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23rd September 2015

Environment and Housing Management Committee

Garage Site Redevelopment Proposals

Report of: *Helen Gregory, Head of Housing Services*

Wards Affected: *Hutton East, Hutton North & Hutton Central*

This report is: *Public*

1. Executive Summary

1.1 This report sets out a business case for the Garage Site Redevelopment Proposals for Fawters Close, Magdalen Gardens and Fielding Way. The business case explores 3 options:

- Option 1 - the Council secures planning approval and disposes have a freehold or long leasehold interest in the garage sites on the open market for affordable housing development.
- Option 2 - the Council directly procures a contractor to build affordable housing on the garage sites, which remain in Council ownership.
- Option 3 - the Council procures a framework of preferred Registered Provider (RP) developer partners to acquire and redevelop the freehold or long leasehold interest in the garage site for affordable housing, with Fawters Close retained in Council ownership and managed by the Council.

1.2 Options 3 is the preferred option because it would bring:

- expertise in the delivery of the social housing;
- value for money in construction costs;
- high quality new build affordable housing;
- The capacity to invest the Right to Buy Capital Receipts;
- the opportunity for the Council to retain some of the development in Council ownership.
- The potential for a rolling programme of redevelopments on garage and other sites.

- The potential to dispose of the long-term leasehold interest in the sites and generate an annual income from the ground rents.

1.3 The report sets out a timescale for the procurement of the Framework via the Official Journal of the European Union (OJEU) tender process.

2. Recommendation(s)

2.1 To undertake a soft market testing exercise to establish RP interest in bidding to become framework development partners to redevelop Council garage sites.

2.2 Subject to market interest, to procure RP framework partner/s to:

2.2.1 acquire and redevelop Magdalen Gardens for general needs affordable housing for rent.

2.2.2 redevelop Fawtens Close for older peoples affordable housing for rent, to be retained in Council ownership.

2.2.3 acquire and redevelop Fielding Way for general needs affordable housing for rent subject to a further design review.

2.3 To approve the option to substitute Fielding Way with an alternative Council garage site, subject to the outcome of a detailed design review.

3. Introduction and Background

3.1 The Council has identified that the current rate of supply of affordable housing in the borough will not meet growing housing need. Between 2007 and 2026 it is estimated there will be a need for 3,200 new affordable homes, which equates to 233 homes per annum. Housing Associations constructed around 39 dwellings per year between 2001/2 and 2010/11, illustrating the shortfall in affordable housing provision.

3.2 In order to increase affordable housing supply, the Council has identified a number of garage sites across the borough, which would be suitable for redevelopment for affordable housing for rent. In addition, the Council has accumulated Right To Buy Capital Receipts, which could be invested to provide new affordable housing for rent.

- 3.3 Three sites at Fawters Close, Magdalen Gardens and Fielding Way have been identified as the initial tranche of garage site development and architects have been engaged to prepare planning applications for these sites. Architects are currently preparing the drawings for planning submissions and it is anticipated that the Fawters Close and Magdalen Gardens planning applications will be submitted to DTM on 19th October 2015. Fielding Way requires a further detailed design review. Subject to the outcome of this exercise, this site could be prepared for a planning submission in 2016. Alternatively, a substitute site would be identified.
- 3.4 The Housing and Health Committee of 17th June 2015, considered two options for progressing the development of the garage sites:
- Option 1- direct development by the Council, procuring a building contractor to deliver the programme, retaining the housing in Council ownership.
 - Option 2 - delivery of the social housing by procuring a Framework partner (or RP) to purchase the sites and develop the housing.

4. Issue, Options and Analysis of Options

- 4.1 This report focuses on three possible options for delivering the Garage Site Redevelopment Proposals:
- Option 1- the Council secures planning approval and disposes have the freehold or long leasehold interest in the garage sites on the open market for affordable housing development.
 - Option 2 - the Council directly procures a contractor to build affordable housing on the garage sites, which remain in Council ownership.
 - Option 3 - the Council procures a framework of preferred Registered Provider (RP) developer partners to acquire and redevelop the freehold or long leasehold interest in the garage sites for affordable housing, with Fawters Close retained in Council ownership and managed by the Council.

- 4.2 Option 1 involves the Council securing planning approval for affordable housing for the garage sites to be disposed of on the open market. The advantage of this option is that the Council would have the potential to receive a capital receipt for the disposal of the land, with the prospect of the sites being developed for affordable housing under the planning consents. If the Council opted to dispose of the sites on a long lease for say, 125 years, the Council could retain the freehold and achieve an annual ground rent income.
- 4.3 The disadvantage of this option is that the Council would have limited control over the quality of the housing constructed or the timing of the developments. This option would also not enable the Council to spend its accumulated Right To Buy Capital Receipts.
- 4.4 Option 2 involves the Council directly developing the sites for affordable housing for rent to be retained in Council ownership. The advantage of this option is that the Council would have full control over the design and quality standards and would be able to design the housing to meet a specific housing need. The Council would also have full control over the timing of the housing delivery, which is a particular advantage in spending the Right To Buy Capital Receipts. The completed properties would remain in Council ownership and would increase the Council's asset base.
- 4.5 The disadvantage of this option is that the Council would be required to create a dedicated development team to take the schemes forward. Given the size of the Garage Site Redevelopment Proposals, this would not generate the development income required to sustain a dedicated development team.
- 4.6 Option 3 - involves the Council procuring a framework of suitably experienced and resourced RP developer partners to develop the garage sites for affordable housing. It is proposed that the Fawters Close site would be developed on behalf of the Council by framework RP developer partner/s, retained in Council ownership and managed by the Council. It is proposed that the freehold or long leasehold interest in the sites at Magdalen Gardens and Fielding Way would be acquired by a RP framework developer partner and redeveloped for affordable housing to be managed by the RP.

- 4.7 The advantage of this option is that RPs has the capacity to deliver high quality new build affordable housing. As developing RPs, they have access to construction and consultancy services. Their development programmes are significant and they have the potential to achieve better value for money in their construction costs when compared to the Council's costs in delivering smaller new build programmes.
- 4.8 Another advantage is that the Council can invest its Right to Buy Capital Receipts in affordable housing for rent delivered by RP developer partner/s. Within this option, there is flexibility in the scale of development; for example, the RP developer could take on a rolling programme of garage or other site developments. This option would also allow the Council to retain some of the stock in Council ownership. If the Council disposed of the long leasehold interest in the garage sites and retained the freehold, this would generate an annual income for the Council in the form of ground rent.
- 4.9 The disadvantage of this option is that the RP developer will largely have control of the delivery. The developments retained by the Council would be delivered under a development agency arrangement and the Council would be required to pay the RP a development agency fee for this service. The other disadvantage is that the RP developer framework would need to be procured and there would be a timing implication in achieving this.

5. Reasons for Recommendation

- 5.1 Assessing all the options, option 3 is recommended as the most advantageous option for the Council. This option would provide:
- expertise in the delivery of the social housing;
 - value for money in construction costs;
 - high quality new build affordable housing;
 - the capacity to spend the Right to Buy Capital Receipts;
 - the opportunity for the Council to retain some of the development in Council ownership;
 - The potential for a rolling programme of garage site redevelopment.
 - The potential to dispose of the long-term leasehold interest in the sites and generate an annual income from the ground rents.
- 5.2 It is recommended that the Council undertake a soft market testing exercise to establish RP interest in bidding to become framework partners to redevelop Council garage sites.

5.3 Subject to the outcome of the market testing exercise, it is recommended that the Council procure a framework of RP developer partners to develop the 3 garage sites, as follows:

- acquire and redevelop Magdalen Gardens for general needs affordable housing for rent;
- redevelop Fawters Close for older peoples affordable housing for rent, to be retained in Council ownership;
- acquire and redevelop Fielding Way for general needs affordable housing for rent subject to a further design review.

5.4 It is further recommended that the option to substitute Fielding Way with an alternative Council garage site is approved, subject to the outcome of a detailed design review.

5.5 The Council would procure the RP framework through an OJEU process. RPs with affordable housing development programmes and a housing management presence in Brentwood would be invited to tender. Bidders would be invited to become framework partners for 3 years. Bidders would be required to demonstrate their ability to deliver high quality affordable housing; strong financial capacity, effective partnership working and added value. They would be invited to tender for the acquisition and redevelopment of Magdalen Gardens and Fielding Way and the provision of a development agency service for Fawters Close.

5.6 Potential garage sites development opportunities coming forward would be highlighted in the tender as future 'mini-tendering' opportunities within the framework.

5.7 The indicative procurement timetable is as follows:

Activity	By when
Structured soft market testing	Sept 15
Prior Information Notice (PIN) issued	Oct 15
Prepare Invitation To Tender (ITT)	Nov 15
Issue ITT documentation	Dec 15
ITT Tender clarification period Bidders to submit tenders (6	Jan 16

weeks tender period)	
Tender evaluation period	Mar 16
Notify bidders of tender outcome and contract award with Ten Day standstill period.	April16
Award Contract and successful bidder/s mobilisation.	May 16
Anticipated Fawters Close and Magdalen Gardens start on site	June 16
Anticipated completion	Mar17

5.8 Planning timetable is as follows:

Activity	By when
Revised plans completed	Sept 2015
Resident consultation	Sept 2015
Pre app information submitted prior to DTMs	Beginning of October 2015
Re-submit pre-application meeting with Brentwood Borough Council	19 Oct 2015 (DTM)
Re-submit planning application	W/C 19 th October 2015 after DTM
Planning and Licensing Committee	1December 2015

5.9 The estimated costs to achieve this procurement programme are:

- Legal advice- £10,000
- Procurement advice - £10,000
- Preparation of tender documentation - £12,000
- Project Management - £14,000

The successful framework partner/s would be requested to cover the Council's costs to procure the framework.

5.10 It is proposed that Right To Buy Capital Receipts funding is gifted to the framework partner/s to deliver the Garage Site Redevelopments. 30% of the total scheme costs of the redevelopments can be funded and it is anticipated this could be granted to the RP developers for spend in 2016/17.

6 Consultation

- 6.1 Resident and stakeholder consultation events are planned to take place on 12th and 13th September 2015. Residents and Stakeholders will be given the opportunity to comment on the designs at Fawters Close and Magdalen Gardens before the planning applications are submitted in October 2015. The scheme at Magdalen Gardens will provide 3 x 3 bedroom family houses. Fawters Close is a scheme of 4 single storey homes designed for older people wishing to downsize from their existing Council homes. The Fielding Way design requires further development before consultation can take place.

7 References to Corporate Plan

- 7.1 The Council's Corporate Plan aims to:

- broaden the range of housing in the borough to meet the needs of Brentwood's population now and in the future and;
- achieve a better mix of housing to meet Brentwood's needs, including a wider range of housing solutions for older people.

- 7.2 The Housing Strategy 2013-16 aims to:

- Address opportunities for delivery of new housing through the emerging asset management strategy;
- continue to foster partnership arrangements with registered social landlords to deliver affordable housing.

The garage redevelopment proposals aim to broaden the range of housing in the borough to meet housing needs including housing solutions for older people.

8 Implications

Financial Implications

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- 8.1 As outlined in paragraph 5.8 the estimated cost of the procurement process will be in the region of £46k.
- 8.2 Option 3 as recommended in the report complies with the retention guidelines as issued by Central Government. This option complies with OJEU process and will provide the council the best Value for Money.
- 8.3 Government guidelines state that the retained 'Right to Buy' receipts have to be spent in three years. Any unspent amount has to be repaid to Central Government after this time. The properties do not have to be built within the 3 years, However the project must have been started within this timescale.
- 8.4 The retained receipts amount cannot exceed 30% of the total project costs. The HRA Business Plan currently budgets for the minimum project costs to be spent on Affordable Housing. Therefore, the funds are set aside to be utilised by the HRA contributing 70% of the project cost from revenue.
- 8.5 The estimated procurement costs will form part of the total project costs and the time line is in correlation with the retention guidance as issued by Central Government.

Legal Implications

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- 8.6 At this stage there are no legal implications of substance until details of responses are received.

Other Implications (where significant) – i.e. Health and Safety, Asset Management, Equality and Diversity, Risk Management, Section 17 – Crime & Disorder, Sustainability, ICT.

- 8.7 None.

9 Background Papers (include their location and identify whether any are exempt or protected by copyright)

- 9.1 None.

10 Appendices to this report

None.

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