

**ROYAL BOROUGH OF KENSINGTON AND CHELSEA  
HOUSING DIGEST – 9 FEBRUARY 2012  
REPORT BY THE HEAD OF HOUSING**

**BASEMENTS, ELM PARK GARDENS, SW10  
CAPITAL RECEIPT EXPENDITURE**

This report prepares the arguments by which to seek Cabinet approval to the use of a proportion of the capital receipts from the Elm Park Gardens basement disposals for investment in new homes and major improvements to existing homes.

**FOR DECISION**

**1. BACKGROUND**

- 1.1 On 27 May 2004, Cabinet approved a development framework for the vacant basements at Elm Park Gardens that would produce a mixture of market housing, key worker housing and social rented housing, enabling the Council to provide new affordable housing units from the recycled sale receipts of market flats. Planning permission was granted on 11 July 2006 for thirty-six new homes – twenty-three market flats and thirteen affordable flats.
- 1.2 A Key Decision Report then approved the marketing of two vacant basements to secure a benchmark value, which facilitated the offer of further basements on a first refusal basis to seventeen adjoining ground floor leaseholders, though in the event only one completed a purchase. On 24 March 2009 Cabinet approved the recommendation to offer three units to the market to test demand. This exercise demonstrated significant demand in the market, and these basements were sold easily with a large number of bidders competing for the units.
- 1.3 In June 2011, Corporate Property completed the sale of a further tranche of four market housing basement shells for development. Market interest for this product was high and remains so. Currently eighteen of the twenty-three basements areas identified for market housing have been sold or are under offer. The capital receipts received to date have met in full the costs associated with the enabling works and the development of affordable housing, and receipts have exceeded pre-sale estimates. Corporate Property (acting for HHASC) has been instructed to seek approval to dispose of the remaining five market housing basement shells for development, as part of the continuation of the Elm Park Gardens development programme.

- 1.4 With costs of the Elm Park Gardens affordable housing development now covered, the remaining receipts can now be put to further use. This report identifies potential additional costs which could bring further Elm Park Gardens basement areas to market, and create an additional accessible affordable unit, and also proposes the expenditure of a proportion of the balance of the capital receipt to support a major regeneration project in the north of the borough.

## **2. ELM PARK GARDENS AFFORDABLE HOUSING WORKS**

- 2.1 As previously reported (Digest November 2010 and March 2011) some unforeseen works were necessary in delivering the final phase of the affordable housing works. For example, in one basement dry rot was found when the ceiling coverings were removed. Asbestos was discovered beneath a floor and had to be removed. Some structural works proved necessary when a building was fully opened up and the brickwork was found to be in a poor condition.
- 2.2 Some additional expenditure was associated with the market housing, within the wider works contract. For example, in one block essential structural repairs were required to a footbridge entrance into the block above, which spanned a basement area that was being sold. At another basement a new access staircase was installed in the front light-well, increasing the value of the unit.
- 2.3 Including these additional works the final account figure for the phase 2 works is still within the original contract sum. However the completion of the contract was delayed by twelve weeks as a result of the additional instructions issued.

## **3. MARKET HOUSING**

- 3.1 With Cabinet approval in September 2011 a further eight basement units were marketed in November/December 2011. On the advice of the estate agents the properties were cleared of debris and temporary lighting was installed before marketing. Asbestos Management Surveys were carried out and asbestos containing materials removed where found. A Schedule of Work outlining the works required in each property was prepared by consultant surveyors. Energy Performance Certificates were also required. The cost of preparing the units for sale was around £3,000 per property.
- 3.2 Following a KDR for the disposal of these eight properties by the Director of Property it is hoped that the completions of sale will take place in March/April 2012. A total of eighteen properties will then have been sold for private development. The remaining five

properties identified in the original planning application are scheduled for marketing later in 2012.

#### 4. ADDITONAL AREAS OF EXPENDITURE AT ELM PARK GARDENS

- 4.1 In order to be able to market one of the next five properties (22B) it will be necessary first to relocate some gas equipment for the block, located in the front light-well, at an estimated cost of £70,000. In the case of another two properties (80A and B) the lease must be amended to clarify the Council's development rights over the basement. Costs will arise from this which are not yet ascertained.
- 4.2 Further basements (4A, 35A, 62C and 74C) have now been identified as having development potential. These had not previously been considered as a priority for development into self-contained units. However, given the high values being achieved for the sale of other basement areas it is now considered worthwhile exploring further the development potential of these vacant areas.
- 4.3 Currently these do not have planning consent for residential use and it would also be necessary to carry out some enabling works before they could be developed. It is recommended that a budget of £85,000 is set aside for preparing the planning application and carrying out the enabling works that may be necessary.
- 4.4 There are a few remaining basement areas at Elm Park Gardens that are clearly not suitable for residential development but will need some repair and maintenance. For example, there are two electricity sub-stations where the external environment is in a poor state of repair. It is recommended that a small budget is set aside for upgrading these areas and a figure of £30,000 is suggested.
- 4.5 Finally, there is a unit at the base of Elm Park House which for seven years has been the site office for the various contractors who have carried out works on the Elm Park Gardens estate. Prior to this the offices had been used on an occasional basis by the Residents' Association for meetings, etc. It is felt that these offices, laid out as a flat originally, have potential for conversion to a wheelchair accessible flat, being on the ground floor, with level access, and served by off-street parking and a large communal garden. It is recommended that a feasibility study to consider this proposal be undertaken, at an estimated cost of £15,000.
- 4.6 The total cost of these additional areas of expenditure is £200,000.

## 5. ELM PARK GARDENS WORKS FINANCIAL APPRAISAL

- 5.1 The table below summarises all the areas of expenditure associated with the redevelopment of the basement areas for both private development and affordable housing and includes those items of additional expenditure identified in section 4 above.

### Total Development Costs

Area of expenditure	Projected Costs February 2012
Asbestos removal	£161,813
Phase 1 enabling works	£557,559
Phase 2 enabling works including relocation of electrical service heads	£650,900
Modification to lift at 110 EPG	£30,000
Phase 1 fit out works	£1,110,000
Phase 2 fit out works	£1,453,668
Professional fees including surveying, client side project management, party wall surveyors, legal fees, feasibility stage costs, etc.	£534,856
Property Services SLA charges	£150,000
Miscellaneous items including planning and building control fees	£51,893
Costs associated with marketing (asbestos surveys, EPCs,	£40,000
Additional costs (as identified in 4.0 above)	£200,000
<b>TOTAL</b>	<b>£4,940,689</b>

## 6. SALE OF BASEMENTS FOR PRIVATE DEVELOPMENT

- 6.1 In the original planning application a total of twenty-three basement areas were identified for development as market housing. To date ten of these basements have been sold: Nos. 1A, 2A, 10A, 10B, 34A, 34B, 34C, 41, 86A and 86B. A further eight basements are currently under offer: Nos. 28A, 35C, 40A, 44C, 71B, 71C, 74A and 74B. The remaining five properties are scheduled to be sold later this year: Nos. 22B, 80A, 80B, 104A and 104B. Four potential development opportunities have been identified which will require further work: 4A, 35A, 62C and 74C.

- 6.2 The gross capital receipts received from the sale of the ten units which have been sold to date totals £5,165,875. All of the Council's development costs in respect of the affordable housing project have now been met from this sum. Subject to the successful completion of the eight properties currently under offer the capital receipt received will be £4,168,397. It is estimated that the sale of the remaining five properties will produce a further capital receipt of £2,725,000. A further £1,000,000 in capital receipts could potentially be received if all four of the further development opportunities identified come to fruition.
- 6.3 The total capital receipt generated through sales could therefore be in the region of £13,059,272. When set against the total affordable housing development costs of £4,940,689 the potential surplus in capital receipts is now estimated at £8,118,583.
- 6.4 It should be noted that there are risks in achieving this full figure. Namely the 'developability' of 4A, 35A, 62C and 74C, which must be tested through the Planning process, and the problems associated with the development of the basement at 80 Elm Park Gardens arising from lease issues. The agent's commission of 1.5% must also be discounted from the final total.

## **7. PRIORITIES FOR EXPENDITURE OF ELM PARK GARDENS CAPITAL RECEIPTS**

- 7.1 Under the General Consents for the Disposal of Houses and Land 2005, these capital funds can be used for the provision of affordable housing to meet the housing needs, identified by the Council, of persons with low incomes. This provision may also include expenditure on the maintenance of existing stock to the Decent Homes Standard.
- 7.2 A number of sites on existing Council estates have been identified across the borough as having potential for further residential development, in the manner of the first two phases of the Elm Park Gardens basement conversion works which delivered new affordable housing for letting to Council tenants and Keyworkers. The capital raised from the disposals at Elm Park Gardens can be used to help to deliver new units as the potential from our Hidden Homes sites is established.
- 7.3 Separately, the TMO has reviewed the investment needs of its major estates using the Keystone asset management system to identify the highest priority and highest cost estates and capital investment projects. In order to avoid this windfall receipt simply becoming absorbed into the wider TMO capital programme, the



Council has directed the TMO to identify investment which will have a visible regenerative impact and a long term legacy for the borough.

7.4 The priorities identified were:

- **Trellick Tower:** whilst there is an ongoing need for investment in this estate, it has also had a larger sum already invested in its repair and improvement than other estates already. Additionally there is an opportunity currently under investigation to deliver funding into it through the development of the Edenham Way site.
- **World's End Estate:** This estate has significant investment needs, but any expenditure here will be for the renewal of existing elements rather than any new development. It therefore does not deliver the regeneration or legacy outcome that the Council is seeking.
- **Cremorne Estate:** As above.
- **Balfour of Burleigh Estate:** As above.
- **Silchester Estate:** The Silchester Estate currently has a significant investment planned, with a substantial kitchen and bathroom replacement programme currently underway. There is also a large scale regeneration project being delivered through the planned disposal of part of the estate to the Peabody Trust for regeneration.
- **Lancaster West Estate:** This estate has significant investment needs, particularly around the heating system and windows. A child's death previously arose following problems with the window opening system at Grenfell Tower. In parallel, the proposed construction of the new Kensington Academy and Leisure Centre is likely to have an impact on the north end of this estate, which has caused real concern to Grenfell Tower residents who immediately overlook the site. Furthermore, Grenfell Tower lower floors currently have an area of disused office space which has the potential for conversion into new homes. This demonstrates that an investment here has the potential to deliver a range of benefits.

7.5 Based on the TMO's advice on need, the recommendation is therefore that funds be set aside for investment into renovation and conversion works to Grenfell Tower on the Lancaster West estate (see photograph at Appendix 1). The benefits anticipated to arise from this will be:

- Replacement of single-glazed fenestration which is currently beyond repair, with double-glazed fenestration throughout, improving thermal efficiency and fuel economy.
- Installing thermally insulating cladding to the external elevations of Grenfell Tower, where the construction provides a level of thermal comfort below the current standards, improving thermal efficiency, fuel economy, and external appearance.

- Replacement of existing office facilities with a fully accessible reception and office.
- Potential delivery of new affordable homes on the lower levels of Grenfell Tower.
- Replacement of an inefficient and life-expired communal heating system with controllable and highly efficient individual gas-fire combi-boilers to each unit, which will receive funding from the existing HRA capital programme.
- Provision of improved pedestrian routes at the base of Grenfell Tower, which will assist in the access planning for the new Academy and Leisure Centre.
- Improvement of the overall appearance of Grenfell Tower to the benefit of its residents and of the wider regeneration of Golborne Ward.

7.6 In December 2011 the TMO was asked to provide indicative costings. Their proposal, incorporating external insulated overcladding, new windows, enclosure of the 'open' lower level corner, provision of additional residential units and rationalisation of the TMO / EMB office requirements had an estimated cost of £5.5m, excluding VAT.

## **8. CONCLUSIONS**

- 8.1 Cabinet Member approval is sought to take a paper to Cabinet for authority to development of a programme of housing development and investment, to use the capital liberated from these basement spaces to increase the number of modern, accessible and good quality affordable Council homes in the borough and meet local need, with detailed development of the programme of works delegated to the Cabinet Member for Housing and Property.
- 8.2 The first identified priorities for the anticipated receipt of approximately £8m will be:
- £200k for investment in the delivery of further market homes opportunities in the Elm Park Gardens basements, and delivery of a further unit of wheelchair accessible affordable housing.
  - £5.5m for investment in works to Grenfell Tower on the Lancaster West Estate, to deliver major improvements to the fabric of the building, and to provide new homes and improved accessible office space on the lower floors.

## **9. FINANCIAL IMPLICATIONS**

- 9.1 The Head of Resource Management, Housing, Health and Adult Social Care, has been consulted and will provide comments.

## **10. LEGAL IMPLICATIONS**

- 10.1 The Director of Legal Services has been consulted and comments that the legal implications are set out in the report.

## **11. SUSTAINABILITY IMPLICATIONS**

- 11.1 The proposed investment in Grenfell Tower is intended to substantially improve its carbon efficiency, and reduce fuel bills for both residents and the Council, providing positive sustainability outcomes. A detailed analysis of this benefit will be produced for the Cabinet report as evidence of this effect.

## **12. PERSONNEL IMPLICATIONS.**

- 12.1 There are no known Personnel implications.

## **13. EQUALITIES IMPLICATIONS**

- 13.1 Consultation with the residents of Grenfell Tower is proposed over the coming four weeks, to ensure that any issues arising from the proposed investment are drawn out, reviewed and responded to appropriately.
- 13.2 Delivery of improved and accessible office accommodation at Grenfell Tower will assist residents, staff, and visitors with limited mobility to access the office here.
- 13.3 The proposed development of a ground floor, level access, wheelchair accessible home at Elm Park Gardens will provide a rare and much needed resource into our housing stock, to the benefit of future residents requiring this facility.

## **14. RECOMMENDATION**

- 14.1 The Cabinet Member is requested to consider the options for investment of the Elm Park Gardens capital receipt, and recommend approval to Cabinet in due course.
- 14.2 The Cabinet Member is requested to receive a separate and more detailed proposal for the investment in Grenfell Tower as detailed surveys, designs and cost estimates are developed.
- 14.3 The proposal for expenditure of this capital receipt should go to Cabinet with a recommendation to delegate the authority for approval of any minor changes to the investment needs at Grenfell Tower to the Cabinet Member for Housing and Property.



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## APPENDIX 1

Grenfell Tower aerial view

