



## Members' Library Service Request Form

Date of Document	04/02/19
Originator	Neil Gibbs, Development Officer
Originator's Ref (if any)	
Document Title	Proposed Purchase of Affordable Housing at Elder Street, Tranent

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Additional information:

Authorised By	Douglas Proudfoot
Designation	Head of Development
Date	04/02/19

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**REPORT TO:** Members' Library Service

**MEETING DATE:**

**BY:** Depute Chief Executive (Partnerships and Community Services)

**SUBJECT:** Proposed Purchase of Affordable Housing at Elder Street, Tranent

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## **1 PURPOSE**

- 1.1 To note the purchase of 12 completed units at Elder Street, Tranent on the basis of a finalised cost appraisal. It should be noted that his cost is above the DV valuation but has been assessed as value for money and approved by the HRA Programme Board.

## **2 RECOMMENDATIONS**

- 2.1 Members are asked to note the decision of the Head of Development to purchase 12 completed new build units from Paul McGuire, a local builder and developer. The decision follows consideration of the matter by the HRA Programme Board. The 12 units will be purchased for an average sum of £152,310 per unit and the properties will become part of the council's rented housing stock.

## **3 BACKGROUND**

- 3.1 The owner / developer of the former dairy at Elder Street (now a cleared site), which is within a few hundred meters of Tranent town Centre, has planning permission to develop 12 units through a mix of 4 x 1 bed flats and 8 x 2 bed flats. Under the planning permission the flats are designated as Sheltered, although there is no provision for an on-site warden or common room. Whilst these properties will be restricted to specialist housing, discussions are currently being held as the preferred client group. This may result in the designation being changed from Sheltered Housing in the future.
- 3.2 The proposal had been for ELC to purchase the completed units at District Valuer (DV) valuation less the affordable housing requirement. Following extensive discussions and cost checking with the developer, it became evident that the actual costs of development are above the DV valuation. Therefore it is now proposed to purchase the units at the finalized costs which have been checked by the Council's Surveyors.

Such a purchase is considered to represent value for money while delivering much needed housing in the area.

- 3.3 A revised DV valuation was obtained by ELC in July 2018. The values the completed units at £1.540m, an increase of approximately 4% from the previous valuation in June 2017.
- 3.4 Revised cost estimate have been provided by the developer. These now total £1.828m and are detailed at 6.1. The costs exceed the DV valuation by £310,200.
- 3.5 Despite the cost increases and the excess over market value, there is evidence to show that the development represents value for money. The table below only compares the design and build costs with other recent approvals. You will note that these compare favourably, despite the Elder Street development including a lift and sprinkler system. The total development costs per unit and per m<sup>2</sup> also compare favourably to those for Fentoun Gait East and Osbourne Terrace which have recently been approved and are similarly sized projects. The actual build costs are very reasonable, as our Cost and Procurement Manager has confirmed.

<b>Project</b>	<b>Tender acceptance date</b>	<b>Design and build cost only per unit</b>		<b>Design and build cost only per m<sup>2</sup></b>
		Actual	3p Equiv*	
Russell Walk, North Berwick**	Sep 2016	127,300	112,755	1,386
Osborne Terrace, Cockenzie	May 2018	135,020	129,206	1,761
Fentoun Gait East, Gullane	June 2018	135,025	121,425	1,655
Weavers Loan, Aberlady	June 2018	111,255	110,263	1,637
<b><i>Elder Street, Tranent</i></b>	<b><i>March 2019</i></b>	<b><i>116,132</i></b>	<b><i>120,469</i></b>	<b><i>1,575</i></b>

\* 3 person equivalent using the Scottish Government's adjustment factors which allow costs for differing house sizes to be compared on a more equal basis

\*\* not adjusted for inflation

3.6 The following should be noted:

- The valuation of these flats in Tranent is difficult as there are no other similar flats for sale in the area with this specification to make a comparison with and consequently may be under-valued.
- There is a high level of need for specialized housing accommodation identified within the local Housing Strategy.

#### **4 POLICY IMPLICATIONS**

4.1 None

#### **5 INTEGRATED IMPACT ASSESSMENT**

5.1 The subjects of this report were included in the wider integrated impact Assessment for the Strategic housing investment Plan (SHIP).

#### **6 RESOURCE IMPLICATIONS**

6.1 Financial – the total net expenditure for the purchase of 12 new Council Houses will not exceed £1.828m and can be itemised as follows:

Category	Estimated Costs (£)
Land (including demolition)	£126,000
Planning & building warrant fees	£9,691
Design fees	£115,052
Construction costs	£1,255,433
Site Investigation	£15,729
Topographical survey	£570
Insurances	£5,537
<u>Section 75 Payments</u>	Nil (Paid by developer)
Planning Gain Contributions	
Capitalised interest (on development finance)	£123,965
Developer's profit (10%)	£165,198
Clerk of works	£10,546
<b>TOTAL EXPENDITURE</b>	<b>£1,827,721</b>
<b>Average Unit Cost</b>	<b>£152,310</b>

- 6.2 The proposed cost of £1.828m could be accommodated in the draft New Affordable Housing programme for 2019/20. It should be noted that as this would be a purchase on completion, there would be no expenditure during 2018/19.
- 6.3 Personnel – None
- 6.4 Other - None

## **7 BACKGROUND PAPERS**

- 7.1 None

<b>AUTHOR'S NAME</b>	Douglas Proudfoot
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<b>DATE</b>	5 <sup>th</sup> February 2019