

**FALKIRK COUNCIL**

**Subject: MCTAGGART AVENUE, DENNY**  
**Meeting: POLICY AND RESOURCES COMMITTEE**  
**Date: 11 August 2009**  
**Author: DIRECTOR OF CORPORATE AND NEIGHBOURHOOD SERVICES**

**1. INTRODUCTION**

- 1.1 The purpose of this report is to seek Committee's approval to making a financial contribution towards a partnership development project with Horizon Housing Association (Horizon) to ensure the overall viability of the proposed development of 10 new social rented housing units at McTaggart Avenue, Denny.

**2. BACKGROUND**

- 2.1 On 5<sup>th</sup> April 2005 Policy and Resources Committee agreed that the site held on Housing Revenue Account at McTaggart Avenue, Denny, be declared surplus to operational requirements and referred to the Director of Community Services to arrange disposal to Horizon Housing Association on the basis of market value to ensure the Council obtained Best Value.
- 2.2 The subsequent development of this site has taken a considerable time to bring forward due to difficulties in obtaining statutory consents. The original planning application for 12 social rented units was considered by the Regulatory Committee on 31 January 2007, when it was decided to defer the decision until a site visit took place. Following a site visit, the Regulatory Committee refused planning consent at its meeting on 28 February 2007.
- 2.3 Horizon lodged a planning appeal to the Scottish Government against the Council's decision. The appeal was dealt with by written submission and the Reporter's decision was made on 29<sup>th</sup> January 2008. The decision was to dismiss the appeal and refuse planning permission on the grounds that (a) privacy of neighbouring householders would be compromised and (b) the development would exacerbate existing parking problems in the area. However, the Reporter suggested that the plans would be more acceptable if the proposed number of units was reduced from 12 to 10 and the land freed up as a result was utilised for parking.
- 2.4 Horizon subsequently revised their proposals and a planning application for 10 units that took account of the Reporter's concerns was submitted in August 2008 and approved by Regulatory Committee in December 2008. This approval is conditional upon the Association increasing car parking provision due to pressures on existing parking space and ensuring that boundary treatments accord with Falkirk Council's Open Space Policy.
- 2.5 After obtaining planning permission, the land at McTaggart Avenue, Denny was sold by the Council to Horizon on 27<sup>th</sup> February 2009 for the sum of £150,000 this price being

determined by the District Valuer. The receipt from this land sale has been placed by the Council in a joint deposit receipt account until confirmation is obtained that the development at McTaggart Avenue can definitely proceed.

### **3. CURRENT POSITION**

- 3.1 Following acquisition of the land, Horizon followed a two stage competitive tendering process and Marshall Construction were selected as their Partnering Contractor. A financial appraisal has been undertaken by Horizon and the Scottish Government's Housing & Regeneration Directorate to try to progress this project within the Scottish Government's financial benchmark guidance. The financial appraisal concluded there is a project shortfall of £150,000 based on a total project cost of £1,305,689 and a total income of only £1,155,689 available through grant funding and private finance.
- 3.2 As a result of the strategic importance of the project, the Scottish Government's Housing & Regeneration Directorate are willing, despite the project being above their benchmark target figure, to approve the project if the Council is willing to make a funding contribution of £150,000 to meet the project shortfall. Given that Horizon has already acquired the site from the Council at the price of £150,000, the Council is now being asked to contribute an equivalent amount to the overall development costs in order to facilitate the building of 10 new homes for rent in the Denny area.
- 3.3 In considering this issue Members will wish to note that there is precedent for the Council contributing towards development costs by disposing of land to RSLs at reduced market value or nil value to ensure projects meet benchmark figures set by the Scottish Government.
- 3.4 If the Council is not prepared to contribute £150,000 to the overall funding for the proposed development the project becomes financially unviable and will not progress to completion. In this case, Horizon has requested that the Council buy back the land which was sold to them on 27<sup>th</sup> February 2009 at the original land value of £150,000, albeit there is no specific provision within the missive to buy back the land if the development does not proceed. The net effect of this would be that whilst the Council would again own the land (and could decide to build its own houses on it) there would be a loss of public subsidy to this area from the Affordable Housing Investment Programme (AHIP) of around £785,000, plus the private finance that Horizon would be contributing to the scheme of around £370,000.
- 3.5 In normal circumstances the Council would be entitled to 50% nomination rights to the new properties. In the event that the Council is willing to contribute the land value to the overall development costs, Horizon would be willing to give the Council 100% nomination rights to the general needs housing in this project, i.e. to 8 of the 10 units. Horizon would retain the right to select tenants for the two wheelchair accessible houses but would liaise with appropriate Council staff to find the most suitable applicants.

### **4. FINANCIAL IMPLICATIONS**

- 4.1 As noted in paragraph 2.5, Horizon Housing Association acquired the land from the Council on 27<sup>th</sup> February 2009 for £150,000 with the receipt being placed by the Council in a joint deposit receipt account until confirmation is obtained that the development at McTaggart Avenue can definitely proceed. This remains the position and as such the funds do not form part of the resource assumptions for the current 3 year HRA capital programme. On this basis the payment of a sum of this amount would not impact on the progress of any existing or proposed projects.

## **5. CONCLUSION**

- 5.1 As Members will be aware, the provision of new affordable housing is a key strategic objective of the Council and this project, which was included in the 2008 Strategic Housing Investment Plan (SHIP) approved by Council on 11 November 2008, contributes to the targets set by the Scottish Government in its 2008-10 AHIP.
- 5.2 The project at McTaggart Avenue, Denny is an agreed strategic priority for both Horizon Housing Association and Falkirk Council. The key benefits of this project are:
- £1.155m of external investment in new social rented housing in the Falkirk Council area,
  - The opportunity to meet local housing needs, including those of people who need wheelchair accessible housing,
  - An area of vacant land being brought back into productive use,
  - Improvements to the existing environment, including additional car parking facilities for local people.

## **6. RECOMMENDATION**

**Policy & Resources Committee is requested to:**

- 6.1 **Agree to contribute £150,000 towards the overall project costs in order to ensure the development of ten new social rented houses by Horizon Housing Association.**

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**DIRECTOR OF CORPORATE & NEIGHBOURHOOD SERVICES**

Date: 24 July 2009

Ref: AAE0809 McTaggart

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## **LIST OF BACKGROUND PAPERS**

1. Report to Policy and Resources Committee 5<sup>th</sup> April 2005