

RURAL HOUSING DEVELOPMENT FUND BIDS

1. SUMMARY

- 1.1 On 24th November 2011 the Council agreed to establish a Rural Housing Development Fund (RHDF) of £750k. Bids were invited for submission by 6th February 2012 for developments in Ardfern; Iona; Port Ellen; Strachur; Succoth and Tiree. The bids received have a total value of £2.465m. They have now been evaluated and this report provides information on the outcome of the bidding process and recommends awards of grant funding.

2. RECOMMENDATION

- 2.1 Members approve an additional £203,532 from the Strategic Housing Fund for Rural Housing Development Grants.

- 2.2 Members award Rural Housing Development Funding grants to:

- Fyne Homes Ardfern Development - £293,667
- Iona Housing Partnership - £180,000
- ACHA Port Ellen development - £479,865

3. DETAIL

- 3.1 **Grant levels.** In the absence of any Scottish Government grant funding for this initiative a benchmark up to a maximum £50,000 on the mainland was agreed and in recognition of additional costs on the islands it is proposed that the grant be increased up to a maximum of £60,000. These slightly higher benchmarks reflect the combined contributions previously available through government grants and Strategic Housing Fund contributions. They also acknowledge the higher costs attributable to smaller scale housing development and high on-costs on the islands.

- 3.2 **Assessment criteria.** Value for money and affordability is key to any successful bid. At this time last year government grants of around £70k supplemented by an additional 25% contribution from the Council were the standard benchmark for social housing development. These proposals achieve better value for the public purse. The housing must:

- § Meet affordable housing need in the area
- § Be affordable to applicants in the lowest income quartile

- § Introduce new approaches to the delivery of affordable homes
- § Meet the SHQS and comply with, as a minimum, 2010 building regulations.
- § Development start by 30th September 2012.

- 3.3 **Bids Received.** 7 bids were received to build 54 houses which would require total grant expenditure of £2,465,183. Details are shown in the table at Appendix 1. The bids for Ardfern submitted by Fyne Homes, Iona submitted by Iona Housing Partnership and Port Ellen submitted by ACHA all meet the criteria set out for the RHDF. Iona Housing Partnership have identified a funding gap of £153,760 but have given assurances that they will manage to raise this through charitable bodies and local fund raising campaigns. RHDF funding would be awarded on condition that this shortfall is raised.
- 3.4 The remaining four bids do not meet the criteria. The high initial development costs identified in the bids from WHHA for Islay and Tiree and Dunbritton for Succoth would require additional council funding to be identified in order for these developments to proceed. The site at Strachur submitted by Fyne Homes is outwith the current local plan and outwith the financial criteria set for RHDF.
- 3.5 Grant funding totalling £953,532 would be required to enable the three bids which meet the criteria to proceed. As Members previously agreed to commit £750,000 to the RHDF a further £203,532 would require to be contributed from the Strategic Housing Fund. The Strategic Housing Fund balance, taking account of commitments, is currently £5.7m.

4. CONCLUSION

- 4.1 Approval of the bids for Ardfern, Iona and Port Ellen amounts to £953,532 and would deliver 16 new homes for rent and one shared equity property.

5.0 IMPLICATIONS

- 5.1 **Legal:** None
- 5.2 **Financial:** Financial resources within Strategic Housing Fund available to meet these grant awards.
- 5.3 **Personnel:** Nil
- 5.4 **Policy:** Proposals are consistent with current Council policy.
- 5.5 **Equal Opportunities:** These proposals are intended to rectify imbalances in the provision of affordable housing between urban and more rural settlements.

Cleland Sneddon
Executive Director, Community Services
17th February 2012

Donald MacVicar
Head of Community and Culture 01546 604364

APPENDIX 1.

Project	Developer	Provision	Land ownership	Deliverability Issues	Total Development Cost	RHDF bid	Recommendation
Iona	Iona Housing Partnership	2 x 2 bed for rent 1 x 3 bed for shared equity Total 3	Iona Housing Partnership	There is a £153,760 shortfall in funding for the project which the partnership believes can be raised. Planning consent to be obtained.	£587,980	£180,000	Approval subject to planning approval and the balance of funding for the project being in place before grant is paid.
Ardfern	Fyne homes	4 x 2 bed cottage flats 2 x 3 bed houses all for Rent Total 6	Church of Scotland Trustees	Planning consent to be obtained Site ownership to be concluded	£688,450	£293,667	Approval subject to planning and transfer of land ownership concluded.
Port Ellen, Leodamus Place	ACHA	4x3 beds houses 4x2 bed flats All for rent Total 8	ACHA	Resubmitting application for detailed planning shortly	£1,004,916	£479,865	Approval subject to planning

Project	Developer	Provision	Land ownership	Deliverability Issues	Total Development Cost	RHDF bid	Recommendation
Strachur	Fyne homes	New build 3 x 2 bed terraced bungalows Shared Equity Total 3	Private individual	Site is not in the local plan Planning consent and site ownership to be concluded	£380,914	£151,651	Not recommended for approval. Costs above RHDF grant level and site not in Local Plan.
Succoth	DHA	2 x 3 bed semi 4 x 2 bed semi 2 x 2 bed cottage flats all for rent Total 8	Dunbritton Housing Association	Initial issues regarding access have been overcome but high initial infrastructure costs.	£1,009,099	£400k	Not recommended for approval, does not meet criteria. Additional public funding of £210k required.
Tiree	WHHA	2 x 3 bed det. 4 x 2 bed terr. 2 x 3 bed semi all for rent Total 8	Developer/site owner M& K Macleod	Detailed planning consent obtained	£1,073,754	£480k	Not recommended for approval. Does not meet criteria. Additional public funding of £198k required.
Port Ellen, Phase 1 & 2	WHHA	4 x 3 bed det. 4 x 1 bed cottage flats 10 x 2 bed terr Total 18 (Phase 1 - 8 Phase 2 - 10)	Private landowner	Site acquisition and planning consent	Ph1= £1,092,326 Ph2= £1,198,956	Ph1= £480k Ph2= £600k	Not recommended for approval. Does not meet criteria. Additional public funding of £330k required.