

Report to: Housing Scrutiny Committee	31 <sup>st</sup> October 2005
Executive Board	7 <sup>th</sup> November 2005
Housing Advisory Board	18 <sup>th</sup> November 2005

**MAJOR PROJECT APPROVAL FOR THE REDEVELOPMENT OF COUNCIL OWNED GARAGE SITES**

<b>Report of:</b>	<i>Strategic Director (Housing, Health and Communities) and Chief Finance Officer</i>	<b>WARDS AFFECTED</b>  Barton & Sandhills, Churchill, Headington Hill & Northway, Marston, Quarry, Risinghurst, Blackbird Leys, Littlemore, Northfield Brook, Rose Hill, Iffley, Cowley Marsh, Lye Valley
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<b>Lead Member Responsible:</b>	<i>Housing Portfolio Holder</i>	
<b>Overview and Scrutiny Committee Responsibility:</b>	<i>Housing Overview and Scrutiny Committee</i>	
<b>Key Decision:</b>	<i>Yes</i>	

**SUMMARY AND RECOMMENDATIONS**

**This report seeks to obtain major project approval, and approval under Contract Procedure Rule 9 to dispose of land at five Council owned former garage sites and one former play area at Dynham Place to Home Group Limited for no consideration.**

**The report gives details of the scheme and also alternative ways of meeting the Councils objectives as required under the Councils Constitution.**

**The redevelopment of these sites directly supports the Council's vision of working with others to deliver shared goals by meeting its objective of providing more affordable/social housing, as well as making Oxford a safer city.**

The report does not have significant staffing implications.

**The Executive Board is ASKED to:**

- i) grant Major Project Approval under section 5.04 of the Contract Regulations for the development of the sites for affordable housing**
- ii) approve Warden Housing Association ( as part of the Home Group Ltd**

group structure) as the development partner for the scheme  
iii) approve the disposal of the sites listed in section 3.2 of the report to Home Group Ltd freehold with vacant possession at nil cost under Rule 9 of the Contract Regulations  
iv) instruct the Neighbourhood Renewal Manager and Legal Services Manager to negotiate the detailed terms for disposal of the land and to complete the transfer of the land.  
v) *recommend to the Council to vire £400k in developer contributions to a new scheme identified as Phase 1 Garage Sites Redevelopment, comprising the sites at Holland Place and Dynham Place.*

## 1. BACKGROUND

- 1.1 Executive Board on 24<sup>th</sup> May 2004 considered an option report on the redevelopment of 14 council owned garage sites across the City. The Board agreed to work with Warden Housing Association (WHA), which is the development housing association under the Home Group Limited group structure on the preferred option of developing a mix of housing for sale and affordable housing. Sales receipts from the private housing would be used to cross subsidise the affordable housing which would form a minimum 50% of the total units developed.
- 1.2 Executive Board in August 2004 agreed that the option of securing more affordable housing in the scheme should be pursued through the use of S106 contributions for affordable housing and Housing Corporation Social Housing Grant as opposed to cross subsidising affordable housing development from sales receipts.
- 1.3 For purposes of economies of scale and to make the project more attractive to Partners in addition to avoid cherry picking, the 14 sites were packaged into one scheme and the Councils four Housing Association Partners Warden, Catalyst, Oxford Citizens and Bromford were given a brief, which included indicative housing mix for each site as well as options for development. As a result of the submissions, only Warden considered the options outlined within the brief and it is on that basis that Warden were approved as the Housing Association to redevelop the 14 garage sites.
- 1.4 ***The Executive Board on 24<sup>th</sup> May 2004 considered a number of options for the garage sites. The options consisted of the following:***
- ***development of housing for sale with no social housing***
  - ***development of a mix of housing for sale and social housing***
  - ***development for social housing only***
  - ***do nothing***
  - ***await the outcome of the stock option appraisal***
  - ***develop a community facility.***
- 1.5 ***The Executive Board approved the option of a development of a mix of housing for sale as well as social housing. Executive Board subsequently agreed in August 2004 to ask officers to investigate the possibility of Warden Housing Association securing forward funding to achieve option 3 - all social housing. They also asked that option 2 – a***

***mixture of social housing and sale housing – be pursued as a fallback position to avoid any unnecessary delay in progressing the scheme.***

## **2. OBJECTIVES**

- 2.1 The objective of the scheme is to provide more affordable housing to meet a range of housing needs and to bring back into use sites, which are a source of nuisance to their respective communities, which meets the Council's Vision of making Oxford a safer city.

## **3. REDEVELOPMENT PHASES**

### **Phase 1**

- 3.1 Since the Housing Scrutiny meeting on 8<sup>th</sup> July 2004 the Council and Warden has set up a Project Group. The Project Group carried out an appraisal of each site in order to establish which sites could be developed first. The appraisal included defining site boundaries, legal constraints, and initial discussions with Planners, detailed site surveys and Highways Consultation. On the basis of this appraisal the Project Group decided to develop the garage sites over two phases.
- 3.2 The first phase of six sites have been selected as the most- straightforward to develop and are as follows:

<b>OXFORD GARAGE SITES</b>						
				Rent	Shared Ownership	Total
	Unit Type	Beds	Persons	Units	Units	
<b>Holland Place</b>	House	3	5	2	-	2
	House	4	7	1	-	1
	Flat	2	3	6	2	8
<b>Dynham Place</b>	House	3	5	6	-	6
<b>Kestrel Cres.</b>	Flat	2	3	-	2	2
<b>Kempson Cres.</b>	House	3	5	-	3	3
<b>Periwinkle Place</b>	House	2	4	2	-	2
	House	3	5	2	-	2
<b>Boundary Brook</b>	Flat	2	3	2	-	2
	Flat	2	3	4	-	4
<b>Total</b>				<b>25</b>	<b>7</b>	<b>32</b>

- 3.3 The Council will receive nomination rights in perpetuity for the housing units. These will be 100% of initial lettings and 75% of relets and the value to the Council in terms of savings on temporary accommodation at current prices of £601,126.
- 3.4 It is proposed to fund these sites from a combination of Warden putting in some of their own money, the Housing Corporation Social Housing Grant and S106 contributions from the Council. WHA have submitted a bid to the Housing Corporation for grant funding of £1.4m from the 2006/ 2008

Approved Development Programme. Capital allocations will be announced in February 2006.

- 3.5 The scheme is all affordable housing and is therefore providing additional units over and above the original proposal to the 50% required under the affordable housing planning policy. In these circumstances, grant funding through S106 contributions is appropriate because contributions of this type can only be used to provide additional rather than replacement social housing and these garage sites are being developed for the first time. Executive Board is therefore asked to approve funding of £400k from the £1m S106 contributions currently held by the Council.
- 3.6 This will be used to fund the development of the rented houses at Holland Place and Dynham Place and will supplement the Housing Corporation grant which will fund the remainder of the affordable housing. Family housing for rent for homeless households is the priority need and is the most difficult to deliver through other means. *In addition, the number rented houses delivered under the scheme would not be provided if the sites were developed privately under planning policy.* By targeting its funding in this way, the Council is ensuring that it derives optimum benefit from its investment.
- 3.7 There is a risk that the Housing Corporation will not grant funding in February but Warden have indicated that they will still be able to develop the sites using their own funds. Warden feel confident that in the event of not receiving funding this year they will receive grant through the Corporations 3-year forward funding programme. Warden will continue to bid for funds through the Housing Corporation. If they do not receive Corporation funding Warden will forward fund the cross subsidy scheme for which revised project approval will be sort in February 2006 when the Housing Corporation announces the successful allocations.

## **Design**

- 3.8 The first phase contains 80% rent and 20% shared ownership, which meets planning policy requirements. The rented units are predominantly houses but there are some 2-bed flats for young families, which enable the sites to be developed more effectively. In the past these have been problematic to let leading to early transfer requests if care is not taken over the size and layout of the flats. The Council will therefore require proper access and storage for pushchairs, drying space for clothes and appropriate play/amenity space for young children.
- 3.9 Along with more traditional types of construction Warden is also exploring the possibility of using modern methods of construction through an arrangement they have with an off site-housing manufacturer. The new units will be built to Eco homes 'Very Good' standard and Warden have made a commitment to work with the Council on including other energy efficiency improvements within the budget of the scheme.

## **Phase 2**

- 3.10 Following Warden's site investigations and the appraisals, some garage sites have now been removed from the scheme or are subject to further investigations:

- **Rivermead Road** - it is proposed to include this site in the Rose Hill Orlit replacement scheme and Outline Planning Approval has been granted for 6 family houses. The garages have been demolished pending the redevelopment of the site
- **Barracks Lane** – Executive Board gave approval on 4<sup>th</sup> April 2005 for the local community to establish a community garden.
- **Knights Road** - it has been agreed with Housing Services to remove this site from the redevelopment programme due to its unsuitable location at the rear of the shops on Blackbird Leys. Other options for this site are currently being explored with Housing Services
- **Sermon Close** - the sewer running through the centre of the site makes it financially unviable to develop. Warden is exploring whether it would become viable if the play area was excluded in favour of additional housing.
- **Windrush Tower** - Warden is currently redesigning the plans for this site in order to address the concerns raised by their housing managers about the narrow entrance to the site and overlooking from the block. It is not possible at this time to confirm whether the site would be included in Phase 2.
- **Kersington Crescent** – Due to the level of demand for the garages on the site and the potential for possible objection from the local community it has been agreed to remove this site from the programme.

3.11 Phase 2 of the redevelopment programme consists of the following sites: -

- Horspath Road
- Crowberry Road
- Balfour Road
- Alice Smith Square
- Stockleys Road
- Sermon Close
- Windrush Tower

The numbers and mix of units on these sites is being appraised in light of the objective to deliver additional affordable housing and a further report will be made early in the New Year.

3.12 In total there are 263 garage units affected by the proposal.

#### **4. OTHER MEANS OF ACHIEVING THE OBJECTIVES**

- 4.1 Opportunities in the City to develop affordable housing are very limited as the Council has developed its land bank and given the high level of need, and the Council's particular need for family housing for homeless households, the use of Council owned land for this purpose should be optimised.
- 4.2 Appendix 1 summarises the options for the sites and indicative site valuations are given in the Confidential Appendix attached
- 4.3 Under Prudential code, the Council could borrow to construct the dwellings itself. Given that Government would not provide any funding, if the Council

developed the sites, the repayments and interest would be more than the rental income and there may be subsidy implications.

- 4.4 The Council could sell the land on the open market, producing a capital receipt for the land as shown in the Confidential Appendix. *The sites individually are small and it is uncertain how the affordable housing planning policy would be applied if they were developed singly. If the planning policy were to apply, 50% of the dwellings would be affordable and this would produce significantly less of affordable housing to meet the needs of homeless households.*

## **5. CONSULTATION**

- 5.1 There have been no comments received as a result of the report being placed on the Forward Plan at the time of writing this report.
- 5.2 Highways have been informally consulted regarding each site. They have been generally supportive on the proviso that any car parking spaces/garages lost are replaced elsewhere.
- 5.3 All the Area Committees were consulted on the proposals at the end of 2003. Warden have agreed to ensure that the local area committees and residents are involved through out the redevelopment programme in order to achieve thoughtful design as well as to assist future management of the sites. It is our intention to have further consultation on each site with local exhibitions prior to a Planning Application being made.
- 5.4 Meetings have taken place with Planning Officers in order to discuss the programme for development and the proposals to each site. Planning Officers are happy with progress to date and it is the intention to meet with them again prior to the planning application being made.

## **6. PROCUREMENT**

- 6.1 Warden were competitively selected as one of the Council's RSL partners in May 2000 for the procurement of new social housing. Members are asked to note that Warden was confirmed as the Council's RSL partner for this scheme by Executive Board in May 2004 following a competitive bidding process amongst the RSL partners.

## **7. DETAILS OF LAND DISPOSAL**

- 7.1 Approval is sought to dispose of the sites (edged black on the attached plans) freehold with vacant possession at nil cost as set out in the option selected by Executive Board in June 2005. The land is held for housing purposes by the Council under Part II of Housing Act 1985.
- 7.2 Local authorities are able to dispose of land at less than market value to Registered Social Landlords under a General Consent from the Secretary of State (The General Consent under Section 25 of the Local Government Act 1988 for the Disposal of Land to Registered Social Landlords). This is for the provision of rented housing let on periodic tenancies and for housing sold on long lease on a shared ownership basis and this consent would be applied to

the disposal of the garage sites because they are being developed solely for affordable housing.

- 7.3 No further consent of the Secretary of State to this disposal is required by virtue of Section 32 of the Housing Act 1985 or Section 123 of the Local Government Act 1972.
- 7.4 The land is to be transferred to Warden once planning permission has been granted and prior to the commencement of development.
- 7.5 All the garages are let under a weekly licence and the Council's Housing Services will be responsible for terminating the garage lets.

## 8. PROGRAMME

- 8.1 The timescale for the redevelopment of the Phase 1 sites is as follows: -
- Submit advert to the European Journal – August 2005
  - Receive response from Contracts – September 2005
  - Assess response by RSL – September 2005
  - Conduct detail assessment of contractor – October 2005
  - Appoint contractor - October 2005
  - Bid to the Housing Corporation – October 2005
  - Re-establish project team – October 2005 work up site for planning submission
  - Planning submission - To be agreed following appointment of the contractor
  - Outcome of Housing Corporation bids – February 2006
  - Phase 1 start on site - June 2006
  - Phase 1 completion - June 2007
  - Phase 2 start on site – *Provisionally 2006/07*

## 9. FINANCIAL IMPLICATIONS

- 9.1 Under the Prudential code all reasonable options need to be considered. Local Authorities, in carrying out their duties under Part 1 of the Local Government Act (England and Wales) 2003 are required to have regard to all aspects of the Prudential Code that relate to affordability, sustainability and prudence. This means that a range of options has to be considered as set out above and summarised in the attached appendix
- 9.2 Details of the site valuations are given on the Confidential Agenda. The financial implications for the Council of disposing of the site at nil cost are the potential loss of a capital receipt. The valuation details are given in the Confidential Agenda.
- 9.3 ***The Council is asked to allocate funding of £400k from the S106 contributions of £1m for affordable housing. The sites in Phase 2 may need grant funding to deliver affordable housing and this could require further financial support from the remaining S106 monies once the full appraisals are completed.***

- 9.4 *The S106 monies are currently held in the capital programme against a scheme identified as OAC Site East. **This site was grant funded by the Housing Corporation in 2004/05 and no longer requires funding from the Council.** Executive Board is asked to recommend to the Council to vire £400k to a new scheme to be identified as Phase 1 Garage Sites Redevelopment, comprising the sites at Holland Place and Dynham Place.*
- 9.5 The Planning Policy manager confirms that the expenditure of £400k in developer contributions *in this way* is consistent with the terms of the legal agreements from which this money has been received.

## **10. STAFFING IMPLICATIONS**

- 10.1 Project management will be carried out by existing staff within the Neighbourhood Renewal Business Unit and Legal and Democratic Services staff will progress the land transfers and nominations agreement within existing staff resources.

THIS REPORT HAS BEEN SEEN AND APPROVED BY COUNCILLOR TURNER, PORTFOLIO HOLDER FOR HOUSING AND PLANNING; VAL JOHNSON, NEIGHBOURHOOD RENEWAL MANAGER; PENNY GARDNER, FINANCIAL AND ASSET MANAGEMENT MANAGER; MICHAEL CROFTON BRIGGS, PLANNING MANAGER AND JEREMY THOMAS, LEGAL AND DEMOCRATIC SERVICES MANAGER
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### **Background papers:**

- Garage Redevelopment Report - Executive Board 24<sup>th</sup> May 2004  
Garage Redevelopment Report - Housing Scrutiny Report July 2004  
Garage Redevelopment Report - Housing Scrutiny Report 10<sup>th</sup> February 2005