

**Manchester City Council  
Report for Resolution**

**Report To:** Executive - 22 December 2010  
**Subject:** Properties at Lakin/Levens Street  
**Report of:** Director of Housing

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**Summary**

To provide the Executive with details of a development scheme to bring back into use 11 properties on Lakin Street and Levens Street in Harpurhey which are in City Council ownership and which are currently vacant, and to seek Executive approval for the disposal of the properties at below current market value to Adactus Housing Group.

**Recommendations**

The Executive is recommended to:-

Approve the disposal of the 11 properties in Lakin Street, and Levens Street, Harpurhey to Adactus Housing Group at below the current market value.

Authorise the City Solicitor to complete the documentation in order to complete the transfer of the properties to Adactus Housing Group.

Delegate authority to the City Treasurer to negotiate and agree the final terms for disposal of the land.

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**Wards Affected:**

Harpurhey

<b>Community Strategy Spine</b>	<b>Summary of the contribution to the strategy</b>
Performance of the economy of the region and sub region	Access to additional housing for a growing population in the City supports economic growth.
Reaching full potential in education and employment	The properties will be social rented tenure and will be allocated through the Working Xtra scheme to working households, to encourage a mix of lifestyles within the local community.

Individual and collective self esteem – mutual respect	Maintaining the supply of good quality homes through a range of flexible tenure and opportunity will allow residents to fulfil their housing aspirations.
Neighbourhoods of Choice	Empty properties blight neighbourhoods and require resources and responses from a range of services. The sale of the properties to Adactus will bring in grant funding to refurbish the properties to bring them back into use and prevent further impacts on the neighbourhoods as well as providing housing to meet demand for homes.

**Full details are in the body of the report, along with any implications for:**

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

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### **Financial Consequences – Revenue**

The properties to be sold are included within the Housing Revenue Account, and we currently receive subsidy allowances for the management and maintenance of these properties. We would continue to receive these allowances for the next two years.

Northwards Housing currently manage these properties on our behalf, and are liable for any associated costs such as council tax etc, once the properties have been disposed of, we would save the annual fee that we pay to Northwards.

Once the properties are occupied, they will represent additional income to the City Council due to the 100% liability for Council Tax being payable.

### **Financial Consequences – Capital**

We will realise a capital receipt of £65k upon the sale of the properties, the receipt will not be subject to the HRA Capital pooling arrangements as each individual property will be under the £10,000 threshold. Therefore the full amount of the capital receipt will be available to contribute towards funding the corporate capital programme.

The sale agreement will include a clause that if the properties are sold by Adactus in the future we will receive a share of any proceeds.

There will be no capital expenditure required by the City Council to bring these properties back into use, although Adactus will be committing around £767k of investment into these properties, (Including purchase price), with around £306k from the Homes and Community Agency, and the balance from their using own resources.

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## **1.0 Background**

- 1.1 The 11 properties which form the subject of the report are situated in 2 terraced streets in Harpurhey, and are numbers 7,9,13,15,17,19,21,23 & 43 Levens Street and numbers 29 & 35 Lakin Street.
- 1.2 Originally purchased as miscellaneous housing stock, the properties are all located in the Harpurhey area of Manchester, approximately 3 miles north east of Manchester City Centre. The streets are adjacent and parallel to each other just off the busy Lightbowne Road. This area of terraced housing includes 128 pre 1919 homes on 4 streets.
- 1.3 Discussions have been had with Northwards around a programme of works required to bring them up to Decent Homes Standard, although the extent of the work required was outside the scope of the Programme. and the properties were then removed from the management agreement.
- 1.4 The area has been the subject of a Housing Market Renewal funded facelift scheme. The 11 properties that are the subject of this report were facelifted but remain empty and are the only remaining long term empty properties within the 4 streets. The HMR Pathfinder team have confirmed that because these were only part of a facelift scheme, they will not be subject to any grant clawback.
- 1.5 Discussions took place to identify alternative mechanisms to bring the homes back into use. Working with Adactus Housing Association a scheme to refurbish them as shared ownership tenure was developed and received an allocation of grant from the Homes and Communities Agency as part of the 2008/11 Funding Allocation. However, due to the decline of the housing market, and restrictions on mortgage finance, particularly for shared ownership properties, the original scheme was considered to be high risk, and the project did not progress.
- 1.6 Alternative options to bring the properties back into use have been considered but the only option identified as viable for these properties in the current climate is the scheme outlined below.

## **2.0 Current proposals**

- 2.1 The City Council have worked with Adactus Housing Group and the Homes and Communities Agency (HCA) have developed a scheme to that will replace the current 11 units, with 9 refurbished homes. The scheme will create two larger 4-bedroom homes by combining existing properties, and seven 2-bedroom homes. All the properties will be available at social rent levels, and the current rents would be £62.27 (2 Bed Unit) and £74.35 (4 bed unit).
- 2.2 In the proposed scheme properties will be developed for social rented tenure, and will be allocated through the Working Xtra Scheme which ensures, through a Local Allocation Policy, that they are let to economically active households. This contributes to diversifying neighbourhoods. We have used

this process successfully on several schemes which have had to be reconfigured to social rented tenure due to the housing market decline.

- 2.3 Adactus have indicated that the total costs of the scheme will be around £767k, this includes both the purchase of the units and the planned refurbishment costs. Adactus have secured £306k development funding from the HCA, and will fund the balance through £69k of recycled capital grant and private finance. The investment appraisal undertaken by Adactus, indicates that to make the scheme work in the long term the property value will only be around £5k per unit, this is less than the most recent valuation for the properties. Subject to approval, the City Council's contribution to the project will be the forgone capital receipt, due to selling the properties for £65k, which is less than the current open market valuation of between £316k - £371k. .
- 2.4 The disposal will include a provision that the properties are to be used for social rent in perpetuity but that if any are sold in the future the City Council will receive a share of the receipt.
- 2.5 Within this area of terraced streets Adactus have a portfolio of 48 properties and have already made a financial investment to its improvement through the costs of facelifting and improving their own properties to Decent Homes standard; they also contribute to the area through good neighbourhood management.
- 2.6 This proposal is deliverable, will maximise HCA grant and will create a physical improvement to the area and provide some larger properties that are in very short supply in the social rented sector.
- 2.7 In order to secure the HCA funding the scheme must be able to start on site before the end of this financial year. Approval for the sale of the 11 properties is necessary for the scheme to go ahead and bring the properties back into use.

### **3.0 Valuation**

- 3.1 A full site valuation was carried out in July 2010 based on current open market valuation. The 9 properties on Levens Street are valued at between £28,000 and £33,000. The 2 larger properties on Lakin St are valued at between £32,000 and £37,000 each.

### **4.0 Legal Implications**

- 4.1 The proposed disposal amounts to a disposal of Part II (Housing Act 1985) land i.e. housing land for which the consent of the Secretary of State is required under section 32. Further the proposed sale at an undervalue amounts to the Council providing financial assistance to a Registered Social Landlord (RSL) for which consent under section 25 of the Local Government Act 1988 is required.

- 4.2 The proposed disposal comes within the provisions of consent B of the General Consents under section 25 which provides for the disposal of dwelling houses to RSLs for refurbishment. The consent is given on condition:
- (i) that the housing accommodation is vacant when the disposal is completed; and
  - (ii) the completion of the disposal is by transfer of the freehold or the assignment or grant of a lease for a term of 99 years or more; and
  - (iii) the estimated cost of the works must be at least 30% of the market value for the property before the works; and
  - (iv) the terms of the disposal provide that the works will be completed within 3 years of completion of the disposal although provision can be made for the date to be varied in certain circumstances; and
  - (v) the terms of the disposal provide that the housing accommodation in the dwelling-house after the works will be let by the RSL; and
  - (vi) the Council are not under any agreement or other arrangement to manage or maintain the dwelling-house after the works; and
  - (vii) The aggregate number of dwelling-houses included in the disposal and any previous disposal under this consent in the same financial year does not exceed a number (“the ceiling”) equal to the greater of 50 or one quarter of one per cent of the number of dwellings owned by the Council at the start of the financial year in which the disposal took place. The fact that the aggregate number of dwellings so disposed does not exceed the ceiling will need to be certified the relevant chief officer.
- 4.3 No further consent of the Secretary of State to a disposal under the above consent is required by virtue of section 123(2) of the Local Government Act 1972 or section 32(2) of the Housing Act 1985

## **5.0 Consultation**

- 5.1 Consultation has taken place through the Strategic Regeneration Framework and Local Plan Working Group, Ward Co-ordination and Local Tasking meetings. Local consultation relating to the facelifting scheme highlighted residents’ concerns that the empty properties be brought back into use.

## **6.0 Contributing to the Community Strategy**

### **(a) Performance of the economy of the region and sub region**

- 6.1 Access to additional housing for a growing population in the City supports economic growth.

### **(b) Reaching full potential in education and employment**

- 6.2 The properties will be social rented tenure and will be allocated through the Working Xtra scheme to working households, to encourage a mix of lifestyles within the local community.

**(c) Individual and collective self esteem – mutual respect**

- 6.3 Maintaining the supply of good quality homes through a range of flexible tenure and opportunity will allow residents to fulfil their housing aspirations.

**(d) Neighbourhoods of Choice**

- 6.4 Empty properties blight neighbourhoods and require resources and responses from a range of services. The sale of the properties to Adactus will bring in grant funding to refurbish the properties to bring them back into use and prevent further impacts on the neighbourhoods as well as providing housing to meet demand for homes.

**7. Key Policies and Considerations**

**(a) Equal Opportunities**

- 7.1 The scheme will provide additional homes for rent, including homes for larger households which are greatly needed.

**(b) Risk Management**

- 7.2 No risks identified

**(c) Legal Considerations**

- 7.3 see above