

## Ham Close Uplift programme: Considerations for refurbishment and infill

### Background:

Last summer (2015), following the July budget, the Government introduced the need for all housing associations to reduce their rents over a four year period from 2016 to 2020. This has a significant impact on RHP's long term finances and in turn limits our ability to deliver certain asset management projects.

The table below has been prepared to illustrate RHP's assumed rental income over the next 10 years both before the summer budget in 2015 and immediately after. (For more information on the figures presented in the table below please see the Income comparison document published on the Ham Close Uplift website [here](#).)

Year ended 31 March	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>Projected Rental Income before 1% Rent Reductions</b>											
Rent Increase %		3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Rents on existing properties £000	42,886	44,173	45,498	46,863	48,269	49,717	51,208	52,744	54,327	55,957	57,635
Additional rent from relets to target rent (see separate calculation)		252	773	1,174	1,443	1,716	1,993	2,275	2,560	2,850	3,145
Rents on new development properties (see separate calculation)	1,731	2,740	3,546	4,863	5,121	5,262	5,419	5,577	5,747	5,895	6,061
<b>Total Projected Gross Rental Income</b>	<b>44,617</b>	<b>47,165</b>	<b>49,816</b>	<b>52,900</b>	<b>54,833</b>	<b>56,695</b>	<b>58,621</b>	<b>60,596</b>	<b>62,634</b>	<b>64,702</b>	<b>66,842</b>
Less voids and bad debts at 2.75%	-1,227	-1,297	-1,370	-1,455	-1,508	-1,559	-1,612	-1,666	-1,722	-1,779	-1,838
<b>Total Projected Net Rental Income</b>	<b>43,390</b>	<b>45,868</b>	<b>48,446</b>	<b>51,445</b>	<b>53,325</b>	<b>55,136</b>	<b>57,009</b>	<b>58,929</b>	<b>60,912</b>	<b>62,923</b>	<b>65,004</b>
<b>Projected Rental Income after 1% Rent Reductions</b>											
Rent reduction/increase %		-1.00%	-1.00%	-1.00%	-1.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Rents on existing properties £000	42,886	42,457	42,033	41,612	41,196	42,432	43,705	45,016	46,367	47,758	49,190
Additional rent from relets to target (no relets assumed to be permitted)											
Rents on new development properties	1,731	2,634	3,276	4,318	4,371	4,491	4,625	4,760	4,905	5,031	5,173
<b>Total Projected Gross Rental Income</b>	<b>44,617</b>	<b>45,091</b>	<b>45,309</b>	<b>45,931</b>	<b>45,567</b>	<b>46,923</b>	<b>48,330</b>	<b>49,776</b>	<b>51,272</b>	<b>52,789</b>	<b>54,364</b>
Less voids and bad debts at 2.75%	-1,227	-1,240	-1,246	-1,263	-1,253	-1,290	-1,329	-1,369	-1,410	-1,452	-1,495
<b>Total Projected Net Rental Income</b>	<b>43,390</b>	<b>43,851</b>	<b>44,063</b>	<b>44,668</b>	<b>44,314</b>	<b>45,633</b>	<b>47,001</b>	<b>48,407</b>	<b>49,862</b>	<b>51,337</b>	<b>52,869</b>
<b>OVERALL REDUCTION IN NET INCOME</b>											
Reduction in Net Rental Income	0	-2,017	-4,384	-6,777	-9,011	-9,503	-10,008	-10,522	-11,050	-11,586	-12,135
Additional net interest payable due to lower cash balances/increased borrowing (see separate calculation)	0	-6	-42	-147	-354	-674	-1,101	-1,644	-2,021	-2,417	-2,832
<b>Total Reduction in Net Income</b>	<b>0</b>	<b>-2,023</b>	<b>-4,426</b>	<b>-6,924</b>	<b>-9,365</b>	<b>-10,177</b>	<b>-11,108</b>	<b>-12,166</b>	<b>-13,071</b>	<b>-14,003</b>	<b>-14,968</b>
<b>Cumulative Reduction in Net Income</b>	<b>0</b>	<b>-2,023</b>	<b>-6,449</b>	<b>-13,373</b>	<b>-22,737</b>	<b>-32,914</b>	<b>-44,023</b>	<b>-56,189</b>	<b>-69,260</b>	<b>-83,262</b>	<b>-98,230</b>

In response to these rent reductions RHP revisited its business plan to focus on works which would keep all of our properties in good condition and to a high lettings standard. This resulted in us removing works from our plans where we wouldn't generate any additional rental income and projects which we historically had external funding for e.g. refurbishment and improvements such as the external cladding of properties (this external funding is no longer available to RHP).

Our approach to not carrying out wide scale retrofit projects (which we don't have external funding for) is not specific to Ham. For example, RHP has decided to postpone our programme of retirement housing refurbishments for three years for similar reasons.

### **The impact on Ham Close:**

The cost estimate for full refurbishment at Ham Close is around £8 million. RHP does not regard this as an acceptable amount to spend when we're cutting back on funding other asset management schemes. The £8 million would not result in any new additional income for RHP.

In addition, we considered what quality of outcomes we would be able to achieve if we did choose to refurbish Ham Close and build some new homes in the spaces in between the existing blocks. We believe that due to the architectural challenges presented with a refurbishment and infill approach at Ham Close it would be difficult to end up with a desirable design solution. This is for the following reasons:

- The current condition and original construction method (Wimpey No Fines) of the existing blocks presents a significant challenge to bringing forward a satisfactory refurbishment and infill proposal which would meet with the aspiration to create a high quality regeneration development.
- The positioning and shape of existing buildings on Ham Close has led to a fragmented layout with a lack of a consistent appearance to the front of buildings or a clear separation of public and private space.
- This arrangement of buildings has resulted in a convoluted road layout across the site with two main service roads threading their way across the site in order to weave between and service existing buildings.
- The angled arrangement of the 5 storey square plan flat types would be particularly difficult to incorporate into a cohesive layout as their geometry would be completely at odds with a logical street pattern.
- It would result in a large number of inefficient pockets of infill between existing buildings that would be poorly related in their footprint and architectural style to the retained buildings resulting in a disjointed effect.
- Retention of existing buildings would severely hamper the creation of an improved traditional street layout and an infill approach would likely result in solutions that reinforce a number of negative features about the existing estate.

### **Conclusion:**

From the outset, the idea for redevelopment has been about using our land to most effectively contribute to the Uplift of the Ham area. For the reasons relating to cost and quality listed above, RHP and the Council consider that the maximum long term benefit for both current and future residents of Ham would be best achieved through use of the entire land footprint for the provision of new homes. And this option would most likely be able to attract third party grant funding of available.

Full redevelopment also gives us an opportunity to deliver a high quality new housing scheme that resolves issues with the current Ham Close. If it proves possible to achieve a high quality design solution that is viable then this would be regarded by both RHP and the Council as good value for money.