

Report of the Cabinet Member for Homes & Safer Communities

## **The Replacement of Ordnance Lane Homeless Hostel**

### **Summary**

1. The following report outlines the options for the replacement of the existing temporary homeless hostel at Ordnance Lane, with a recommendation to demolish the existing and construct a new modular build hostel and new council housing on the same site.

### **Background**

2. Since 2007/8 the council has prioritised improvements to its homeless services including a new Housing Options service, increasing resources towards homelessness prevention, and new accommodation based services. As part of this programme of improvement the delivery of new homeless hostels has been a strategic priority. In 2008 a 39 bed direct access Arlight Hostel opened, followed in 2009 by the 22 unit Peasholme resettlement centre, both delivering an integrated package of accommodation, training and support for homeless adults. In 2012, following a successful pilot, a foyer scheme offering integrated services for young homeless people opened. This was a key tenet of the council's 2011-2015 Housing Strategy and 2008-2013 Homelessness Strategy, which identified the provision of a young persons direct access resettlement centre as the missing link in the city's homelessness service. The first tier self-contained accommodation is the primary stage for young people going through resettlement with support, incorporating all statutory and non-statutory services that work with young people.
3. The final stage in the homeless accommodation improvement strategy is the re-provision of the Ordnance Lane homeless hostel. The site currently houses 32 units of temporary accommodation, spread across four separate buildings. The hostels are of poor quality, difficult to manage, and have an immediate need for urgent and significant reinvestment. The challenges of managing and controlling the various access points in to the buildings are presenting an increasing security risk to both staff and customers. The accommodation also presents

significant restrictions to people with disabilities or mobility problems. There are steps to all buildings, there are no options for the inclusion of lifts, and doorways cannot be widened to allow wheelchair access.

## Requirements

4. There are a number of key requirements of any re-provision, as outlined below:
  - 39 unit hostel (see Para 5)
  - Units should be a mixture of one and two bedroom (two beds would need a living room) with basic cooking facilities and preferably en-suite facilities. Some shared bathrooms can be tolerated.
  - Office facilities to accommodate up to ten staff, and common rooms for training and meeting purposes
  - The site or building needs to be located on the east side of the city, preferably within walking distance of the town centre for ease of access to other services
  - For security reasons will need to be able to have one access point to control traffic in and out of the building
  - Training kitchen
  - Disabled access with units on ground floor
  - Some outdoor space for children's play
  - Car parking for residents
5. The current aim is to also consider incorporating replacement units for Crombie House, a separate 7 unit temporary homeless hostel in Acomb. Including this within a new centralised scheme would improve the ease of management and reduce the costs associated with dispersed hostels. It would also release the Crombie House site for new council house building. Any proposals for Crombie House would be brought to Cabinet in a separate report concerning new council house building.
6. The most pressing requirement is the timescale. Ordnance Lane requires significant investment even in the short term to allow it to continue to function to even the most basic of standards. The need for alternative accommodation was urgent in 2008, and this urgency has increased. The pressure, therefore, is to deliver a new scheme as soon as possible to reduce the wasted short term investment on the existing building and to protect the safety of vulnerable customers and staff from living in unsuitable and difficult to manage accommodation.

## Consultation

7. Solutions for the re-provision of Ordnance Lane have been pursued since 2008. Various options have been previously considered, included two unsuccessful funding bids to central government to develop new homeless accommodation options on the existing site (Places of Change, 2008 and Homelessness Change Programme 2011). The key barrier to redevelopment on the same site is that there is no viable alternative provision to use during the build process.
8. In 2013 the possibility of a short term move to an empty Elderly Person's Home (EPH) was considered (allowing a new hostel to be built at Ordnance Lane), unfortunately due to the mechanical and engineering works required to add the necessary capacity to the existing heating and electricity systems, with an estimated total scheme cost of £500k, the cost of the temporary refurbishment was prohibitively expensive. In addition to the significant cost of building the new hostel at Ordnance Lane this would not be financially viable, or an appropriate use of £500k for a very short term solution.
9. Consideration was also given to purchasing Holgate Villas, a former office building which was being marketed for a range of alternative uses, including residential. The building was considerably bigger than the total floor area needed to re-provide Ordnance Lane, and the limitations of the existing building meant that this option was deemed to be unviable.
10. In February 2014 officers undertook a further review of potential alternative sites against the following criteria:
  - Site size – is it large enough to accommodate the necessary accommodation?
  - Location / Proximity to city centre – it is in easy access of the city centre and associated services to ensure that travel costs for clients is minimised?
  - Value for Money, i.e. cost of acquisition – is it affordable and overall does it represent value for money?
  - Timescale for the site to become available
  - Any constraints relating to the site which would mean it is unsuitable for the proposed use and scale
11. Having considered this range of options, including Housing Revenue Account (HRA) and General Fund land, and the potential to purchase sites on the open market, three options were considered:
  - Purchase of site on the open market;

- Former or existing Elderly Persons Homes (EPH) that would become available as a result of the EPH review;
  - Ordnance Lane – with a modular build to reduce the period between demolition of the existing and completion of the new hostel.
12. The purchase of sites on the open market was considered. Of the sites / buildings that were been offered for sale two were considered, the purchase of either Holgate Villa's or James House. Analysis of these options showed that both were too large for the current need, conversion would be difficult and the costs would be significant and when combined with the purchase price both options would not provide value for money.
13. Of the EPH's three were deemed to be of sufficient size and in an appropriate location – Grove House, Willow House and Oliver House. In terms of Grove and Willow House the major constraint is that they are still occupied and do not have a timetable for their release for alternative use. Given the pressing need to provide a new hostel the lack of certainty over the timescales meant these were not deemed to be an achievable solution. Oliver House is currently available, however as part of a wider review considering all the councils land / asset holdings, the potential commercial values of sites along with their potential long term uses, it is felt that the use of the Oliver House site for the re-provision of Ordnance Lane was not the most appropriate use for this asset. Oliver House site is currently out to market.
14. This left the existing Ordnance Lane site as the most appropriate solution. When considering this and the proposal to use modular off site construction, it is felt that this provided the best timely and value for money solution for the re-provision of the current facility.

## Options

15. **Option one** – demolition of the existing Ordnance Lane hostel to be replaced with a new modular build hostel, with the remainder of the site to be used for new council housing. This could include a proportion of market sale should any new housing development exceed 20 dwellings.
16. **Option two** – continue to search for alternative sites on which to build a replacement hostel, with the Ordnance Lane site to be allocated for an alternative use.

## Analysis

17. **Option one** – demolition of the existing Ordnance Lane hostel to be replaced with a new modular build hostel, with the remainder of the site to be used for new council housing.
18. The proposal to rebuild a new hostel on the site of the existing accommodation has followed a significant review of a wide range of alternative options. The advantage of an alternative site is that the new hostel could be constructed prior to the demolition of the old accommodation. However, extensive searches of private market sites and wider council assets have failed to identify any suitable options. Those considered have either been too expensive to acquire or unsuitable for the intended purpose.
19. Redeveloping the same site will mean the demolition of the existing hostel will result in a period of time in which there will be a loss of temporary homeless units. Previously short term solutions were explored to move the service in to alternative premises whilst the new hostel was being constructed. However, despite identifying a suitable short term option within council ownership (Oliver House) the costs associated with upgrading the building to the minimum standards required (in terms of services and health and safety legislation) proved to be prohibitively expensive and not value for money.
20. Having exhausted the options for a temporary move through the construction period of a new hostel the council have investigated off-site modular construction. This would allow the hostel to be factory produced, with the on site assembly time being minimised – reducing the time between demolition and completion of the new hostel. Indications from market analysis suggest this time frame could be as low as 16 weeks. During that period the intention would be to temporarily use dispersed general needs stock in lieu of the demolished units. This could be further mitigated by keeping Crombie House, and the 8 units at the front of the Ordnance Lane site open until the new hostel was complete (15 units in total). This would require the homeless service to use and manage 24 general need dwellings for up to a 4 month period. Whilst not ideal it is the view of the homeless service that this would be achievable in the short term, although it may require some additional resources given the dispersed nature of the stock. This would require a detailed transition plan which would be agreed and implemented prior to the beginning of any demolition and construction.
21. It is estimated that only half of the site would be required to provide a new 39 unit hostel. Consequently this provides an opportunity to develop the remainder of the site. The council have identified a £20m

Investment Fund within the Housing Revenue Account to build new council houses. The provision of new affordable housing is one of the council's key priorities, and building new council homes adds to the council's asset base and provides high quality, energy efficient housing.

22. Once the hostel design has determined the size of the remainder of the site to be made available for housing, it will be possible to establish how many homes could be achieved on the site. This would form part of the council's commitment to creating mixed sustainable communities. Any sale receipts could be used to cross fund the hostel.
23. **Option two** - continue to search for alternative sites on which to build a replacement hostel, with the Ordnance Lane site to be allocated for an alternative use.
24. This option would limit the disruption to the homeless service as the replacement hostel could be constructed prior to the demolition of the existing building. The Ordnance Lane site could then be used for an alternative use, such as new council housing or sold for market housing with the receipt funding the new hostel.
25. However, the search for an alternative site has been ongoing for a number of years and despite comprehensive searches of a wide range of options no appropriate or viable alternative has been identified. Purchasing a site on the open market would require a significant capital receipt which would considerably increase the scheme costs and impact on value for money.

### **Procurement of a modular construction method**

26. Off-site modular construction has been identified as the most appropriate build option. This is due to the ability to minimise the on site construction period which would ensure the time between demolishing the existing accommodation and completing the new hostel is as short as possible.
27. To follow a modular construction approach a contractor would need to be appointed to fully design and construct the replacement hostel from inception. Modular construction necessitates that the building design is considered through the parameters of the construction process. Although modular and off-site construction is becoming increasingly flexible in design, it is still important that the plans are conceived to work with the method of construction. Consequently the hostel could not be designed by a separate architect with a modular contractor appointed to then build the scheme. Some factory built models have to be built to a pre-designed footprint and can not be varied without significant costs

and time delays. Given the nature of the different accommodation and communal rooms required as part of this project it is crucial that whichever modular method is pursued has flexibility of design without significantly adding to costs.

28. Although the value is under the works OJEU threshold we would look to issue an Expression of Interest via the OJEU portal to test the market and identify potential suppliers. This will ensure that we access a wider / more mature modular / offsite construction market without adding significant extra time to the delivery timetable. A brief outline scope will be drafted for publication with the EOI and will include set parameters on modular construction, flexibility, minimal site construction and quality.
29. On receipt of EOI's an open process would be carried out via YorTender for a design and build modular solution, although not bound by OJEU timescales we recommend a tender period of 6/8 weeks due to the nature of this scheme.
30. Consideration may be given to packaging both the housing and the hostel as one contract through a modular build. There may be cost savings associated with using one supplier due to savings on site preliminaries and shared services. However the benefits, costs and risks of linking both and using a modular build for the housing would need to be benchmarked against a traditional build, and it may prove beneficial to keep the hostel as a separate contract. Should the two elements be combined the contract sum would exceed OJEU works value limit of £4.5m and would require a full OJEU compliant tender. This could result in a 5 to 6 months tender process, and the potential delay this would cause to the hostel would have to form part of the decision. Should the use of the remainder of the site be approved for new council housing it will be included in phase 2 of the council's new build programme, with a report to be brought to Cabinet in the New Year. This report will propose whether the housing element of Ordnance Lane should be linked to the modular build contract following detailed analysis of the potential value for money.

### **Finance/funding the project**

31. Given the proposed procurement route it is challenging to provide worked estimates relating to the cost of building a new hostel at this stage. As modular construction dictates a comprehensive design and build approach it is not possible to carry out a detailed design feasibility study and cost estimate. However, having used market intelligence to apply an inclusive cost per metre price for total scheme costs, and estimating the required total floor area of the development, it is

envisaged that the costs for demolition and re-provision of the new hostel would be in the region of £2.96m to £3.56m.

Table 1 – Breakdown of assumed costs\*

	<b>Minimum assumed</b>	<b>Maximum assumed</b>
Demolition	£200,000	£200,000
Site preparation and services**	£150,000	£150,000
Inclusive design and build cost	£2,305,680	£2,837,760
Contingency	£269,718	£323,884
Fees @ 1.8%	£41,502	£51,079
<b>Total</b>	<b>£2.96m</b>	<b>£3.56m</b>

\* Please note – at this stage these are based on high level assumptions

\*\* Site preparation includes new drainage, utility provision, new road etc

32. The HRA Business Plan has identified a £20m Investment Fund. Of this investment fund £6m has been approved for phase one of the new council house build programme (May 2013 Cabinet), of which £5.15m is currently committed. If the costs were at the maximum anticipated, the use of £3.56m for the new homeless hostel would take the total to £9.1m, with £10.9m remaining uncommitted.

Table 2 – HRA Investment Fund spending commitment

<b>Scheme</b>	<b>Committed</b>	<b>Proposed schemes</b>	<b>Spend</b>
Council house build phase one	£6m	5 sites with planning - £3.3m Former Pack of Cards - £1.02m Pottery Lane - £830k	£5.15m
Ordnance Lane Hostel	£3.56m		£3.56m
<b>Total</b>	<b>£9.56m</b>		<b>£8.71m</b>
Remaining HRA Investment Fund	£10.44m		£11.29m

33. The intention would be to identify further funding streams to finance the new hostel which would reduce the demand on the HRA Investment Fund. These streams may include Homes and Communities Agency grant funding, Right to Buy receipts, potential sales income, and commuted sums. Based on the current rents for the accommodation type proposed the gross annual rental income of a fully let hostel would be in the region of £150k per annum.
34. Should the remainder of the site be approved for new council housing it will form part of a second phase of new homes which would be brought to Cabinet at a later date with an identified funding route.

## Council Priorities

35. Approval to progress with the construction of a new hostel and council housing has a positive impact on four of the five council priorities:

- Create jobs and grow the economy – As set out in the February 2013 Get York Building Report, investment in the construction industry has a direct positive impact on economic activity, with every £1 spent generating a total of £2.84 in extra economic growth. In procuring a contractor additional priority could be given to contractors that are committed to offering and providing apprenticeships.
- Build strong communities – The proposed new hostel would have training rooms and kitchen to allow engagement work to be carried out with residents to support them in sustaining future tenancies and successfully integrating in to their new communities.

New council housing will provide high quality accommodation for those unable to access housing on the open market. Access to high quality housing in places where people want to live at a price they can afford is a key tenet of the Housing Strategy (2011-15), and is crucial to happiness and well-being.

- Protect vulnerable people – People requiring temporary homeless accommodation are some of the most vulnerable people in the city. Hostels accommodate people who are accepted as homeless and are identified as having a priority need whilst they can be found suitable long term accommodation. Currently the temporary accommodation is of a poor quality which potentially impacts on the health and wellbeing of this vulnerable client group, and is unsuitable for people with disabilities.

Any new council homes would be built to Lifetime Homes standards which are designed to adapt with people's changing care needs, enabling them to remain in their own home and independent for as long as possible.

- Protect the environment – The new homeless hostel would be a significant improvement on the very poor quality existing buildings. These old buildings suffer from poor insulation and energy efficiency which results in high bills and CO2 emissions.

The new homes will be built to a minimum of Code for Sustainable Homes Level 4, which exceeds the council's mandatory requirement to meet code 3 and will reduce carbon emissions on the completed homes and throughout the build process.

## Implications

36. The following implications have been identified:

- (a) **Financial** - The indicative costs of the site clearance and subsequent modular build project a cost of c £2.96m - £3.95m. The HRA investment balance contains sufficient capacity to fund this expenditure in full although it is anticipated the call on funds will be below this level. Alternative funding sources will be considered and applied first before the HRA investment fund is called on.
- (b) **Human Resources (HR)** – There are no HR implications.
- (c) **Equalities** – A new homeless hostel would significantly improve the quality of accommodation for the some of the most vulnerable people in society. The new hostel would improve security for tenants and staff, and high quality accommodation would benefit the health well-being of the client group. The services provided at the hostel would also improve the ability of the residents to successfully sustain future tenancies and ability to integrate in to their new communities.

The current accommodation is not Disability Discrimination Act (DDA) compliant, and due to the restrictive nature of the old buildings they can not be brought up to standard. The new hostel would ensure people with a disability could also be supported at Ordnance Lane.

- (d) **Legal** – Section 193 Housing Act 1996 places a duty upon the Authority to provide accommodation to homeless applicants who have a full housing need. Section 206 of the Act also requires the accommodation to be suitable.
- (e) **Crime and Disorder** – The existing hostel accommodation is difficult to manage and maintain security due to the numerous access points in to the various buildings which suffer from poor natural surveillance. A new purposely designed hostel would improve the ability to successfully manage the service and reduce the risk of crime and disorder.
- (f) **Information Technology (IT)** – There are no IT implications.
- (g) **Property** – These are all included in the report.
- (h) **Other** There are no further implications.

## **Risk Management**

37. The delivery of any new development carries a number of risks. The council will need to procure a contractor, resolve any issues affecting the site, achieve planning permission and manage the building of the new homes. These all pose challenges to project delivery and the consequent impact on the reputation of the council.
38. Whilst off-site modular construction has been around for many years it has only recently moved into main stream construction and as a consequence there are few completed examples to consider. However, the technical specifications will be assessed in detail and it should be noted that this is a construction method that is being heavily endorsed by central government and the Homes and Communities Agency.
39. A further risk is, will the demand for temporary homeless accommodation reduce? It is the view of the Homeless Service that this is unlikely to be the case in the foreseeable future. The proposed facility is for 39 units, and there are currently in the region of 80 households in temporary accommodation. However consideration has been given to future-proofing and should demand reduce the new hostel could be converted to general needs stock.
40. If a solution to replace the existing scheme is not identified it will continue to cost a considerable amount of money to maintain the most basic of acceptable standards. Equally the management of the site presents a considerable challenge due to the poor design and multiple access points of the buildings. The condition of the accommodation is not to a standard expected of the council and could presents risks to the Health and Wellbeing of the residents.

## **Recommendations**

41. Members are asked to approve:
  - (a) The demolition of the existing Ordnance Lane hostel to be replaced with a new modular build hostel, with the remainder of the site to be used for new council housing.  
  
Reason: To replace existing poor quality temporary homeless accommodation that is no longer fit for purpose with a high quality new build hostel, and much needed new council housing.
  - (b) The commencement of the proposed procurement for the replacement of Ordnance Lane Hostel.

Reason: To allow a new modular build hostel to be built that will minimise the disruption to the provision of temporary homeless services.

- (c) A recommendation to full Council for the use of £3.56m from the HRA Investment Fund to demolish the existing accommodation and rebuild the new hostel. Any material changes will be reported to full Council through the capital monitoring process.

Reason: To release funding from the HRA Investment Fund to finance the required new hostel accommodation.

## Contact Details

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## Background Papers:

None

## **Annexes**

Annex A – Title plan of the Ordnance Lane site

Glossary of Abbreviations used in the report:

DDA – Disability Discrimination Act

EOI – Expression of Interest

EPH – Elderly Persons Homes HRA – Housing Revenue Account

OJEU - Official Journal of the European Union