

Agenda Item

Executive Board

6 January 2010

PL



Land Sale : Stowford Rise Sidmouth

Exempt Information

Para 3 Schedule 12A - Information relating to the financial and business affairs of any particular person (including the authority holding that information)

Summary

Approval is sought to sell land at Stowford Rise, Sidmouth, for a receipt of circa £1 million, to Devon and Cornwall Housing Association (DCHA) for the provision of 133 properties, 67% of which will be affordable homes. Sale of the land will be at less than market value but will allow for the provision of a significantly higher percentage of affordable homes than our target minimum requirement of 40%.

The report sets out the background to the development and reasons why approval to sell the land should be granted, along with potential risk considerations.

A decision is required at this point to allow a start on site within 6 weeks assuming DCHA are successful in seeking Homes and Communities Agency (HCA) grant funding.

Recommendation

- 1. That the terms of sale for the land at Stowford Rise, Sidmouth, are agreed as set out in Option D in the report, under Section 25 of the Local Government Act 1988, being a disposal at less than best consideration to promote the statutory objectives of improving the economic, social and environmental well-being of East Devon residents in need of Affordable Housing;**
- 2. That the valuation advice be noted.**

a) Reasons for Recommendation

To help deliver our corporate priority of delivering more affordable housing in the district.

b) Alternative Options

To dispose of the land on the open market and only secure 40% affordable housing.
Not to proceed with sale of land.

c) Risk Considerations

If approval is not given without good reason then EDDC will be liable to pay compensation to DCHA

d) Policy and Budgetary Considerations

This consistent with both our Corporate and Housing Strategy.

e) Date for Review of Decision

June 2010

1. Background Information

- 1.1 Following an initial report to the Executive Board on 14 March 2007, the Executive Board approved a report from the Head of Housing and Social Inclusion and the Housing Enabling Officer seeking consent to proceed to Master Plan land in the Council's ownership at Stowford Rise with the Council's chosen Registered Social Landlord partner through a Development Agreement at their meeting on 6 August 2008.
- 1.2 Since then members agreed to proceed in partnership and the following critical events have taken place:
- a. We agreed the Heads of Terms with our partners Devon and Cornwall Housing Association (DCHA) ON 17 December 2008.
 - b. DCHA have held two public consultation events on 16 December 2008 and 21 August 2009 and the suggestions and comments made at these events have been considered and incorporated, where possible, into the master plan.
 - c. DCHA have produced a master plan for the proposed development area, including the detailed design and site layout.
 - d. A planning application was submitted in September 2009 (granted on 8 December 2009) and contracts for sale have been exchanged with DCHA subject to approval from EDDC's Executive Board.
 - e. DCHA have submitted a bid to Homes and Communities Agency (HCA) for funding for the development which have been unsuccessful. At their meeting on 26 October 2009 Strategic Management Team considered the urgent need to make the bid more attractive, including evidence of a significant contribution from the Local Authority. They supported the resubmitting of the bid using Option D which would result in receipt for the land of circa. £1 million (see **Appendix 1**).
 - f. The District Valuer is advising the Council and we are seeking his opinion of the land value and costing appraisals submitted on behalf of DCHA.
 - g. The site has been fenced and site investigation work commenced.
- 1.3 The Executive Board are very aware that the provision of affordable housing throughout East Devon is the council's top priority as set out in both the Corporate Strategy and Housing Strategy 2008-2011, and demonstrated by our Affordable Housing Summit held on 17 September 2009.
- 1.4 This site will provide an excellent level of affordable housing (67%), well above our minimum Local Plan requirement of 40%. There is proven need to this level of housing within the Sidmouth area 355 households on the Housing Register (as of October 2009).
- 1.5 DCHA invited tenders to bid for the build contract. All tenders were interviewed by the Partnership Panel (made up of EDDC, DCHA, Westco (the development arm of DCHA), Trowers and Hamlin (lawyers for DCHA). The successful tender was submitted by Westbury Homes.

2. Summary of terms of sale

The terms of the sale are set out in the Heads of Terms and Master Agreement. The main features being the whole of the land is transferred with freehold title, that part relating to the affordable housing provision to Devon Cornwall Housing Association and at their request the remainder to Westbury Homes.

Transfers are to take place as soon as the conditions set out in The Master Agreement have been satisfied.

- 2.1 Income from sale of land – circa £1 million.
- 2.2 67% (89) affordable housing to be delivered on site, comprising 70% social rented and 30% shared ownership properties.
- 2.3 All properties (133) to be constructed to Code Level 3 for Sustainable Homes.
- 2.4 Section 106 agreement to be approved by all parties.
- 2.5 HCA social housing grant be approved.
- 2.6 All subject to EDDC Executive Board approval.

3. Points for consideration

- 3.1 Planning application (09/1820MFUL) for the site was determined on 8 December 2009. The application was approved subject to various conditions.
- 3.2 Planning conditions require approval from the DCHA Board, but we understand that they are likely to be accepted.
- 3.3 The District Valuer's report is attached as **Appendix 2**. We sought advice as to whether Option D (SMT's preferred option):
 - represented disposal at less than best value than may otherwise be achieved, bearing in mind the increased standard of construction on all open market properties (Code for Sustainable Homes Level 3) as well as Code 3 on all affordable housing
 - the amount of undervalue represented by the 67% affordable housing proposed for this site, and whether the open market property offers best value
 - and to seek advice on whether any specific consents are necessary.

The District Valuer has considered the above and confirms that DCHA's offer (Option D) is acceptable.

- 3.4 DCHA are seeking to provide 67% affordable homes (89 in number) on this site comprising of the following:

Accommodation Type	Affordable (Rented)	Affordable (shared ownership)	Open Market	Total
1 bed apartments	10	0	0	10
2 bed apartments	22	0	0	22
2 bed coach house	0	0	7	7
2 bed terrace	10	16	4	30
2 bed bungalow	2	0	0	2
3 bed terrace	8	6	16	30
3 bed semi-detached	4	3	17	24
3 bed detached	2	0	0	2
4 bed semi-detached	4	0	0	4
Totals	62	27	44	133

- 3.5 This is reflected in the sale cost of the land which, whilst less than market value, will enable DCHA to proceed with this higher level of affordable home provision, and so help to meet our corporate priority of providing more affordable homes.
- 3.6 Viability modelling was undertaken to secure the maximum number of affordable properties that could be provided using the minimum amount of cross subsidy from the open market property sales. The current proposal maximises the affordable housing delivery and ensures that DCHA are able to submit a competitive grant application to the HCA.
- 3.7 The Council has the discretion to sell the land at less than market value to a RSL through The General Consent under section 25 of The Local Government Act 1988 for the disposal of land to Registered Social Landlords 2005.
- 3.8 DCHA are seeking grant from the Homes and Communities Agency (HCA) to provide the higher level of affordable housing provision. The grant amount ranges from approximately £35,000 to £65,000 per unit. Shared ownership properties attract £35,000 per property and the social rented properties up to £65,000 per property. The total grant required is circa. £4.5 million. We expect a decision from the HCA towards the end of December 2009.
- 3.9 We are bringing this request to approve the terms of sale to this Executive Board meeting because HCA grant is conditional upon DCHA being the legal owners of the land when the first grant payment is made. The Master Agreement has therefore been prepared as, effectively the contract for sale so that the land transfers can take place towards the end of January / February 2010, but is conditional upon the matters raised in paragraphs 2.1 to 2.6. The first grant payment is payable on the Start on Site date which, to meet other HCA grant requirements, should commence by the end of January 2010.
- 3.10 The HCA grant funding regime is changing from the end of the year. Applications from January 2010 will have to show that proposed developments are of high priority to the Local Authority and contained within strategic plans.

- 3.11 The sale of land for the open market properties may generate a capital receipt of circa £1 million and potential overage payments from the sale of these properties and the shared ownership properties. The agreed overage (a right for the Council to receive further Capital monies calculated against the net profits of the properties for sale is 75% of the net profit after development costs as approved in line with the Master Agreement).
- 3.12 Section 106 and Nominations Agreements are currently being drafted. EDDC will have full nomination rights to the rented affordable homes in accordance with Devon Home Choice guidelines. Shared ownership properties will be marketed through South West Homes (formerly Homes2own), the local HomeBuy agent.
- 3.13 The development cannot go ahead without HCA grant, or an equivalent funding from elsewhere. If HCA do not award grant funding in December DCHA can reapply but consideration should be given to 2.8 above. Alternatively they may look to EDDC for a further financial contribution in the form of a reduction in the cost of the land or adjust the affordable housing mix.
- 3.14 Contracts for the sale of the land have been exchanged with DCHA subject to approval from EDDC's Executive Board. If approval is not given without good reason, then EDDC are liable to pay DCHA substantial payments in respect of all work undertaken to date.

4. Conclusion

- 4.1 If delivered, the development will provide 89 more affordable homes for the district, and so make a significant contribution towards our target of delivering 200 more affordable homes each year.
- 4.2 Delivery of this percentage of affordable housing (67%) is dependent upon the sale of the land proceeding at the agreed cost which is less than market value.
- 4.3 If approval is not given without good reason EDDC will be liable to pay DCHA substantial compensation.

Legal Implications

Comments from Legal Section: This scheme has been developed in close partnership with Legal Services throughout and we have, we believe minimised the risk to the Council to the extent that it is possible to do so given that the scheme is being developed with a partner, which is also a registered social Landlord. The private part of the Development is essential to subsidise the scheme, and also to provide a capital return on part of the land. There are still certain conditions to be satisfied, particularly the Grant Funding but subject to a suitable resolution to these issues it should be possible for the Development to be commenced in February

Financial Implications

Accepting the reduced capital receipt at less than market value, needs to be weighed against the provision of a higher % of affordable homes. Provision of Affordable Housing is one of EDDC's main corporate priorities.

Consultation on Reports to the Executive

Previously reported. Extensive public consultation undertaken as part of the planning process.

Background Papers

- Papers submitted to Executive Board meeting held on 14 March 2007 and 6 August 2008.
- Stowford Rise, Sidmouth – Note for Strategic Management Team 27 October 2009 (Appendix 1)

Paul Lowe,
Housing Enabling Officer

Executive Board
6 January 2010

Appendices

- 1 – Stowford Rise, Sidmouth – Note for Strategic Management Team 27 October 2009
- 2 – District Valuers report