

Report of: Strategic Director (Housing Health and Community)

To: Executive Board

Date: 17 July 2006

Item No:

Title of Report : Major Project Approval for the redevelopment of Council owned garage sites.



Summary and Recommendations



Purpose of report: 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 Sermon Close to Home Group Limited (Warden Housing Association) for no consideration.

The report gives details of the scheme and also alternative ways of meeting the Council's objectives as required under the Council's 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.

Key decision: Yes

Portfolio Holder: Housing Portfolio Holder

Scrutiny Responsibility: Housing Overview and Scrutiny Committee

Ward(s) affected: Littlemore, Blackbird Leys, Headington Hill & Northway, Risinghurst, Lye Valley

Report Approved by:

Portfolio Holder: Councillor Murray, Portfolio Holder for Improving Housing

Legal: Jeremy Thomas, Legal and Democratic Services Manager

Finance: Penny Gardner, Financial and Asset Management Manager

Strategic Director: Michael Lawrence, Strategic Director Housing, Health and Community



Policy Framework:

Recommendation(s):

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 Limited group structure) as the development partner for the scheme.
- iii) Approve the disposal of the sites listed in section 2.3 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 of disposal of the land and to complete the transfer of the land.
- v) Recommend to the Council to vire £600k in developer contributions to Phase 2 garage redevelopment programme.

1. BACKGROUND

- 1.1 Executive Board on 24th 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 subsidize 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 24th 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

3.1 Since the Housing Scrutiny meeting on 8th 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 Major Project Approval for the redevelopment of Phase 1 garage sites was reviewed by Housing Scrutiny on 31st October 2005 and approved by Executive Board on 7th November 2005 and Housing Advisory Board on 18th November 2005.

3.3 The first phase of six sites were selected on the basis of being the most- straightforward to develop. The second phase of sites were the more complex sites and the details regarding mix are set out below.

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

Site	Proposal	Affordable Rent	Shared ownership	Market Sale
Horspath Road	2 x 2b/4P Flats	3		2

	3 x 3b/5P Houses			
Crowberry Road	4 x 3b/5P Houses 1 x 4b/6P Houses	5		
Balfour Road	1 x 2B/4P Bungalow 1 x 4B/6P House	2		
Alice Smith Square	3 x 3B/5P House		3	
Stockleys Road	6 x 2B/4P Flats	3	3	
Sermon Close	6 x 2b/4P Flats			6
	Total	13	6	8

- 3.5 The Council will receive nomination rights in perpetuity for the housing units. These will be 100% of initial lettings and 75% of relets.
- 3.6 It is proposed to redevelop these sites as a mix of market sale and affordable rented housing. The funding will be a combination of Warden putting in some of their own money, S106 contributions from the Council and receipts from market sale. Details are given appendix.
- 3.7 Unlike Phase 1 the scheme is being carried out without Housing Corporation funding due to the uncertainty of the Corporation's bidding timetable and the need to bring these sites into development as soon as possible.
- 3.8 Developer Contributions of through S106 contributions is required for this scheme and Executive Board is asked to approve funding of £600,000 for Phase 2 from the £1 million Section 106 contributions currently held by the Council. £400k has already been agreed for Holland Place garage site in Phase 1. Developer Contributions through Section 106 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. If Housing Corporation grant is received at a later date this will deliver something extra to meet additional housing needs – more rented or larger units.
- 3.9 This will be used to fund the development of rented houses. 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.

- 3.10 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 as they are doing with Phase1. 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, such as solar panels.

4. OTHER MEANS OF ACHIEVING THE OBJECTIVES

Option 1 - Development of housing for sale with no social housing.

The Council would enter a profit sharing arrangement as against taking a receipt for the land only. The basis for any share will be agreed with the preferred Housing Association partner. This option contains risks as the profit is based on assumptions about housing market valuations and consequently the value of properties could go down as well up. Any profit will be subject to negotiation between the Council and the Housing Association and will be paid at the end of the redevelopment programme.

Option 2 - Development of a mix of housing for sale and social housing.

Sales receipts will be used to cross subsidise the social housing and will produce 7 affordable units for rent and 13 market sale. This option also contains a risk similar to Option 1 as the profit is based on assumptions about housing market valuations and consequently the value of properties could go down as well up. Any profit will be subject to negotiation between the Council and the Housing Association and will be paid at the end of the redevelopment programme.

Option 3 - Development of social housing only

This option would produce 20 units for rent but would be dependent on Housing Corporation funding as well as the developer contribution.

[This is not possible within the next bidding round]

Option 4 – Do nothing.

This would involve the Council leaving the garage sites as they are many of which are an eyesore. This would be an unpopular option to all parties as it is necessary to develop the sites now in order to prevent further problems of Anti-social behaviour, which have been identified as taking place by Police and Housing Management. Additionally Housing Management state the garages are a financial drain on Council resources. Many of the garages are difficult to let and require substantial investment in repairs to bring them up to a good lettable standard to give them a long-term future. The estimated refurbishment cost per garage is £1440.

Option 5 – Council demolishes the garages: -

The Council demolishes the garages leaving the sites cleared. The cost of which would have to be met by the Council. The affect of clearing the sites would produce a saving in maintenance costs. Between 2000–2003 the Council spent an estimated sum of £72,365 on the planned maintenance of the garages in Phases 1 & 2. This does not take into account Officers' time spent in managing the sites, in addition to outside agencies such as emergency services that have to deal with incidents, which occur as a result of anti social behaviour. Clearing the site of garages would help reduce incidents of anti social behaviour and nuisance to the local community.

Option 6 – The Council clears the site and sells the land on the open market

The Council clears the sites and sells the land on the open market, producing a capital receipt for the land. This money could then be used for reinvestment as part of the Decent Homes Standard or social housing developments elsewhere in the City. The Council could sell the land on the open market, producing a capital receipt for the land as shown in the Confidential Appendix. All of the sites individually are small below ten units and it is unlikely that the affordable housing planning policy would be applied if they were developed.

Option 7 – Community facility

Sites could be developed for alternative proposals like a community garden or selling the land to neighbouring residents who could incorporate it into their existing garden. Approval from Members would be required to dispose of the land and viability of alternative developments would need to be demonstrated to the Councils satisfaction.

- 4.1 Indicative site valuations are given in the Confidential Appendix attached

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 2004. 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). Specific consent from the Secretary of State however is required under section 32 of the Housing Act 1985 for the disposal of the private sale land and the Council will therefore seek disposal consent for these sites.
- 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 2 sites is as follows: -

- Planning submission – November 2006
- Planning agreed - March 2007
- Phase 2 start on site – May 2007
- Phase 2 completion – June 2008

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 £600k from the S106 contributions of £1m for affordable housing.
- 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 £600k to a new scheme to be identified as Phase 2 Garage Sites Redevelopment.
- 9.5 The Planning Policy manager confirms that the expenditure of £600k 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.

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Background papers: None

