

**SUBJECT: Crick Road – Proposed disposal to Melin Homes**

**MEETING: Economy & Development Scrutiny Committee**

**DATE: 30<sup>th</sup> November 2017**

**DIVISION/WARDS AFFECTED: All**

**1. PURPOSE:**

Pre-decision scrutiny on the proposal to sell Crick Road to Melin Homes to enable the construction of 285 residential units.

**2. RECOMMENDATIONS:**

- 2.1** That Economy & Development Scrutiny Committee review the proposal and provide a steer on the recommendation to sell the land to Melin Homes.

**3. KEY ISSUES:**

- 3.1** Crick Road is a 10.95 ha site allocated within the Local Development Plan as a strategic development site. The site is owned by this Council (shown in red) and a third party (shown in blue) as illustrated on the plan in Appendix 1.
- 3.2** Cabinet gave approval in June 2016 to enter into discussions with Melin Homes for the sale of this site on the basis that the development would support the creation of a cohesive community that has regard to its place and local context, whilst still observing the legal requirements that bind the Council when disposing of assets to achieve best consideration.
- 3.3** Since this report Council Officers and Melin Homes have been working collaboratively to design a scheme that has regard to its rural context, applies Poundbury principles, creates a sense of community and belonging and is underpinned by dementia friendly principles. The outcome is a design that will provide 285 homes, 71 of which will be affordable, embodies green infrastructure principles and has a mix of residential designs and scale. The houses for sale will be developed by Melin's trading arm, Now Your Home with the remainder being retained and managed by Melin Homes.

- 3.4** Surveys have been commissioned to establish development constraints and abnormal development costs so that the residual land value could be calculated. To date abnormal development costs have been identified in the region of £3,000,000 which relate to drainage, utilities, ground conditions and ecological issues. It is intended that as these costs are finalised the parties will share in any savings on an equal basis.
- 3.5** Discussions are underway with the owners of the third party land on the basis of an equalisation agreement. This will reflect the net value of the site, less costs and the benefit then apportioned on the basis of the size of the land holding.
- 3.6** There is a Service need to re provision a new dementia friendly residential care facility and this site has been identified as the preferred location. A separate report is being presented by Social Service colleagues to consider the business case for this proposal, however it is worth noting that the design prepared has allocated 2.3 acres to the care facility. In the event that this does not proceed we would expect the land to be incorporated within the residential scheme, subject to the necessary planning consents.
- 3.7** Provisional heads of terms have now been agreed which will be the subject of an independent valuation to determine that the terms meet the obligations of S123 of the Local Government Act.

**4. REASONS:**

- 4.1** The purpose of this approach is to enable the design to consider and where possible mitigate legacy issues that can arise from a development that does not consider context, local environment and place shaping principles. This proposal seeks to comply with the S123 best consideration requirement but also support social and sustainable principles in compliance with Wellbeing agenda.
- 4.2** The design proposed seeks to maximise the financial opportunities, without compromising its social outcomes as Melin Homes will have a long term commitment to this site which will be maintained beyond the sale phase and will continue as the community evolves. The whole community will benefit from the services that they provide as part of their management model.
- 4.5** This approach marks a shift away from the traditional contractual model and provides both parties with the opportunity to work collaboratively to maximise the benefits. This has already been evident in the development of the site design and financial case as all of the due diligence and negotiations have been undertaken in an open and transparent manner underpinned by a

shared purpose and clarity of outcomes. In the event that this approach is successful it could be replicated on other sites.

#### 4.6 Options Appraisal

Option	Benefits	Risks	Evaluation
Do Nothing	<ul style="list-style-type: none"> <li>• The site would remain as agricultural land</li> <li>• No impact on biodiversity.</li> </ul>	<ul style="list-style-type: none"> <li>• Allocated site in the LDP, if the site is not developed there would be a shortfall of circa 280 homes</li> <li>• No affordable housing would be constructed.</li> <li>• No capital receipt to support 21<sup>st</sup> century schools build programme.</li> </ul>	<p>There is a need for new housing as evidenced by the LDP and this site is allocated. Public expense has already been incurred and there is a need for affordable in Monmouthshire to offset the high cost of private market homes. Therefore this option is discounted.</p>
Sell the site via a transactional approach	<ul style="list-style-type: none"> <li>• The Council would minimise risks of challenge as the sale price would be agreed via a tender situation.</li> <li>• A single payment could be negotiated at the point of planning consent that would guarantee the capital receipt for 21<sup>st</sup> century schools.</li> <li>• Minimises officer time and input as the purchaser would design the site and undertake any discussions with the community and LPA.</li> <li>• Able to evidence best price through the disposal process.</li> </ul>	<ul style="list-style-type: none"> <li>• The Council as landowner will not be able to influence design considerations beyond a development brief.</li> <li>• Potential that the bidder will offer a value that does not fully consider the abnormal / development costs fully and will seek to reduce the affordable housing element on the basis of viability.</li> <li>• The Council will ultimately take responsibility for any legacy issues that arise out of any failures by the developer, this can include unadopted highways, street lighting, poorly designed bin routes, lack of green space etc.</li> <li>• A traditional house builder does not have a long term interest in the site as it will passport the affordable units to the appointed RSL and once the private units have been constructed, leave the site.</li> <li>• Unlikely to be an open book approach, therefore unlikely to share in the benefit of any abnormal</li> </ul>	<p>This would be the simplest solution for the Council acting as landowner and an option that we have employed on many sites. We can include overage agreements to allow us to share in any savings/ uplifts on an agreed percentage. This type of arrangement however, promotes financial value only. It does not establish a long term relationship with the developer and the community they are developing and developers profit and viability will take priority over affordable housing. Given that social housing is a Council priority we wish to safeguard the 25% allocation. We would be able to do this, but only if we were prepared to take a reduced capital</p>

		<p>savings or uplift in residential values unless this is agreed as part of the heads of terms.</p>	<p>receipt in the event that the developers profit was threatened by increased development costs. We have therefore considered another disposal method that would enable us to protect financial returns as well as consider social value in accord with the Well Being of Future Generations agenda.</p>
<p>Sell the site to an RSL</p>	<ul style="list-style-type: none"> <li>• Long term relationship with the County and existing stock.</li> <li>• PSB partner signed up to the same priorities and policy objectives and is committed to the Future of Well-being principles.</li> <li>• Co-design the site to ensure that profit is not maximised at the expense of good community design.</li> <li>• Value added services that could be provided to the new community post development</li> <li>• Opportunities for Y Prentis scheme</li> <li>• Open book approach to costs and income.</li> <li>• Lower developers profit as not driven solely by commercial return</li> <li>• Long term relationship with the site as they will be retaining and managing the affordable housing units.</li> </ul>	<ul style="list-style-type: none"> <li>• Risk of challenge from a developer as the site is not being market tested.</li> <li>• Will have to rely on an independent valuation to demonstrate market value, rather than a market testing process.</li> <li>• RSL's have a good experience of managing housing stock and building affordable homes, but are relatively new to constructing market housing and therefore may not have the experience or economies of scale that a house builder could provide.</li> <li>• Could be longer lead in times for construction and sale as they develop marketing teams etc.</li> </ul>	<p>This is the harder option due to the risks of challenge and demonstrating best price. The Council has taken legal advice to mitigate any risk of challenge and are obtaining an independent valuation to ascertain the market value of the site. The RSL's are now entering the private sector market to enable them to cross subsidise affordable housing, and have recruited teams with the necessary skills and expertise to become a credible development partner. The long term relationship with the RSL's through the LSB and now PSB and their commitment to the Future of Well beings Act provides us with an opportunity to derive a commercial return from the sale of the land, facilitate the 25% affordable housing allocation and provide community support post construction</p>

			completion. Given that the Council's other site at Rockfield farm will be marketed on the basis of a transactional approach, it is proposed that this new procurement method is tested on this site to determine proof of concept.
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**5. RESOURCE IMPLICATIONS:**

5.1 Heads of terms have been agreed which are to be independently verified through an independent valuation.

**6. FUTURE GENERATIONS AND EQUALITY IMPLICATIONS:**

6.1 The concept proposed if agreed and subsequently adopted will provide significant opportunities to plan effectively for the future needs of the new community and provide affordable homes.

**7. SAFEGUARDING AND CORPORATE PARENTING IMPLICATIONS**

There are none.

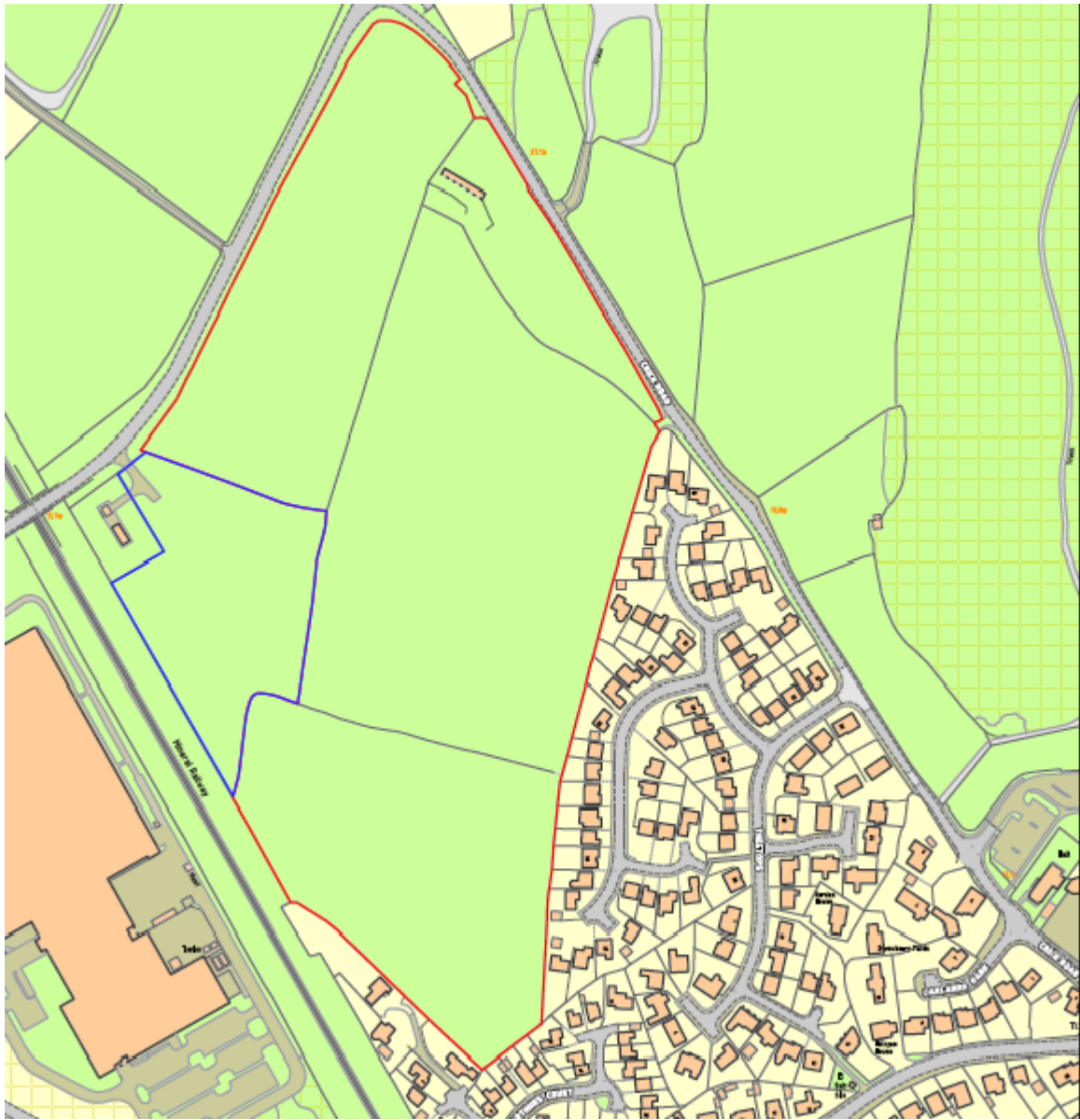
**8. BACKGROUND PAPERS:**


June 2016 Cabinet Report

**9. AUTHORS:**

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## Appendix 2

### Evaluation Criteria

<b>Title of Report:</b>	<b>Crick Road – Proposed disposal to Melin Homes</b>
<b>Date decision was made:</b>	<b>Report to be considered 01.11.17</b>
<b>Report Author:</b>	<b>Debra Hill-Howells</b>

#### **What will happen as a result of this decision being approved by Cabinet or Council?**

The land will be sold to Melin Homes who will apply for a planning consent to construct circa 280 homes on the site. The Council will acquire 2.29 acres of land to undertake the development of a new residential care facility (if the business case is subsequently approved by members).

12 month appraisal

Was the desired outcome achieved? What has changed as a result of the decision? Have things improved overall as a result of the decision being taken?

#### **What benchmarks and/or criteria will you use to determine whether the decision has been successfully implemented?**

If planning approval is granted the scheme will take 5 years to build out. The success of the scheme will therefore need to be monitored over a longer period than 12 months and will have regard to the following:

- Successful grant of planning consent
- Number of affordable units agreed with the LPA
- Number of affordable housing units constructed
- Number of market house constructed

12 month appraisal

*Paint a picture of what has happened since the decision was implemented. Give an overview of how you fared against the criteria. What worked well, what didn't work well. The reasons why you might not have achieved the desired level of outcome. Detail the positive outcomes as a direct result of the decision. If something didn't work, why didn't it work and how has that effected implementation.*

#### **What is the estimate cost of implementing this decision or, if the decision is designed to save money, what is the proposed saving that the decision will achieve?**

The proposal is intended to generate a capital receipt for the Council which will be used to support Council priorities.

12 month appraisal

*Give an overview of whether the decision was implemented within the budget set out in the report or whether the desired amount of savings was realised. If not, give a brief overview of the reasons why and what the actual costs/savings were.*

Any other comments

