Homes for Change

26.8.99 newsletter

surreal situations #42 the guinness trust, the lease + possible extinction

The General Meeting on Tuesday 31 August is a crucial one for the future of the co-op. So, first things first: Sorry, very sorry about the lateness of this information and the fact that we have to act on it so rapidly. This is entirely due to Guinness trying to steamroller us and firing vital new information at us nearly every day. This has been disseminated as far as possible, but rumour mills will always work overtime. There's plenty of background in the rest of this newsletter, but I'll try to give a compleat and accurate record of what's been happening in the last three weeks.

On 4 August we received a letter saying: agree to buy the building by 3 September, at higher rents, with a new interim lease, or GT will take over the scheme for ever. This followed on from us saying in January that the lease was running out, and we still hadn't come to terms about purchase. In March we all met and began to thrash out our differences, asking for full figures and pointing out problems with cost overruns. A meeting was agreed for July, but was not helpful, since GT presented ultimatums for us which we could not agree to on the grounds of insufficient information. Following the letter in August things have accelerated. We have made GT aware that we still intend to buy the building, once we know what we're buying. We wish to have a supplemental lease, since we can't see the point of varying the conditions. Another meeting was held on 23 August, the details of which are supplied elsewhere. The upshot was that they wish to remove rent control from tenancies and that they want us to take on a responsibility for repairs, despite £80,000 of outstanding defects and the windows needing to be repainted. This is not acceptable to us in its current form. We have instructed our solicitor to act on our behalf, but we need to act rapidly since a crunch-day could be as early as 3 September.

This has been a brief sketch of what's happened. I hope you can understand why some things have happened without full consultation – however, everything has been done acting within policy and in the best interests of HfC. Everybody needs to be properly informed so that we can make sensible decisions at the General Meeting. Please read the rest of the pack and come to the meeting on 31 August.

Steve Perry

not only is this probably the most important meeting we have ever had- read on for more details, the housing corporation's monitors are coming to speak to this meeting as the report back on their visits, so please try to be there and on time...

out of control?

A long time ago now, when I got the opportunity to be re-housed because they were knocking down my home I choose Homes for Change as my re-housing option. I made that decision partly because I liked my old flat on Otterburn and wanted to have one like it designed for me, but also because Homes for Change was a housing co-op.

I believed, and still do, that housing where those who live there have ownership over the management of their homes, as opposed to being managed by someone, is a far more important factor in successful housing than merely getting the chance to have input into a design process. If we vote on Tuesday not to accept a lease from Guinness and for them to take over management of the building then Homes for Change stops existing as an organisation and we all become Guinness tenants.

Some people seem to think that will be better, because at that point we don't have to do any more work for the co-op or go to any more meetings. We won't need meetings any more because we will have no more descisions to make.

It's this having no more control over my housing that worries me.

At the moment, anyone who is housed by Homes for Change has to be a member. Whilst that doesn't mean that you know your new neighbour, someone else in the co-op will have got to know them in a working group and we have a choice as to who moves in. If Guinness manage us, we lose that control, and in a high density, deck access scheme like that worries me.

At the moment we decide what goes in our tenancy agreements. A small thing maybe, but under the standard Guinness Tenancy, they don't allow cats and dogs to live above the first floor, (or children for that matter but I don't have one of those). Home improvements are another thing. My kitchen is a lot better now that I have altered it, but under a Guinness tenancy I would probably have to pay to have it put back to how it was before when I move out.

Rents rises. At the moment we decide on how much our rents will rise. We would lose this say. Whilst there is a Hulme wide maximum that rents cannot go above, there would be nothing to stop Guinness imposing this maximum rise year after year. The defects have cost them a lot of money and we have no assurances that they are not going to recoup that money through a rent rise. I have a cool, flash flat close to the city centre, but I know that it's a bit of a bargain and couldn't afford to pay much more for it. If you are on Housing Benefit they pay for any increases, but for those on a low income rent rises could become a real issue.

Internal transfers and flats for Phase 2 members, a couple more things that are allowed at the moment but which we have no assurances will happen under Guinness Management. Also there have been no guarantees that everyone who has a tenancy will get a Guinness tenancy. They want to see all our rent records before they grant them.

Homes for Change is having its own internal management review at the moment. Part of this involves Liz, who will be out of a job if Homes for Change no longer exists, interviewing every member to find out what people think is wrong with Homes for Change. It could be that members feel management by Guinness is the best option in the long term, but there are other alternatives through which we farm out services whilst keeping control over decisions, which we are still exploring.

I feel very strongly that we are being forced to make the decision for Homes for Change to no longer exist without the chance to work through all the consequences of that decision or to obtain assurances on certain issues for our tenants and staff. If we accept the lease now, we can change our minds later, but we can't change them back the other way.

Sarah Mander

CORRECTION

In the last newsletter it said "The Housing Corporation's monitors seemed to think that it was unacceptable for one RSL to be threatening the viability of another by the way it had handled their development". The Monitors would like to make it clear that they did not make this comment and that this was my own view of the situation.

Charlie Baker

there's no such thing as free money (well not any more)

Many of you may have heard that there is a pot of gold at the end of the rainbow called the tenants incentive scheme, where you get handed a huge cheque with lots of zeros on it to give up your flat. This scheme was abolished a few months ago and has been replaced by HOMEBUY.

Under the HOMEBUY scheme you can get a LOAN of 25% of the purchase price of the property you want to buy if you currently rent from a RSL (Housing Association) which is taking part in the scheme and has some money available for it. You don't pay interest on the loan but when you sell the house you give 25% of the sale value back to the Housing Association who gave you the money - yes, they get more money if the house sells for more than you bought it for. You do not qualify if you had housing benefit in the previous year. The money available is limited and you must be able to prove that you could not buy without the loan (eg get a smaller house). The property must also be in good condition and not in need of major repairs.

More information available from The Housing Corporation 0171 393 2000.

Sarah Hughes

for your information + consideration

A new Delicatessen and local food shop for Hulme

Run in association with the Yellow Brick Cafe and Have a Banana Trading

Who needs Asda when you've got Rocket on your doorstep?!

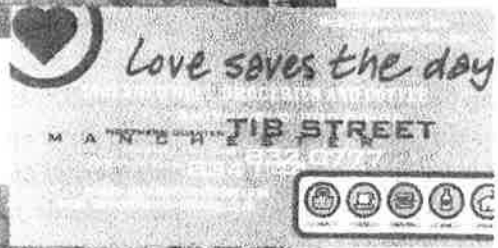
We wanted to bring a fresh approach to the shop, bringing back old customers and attracting new ones as well. The shop would work closely with the cafe, joining the two together and making it brighter and easier to pick out what your looking for. Ideas for Rocket have come from many other delis and cafes across Manchester including Love Saves the Day, New York Deli, The 8th Day and famous Barbakan deli in Chorlton.

There would be an emphasis on good value and choice in a range of everyday foods, in particular on healthy eating, providing information on product ingredients and recommended meal ideas from the cafe. We will stock a wide variety of salads and fresh fruit and vegetables, (organic wherever possible). We will also insist on GMO free products and will stock food products suitable for vegans and vegetarians such as soya milks, yoghurts and cheeses.

All staff would be paid at least the national minimum wage and an additional premium, including full and part timers, they would also be entitled to free food for meals. The business would also make a special effort to support local community initiatives. A discount scheme will also be offered offering excellent value for money.

The question of meat:

Meat is a critical issue for the business, we believe that to be meat free would jeopardise its future viability. Ideally we would like **not** to rely on meat



Top:
The empty shop at present..

Above:
Rocket could be Hulme's answer to the Northern Quarter's Love Saves the Day.

Left:
Some of the type of deli products Rocket will stock

in the business, and are making a strong point of stocking a majority of non meat products. However to be meat free would ignore a large number of potential customers for whom meat is an integral part of their diets. A business of this small size and location in a redevelopment area cannot afford to take this risk, especially after the closure of the previous business that failed to appeal to a broad range of people. We would make a special effort to ensure that all our meat products would come from sources that provided humane conditions for their livestock, in addition no meat would be cooked on the premises and would be kept separate to other foods. Staff will be trained in food hygeine and the shop would be kept clean at all times.

We don't want to stock anything just to make a fast buck, but we do want to run a viable business which makes a real effort to provide a service to the local community.

Target opening early October 1999

Start up budget of £3,000 (including fitting out, signage and initial stocking)

Homes for Change & The Guinness Trust :a model of partnership

BACKGROUND

Following early difficulties in Manchester City centre the co-op was invited to take part in the Hulme redevelopment, keeping its Housing Association Grant (HAG) allocation. It was allotted 75 of the 1000 new dwellings and decided to pursue the original concept of a mixed-use building. The regional Housing Corporation (HC) advised that all development in Hulme be undertaken by 2 large associations, Guinness Trust (GT) and North British Housing Association (NBHA). Hfc was obliged to select a "development partner", a major shift from "development agent". Following selection of GT a development agreement and code of practice were negotiated. This left HfC in a junior position. Decision-making and access to correspondence became GT's responsibility; access to all development meetings and "relevant" correspondence was accorded to HfC. An Option to Purchase was agreed; based on the formula of cost less grant. Both organisations' forecasts suggested a residual loan of £1million across the entire building. The scheme costed at £2.97m by Tweeds, but early indications of problems arose when tenders were returned between £3.75m and £4.3m. Goodwill meant GT and HfC worked hard to trim the scheme bakc to about £3m at which point GT allowed start on site in April 1994.

ON SITE

After establishment the main contractors Amey Hynd seemed to do nothing for three months. They then discovered that they had underestimated the number of old basements on the site. This established a pattern in Amey's behaviour, which continued throughout their contract. Amey's would find a problem, which they should have anticipated, and then pursue more money. Most notable was the problem of propping the permanent formwork. No clear explanation has ever been received by HfC, but it destroyed Amey's timetable and led to strained relations between the design team and conttractors. HfC was assured that this wuold not be reflected in the final price to us, since it seemed that the site contractors were at fault. In line with the developmetn agreement, HfC was entitled to attend the site and site meetings. HfDC had no rights to view correspondence between the parties to the cotnract and GT's clerk of works nor the power to issue site instructions. From an early stage HfC expressed concern about scheme/site management and the inconsistent attendance of GT staff at site meetings, to the extent of occasional absence.

SPIRALLING COSTS

HfC attempted to take remedial action early. DIscussions with GT's finance director indicated a deferred interest loan could be developed. This would cover the gap between what HfC had raised and what was needed. Coupled with an increase in rent it allowed HfC to support a total of £1.4m in loans, based on 10.5% interest rates and 5% inflation. (Since both these figures have fallen the scheme is only marginally easier to fund. If rents rise at 1% over inflation for 7 years, indications are that HfC could support £1.6m if GT continue to offer a deferred loan)

HfC's option to purchase was originally for 6 months after practical completion, after which a fee of £30,000 for private finance would be imposed. GT refused to discuss this until internal wranglings between the contractors had been resolved to their satisfaction. It became clear that HfC had not been informed of the extent of the problems. We moved in a year late, assisted by a grant from the Housing Corporation to help us through the lack of rent stream. The final cost report in late 1996 showed 25% over budget before claims. Hearsay suggests that Amey's claimed £2m and it became obvious that they were obstructive regarding defects. This led to the original architects, MBLC, walking out once the full extent of the work still to be done became clear.

PRACTICAL COMPLETION AND AFTERMATH

HfC has been effectively cut out of the defects remedy; a frustrating and demoralising process for the whole co-op. There is still about £80,000 of work to be done. The workload of our paid staff and volunteers has been excessive given our limited resources; the co-op has been overwhelmed with defect management for over 2 years. We are unable to develop a routine maintenance schedule since GT seem unable to let us know whether certain items are defects or repairs.

INFORMATION, NEGOTIATION AND PURCHASE

GT have consistently supported movign to purchase by HFC and have indicated flexibility in agreeing purchase price. In Jan 1999 HfC wrote to GT highlighting lease expiration before purchase price could be finalised. Communication problems became apparent when the Code of Practice was not followed. Information, access to meetings and reports on progress were heaviliy restricted.

HfC met with GT on 8 July but instead of an itemised breakdown we were given an a4 sheet shwoing a total cost of £5.3m, a massive increase on the initial budget of £3.75m. GT was asked how much of the £2.7m gap it expected to recover, given the obligation to supply housing at affordable rents. GTs response initially was that they were looking for

Summary of Current Position

the total cost of the building, but at a later meeting the trust agreed to try and reach a compromise between cost, valuation and what the co-op could afford to borrow on our revised business plan.

CONCLUSION

GT were selected and approved by teh Housing Corporation to manage teh risk ofdevelopign Phase 1 as contractual developemtn partner. GT seem to have failed to keep Phase 1 within budget limits. Their failure to manage the risk extends from the need to remedy excessive dfects to a £622,000 settlement with Ameys. GT reserve their position regarding recovery fo costs by legal action against consultants and accept that a large proportion would be unrecoverable and may feel obliged to pass on a large proportion of those costs to HfC. HfC's position is that GT should accept responsibility for cost overruns by absorbing the costs themselves if necessary. To expect HfC to agree purchase price by September 3rd is unreasonable. This excessive haste to dispose places undue pressure on another RSL and may well not be in the best interests of both organisations.. There is still room to develop goodwill and amicable negotiations. Implicit in a large association taking development risk is to ensure a thriving smaller one, where the larger's expertise and management is used to bring projects in on time and on budget.

The co-ops are extreemely concerned that on the 25 August 1999 GT sought to impose unreasonable preconditions to purchase negotiations, by demanding that the co-ops sign a short term full repairing lease by 3 September. Failure of the co-ops to accept these preconditions means that GT will take over direct management of the scheme because it is "part of their legal obligation" as they claim in their letter of 25August. But this legal obligation of the landlord seems to have been brought about by teh Trust's apparent refusal to discuss a supplementary lease which would enable to co-ops tenants to avoid becoming "tenants at will". Such a lease would then allow the co-ops to negotiate within a reasonable timscale and enable them to secure the best finance available.

We feel obliged to challenge the basis fo the draft lease supplied by GT. It is weighted so heavily in favour of the landlord that it seems to contradict all accepted principles of social housing practice in this country.

We are anxious to purchase teh buidlign, but feel that we are being constrained from negotiating freely in the best interests of our tenants. If the Trust is not amenable to a more equip0table basis for negotiations, then we can only fell compelled to negotiate under durress. This may not be in the best intersts of both parties.

We would point out that

Action List

From 8 June Meeting

1. Letter from finance group to ask members to pay arrears - Finance Group
2. Child safe surfaces agenda item - Liz, newsletter article - Mikey Sivori
3. Stops on main gate, Mono instructed, has it happened yet? - Maint Group

From the Meeting of June 29

4. Monitor who is receiving mailings at GMs
5. P and I co-ordination member to be trained
6. New letterhead design agenda item - liz
7. Further info re Homes - Chris Nelson
8. Water meters - Herman
9. External collection of rents - approach Liverpool co-ops - Bill , Liz, Herman
10. Proof reading of handbook - Liz
11. Put Action list on office notice board - Liz

From the Meeting 27 July

12. Low attendance at meetings, meetings at fixed times each month - Steve offered to draft something for the newsletter
13. Members to monitor and report failures of the door intercom system - all members
14. Set up internal audit system - finance group, Liz
15 Is HfC liable for corporation tax on the surplus set aside for the major repair provision? - Finance Group to find out
16. Legal group an agenda item for next GM - Liz
17. Charlie to call a meeting of the legal group for issues he wanted to raise - Charlie
18 Instruct the solicitor (Malcolm Lynch) re an extension of the lease - Pauline and Liz
19 Apply for membership of CCH - Liz
20. Repair/defect constituting a safety hazard, Guy to consult with Audrey
21. Training on the history of the co-op to be an agenda item at the next GM - Liz, Charlie and Pauline to organise training
22. The arrears policy to be addressed urgently re termination and reissue of tenancies - Audrey to lead