

**Report of:** Community Housing Business Manager

**To:** Executive Board

**Date:** 19<sup>th</sup> February 2007

**Item No:**

**Title of Report :** Rose Hill Redevelopment – Land Disposal Consent and Selected Development Partner



### **Summary and Recommendations**



**Purpose of report:** The report sets out the outcome of the tender process of Rose Hill redevelopment scheme and describes the structure of the scheme now that the draft Development Agreement has been produced. Consent is sought to dispose of the Council's land to the preferred bidder for the scheme, subject to the Development Agreement being entered into.



**Key decision:** Yes

**Portfolio Holder:** Housing Portfolio Holder



**Scrutiny Responsibility:** Housing Overview and Scrutiny Committee

**Ward(s) affected:** Rose Hill & Iffley

### **Report Approved by**



**Portfolio Holder:** Councillor Patrick Murray

**Legal:** Jeremy Thomas



**Finance:** Mark Luntley



**Policy Framework:** Oxford Plan – 'Reducing Inequality through Social Inclusion and More Housing for Oxford'

### **Recommendation(s):**



Executive Board is ASKED to:



1. Approve the key changes to the scheme following the conclusion of the tender process



2. Grant approval under section 9.05 of the Contract Regulations to dispose of the Council's land to Oxford Citizens Housing Association for affordable housing



iii) grant approval under section 9.05 of the Contract Regulations to dispose of the Council's land for private sale housing to the selected development partner, subject to the satisfactory conclusion of negotiations on the Development Agreement.

## **1. BACKGROUND**

1.1 The Rose Hill Redevelopment scheme comprises the following:

- 98 Council owned properties( including 97 Orlit properties)
- sites at Stephenfield House and Rivermead Road
- Alice and Margaret House ( sheltered housing scheme owned by Oxford Citizens Housing Association)

1.2 In November 2005, Executive Board granted:

- in principle approval to the disposal of the Council's land for a mixed development of affordable housing and private housing for sale with cross subsidy from the sale units funding the affordable housing.
- grant funding of up to £1,000,000 towards the cost of the affordable housing
- delegated powers to Strategic Director (HHC) to conclude the selection of a Developer and to enter into a Development Agreement with the Developer and Oxford Citizens Housing Association (OCHA).

## **2. PROCUREMENT**

2.1 The scheme is being procured on the basis of a Development Agreement between OCHA, the Council and a Developer. A draft Development Agreement has been agreed jointly by the Council and OCHA and formed part of the tender

2.2 The scheme was tendered to a shortlist of four bidders at the end of September and three tenders were returned on 1<sup>st</sup> December 2006 and these have been assessed by a panel comprising officers from the Council, OCHA and representatives of the Council and OCHA tenants affected.

2.3 The tenders have been assessed against:

- indicative plans and designs,
- a construction programme which is based on rehousing existing tenants as a priority
- response to the draft Development Agreement
- affordable housing construction costs and levels of subsidy from the sale of dwellings
- other (health and safety, equal opportunities, training)

2.4 Details of the tender assessment are set out in the exempt from publication Appendix

### **3. REDEVELOPMENT SCHEME DETAILS**

- 3.1 As a result of the negotiations with OCHA on the Development Agreement, there is more detail on the form of the scheme and the financing and the significant changes are set out below.

#### *Council Default*

- 3.2 The grounds on which the Council could be held to be in default, and potentially liable for damages, has been significantly reduced by limiting them to the specific areas of payment of grant, the transfer of land and the failure to take reasonable steps to secure vacant possession.

#### *Rehousing and Vacant Possession*

- 3.3 The sequential rehousing of tenants as phases are completed involves potential financial risks to the Council if the development programme is delayed as a result of land not being transferred on time. Securing vacant possession is ultimately a matter for the Courts and the risk will be limited if the Council follows a closely prescribed procedure in order to secure possession.
- 3.4 The priority in the construction programme is to rehouse existing tenants and currently 30 Council tenant households have opted to be rehoused in the new scheme while 13 households are seeking transfers. OCHA have 15 tenants to rehouse from Alice & Margaret House in the new sheltered housing block. This will leave 55 additional rented dwellings to be let to meet priority need.

#### *Land transfer / Funding*

- 3.5 The Council will transfer the affordable housing land to OCHA under a phased programme which will mean tenants only moving once. Land for the private sale housing will be transferred to the Developer on the same phased basis and the Developer will dispose of the properties to the individual purchasers.
- 3.6 This is different from the outline proposal considered by Board in November 2005 where the Council would have conveyed the individual plots of land in order to avoid duplicating Stamp Duty payments. Legal advice indicated that a trading subsidiary would need to be set up to process the individual plot transfers and therefore the more traditional conveyancing process should be pursued.
- 3.7 Funding of up to £1m from the Council was approved by Executive Board in November 2005. OCHA have also secured £1.3 m in Social Housing Grant from the Housing Corporation for the first phase of the affordable housing redevelopment.

### *Acquisition of Owner Occupied Properties*

- 3.8 Six owner occupied properties will be purchased to create larger sites and enable higher density of development. OCHA have acquired 46 Nowell Rd, and served notices to exercise the Option on 7 and 19 Rivermead Road and 3 Wynbush Road. On the remaining properties, OCHA have exchanged on the Option Agreement at 100 Nowell Road and are in negotiation with the owners on another Nowell Road property.
- 3.9 It was envisaged that the Council might need to serve Demolition Notices under the 2004 Housing Act if there were Right to Buy applications in key development areas. These Notices suspend the Council's statutory obligation to transfer property under Right to Buy. This has not proved necessary to date and there are currently no outstanding applications in the areas scheduled for redevelopment.

## **4. RISK ASSESSMENT**

- 4.1 The risks of carrying out the scheme were presented to EB in 2005 and have been updated below.

<b>Risk</b>	<b>Impact</b>	<b>Control Response</b>
Unforeseen construction costs for affordable housing	Medium	<ul style="list-style-type: none"> <li>• Budget provision made for risk items prior to Development Agreement being signed</li> </ul>
Housing Corporation grant may not be allocated	High	<ul style="list-style-type: none"> <li>• £1.3m secured for first phases</li> <li>• Further bids to be made in 2008/10 round</li> <li>• Revise tenure split to increase cross subsidy</li> </ul>
Vacant possession of Orlit houses not achieved	High	<ul style="list-style-type: none"> <li>• Development Agreement contains process which reduces OCC's exposure to financial penalties if possession not achieved</li> <li>• Mechanism for the scheme to be amended and areas excluded if possession cannot be secured.</li> </ul>
Owner occupied properties not acquired	High	<ul style="list-style-type: none"> <li>• OCHA have acquired 46 Nowell Rd, served notices to exercise their option on 7/19 Rivermead and 3 Wynbush, exchanged on the Option Agreement at 100 Nowell Road and are in negotiation on another Nowell Road property</li> <li>• Use CPO proceedings</li> <li>• Limited redesign</li> </ul>

## **5. LAND DISPOSAL**

- 5.1 Executive Board gave in principle approval under section 9.04 of the Contract Regulations to the disposal of the Council's land in November 2005. With the generation of subsidy through the sale of properties on the open market as the major source of funding for the affordable housing, the Council's land for affordable housing will be transferred freehold at nil cost with vacant possession and the Council's land for private sale housing will be transferred freehold at market value with vacant possession.
- 5.2 Approval is now sought under section 9.05 of the Contract Regulations to dispose of the land for private sale housing to the preferred bidder, subject to the Developer entering into the Development Agreement in the agreed form, and the land for affordable housing to OCHA, subject to entering into the Development Agreement.
- 5.3 Local authorities are able to dispose of land for affordable housing 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). The value of the financial assistance/gratuitous benefit provided under this consent to OCHA by way of the disposal is less than £10 million.
- 5.4 Specific consent from the Secretary of State 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 the whole scheme as soon as Board approval has been granted.

## **6. PROGRAMME**

- 6.1 The project timetable is currently being overseen by the Rose Hill Core Group which comprises the relevant Portfolio Holders, Ward Councillors and officers and senior managers from OCHA.
- 6.2 Progress towards starting building works is subject to the successful resolution of a number of elements, principally detailed planning consent and negotiations on the Development Agreement. It is estimated that a Developer will be appointed in the spring this year, detailed planning consent granted in the summer and start on site in the autumn.

## **7. CONSULTATION**

- 7.1 A temporary project co-ordinator is to be appointed to act as the primary point of contact for the tenants affected by the scheme. There will be a tenants' representative on the interview panel and the post will be based at OCHA. The co-ordinator will be in regular contact with the tenants on the estate and through the Tenants' Development Group

which has been operating as the focus for consultation with residents on issues such as design.

7.2 A newsletter about the scheme has been distributed periodically to the wider estate and Core Group has agreed that this should now be expanded to cover estate wide issues around regeneration.

7.3 Consultation with tenants and the wider community is a key objective for the Council and Core Group is ensuring that communication with residents is co-ordinated as much as possible. Residents meetings through the Tenants and Residents Association are being dovetailed with the public meetings dealing with wider regeneration matters on the estate and a date of 23<sup>rd</sup> April has been provisionally set for a meeting to start the public consultation on the detailed design of the scheme. The first edition of the estate newsletter will go out in early April to help publicise this.

## **8. STAFFING IMPLICATIONS**

8.1 There are no staffing implications arising from this report

**Name and contact details of author:** Steve Northey 01865 252717  
[snorthey@oxford.gov.uk](mailto:snorthey@oxford.gov.uk)

**Background papers:** None