

**To:** City Executive Board

**Date:** 9<sup>th</sup> March 2010

**Item No: 7**

**Report of:** Head of Corporate Assets

**Title of Report:** Sale and development of sites at Dora Carr Close and Westlands Drive, Northway and Barns Road, Cowley and future provision of community facilities at these locations.

### **Summary and Recommendations**

**Purpose of report:** To advise the City Executive Board on the outcome of the procurement process undertaken to obtain detailed proposals for the construction of affordable homes and two new community facilities at Westlands Drive, Dora Carr Close and Barns Road and to seek approval to appoint GreenSquare Group as the preferred development partner and to enter into a Development Agreement and to dispose of the properties on the headline terms outlined herein and otherwise on detailed terms and conditions to be agreed by the Head of Corporate Assets.

**Key decision:** Yes

**Executive lead member:** Councillor Antonia Bance

**Policy Frameworks:** Regeneration Framework.  
Asset Management Plan.  
More Housing, better housing for all.  
Improve the local environment economy and quality of life.  
Tackling inequalities and supporting communities.  
Transforming the Council by improving value for money and Service Performance.

**Recommendation(s): The City Executive Board is asked to;**

Approve the appointment of Greensquare Group as development partner and to enter into a Development Agreement and to dispose of the freehold interest in the three sites at Dora Carr Close, Westlands Drive, Northway and Barns Road on the headline terms outlined in Appendix 3, and otherwise on detailed terms to be approved by the Head of Corporate Assets.

There are four Appendices attached to this report:

Appendix one contains plans of the three subject sites. The remaining appendices are confidential and therefore not for publication. Appendix 2 is the risk register, Appendix 3 sets out the headline terms and conditions of this transaction and Appendix 4 is the final stage tender evaluation.

## **1. Summary**

- 1.1 This report provides the City Executive Board with the detail of the process that has taken place to bring this project to the final stage of selecting a preferred bidder and requests approval to select GreenSquare Group as the Council's preferred development partner.
- 1.2 This project incorporates the redevelopment of 3 sites with the emphasis on the maximisation of affordable housing, the relocation of Emmaus (a Council charitable tenant) from Northway to Cowley and the reprovision of community facilities at Northway and Cowley.

## **2. Background**

- 2.1 On 30<sup>th</sup> June 2010, City Executive Board agreed in principle to the disposal of the three sites at Northway and Cowley, the sites are edged in black on the plans attached at Appendix 1. In addition, the CEB agreed to the process involved in pursuing the disposal and agreed that the provision of Community Centre activities would include for the City Council moving away from direct delivery. Finally, CEB noted that the disposal process would provide the option to maximise affordable housing in lieu of capital receipt.
- 2.2 The sites are; Dora Carr Close, Northway extends to 0.8ha (1.98 acres) and currently provides dated community and sports facilities, car parking and small workshops. A multi storey office building on part of the site was demolished in 2009. Westlands Drive, Northway extends to 0.18 ha (0.44 acres) occupied by Emmaus for the recycling and sale of furniture. The building provides a net internal floor area of 452.4 sq m (4870 sq ft) and the location and layout are not appropriate for the current use. Barns Road extends to 0.26 ha (0.64 acres) and was previously occupied by Cowley Community Centre which was demolished in 2009.
- 2.3 The disposal has five principal elements:
  - Disposal of the three sites with an emphasis on the maximisation of affordable housing across the sites.
  - Replacement of the Community Centre and Sports facilities at Northway.
  - The provision of a Community facility within the Barns Road development.

- Relocation of Emmaus (a charitable tenant of the City Council) from Northway to the Barns Road site at no cost to the project.
  - Ongoing ownership and management of both Community facilities by the development partner and full responsibility in consultation with the Council for the provision of Community activities at each centre to meet the needs of the whole community.
- 2.4 Due to recent changes to the provision of grant funding for affordable residential development, bidders were required to submit proposals on the basis of nil grant from the Homes and Communities Agency. The bidders were also advised to model their proposals based on current planning policy within the city (i.e. social rented and shared ownership rather than the proposed discounted market rents).

### **3. Report**

- 3.1 Due to the Council's requirement to achieve the maximisation of affordable housing, replacement community facilities and ongoing management of the same, the project fell under the remit of the EU Procurement Regulations 2006.
- 3.2 This project initially attracted a lot of interest from the market and 30 parties requested full details of the opportunity. Following a bidder day when the key objectives of the project were clarified the interested parties contracted to Registered Providers only. Stage 1 Pre Qualification Questionnaires (PQQ) focused on the ability of bidders to deliver the project (financial standing, capacity and capability to deliver the project). Following an assessment of the PQQ's, four bidders were selected to enter into competitive dialogue with the Council. Two bidders subsequently withdrew during the process. Two bidders were invited to submit final tender proposals in December 2010.
- 3.3 Following receipt of the final bids, Council officers have clarified the proposals to ensure that the detail is fully understood. In addition, detailed financial appraisals have been provided and fully analysed as part of the process.
- 3.4 Throughout the tender process the Council has engaged with key stakeholders on progress, the detail and building design as appropriate. For example, representatives from Northway Community Association and Emmaus have taken part in dialogue meetings. This has enabled the stakeholders to be involved in shaping the final proposals.
- 3.5 During all of the dialogue stage, the bidders were encouraged to meet with the Council's planning officers to discuss their proposals, The Head of City Development is broadly happy with the schemes of the preferred bidder for each site at this stage subject to further detailed pre-application discussion on outstanding matters.

- 3.6 The two final bidders have also presented details of the proposals to the officer panel, stakeholder group and Lead and Ward Members.
- 3.7 As a result of the tender evaluation carried out by Corporate Assets, Business Improvement and Housing & Communities services, the GreenSquare Group are recommended as the preferred development partner on conditions as set out in the attached confidential appendix. At Appendix 4 is a précis of the final stage tender evaluation marks for the 2 parties.
- 3.8 The GreenSquare Group incorporates OCHA and Westlea Housing Association. OCHA are located adjacent to the Barns Road site in Cowley. On completion of the development the affordable housing will be purchased and managed by OCHA.
- 3.9 The GreenSquare Group proposal will provide the following:
- A high proportion of affordable housing (a mix of social rented and shared ownership). This proportion is significantly higher than the 50% required by planning policy.
  - A two-storey community facility at Northway extending to approximately 2900m<sup>2</sup> (31,200ft<sup>2</sup>) which will include a sports hall. The design of the new building will allow the Community Association to expand the range of community activities, potentially increasing their income from commercial activities. The enhanced sports changing facilities will now meet the requirements of the football leagues based there. It is intended that the facility will be run by the Community Association who will be granted a lease for 25 years at a peppercorn rent. It is a requirement of the proposal, and GreenSquare have committed, that the new replacement facility will be provided before the demolition of the existing centre. This provision will be guaranteed through the legal documenting of the proposals.
  - At Barns Road, the new facility extends to 215m<sup>2</sup> (2134ft<sup>2</sup>) and will be capable of being efficiently used and include a small catering area. The location of OCHA's existing adjacent offices will enhance and support the operation of the new Cowley community facility OCHA will manage the facility directly with input from the Council's Community Development Team and local stakeholders.
  - GreenSquare have committed to working closely with the Council's Community Development Team and to support the delivery of the Council's community objectives. This commitment will be underpinned by the provision of a full time Marketing and Development worker to support the Northway Community Association and Barns Road community facility for the first two years and part-time for a further three years. This resource will improve the use and sustainability of the facilities.

- GreenSquare have confirmed that they will retain responsibility for the community facilities in perpetuity; this relieves the Council of ongoing maintenance costs and costs of direct management.
  - Emmaus has confirmed its acceptance of the GreenSquare proposal of a retail unit of approximately 522m<sup>2</sup> (5619ft<sup>2</sup>) with ancillary accommodation and secure parking fronting Barns Road. The cost of this unit is to be wholly borne by Emmaus and will come at no cost to the project. The new facility will provide significant advantages to Emmaus, the charity will be able to trade much more efficiently in a more appropriate location to reach its customer base.
  - GreenSquare has committed to the Council's Living Wage policy and, as a Registered Provider, OCHA have procurement policies that are broadly aligned to our own.
  - During the construction phase GreenSquare has committed to offer a minimum of 12 new apprenticeships.
  - GreenSquare envisage commencing building works during the course of 2012 with completion of the project in early 2015.
  - Throughout the tender process GreenSquare has demonstrated full commitment to delivering the Council's objectives for this project. In addition, GreenSquare will work closely on the project with Hab Oakus (a joint venture between GreenSquare and Hab). Hab have significant experience in delivering sustainable design solutions.
- 3.10 The structure underpinning the details of the transaction (apart from ongoing delivery of the community facilities) will be based on a development agreement. This will place an obligation on GreenSquare Group to develop the site as per the agreed parameters. It will also oblige the City Council to transfer ownership of the land (although this is likely to be phased). The agreement will also set out a timetable and longstop dates and will incorporate step in rights to ensure delivery.
- 3.11 In so far as Barns Road is concerned, a management agreement will be entered into to guarantee direct delivery by GreenSquare.
- 3.12 At Northway, a tripartite management agreement will bind the Council, Northway Community Association and GreenSquare/OCHA to ensure delivery. Northway Community Association will be granted a Lease.
- 3.13 There will also be a contractual arrangement with Emmaus which will oblige them to purchase the new unit on completion.
- 3.14 Finally, it is envisaged that some form of restrictive covenant will be placed on Dora Carr Close and Barns Road which will protect the continuing community uses.

#### **4. Risk Implications**

- 4.1 Throughout this tender process the project team has maintained a risk register and required each bidder to do the same. A copy of the current risk register relating to this report is attached at Appendix 3.

#### **5. Sustainability and Climate Change Implications**

- 5.1 GreenSquare Group is committed to improving sustainability and reducing the carbon impact of this project. To demonstrate, GreenSquare has provided KPI's showing their proposed carbon reduction targets. In addition, the Barns Road residential element will be car free with GreenSquare proposing to set up a car sharing scheme. Finally, it will also look for design solutions to reduce the environmental impact of the development. The design will achieve level 4 of the Code for Sustainable Homes and the Community Centres will achieve a BREEAM "Excellent" rating. It is expected that the project will be an exemplar for the Pathway to Waste campaign.
- 5.2 The building materials used will support the aim of reducing carbon, for example the proposal seeks to reduce the amount of cement used in construction and aims to use low carbon materials. The developments will incorporate energy efficient devices such as heat pumps, efficient mechanical ventilation heat recovery systems and A+ rated whitegoods.

#### **6. Equalities Implications**

- 6.1 GreenSquare has submitted an Equalities Impact Assessment as part of its business plan. The plan establishes how the new community facilities will address any inequalities affecting existing and new residents across Cowley and Northway.

The premises will be constructed to current building regulation standards and be accessible to all sectors of the community.

#### **7. Financial Implications**

- 7.1 There is currently a backlog maintenance requirement of £85,000 at Northway Community Centre. This will be removed through replacement of the premises. The average maintenance cost over the last 3 years has been a little under £9,000 per annum. The Council will also be relieved of the costs and responsibilities of holding a currently vacant site at Cowley.
- 7.2 The provision of affordable housing will assist in the reduction of temporary accommodation thus providing a positive effect on Council finances.
- 7.3 GreenSquare has offered a capital payment in addition to the affordable housing provision although the quantum of the payment may be subject to change dependant on changes to detail and financial appraisals.

## **8. Legal Implications**

- 8.1 This tender has been undertaken in full compliance with the EU Procurement Regulations 2006.
- 8.2 There is open land adjacent to Northway Community Centre. The disposal will require advertising in accordance with Section 123 of the Local Government Act 1972.
- 8.3 The Council is under a statutory duty under section 123 of the Local Government Act 1972 to achieve best consideration in any land or property disposal. Best consideration is generally accepted to mean the sum of both financial consideration and non financial benefits that can be quantified in cash terms. In calculating best consideration the Council is also not able to take account of voluntary impositions placed on a disposal as landowner (in the nature say of requiring a greater percentage of affordable housing than is required under planning policy) that serves to artificially depress the consideration.
- 8.4 Local authorities can rely on the provisions of the published General Disposals Consent 2003, which passed to Local Authorities the administration of less than best consideration transactions with an 'undervalue' of no more than £2m. In this instance the decrease in financial consideration arising out of the requirement to provide levels of affordable housing in excess of 50% is estimated to be less than £2m and is detailed in Appendix 3. As it is difficult to be precise about the financial benefit of providing additional units of affordable housing, prudently the Council should deal with this matter as a less than best consideration transaction. The level of the undervalue is below the threshold as set out in the General Consent. However, the additional affordable housing provided by the GreenSquare proposal provides exceptional value for money. This is detailed in the Confidential Appendix 3.
- 8.5. There are no implications for Council staff arising out of these proposals.

## **Conclusion**

9. This is an innovative approach to the use of the Council's property assets to fulfil a number of its core objectives. The project will provide much needed affordable housing and will see the Council working with GreenSquare Group on a partnering basis. There has been considerable joint working with the Community Association and the third sector and ongoing consultation will ensure best in class delivery. Ownership and responsibility for community buildings is being passed from the City Council whilst ensuring long term appropriate service delivery.

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**List of background papers:**

CEB Report - Sale of sites at Dora Carr Close and Westlands Drive, Northway, and Barns Road, Cowley and future provision of community facilities at these locations 30<sup>th</sup> June 2010.

**Version number: 3**

**Appendices**

- 1** Plans of Sites
- 2** Risk Register
- 3** The GreenSquare Group Headline Terms
- 4** Land at Northway and Barns Road – Summary of Final Tender Scores

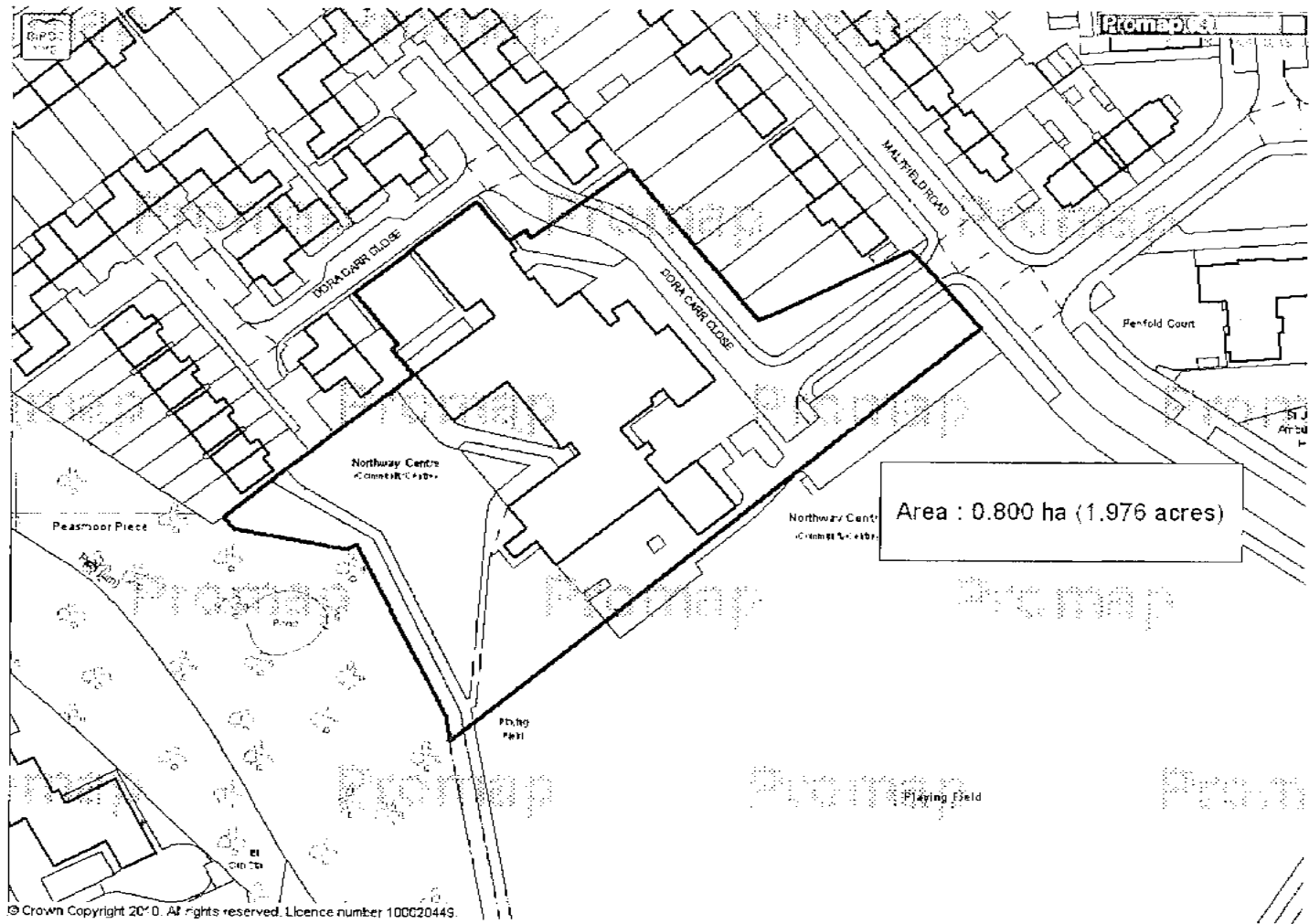


Appendix 1

Plans of Site

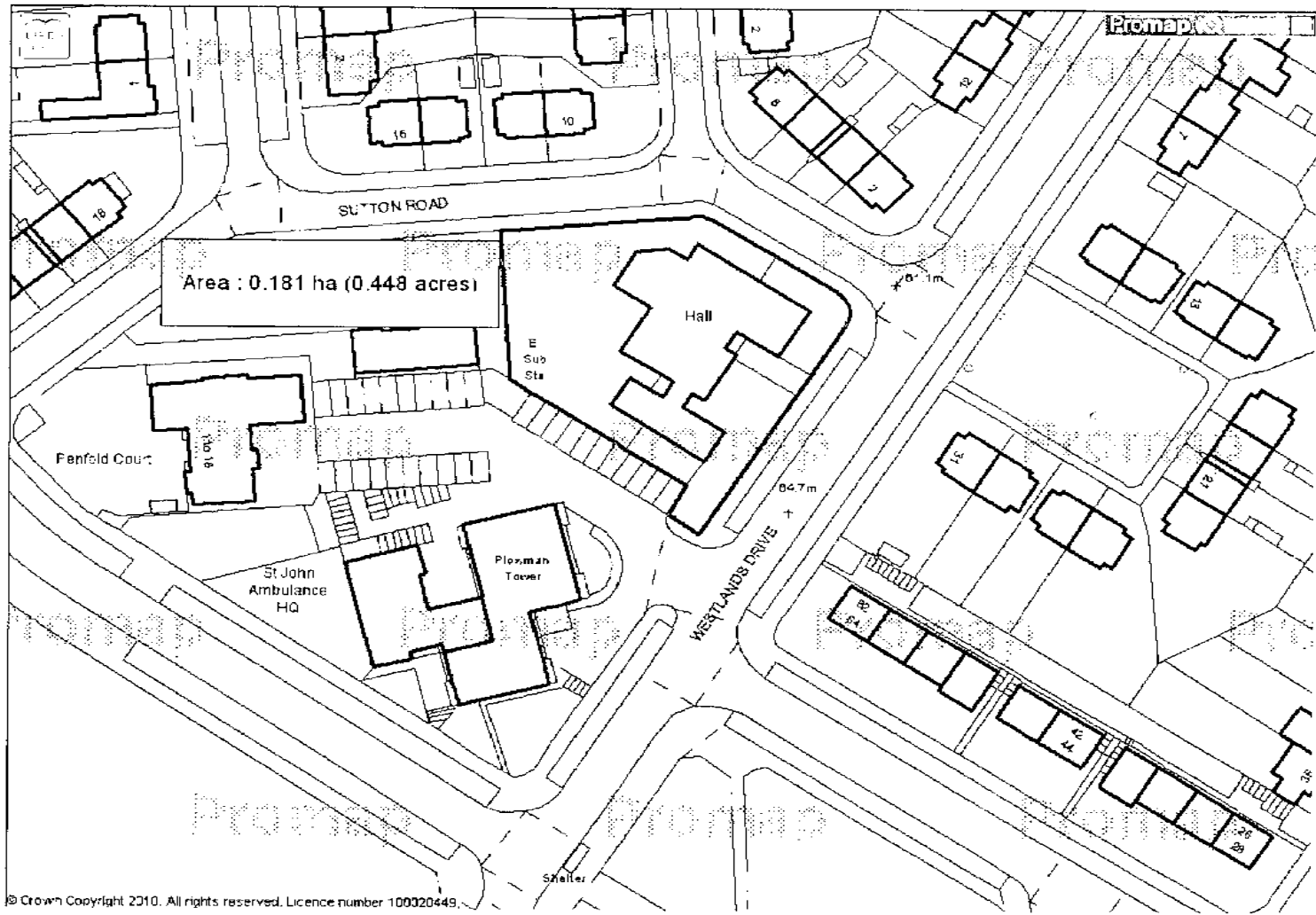


Land at Barns Road



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**Land at Dora Carr Close**



**Land at Westlands Drive**

