

**EXECUTIVE REPORT**

**ACQUISITION OF PROPERTIES IN THE OLDER  
HOUSING AREA**

**EXECUTIVE MEMBER FOR ECONOMIC REGENERATION AND  
CULTURE: COUNCILLOR DAVID BUDD**

**DIRECTOR OF REGENERATION: TIM WHITE**

**Date: 31 August 2006**

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**PURPOSE OF REPORT**

1. The purpose of this report is to seek the approval of the Executive Member for Economic Regeneration and Culture to the principles to be applied to the proposed acquisition programme of residential properties in the older housing area.

**BACKGROUND**

2. The vision for the future of the town's older housing area was approved by the Executive Committee on 20<sup>th</sup> July 2005 and paved the way for future work. The report considered options for the regeneration of the older terraced housing and proposed a mix of refurbishment, environmental improvements and neighbourhood management, together with the clearance of up to 1500 houses and their replacement with approximately 750 new units of accommodation.
3. Middlesbrough has an ambitious programme of housing renewal and improvement. The Executive Member for Economic Regeneration and Culture has recently agreed the housing capital allocation and prioritisation for 2006-8 (15<sup>th</sup> May 2006) and approved the broad distribution of resources to pursue this programme. A further report, the Housing Renewal Policy Review, was approved by the Executive Member on 19<sup>th</sup> May 2006. It summarised the policy principles

and proposed changes to the financial assistance packages to tackle unsatisfactory housing conditions in the private sector.

4. Resources have been obtained for the housing improvement programme from a number of sources including: the Single Housing Investment Pot (SHIP); ODPM Homes For All resources for Housing Market Renewal; the Neighbourhood Renewal Fund (NRF); and, the Council's own resources.
5. For Housing Market Renewal (HMR) activities in the older housing area and other regeneration projects including St Hilda's, North Ormesby and West Lane, resources of £11.048m have now been confirmed for the two-year period (2006/07 to 2007/08). This is a 10% reduction from the previously reported figure due to a redistribution of resources from the Department of Communities and Local Government (DCLG).

**Table 1 – Housing capital resource 2006-2008 allocated to acquisition and demolition**

	<b>2006/07</b>	<b>2007/08</b>	<b>Total</b>
	£millions	£millions	£millions
<b>Acquisition and demolitions</b>			
ODPM Homes for All	1.358	3.171	4.529
SHIP (HMR)	2.936	1.885	*4.821
MBC Resources	1.193	0.505	1.698
<b>Total</b>	<b>5.487</b>	<b>5.561</b>	<b>11.048</b>

*\* Total SHIP award is £10.058m. Other SHIP resources are directed to improvement and support services*

6. A fundamental aspect of the proposals for advancing the regeneration of central Middlesbrough will be the acquisition of property for the purpose of land assembly prior to redevelopment. A package of measures is being put into place to allow residents to access alternative accommodation and to receive an appropriate level of compensation and assistance.
7. Property acquisition offers will be based on open market values. In addition, owner occupiers may be entitled to a home loss payment (being 10% of the market value of the property, subject to a minimum payment of £3,800), landlords may be entitled to a basic loss payment (being 7.5% of the market value of the property) and all owners may qualify for disturbance payments. Similarly tenants may qualify to claim a home loss payment of £3,800 and disturbance payment.
8. The Council proposes to assist owner occupiers who wish to reinvest the proceeds from the voluntary sale of their home in a replacement home in Middlesbrough. The purchase price of the replacement home may exceed the value of the current home and/or the replacement may require improvements to be carried out to meet the decent homes standard. The report to the Executive Member for Economic Regeneration and Culture on the Housing Renewal Policy Review dated 19<sup>th</sup> May 2006 summarises the outline principles and proposed changes to the financial

assistance packages that will be available to owner-occupiers. A separate report on the outcome of consultation on the principles of the Older Housing Relocation Assistance Scheme (OHRAS) is being developed in tandem with this report.

9. At least £8.778m of the total capital resources for HMR activities is to be focussed over the next two years on acquiring residential properties in the older housing area.

**Table 2 – Housing capital resource 2006-2008 allocated to acquisitions in the older housing area**

<b>2006/07</b>	<b>2007/08</b>	<b>Total</b>
£ millions	£ millions	£ millions
4.267	4.511	8.778

10. Given the scale of the redevelopment proposals in the Gresham and Middlehaven wards of the town, and the bidding process to Government for funding, it is proposed to acquire the properties required for redevelopment in phases. A broad phasing proposal was set out in the Executive Report of 20<sup>th</sup> July 2005. See attached map, Appendix 1.

**Proposed acquisition policy**

11. The funding available for 2006-08 is insufficient to acquire the whole of phase one, as identified in July 2005, therefore the broad phasing proposal referred to above has been reviewed. A refinement to the approach to voluntary acquisition is therefore proposed to include:

- a) phase 1 being subdivided into two areas, 1A and 1B. See attached plan, Appendix 2; and,
- b) purchasing activity to be primarily focussed within the area designated phase 1A. This area comprises 255 properties of which 248 are residential dwellings and 7 business premises, these being mostly situated on Union Street. The properties are:

Wentworth St (5-31, 35-57 odd);  
Waverley St (2-28, 36-58 even);  
(7-35, 43-57 odd);  
Manor St (5-29, 37-57 odd);  
(8-40,50-62 even);  
Warren St (1-35, 43-59 odd);  
(6-24, 34-60 even);  
Walpole St (7-21, 29-61 odd);  
Princes Rd (76-130 even); and,  
Union St (71-127 odd).

12. From home visits by housing regeneration officers to households in the phase 1 and 2 areas the following tenure balance for the residential dwellings within the phase 1A sub-area is emerging:

**Table 3 – Tenure balance in the phase 1A sub-area**

Owner-occupier	Private Rented	Social Housing	Voids	Total
55	122	43	28*	248
22%	49%	18%	11%	100%

*\* This includes long-term voids from Council Tax records (properties empty for over six months) and dwellings identified as void by Housing Regeneration Officers during visits to households in the sub-area.*

13. In the first instance, purchases can be drawn from:
- a willing seller list - there are a number of owners in the 1A sub-area who have expressed a willingness to sell. These owners have contacted the Council, either directly or through their representatives, by telephone, correspondence or meetings with officers, and would like to progress a sale to the Council. More than 80% of the owner-occupiers visited in this sub-area have indicated a willingness to sell;
  - properties on the open market – a number of properties are for sale through local estate agents or at auction; and,
  - focussed acquisitions on void properties – based primarily on Council tax records.
14. Private owners in the sub-area will be informed that the Council is in a position to acquire their property and be invited to request that the Council provide a valuation for their property with a view to progressing a sale. Owners may also appoint a surveyor to represent their interests in negotiating a sale to the Council. In such instances the Council will meet their proper surveyors fees together with their proper legal costs. Where no surveyor is appointed no surveyor's fee will be paid
15. This approach is proposed so that properties can be purchased in blocks, enabling demolition to start and creating a cleared site of a suitable size in order that redevelopment can commence at the earliest opportunity. Without this there is a danger that boarded voids would appear throughout the wider area. To support this approach the Council will seek the agreement of the Registered Social Landlords (RSLs) with interests in the area to divest properties to facilitate a phased clearance and redevelopment programme.
16. During the process of acquisition and relocation, support and assistance to owners and tenants will be provided through the Council's housing regeneration team working in combination with other agencies. This may include providing advice through an independent financial advisor, help in identifying replacement property and supporting residents throughout the process, especially vulnerable people. It is recognised that there will be a wide range of needs and each property owner

wishing to sell will be provided with a nominated officer to support them through their transition.

### **Purchases outside phase one**

17. Whilst it is proposed that up to 1,500 houses will be acquired and cleared in phases it may be necessary, or appropriate, to acquire properties outside of the phased acquisition programme because of the particular circumstances of the owner. The funding of acquisitions in these circumstances will need to be controlled so as to ensure that the phased programme is successfully completed. When determining whether to acquire a property from an owner occupier outside of phase 1, the Council will consider the criteria set out in paragraphs 18 – 21 below.

#### Loss of sale

18. The Council will consider acquiring a property outside of phase 1 in the event that an owner occupier loses a sale due to the prospective buyer pulling out because of the Council's regeneration proposals. In these circumstances the Council will seek confirmation from the solicitor of the prospective buyer that an instruction to purchase was made and that the sale foundered due to the Council's regeneration proposals.

#### Health reasons

19. The Council will consider acquiring a property outside of phase 1 should an owner occupier need to move to alternative accommodation due to health reasons. The Council will require a doctor or an occupational therapist to confirm this.

#### Victims of crime

20. The Council will consider acquiring a property outside of phase 1 should an owner occupier be the victim of crime that results in the need to move to alternative accommodation. The Council will require confirmation of this need either from the Police or Community Protection.

#### Employment outside area

21. The Council will consider acquiring a property outside of phase 1 in the event that an owner occupier secures employment beyond a reasonable commuting distance from their current home and needs to relocate. In this instance the assessment of reasonable will be based on what might be considered to be an acceptable journey to work either by public or private transport and take into account the level of permanence of the job.

22. This list is not exhaustive and the criteria will from time to time be reviewed so that it is reflective of circumstances that residents may be experiencing. The Council will also consider other exceptional instances at its discretion.

23. It is proposed that an Exceptions Panel, comprising the Executive Member for Economic Regeneration and Culture, and Head of Service consider the exceptional circumstances of owners outside of the planned phasing schedule and approve the progressing of an acquisition, as and when required. More detailed guidance notes for use by the exceptions panel are currently under preparation.
24. The acquisitions of property outside of the phased acquisitions programme will be limited to approximately 20% of the total budget.
25. As the acquisition programme progresses, it will be necessary to monitor and manage a larger number of properties that will be spread across the clearance area. Some properties acquired from phase 1 will remain empty and require dedicated management to ensure that void security is maintained and the area does not fall further into decline. Where acquired properties are in the later clearance programme phases, it is envisaged that they could stand empty for a considerable time. A pro-active approach is proposed to letting these properties for a pre-determined period and this would ensure short-term property management. It is proposed that the Council develops a strategic approach to the management of these properties by forming a partnership with one, or more, housing management organisations, who will provide a short to medium-term management service. Patch-based officers are already working together to identify emerging problems and an action plan is under development to ensure agencies combine to tackle specific problems such as dumped rubbish and property open for access. A specialist security firm is also likely to be appointed to undertake property security, as is the case in other HMR areas.

## **OPTION APPRAISAL / RISK ASSESSMENT**

26. Large sums of money are required to acquire up to 1,500 properties to deliver the proposed redevelopment of the older housing area. As bids for funding to acquire properties and prepare sites for redevelopment will be submitted over a period of years, available funding needs to be concentrated on assembling discrete sites of sufficient area to attract developers to deliver a phased redevelopment of the area.
27. The funding that is available in 2006-07 to 2007-08 may be adequate to assemble a site for redevelopment. However, if resources are not focussed on acquisition in discrete blocks, properties will be acquired in a random fashion and be pepper potted about the wider proposed redevelopment area. This will make site assembly more difficult and delay progress.
28. The Council will endeavour to acquire properties through negotiation with owners, however it is unlikely that voluntary acquisition will be achievable in all cases. The Council will therefore need to consider the appropriateness of exercising its legal powers through the compulsory purchase process to secure redevelopment of the area.
29. There are a number of business premises situated within the proposed redevelopment area. In the phase 1A sub-area there are seven. Funding to

complement the Housing Market Renewal activities is being sought to assist businesses to relocate or compensate them in the event of extinguishment.

## **FINANCIAL, LEGAL AND WARD IMPLICATIONS**

### **Financial**

30. Sufficient funding has been made available to progress the voluntary acquisition of properties that will provide discrete assembly sites to begin redevelopment.

### **Legal**

31. The Council will endeavour to acquire properties through negotiation, however where this is not possible the Council may use its statutory powers to acquire properties compulsorily.

### **Ward**

32. Phase 1A of the proposed acquisition programme covers properties that are situated in the Gresham ward. Other properties that may be acquired in exceptional circumstances could be situated in the Gresham and Middlehaven wards.

## **RECOMMENDATIONS**

33. It is recommended that the Executive Member approves:
- a) the purchase by agreement of the premises as set out in paragraph 11 of the report;
  - b) that arrangements be made regarding the subsequent management, monitoring and demolition of any premises acquired under paragraph 11;
  - c) the criteria for exceptional purchases;
  - d) the establishment of an exceptions panel as detailed in paragraph 23 to approve the purchase of properties outside of the phased acquisition process and the detailed guidance notes referred to in the same paragraph;
  - e) the making of statutory compensation payments in accordance with the Compensation Code to include home loss, basic loss and disturbance payments together with proper legal and surveyors fees (where appropriate);
  - f) that the Director of Resources approves terms provisionally agreed for acquisitions in accordance with the Compensation Code and this report by means of the Delegated Authority process;

- g) that the Director of Resources be authorised to approve by means of the Delegated Authority process, the acquisition at auction of premises set out in paragraph 11, with the upper limit of bids pre-determined by a valuation estimate; and,
- h) that the Director of Legal Services be authorised to progress the necessary legal documentation.

## **REASONS**

- 34. To ensure that property acquisition is carried out in a way that enables the overall project to proceed as quickly as possible whilst taking into consideration the needs of individual households.

## **BACKGROUND PAPERS**

**The following background papers were used in the preparation of this report:**

*Executive Report: Building Sustainable Communities, The Middlesbrough Older Housing Visioning Project – Options Development Stage Report, 19th April 2005*

*Executive Report: Building Sustainable Communities in Inner Middlesbrough, The Way Forward, 20th July 2006*

*Report to the Executive Member for Economic Regeneration on the Housing Capital Allocation and Prioritisation – 2006/08 dated 15th May 2006*

*Report to the Executive Member for Economic Regeneration on the Housing Renewal Policy Review dated 19th May 2006*

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