonards where they continue to cast a significant blight on neighbourhoods.
3. Further to the above, the Council made a successful submission to the SELEP in July 2014 on behalf of several coastal communities, including Tendring and Thanet for investment in coastal housing markets. This was a priority included in the SELEP Plan. Following the submission of an initial investment proposal put forward by the 3 authority areas an indicative allocation of £2.1m was made under Round 2 of the Local Growth Fund Round. The money is available subject to the approval of a business case to be submitted to the SELEP. The business plan is due to be considered by the LEP in June 2016. If funding is approved then roughly £600k would be available to HBC for investment in a further extension to the coastal space programme.

## Progress with phase 2

4. AmicusHorizon have had an offer accepted on another large long term empty property. They hope to exchange contracts and start on site by September 2016 and complete a year or so later. Subject to planning permission they anticipate that this will deliver the bulk of the 30 homes envisaged under Phase 2

## Phase 3

5. Phase 3 includes a potential CPO of a problematic long term empty home for onward sale to AmicusHorizon for redevelopment. Details as set out in part two of this report.

## Financial Matters

6. The Councils additional investment of £709,000 would be made under Section 435 of the Housing Act 1985 and as with phase 1 would not be repayable in the short

term. At the end of a 30 year period, the units would be sold or retained as a shared asset between the parties, with any capital realised being shared equally. The Association would also have an option whereby they could elect to repay the Council the full amount of the grant, including any interest that would have accrued, under similar terms to those agreed previously by Cabinet.

7. Risks associated with fluctuations in void loss, future management & maintenance costs etc. would be borne solely by the Association, giving the Council a clear understanding of its financial commitment at the outset.
8. Should the Council need to borrow the full £709,000 investment then it would result in an additional annual cost to the Council of £52,000 p.a. in terms of interest payable and the minimum revenue provision requirements (based on an interest rate of 4% and a loan of 30 years). The best funding mechanism e.g. use of capital receipts, reserves, grant or borrowing will be determined as part of the normal budget and closedown processes. Investment costs would also be partially offset by any section 106 affordable housing contributions available to the authority at the time. It is realistic to assume that this investment may be recovered at the end of the loan period, either through a share in the enhanced value of the assets acquired or through direct repayment of the investment, with interest, by AmicusHorizon.
9. Consideration is still to be given as to whether the Council should consider lending money to the Association as was done in phase 1. It is possible that the Council may be able to achieve a better rate of interest, therefore reducing slightly the total investment required in the 3rd phase. AmicusHorizon and the Council will consider this matter further, but the difference between the borrowing rates that might be available to the Amicus may not make a significant difference to their costs.
10. Total projected investment in the Coastal Space project to date is as follows :

£2,697,000 (investment and lending in Phase 1)  
£875,000 (Investment in Phase 2).

## Legal Matters

11. The Council and AmicusHorizon would enter into a new or revised funding agreement on similar terms to those previously agreed under phases 1 and 2 of the project. The Council investment would be secured through a charge on each property acquired by Amicus Horizon.

## Key Risks

12. A key risk is that Council might not be successful in proposed CPO and incur costs and reputational damage in the process. The issue of timing could be critical. CPO is not a quick process, and if owner objects then a decision may have to be made through written representations or a more costly public inquiry before a CPO is confirmed by the Secretary of State. We would expect that the Association would contribute towards these if this were the case. However, any substantial time delay might add to scheme costs and put LEP funding at risk. The association will

therefore need to consider contingency plans in the event that proposed CPO cannot proceed for any reason.

Planning permission would need to be sought and the Association intend to pursue this at the earliest opportunity once funding is secured and Cabinet has resolved to pursue a CPO.

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### **Wards Affected**

Central St. Leonards

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### **Policy Implications**

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	Yes
Crime and Fear of Crime (Section 17)	Yes
Risk Management	Yes
Environmental Issues	Yes
Economic/Financial Implications	Yes
Human Rights Act	No
Organisational Consequences	Yes
Local People's Views	Yes
Anti-Poverty	Yes

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### **Additional Information**

Budget Cabinet 18th February 2013  
Budget Cabinet 25th February 2015.

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### **Officer to Contact**

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