

To: Communities, Housing and Planning Policy Board

On: 14 January 2020

Report by: Director of Communities, Housing and Planning Services

Heading: Orchard Street Housing Renewal Area

1. Summary

- 1.1 At the meeting on March 2017, the Housing and Community Safety Policy Board approved the Orchard Street Housing Renewal Area Designation and Action Plan. This covers the tenement blocks and communal areas at 33 Causeyside Street and 3,5,7 and 9 Orchard Street.
- 1.2 This report explains that Paisley Housing Association has reached agreement in principle with owners on the acquisition of over 80% of privately-owned residential properties at 3-9 Orchard St and 33 Causeyside Street.
- 1.3 Section 5 of this report sets out the principles of a proposed legal agreement between the Council and Paisley Housing Association which would involve the transfer of ownership of properties from Paisley Housing Association to the Council in circumstances where Paisley Housing Association is unable to acquire ownership of a sufficient number of properties within the Orchard Street Housing Renewal Area Designation Order boundary to implement the proposed Comprehensive Tenement Improvement scheme.
- 1.4 This report seeks authority for the Director of Communities, Housing and Planning Services in consultation with the Head of Corporate Governance to enter into the proposed legal agreement with Paisley Housing Association in accordance with these principles.
- 1.5 The aim of this agreement is to give Paisley Housing Association sufficient comfort to start the acquisition process and take forward further planning activity to enable delivery of the proposed Comprehensive Tenement Improvement project. However, in the event that the association is not able to acquire ownership of a sufficient number of properties within the Orchard

Street Housing Renewal Area Designation Order boundary then, under the terms of the proposed legal agreement, ownership of properties previously acquired by the association would transfer to the Council with a view to delivering the Comprehensive Tenement Improvement scheme as part of the Council's Housing Revenue Account capital investment programme.

- 1.6 Authority is also sought to use Compulsory Purchase powers to help secure delivery of the Housing Renewal Area Order and Action Plan in circumstances where, despite all reasonable attempts by Paisley Housing Association and/or Renfrewshire Council, it has not been possible to voluntarily acquire privately owned properties or voluntarily secure owners' participation in the comprehensive improvement scheme.

2. Recommendations

2.1 It is recommended that the Board:

- (i) authorises the Director of Communities, Housing and Planning Services in consultation with the Head of Corporate Governance to enter into a legal agreement with Paisley Housing Association, in accordance with the principles set out in section 5 of this report;
- (ii) authorises that a Compulsory Purchase Order be initiated to facilitate the delivery of the Housing Renewal Area if either Paisley Housing Association or the Council is not able, despite all reasonable attempts, to voluntarily acquire privately residential and commercial properties within the Housing Renewal Area boundary or reach agreement with owners of these properties to voluntarily participate in the comprehensive tenement improvement project; and
- (iii) authorises the Director of Communities, Housing and Planning Services to acquire ownership of privately-owned properties within the Housing Renewal Area boundary in the event that it is not possible to enter into a legal agreement with Paisley Housing Association within the necessary timeframe and make appropriate provision to deliver the proposed Comprehensive Tenement Improvement scheme as part of the Council's Housing Revenue Account capital investment programme, including the submission of grant applications to the Scottish Government as appropriate.

3. Background

- 3.1 The Orchard Street Housing Renewal Area Designation Order and Action Plan sets out the work required to deal with the sub-standard housing and amenity of the area. It explains that full comprehensive improvement refurbishment is required and that the Council has worked in partnership with Paisley Housing Association and the Scottish Government to develop a

funding package to support delivery of a scheme to achieve this. The Housing Renewal Area Draft Designation Order was subject to a statutory 3-month public consultation period before the finalised Designation Order and Action Plan was approved in March 2017.

- 3.2 The Order covers five tenement blocks at no. 33 Causeyside Street and numbers 3-9 Orchard Street, currently configured as 52 flats with a number of commercial properties on the ground floor. The tenement blocks lie within the Paisley Town Centre Conservation Area boundary. Number 33 Causeyside Street is a Category B listed building.
- 3.3 The Orchard Street Housing Renewal Designation Order Action Plan sets out how comprehensive improvement could be achieved. Paisley Housing Association would seek to acquire properties on a voluntary basis at current market value from owners and co-ordinate repair and improvement works with Scottish Government grant support. On the completion of works, the improved flats would be let for social rent. Owners who do not wish to sell have the option to participate in the scheme with grant assistance from the Council at rates set out in the Council's Scheme of Assistance for private owners (50% for resident owners on certain benefits, 35% for resident owners, 25% for non-resident owners and commercial properties)
- 3.4 Paisley Housing Association's cost plan for the Comprehensive Tenement Improvement project was subject to a full value for money appraisal by the Scottish Government. Following this, the Government confirmed in 2016 that it was willing to agree an above-benchmark grant rate for this project. Renfrewshire's Strategic Housing Investment Plan (SHIP) 2020/21 – 2024/25 reflects this requirement and includes provision for around £4.4m in Scottish Government grant for this project.
- 3.5 A provisional allowance was included in the Private Sector Housing Investment Programme 2015-2018 to support owner participation and environmental work and has been held in reserve for this purpose. It was also noted in the report to the Housing and Community Safety Policy Board in March 2017 that the Council may incur further costs in relation to work carried out on behalf of owners who do not voluntarily agree to participate in the scheme, and that all available mechanisms would be used to recover these costs.

4. Difficulty in implementing the Housing Renewal Area Action Plan

- 4.1 Following the Designation Order approval in March 2017, Paisley Housing Association has been seeking to secure the agreement of owners to either sell their property or participate in the comprehensive improvement project with grant funding support from the Council. Where owners have granted access, valuations have been carried out by an independent valuer appointed by Paisley Housing Association, and owners have been advised of these valuations.

4.2 Other activity to support delivery of the project has included:

- The Council delivered two newsletters and held a drop-in session in March 2019 for affected residents and owners.
- Officers from Communities, Housing and Planning Services have responded to enquires from various owners and private tenants about their individual circumstances and options.
- In January 2019, The Council issued Works Notices in terms of section 30 of the Housing (Scotland) Act 2006, outlining minimum works required to bring the properties up to a reasonable standard, giving owners 6 months to comply. The Works Notice allows the Council, should it choose to do so, to undertake the work in default and recharge the owner.
- Officers from both Paisley Housing Association and the Council have been providing housing options advice and assistance to existing residents.
- The Council has sought to assist delivery by recently seeking to acquire a flat within the Housing Renewal Area under delegated powers.

4.3 Following all this activity, Paisley Housing Association has advised that over 80% of owners of residential properties have confirmed that, in principle, they are willing to sell their property to the association. However, the remaining owners have either not yet confirmed their final position either way or have said they will not agree to sell to the association or participate in the Comprehensive Tenement Improvement scheme.

4.4 Without full agreement that owners will either sell to the association or participate, Paisley Housing Association will not begin to acquire properties because of the risk that it may not be able to implement the project as proposed.

4.5 Provision is included in Renfrewshire's current Strategic Housing Investment Plan for this project but at present there is no certainty about future funding from the Scottish Government beyond March 2021. There is a risk that funding for this project may not be available in the future if property acquisitions do not commence in 2019/20.

5. Proposed Legal Agreement

5.1 It is proposed that the Council enters into a legal agreement with Paisley Housing Association involving the key principles set out below. If such an agreement were in place, Paisley Housing Association has indicated that it would begin to acquire properties in early 2020 with Scottish Government grant funding. The association would also progress preparatory work, including the updating of design work and the procurement of a contractor, with a view to starting improvement works on site at the end of 2020.

- 5.2 The key purpose of the legal agreement is to give Paisley Housing Association comfort that, in circumstances where the association acquires properties but is not able to implement the proposed Comprehensive Tenement Improvement scheme, then ownership of all properties acquired by the association up to that point would transfer to the Council. Paisley Housing Association has indicated that, without such a legal agreement, it will withdraw from the project.
- 5.3 The proposed legal agreement between the Council and Paisley Housing Association will:
- Note that Paisley Housing Association has made an application to the Scottish Government for grant to fund the acquisition of properties to facilitate delivery of the proposed Comprehensive Tenement Improvement scheme.
 - Require Paisley Housing Association to make all reasonable efforts to acquire ownership or secure the agreement of owners to participate in the Comprehensive Tenement Improvement scheme on a voluntary basis.
 - Require Paisley Housing Association to meet regularly with the Council and report progress against agreed milestones (eg relating to: the acquisition of properties; further design work; procurement of a contractor for improvement works; submission of grant applications and claims to the Scottish Government as appropriate; and the commencement of improvement works on site).
 - Set out the circumstances where, despite all reasonable efforts by Paisley Housing Association, the association is not able proceed with the project and ownership of properties acquired up to that point would transfer to the Council or to a third party nominated by the Council.
 - Allow for the ownership of these properties to transfer from Paisley Housing Association to the Council or a third party (nominated by the Council and approved by the Scottish Government) with the cost already paid by Paisley Housing Association and covered by grant from the Scottish Government, noting that an offer of grant would be made to the Council and grant already paid to Paisley Housing Association would transfer to the Council or said third party.
 - Allow for the novation of the design team, the development agent, and any other relevant contracts from Paisley Housing Association to the Council or said third party.
 - Commit Paisley Housing Association to share all relevant data about the project with the Council or third party, subject to relevant data protection legislation.
- 5.4 In signing up to this legal agreement, the Council will be agreeing in the event that Paisley Housing Association is not able to implement the proposed scheme to:

- Take ownership of all properties owned by Paisley Housing Association within the Orchard Street Housing Renewal Area at the point the legal agreement is implemented. (Paisley Housing Association will only acquire properties with vacant possession, so any properties transferring to the Council will be empty. The Council will then be responsible for ensuring the safety and security of these properties pending improvement.)
- The transfer of grant already paid to Paisley Housing Association for acquisition by the Scottish Government, to a new account with the Council.
- Seek to implement the full Comprehensive Tenement Improvement scheme with further grant support from the Scottish Government for affordable housing and with funding from the Housing Revenue Account capital investment programme.

5.5 Officers from Communities, Housing and Planning Services have been involved in discussions with officers from the Scottish Government on the support which would be available to the Council in circumstances where the legal agreement referred to above is implemented. They have advised that:

- The Scottish Government will transfer acquisition grant approval from Paisley Housing Association to Renfrewshire Council to enable the Council to implement the planned CTI scheme directly, or to said third party to deliver the scheme.
- Any acquisition grant not already drawn down by Paisley HA at the point of transfer will be available to the Council or said third party to fund further acquisitions and other eligible costs.
- The Scottish Government will work with the Council to support delivery of the planned Comprehensive Tenement Improvement scheme, including the provision of grant funding for improvement works where this project continues to be identified within Renfrewshire's SHIP programme as a strategic priority for the Council and subject to value for money considerations.
- For planning purposes, it would be reasonable for the Council to assume that grant would be available for this scheme at a rate of around £65,000 per unit which is slightly above the benchmark of £59,000 currently available to local authorities for newbuild. (This takes account of the benchmark previously indicated to Paisley Housing Association for this project, adjusted to reflect the benchmark differential between housing associations and local authorities and VAT liability.)
- In circumstances where it was not possible for the Council to implement the planned CTI scheme, then the Scottish Government would seek to work closely with the Council to consider options and consider if there was an alternative housing solution. However, in line with standard conditions of grant, the Scottish Government would reserve the right to require repayment of the grant should it not be possible to proceed with the scheme or agree an appropriate way forward.

Implications of the Report

1. **Financial** – In circumstances where the Council were to seek to deliver the proposed Comprehensive Tenement Improvement scheme directly, this would be funded through the Council's Housing Revenue Account capital investment programme. Paisley Housing Association's cost plan for the project indicates a total cost of around £6.6m, including acquisition and fees to provide 47 units for social rent. The estimated cost of acquisition, fees and other preparatory work is estimated to be in the region of £1.5m. The net cost of the project to the Council's Housing Revenue Account would depend on the level of grant provided by the Scottish Government along with an adjustment to take account of differential VAT liability. As indicated at para 5.5, it is assumed for planning purposes that grant would be available at a rate of around £65,000 per unit. On completion, the Council would receive rental income for the completed properties.
2. **HR & Organisational Development** – No immediate implications, but additional resource may be required if the legal agreement is implemented as referred to at para 5.4
3. **Community/Council Planning** –
 - *Our Renfrewshire is thriving*– town centre regeneration/improving housing conditions and local neighbourhoods
 - *Working together to improve outcomes* – Partnership working between the Council, Paisley Housing Association and the Scottish Government.
4. **Legal** – Legal agreement and conveyancing of properties if the legal agreement is implemented.
5. **Property/Assets** – If the legal agreement is implemented, the Council would take ownership of properties with the Orchard Street Housing Renewal Area Designation Order boundary and these would be held on the Housing Revenue Account.
6. **Information Technology** – None
7. **Equality & Human Rights** – The Recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals' human rights have been identified arising directly from the recommendations contained in the report. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website.
8. **Health & Safety** – If the legal agreement is implemented, the Council would become responsible for the security and safety of properties purchased.

9. **Procurement** – Support will be required from the Corporate Procurement Unit to ensure that if the legal agreement is implemented, contracts can be novated to the Council as appropriate and any necessary new procurement activity undertaken. In addition, joint work will be undertaken with Paisley Housing Association in relation to procurement of a main contractor.
10. **Risks** - In the event that the legal agreement is implemented, and the Council seeks to deliver the Comprehensive Tenement Improvement scheme directly, Scottish Government grant would be provided to the Council in two stages – at acquisition stage and then, following a tender process, for improvement works. Para 5.5 notes that the Scottish Government has indicated that it would intend to work with the Council to deliver the proposed improvement scheme, including the provision of grant support. However, at present, there is no firm guarantee that Scottish Government grant funding will be provided to assist with the cost of improvement works. Formal grant approval would be subject to standard procedures and budgetary considerations and, under the standard conditions of grant, the Scottish Government would reserve the right to require the repayment of grant if it is not possible to proceed with the project or agree an appropriate way forward.
In terms of property insurance, there may be an increase in cost to the Housing Revenue Account. The Council would also be responsible for the safety and security of properties pending improvement.
If the Council were to take no action, there is a risk that Paisley Housing Association will withdraw from the project and Scottish Government grant funding for the project will be lost, leaving sub-standard housing at a strategic location in Paisley Town Centre.
11. **Privacy Impact** – None
12. **Cosla Policy Position** – N/A
13. **Climate Risk** – N/A

List of Background Papers

- (i) Report to Housing and Community Safety Policy Board, 8 November 2016, “Orchard Street Housing Renewal Area Draft Designation Order 2016”
- (ii) Report to the Housing and Community Safety Policy Board, 14 March 2017, “Orchard Street Housing Renewal Area Designation Order 2017”

The foregoing background papers will be retained within Development & Housing Services for inspection by the public for the prescribed period of four years from the date of the meeting.

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