

# Estates Regeneration: Case Study

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## Ealing: Sale and development

**Overview:** Ealing Council has entered a Sale and Development Agreement (SDA) with property developers Hills. The essence of the agreement is the transfer of a number of small sites in Ealing's ownership to Hill's in return for the delivery of approximately 214 mixed tenure homes.

Overall some 87 of the units developed will be new affordable homes, which will be built on land to remain in Ealing's ownership. The cost of delivering these homes will be covered by cross-subsidy generated from the private sale of homes, without recourse to HRA borrowing.



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**How were the sites identified?** Ealing looked at up to 24 sites varying in size from small one or two dwellings to the largest development providing 84 mix tenure flats, maisonettes and houses. Enabling and contract works have begun on a number of sites and planning has been secured for all but the last two or three sites where this is pending. It is anticipated that the first dwellings will complete early 2017, with the final units from the larger development in 2018. A number of small under-utilised or derelict garage sites were packaged up with two larger sites and included in the SDA. It had previously proved uneconomic for the council to directly develop these small sites for council new build affordable housing. By structuring the SDA in this way the developments achieved a higher total number of affordable units than would have been the case if the small sites had been sold individually for private development, where they would fall below the threshold for on or off site affordable housing provision.

**Funding** The challenge to Ealing was to provide new affordable council owned stock on land in its ownership with limited borrowing available from the HRA. The cross subsidy from the private sales has meant that the council, in return for land transferred to the developer, will benefit from 87 new build council owned homes without any recourse to HRA borrowing. The challenges to the on-going success of this venture are:

- Planning - securing the number and unit mix anticipated.
- The potential of the increase in build costs from scheme inception outstripping anticipated sales values and reducing the private developers profit margin and ability to cross subsidise the wider project.

**Community consultation** As with other council new build development sites, Ealing consulted with all residents in the immediate area for even the smallest sites, before submitting for planning. Ealing Council has made changes to indicative plans as a result of feedback from local residents. Community support varied over the proposed development sites. However other than the largest development providing 84 new dwellings the impact of the developments are relatively small.

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**Lessons learnt:** Lessons learnt for the Hills project and this type of joint venture include:

- Lack of certainty on unit and tenure mix that will achieve planning consent impacts directly on overall viability of the agreement, so either:
  - *increase budget at early stage pre-contract, enabling work to include outline design, pre-app meetings, more intrusive surveys, or*
  - *Let contract with more flexibility on tenure mix and ownership between private and affordable. So that design and planning mix can be reviewed and reflected in open book costings.*
- New affordable rented units resulting from this venture can be partly supported by RTB 141 recycled receipts.

**Future regeneration:** Overall, the package of changes introduced as part of the Housing and Planning Act and welfare benefits reform is highly likely to have a negative effect on future estate regeneration initiatives for the following reasons:

- Social housing is already a non-viable housing product without cross-subsidy either via grant or market sales. The 1 per cent cut in social rents compounded over a five year period will further impact on the viability of this form of tenure. Specifically in relation to regeneration projects, this will likely result in fewer homes at social rent meaning fewer social housing tenants will be able to be re-housed in the new development.
- The introduction of Starter Homes is likely to have a mixed effect on regeneration of housing estates: While Starter Homes may result in a limited supply of lower-cost home ownership products, this is likely to be at the expense of intermediate housing products such as shared ownership. The effect on values of non-starter homes for sale is also an unknown factor. It would be difficult to square the conundrum of similar homes being sold at different values in the same area. Ultimately, again, this is likely to further reduce the viability and number of homes at social and affordable rent that are able to be provided in specific schemes.
- In relation to the extension of Right to Buy and the sale of higher value local authority assets, this may lead to fewer local authority-led schemes. Wholly-owned development companies are likely to become the preferred route to delivery of Council estate regeneration programmes in the future. In view of the fact that registered providers are to be compensated for extended RTB sales, the involvement of housing associations in large regeneration schemes will assist long-term business plan viability and predictability.

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