

**East Dulwich Estate: Call-in**

1. SEI is a boroughwide housing regeneration scheme whose financial arrangements are integrated to provide resources for scheme works from resources created by capital receipts from disposals. The financial arrangements were set up to comply with the regeneration recycling rules in The Local Authorities (Capital Finance) Regulations 1997 which allowed 100% of receipts to be used for qualifying regeneration schemes. These rules have been repealed by the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, but schemes committed under the former rules obviously still need to meet those requirements. The overall costs of the SEI scheme are approximately £130 million, with committed and projected costs to the Council of £54 million.
2. One of the projected schemes which would have involved the disposal at St Olaves Estate, Lewes House and 2 Fair St SE1 was abandoned in July 2001. This created a funding gap in the SEI finance plan of £9 million.
3. Steps were taken to provide alternative funding from a number of alternative housing disposals. Ratification Committee on 12<sup>th</sup> February 2002 agreed the proposals to bridge the gap and the disposal of the following identified properties (conditional for the prefab sites on meeting the reasonable needs and aspirations of existing tenants):
  - Silwood Estate
  - Crescent Wood Road
  - Ellery Street garages
  - Prefabs SE15 and SE22
  - Pocock Street garages
  - Wooddene – increased land values
  - Major voids
4. To date, these disposals have been progressed as follows:
  - Silwood Estate. Scheme progressing with LB Lewisham. Disposals in Debnams Rd, Eugenia Rd and Gillam House will generate receipt net of costs of decant and demolition estimated at £3.277m. Agreed by Executive 8<sup>th</sup> July 2003 that the net receipt should be recycled to East Dulwich Estate or similar housing scheme. It is anticipated that these receipts will be accrued between 2005/6 and 2007/8.
  - 28 Crescent Wood Road. The property was disposed of by auction for £1.4m in 2002/3. Part of the receipt, £360,000, was recycled to Kingswood Estate SEI under the general rules.
  - Ellery Street garages. Wandle Housing Association is developing a scheme that is not yet on site, but has planning permission and the land has been acquired for £230,000. The capital receipt has been identified to go to East Dulwich.
  - Prefabs SE15 and SE22. Projected receipts of £1.6m for 216-224 Underhill Road were linked to East Dulwich Estate (or similar housing regeneration scheme) by Executive on 29.7.03. Projected receipts of £1.1m for 19-27 Dundas Road and 51-61 Kimberley Avenue were linked by Executive 8.7.03

to East Dulwich Estate and the redevelopment of Kimberley Avenue. These receipts are being accrued between 2003/4 and 2005/6. The new Kimberley scheme is still being worked up so the proposed split of the receipt is not yet known.

- Pocock Street garages is now an early housing site for Heygate decant and will therefore not provide a receipt for SEI.
  - Wooddene. Decant started at Wooddene in June '04. It is anticipated that a receipt will not be forthcoming until 2006/7.
  - Major voids. One – off disposals of individual properties.
5. The receipts accrued to date for the funding gap and the projections at current estimated values are summarised in Table 1.

Table 1

<b>Receipts</b>	<b>£</b>
Identified for East Dulwich alone and realised	2,914,779
Identified for East Dulwich alone and in pipeline	2,025,000
Identified For East Dulwich or other scheme and realised	1,772,514
Identified For East Dulwich or other scheme and in pipeline	7,002,000

6. The destination for recycled capital receipts is set when the individual disposals are agreed. These are normally expressed as an individual schemes, but in some cases receipts for East Dulwich have been identified with an alternative stated. At present more receipts are projected than the SEI finance plan requires to allow for contingencies, disposals not proceeding etc. The absolute priority is to ensure that the funding gap as a whole is being filled, and that further eventualities can be dealt with. For example if 20 further RTB applications are made and sales completed on the relevant estates before schemes progress, at an average cost of £150,000 including costs, it would cost £3 m to buy out the leasehold interests.

### **East Dulwich Estate SEI**

7. The decision for the East Dulwich Estate is the mixed development, disposal and refurbishment scheme with costs to the Council of £20 million. The projected sources of this area as follows:

Table 2

<b>Scheme</b>	<b>£ million</b>
Disposal at Coopers Rd	1.35
Disposal at Giles, Carton and Darnay	5.63
Disposal at East Dulwich Estate	4.9
Disposal at Wooddene	4.05
Gap funding disposals	4.08
<b>Total</b>	<b>20.01</b>

Note: The site disposals are net of the costs of decant, leasehold acquisition and demolition. All but East Dulwich are part receipts.

Progress / projection:

- Part of the Coopers Rd receipts have been accrued. The remainder will come in when the Phase 2 disposal to Peabody Trust takes place later this year and then in 2006/7 when the Phase 3 disposal for housing for sale takes place.
  - The receipt for Giles, Carton and Darnay is expected in 2006/07.
  - The receipt for East Dulwich itself is anticipated to cross 3 years from 2004/05 through to 06/07.
  - Wooddene is expected in 2006/07
  - The miscellaneous receipts have been accruing since 2001/02 and will continue to accrue until 2005/06 if required.
8. Valuation work on the indicative values for East Dulwich Estate has been undertaken as part of the masterplanning process. The £4.9 million capital receipt fed into the SEI funding plan subsequently into the January 2000 emerged from the initial valuation work and was the cleared site value of the estate from Pytchley Road to the railway. This area comprised 320 units in 11 blocks not including Gatebeck and with Goldwell in its unrefurbished state. The Strategic / Council decision in January 2000 did not require the disposal of that part of the estate per se, but rather the creation of an equivalent capital receipt.
  9. The masterplanning process examined valuations of various blocks and areas, considering locations on the estate where a higher land value could be achieved, balanced against projected demolition costs and the number of leasehold interests. Areas of the estate at corners, particularly the more prominent ones are worth more for redevelopment than areas within the estate. The need to develop new units for decant supply also suggested the current open sites, former Gatebeck and Southdown and both bordering Pytchley Road, for RSL new build. After working through a number of options, it was concluded that the most appropriate way to realise the receipt for the least loss of units was by the disposal of the 5 blocks selected – Badminton, Bramham, Walcot and Wilton Houses together with 1-11 Pytchley Road. This involves the loss of 107 units. The estimated values have been borne out by the submissions from developer / contractors that are currently being assessed.
  10. At East Dulwich, although the Gatebeck and Southdown sites are required to produce decant capacity, it was agreed at a meeting with the T&RA that, valuations would be undertaken for comparison purposes. If in an alternative scheme, they were disposed of for housing for sale, the indicative value would be £1.6m. The funding gap of £5.9 – 6.4m (gross) could also not be accrued by demolition and disposal on East Dulwich, because the new rehousing capacity could not be built. There would also be the difficulty of the resulting S106 obligations.
  11. It should also be noted that in an alternative scheme with no demolition and disposal the £4.9m would be lost to the scheme. In addition, the estimated cost of bringing the 5 blocks identified for demolition to Decent Homes standard is £3.45m. Also, further resources that may be available for the East Dulwich scheme may be at risk because of programme timescales. For example, both Surestart and Neighbourhood Renewal funding for the proposed neighbourhood nursery / community facilities will need to be used by March 2006. It will be difficult to attract Neighbourhood Renewal funding until a consensus is reached on the overall SEI scheme.

## **Valuation Issues**

12. For the schemes contributing to East Dulwich Estate, the current position is as follows:
- Giles Carton and Darnay was valued in 1998 as part of a suite of option appraisals being undertaken by SBDS. Site value was £9.8m. NB Ratification Committee 12.2.'02 set B Spa contribution to SEI at £7m. It is assumed that this will be the useable receipt, ie that costs of accrual will already be netted off.
  - Wooddene was valued in 1998 in the same exercise as Giles, Carton and Darnay with a site value £6.9m. An updated valuation has recently been undertaken, which estimates the overall value at £10 million. The costs of demolition, decant and leasehold acquisition are currently estimated to be £5147.7m
  - Coopers Rd was also estimated in 1998 to have a site value of £8.25m. negotiations with Peabody Trust have yielded £3m capital receipt for the land on which their units are being built. The area of housing for sale has not yet been resolved.
13. There has been no rolling update of land values. Work has been undertaken on a scheme by scheme basis as they have progressed. In the schemes that are being delivered with disposals ie Lamps Court, Linden Grove and Coopers Road indicative valuations have led on to negotiations and agreement with purchasers. Valuations have not been updated across SEI on a routine basis primarily not to duplicate the work on individual schemes, but also because the property and land values have been rising throughout. For SEI overall actual values and costs have been monitored alongside projections for schemes not as well advanced. Work has been done to deal with issues eg the SEI funding gap agreement and whilst there are years when spend will exceed resources, the overall balance has been maintained.
14. However for schemes that are still being worked up, this comfort is tempered by the simultaneous increase in build costs and also the continuation of RTB purchases and the increasing cost of buybacks.

### **Individual scheme issues**

15. East Dulwich. It is estimated that a receipt of between £7.5m and 8m will be required to generate a net figure of £4.9m, having allowed for demolition costs, decant costs and leasehold buyouts. There are 16 leaseholders in the target blocks, including one completed on 19<sup>th</sup> July. There are 5 other purchases proceeding. The projections assume these 5 complete and have to be bought out.
16. Giles, Carton, Darnay. The projected cleared site value in 1998 was £9.8m. Ratification Committee on 26<sup>th</sup> March 2002 agreed the procurement arrangements for Bermondsey Spa and in so doing allocated a receipt to SEI of £7m. 4 residential leaseholders and 3 businesses have been bought. 3 more buyouts are progressing and 2 more applications are being processed.
17. Wooddene. The projected cleared site value in 1998 was £6.8m for a medium density scheme. It is now assumed that the redevelopment will be higher density (£7.4m at 1998 values). In addition, it was assumed that a further £1m may be expected when the SEI funding gap proposals were made in October 2001. The

costs of demolition decant and leasehold buyouts are currently estimated at £5.25m. There are 10 leasehold interests to buy and 9 other purchases proceeding.

18. Coopers Road. The anticipated receipts at Coopers Road are part actual ie disposal deal agreed with Peabody, and part projected (housing for sale site). A relatively small contribution is earmarked for EDE. 2 leaseholders have been bought out at Coopers. 2 more buyouts are progressing and 2 more applications are being processed.