



Cabinet
15 November 2016

**Report from the Strategic Director
of Resources**

For Action

Wards affected:
Dudden Hill
Welsh Harp

**Church End car park site acquisition of additional land for
housing development**

*Appendix 3 is confidential.

1.0 Summary

Cabinet approval was granted on 20 January 2016, for the redevelopment of the Church End car park site in Brent Council's ownership to provide 34 homes, in conjunction with Catalyst Housing Group, who would develop 65 homes on adjacent land in their ownership bringing the total number of units between both sites to 99 new homes.

An opportunity has arisen for Brent Council to purchase Catalyst's freehold interest in their site, to enable Brent to deliver the entire scheme of 99 homes.

2.0 Recommendations

- 2.1 That Cabinet agree to the acquisition of the Catalyst Housing owned land and buildings necessary to implement the entire redevelopment of the Church End car park site (see confidential appendix three for details of the proposed purchase price)
- 2.2 That Cabinet, in respect of the Catalyst land agree to capital investment of £21.8m to bring forward the development of the planning consented 65 homes and associated commercial units on the Church End car park site.
- 2.3 That Cabinet note that £8.2m was approved for the development of 34 new homes on the adjoining council owned site, due to increased build costs, that Cabinet approve an additional £500k.
- 2.4 That Cabinet note, the total investment required for the redevelopment of the Brent & Catalyst land is a total scheme budget of £30.5m.

- 2.5 That Cabinet delegate authority to the Strategic Director of Resources in consultation with the portfolio lead member to finalise contract terms and appropriate the land referred to in paragraph 2.1.

3.0 Detail

Background

- 3.1 In January 2016, Cabinet approved a capital investment of £8.2m to bring forward 34 units on Council owned land, working in partnership with Catalyst Housing Group who owned adjacent land which would deliver 65 units. Brent Council's land and the Catalyst site both have separate planning committee resolution to grant consent.
- 3.2 Officers have been working with Catalyst Housing to bring forward the development. In order to meet the delivery timetable, options were considered, and it was proposed to bring the two sites into single ownership. Officers approached Catalyst Housing to discuss the purchase of their element of the site, to bring the entire site into Brent's ownership.
- 3.3 After negotiations, Catalyst and Brent agreed Heads of Terms, to sell their interest in the Church End site. The agreed price is supported by a RICS valuation dated 13 September 2016 (See confidential appendix three).

Alignment with Strategic Objectives

- 3.4 Officers consider that the proposed purchase is consistent with the Council's strategic objectives as set out below:
- The **Strategic Property Plan 2015-19**, sets out a presumption for Brent to retain its limited property assets, utilising them to support regeneration, generating revenue savings, and capital investment for new income generation.
 - The **investment strategy** (April 2016)
 - **Temporary Accommodation Reform Plan** (March 2016), approved the development of long term Private Rented Sector (PRS) homes which can be let to homeless households at Local Housing Allowance (LHA) rates and
 - **Brent Housing Strategy 2014-19** seeks to significantly increase the supply of affordable housing and minimise the use of Bed & Breakfast accommodation
- One Council Strategic Objectives.** The development is a strategic fit helping to meet the Council's statutory duty to provide for homeless families. It delivers Council budget savings from Bed & Breakfast accommodation.
- **Cabinet approval 20 Jan 2016**, Church End Redevelopment Update and Investment Proposals.

Business Case

- 3.5 Bringing the sites into single ownership will simplify the delivery process and give Brent full control of the site. Acquisition of the site will increase Brent's units from 34 to 99.
- 3.6 Developing the full car park site will fit in with the Council's aspirations to regenerate one of the five growth areas in Brent, and is seen as a turning point for the regeneration of the area.

The Proposal

- 3.7 The Catalyst site has planning consent for 65 residential units (including 8 shared ownership units) and two commercial units. The entire site has planning consent for 99 residential units and three commercial units, as set out below;

	Existing Scheme	Proposed Purchase	Total
1 bed Flat	13	10	23
2 bed Flat	20	54	74
3 bed Flat	0	1	1
3 Bed House	1	0	1
Total	34	65	99
Commercial	1	2	3

- 3.8 The council will seek to appoint consultants and a suitable contractor via an OJEU compliant framework. Officers will seek cabinet approval to enter into a building contract.

Next steps and programme

- 3.9 The next steps for the proposed development and indicative dates are detailed below:

Appointment of Employer's Agent	(Nov 2016)
Legal Searches for land purchase	(Nov 2016)
Due diligence for land purchase	(Dec 2016)
Preparation of Employer's Requirements	(Jan 2017)
Completion on land acquisition	(March 2017)
Tendering for contractor	(Dec 2016 – Mar 2017)
Consultation with ward Councillors on Neasden lane	(Nov 2016)
Planning application for Neasden lane Market	(Nov 2016 - Jan 2017)
Marketing for Neasden lane Market Operator	(Nov 2016 - Jan 2017)
Suspension of Church End Market	(Mar 2017)
Cabinet report on authority to award build contract	(Mar 2017)
Appointment of building contractor	(Apr 2017)
Start on Site	(June 2017)

Risks

- 3.10 Officers have identified the following key risks together with mitigation of those risks;
- Construction cost risk - Early appointment of an Employer's agent and cost consultant will enable an effective procurement strategy to be developed,

mitigating the risk of rising build costs. Development of Employer's requirements will assist in achieving competitive tenders. Acquiring the Catalyst site will eliminate the risk of potential delays caused by a development partner. (Refer to confidential appendix three)

- Sales risk - The Catalyst element of the site had 8 shared ownership units originally. Both planning permissions specify that the scheme is car free, with minimal parking spaces to disabled units only. Shared Ownership units without parking may be more difficult to sell. Many units in London have this same problem, so this is why Brent will work closely with local agents to ensure that the units are marketed well in advance of completion. Officers will seek to sell the shared ownership units off plan firstly to those living and working in Brent Council as a priority and if the units still remain unsold then cascade the marketing of the units to all London boroughs. If the units still remain unsold then officers will seek to convert the units to affordable rent subject to financial viability.
- Scheme Delivery - Early engagement with the Employer's Agent will interrogate a number of aspects of the scheme, to ensure the Council is able to gain maximum advantage of the contracting market.
- Site/Title issues - Acquisition is conditional on clear title to the land, and a report on title is being prepared. A thorough risk assessment exercise will be carried out with the Employer's Agent, prior to exchange of contracts.
- Commercial units- The Catalyst site has two commercial units in addition to the one on the Brent Council site. The planning consent for the two Catalyst commercial units are for A1 use (retail), the planning consent for the Brent units are for A1, A3, B1 and D1 (retail, café/ restaurant, office and clinic). Officers will ensure that the units are marketed at a very early stage.
- Competition – There is a site directly across the road that is being developed, which is slightly smaller but farther along the development process. In theory, this could reduce demand due to greater supply in the area but demand should not be viewed in isolation, as London-wide it is still growing, so it is more important that the development is viewed positively and early marketing should reduce this risk. Potentially, this other development may represent an upside risk as it should help raise property values in the area, reducing the level of risk to the project's financial viability. Officers will carefully monitor the impact of this nearby development to ensure that the competition does not negatively affect the development's marketing strategy.
- Japanese Knotweed has been identified on both the Catalyst and Brent council sites. This will have an impact on the saleability of the units as there needs to be a 7 meter clearance from the Japanese knotweed for banks to lend on the affected units. To mitigate this risk, officers will need to commission a survey, obtain a Japanese knotweed management plan and secure an insurance backed guarantee. Banks will need evidence of the management plan and insurance backed guarantee in order to approve mortgages on the affected units.

4.0 Financial Implications

- 4.1 The new 65 unit scheme requires £21.8m of budget (including acquisition costs as found in confidential appendix three). There is an additional request for £500k of extra budget for the previous 34 units due to updates to construction cost estimates.
- 4.2 Officers have appraised the 65 unit scheme and the financial inputs are summarised in confidential appendix three.
- 4.3 The 65 unit Catalyst scheme is set out below. It is worth noting that 41 out of the 65 units are affordable products and that the Council reserves its right to significantly increase the rental element of this scheme as long as it is financially viable. One of the largest advantages of a large shared ownership component of the development is that it allows the Council to recycle its cash into future affordable developments quicker. However, this is not the only consideration.

Unit	Affordable Rent	Shared Ownership	Private Sale	Total
1 Bed Flat	3	5	5	13
2 Bed Flat	12	20	19	51
3 Bed Flat	1			1
Total	16	25	24	65

- 4.4 The flat rents and prices are as below. Conversations between Finance and Property led to the decision to choose the minimum sale price that the Council might reasonably expect to achieve in today's market. This was due to reasons of prudence. Also all private units will be let at intermediate rents not exceeding Local Housing Allowances that will reduce by 1% per year for the till 2020.

Units	Affordable Rent Weekly Rent (£)	Shared Ownership Weekly Rent (£)	Sale Price (£)
1 Bed Flat	238.50	119.25	300,000.00
2 Bed Flat	300.60	150.30	375,000.00
3 Bed Flat	351.90	175.95	450,000.00

- 4.5 As found in the below table (taken from Valuation report dated 13th September 2016), the valuation report identified the capital values of the new build units in Church End. Officers reduced the sales prices in the calculation of the NPV to reflect the mixture of tenures on this scheme. However, it must be noted that the sales prices identified are based on today's values and officers will continue to review the sales prices before the units go out to market.

Type	Capital Value
One Bedroom Flats	£330,000
Two Bedroom Flats (3 person)	£400,000
Two Bedroom Flats (4 person)	£450,000
Two Bedroom Flats (4 person ensuite)	£470,000
Three Bedroom Flat	£565,000

- 4.6 The scheme uses prudent assumptions to achieve a Net Present Value of £2.3m. If the build is delivered on time and marketing estimates of sale values are higher than is currently contained within the model (assumption is 1% appreciation per year), then there is the potential to adjust the split of the affordable element between renting and shared ownership, if it was viewed appropriate.

Discounted Payback Period	22 years
Net Present Value	£2.3m

- 4.7 Advantages from having one scheme rather than two include being able to take full control of the scheme delivery and generating efficiencies through merger of two smaller schemes. However, it must be noted that the Council is also taking on the risk of an additional project. These risks are further detailed in section 3.10.

5.0 Legal Implications

- 5.1 As detailed at paragraph 3.10 a Report on Title for the land to be acquired is being prepared and any offer will be subject to a satisfactory Report on Title.
- 5.2 Save in relation to the shared ownership units and private sales, dwelling units will be let on assured short-hold tenancies. The shared ownership units and private units will be sold on a 125 year leases.
- 5.3 The proposed development will require a number of additional consultancy contracts to be procured. These contracts are likely to be Low or Medium Value Contracts under the Council's Contract Standing Orders and as such will be procured using either a quote process for Low Value Contracts or a tender process for Medium Value Contracts. Any Medium Value Contracts will be subject to the Public Contracts Regulations 2015 ("EU Regulations") and will be procured in accordance with EU Regulations. Low and Medium Value Contracts will be procured by Officers using powers delegated under Part 4 of the Constitution.
- 5.4 The proposed development will require a works contract to be let. The estimated value of the contract is £20m. The contract will therefore be categorised as a High Value Contract under the council's Contract Standing Orders and will be procured in compliance with EU Regulations and Contract Standing Orders by way of a tender process or the use of an OJEU compliant framework.

6.0 Diversity Implications

- 6.1 A screening analysis of the likely impact of the proposals in this report has been undertaken. The impact for protected groups is positive. Please refer to appendix four.

7.0 STAFFING/ ACCOMODATION IMPLICATIONS

- 7.1 There are no staffing or accommodation implications for Council employees.

8.0 Additional information

Appendix 1: Ownership Plan
Appendix 2: Subject Site
Appendix 3: Offer, Valuation and Build cost (Confidential)
Appendix 4: Screening Analysis

Background Papers

1. 20 January 2016 Church End Redevelopment Update and Investment Proposals.
2. 11th March 2013 Church-End Car Park Redevelopment, Executive.
3. 17 July 2013 planning consent subject to legal agreement

Contact Officers

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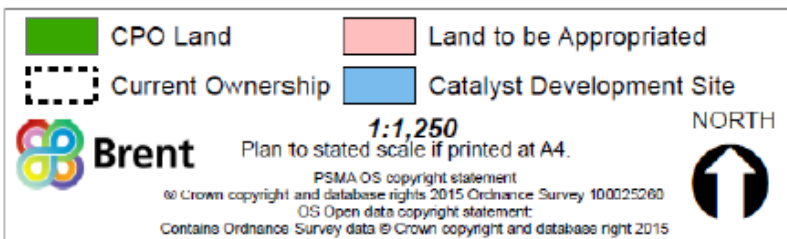
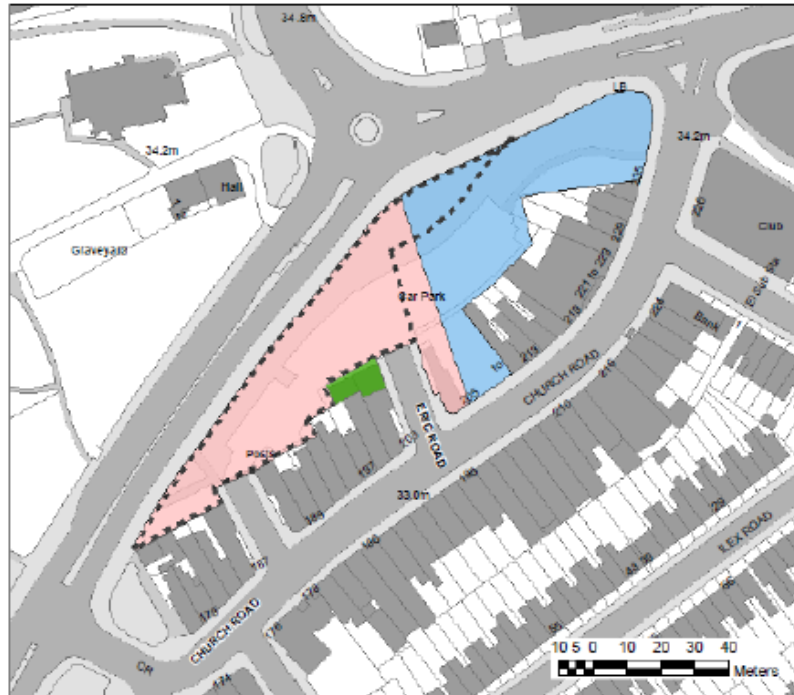
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APPENDIX 1

OWNERSHIP PLAN

Appendix 1 Redevelopment Site, Church Road Car Park, rear of 189-203, Church Road, London NW10



APPENDIX 2

SUBJECT SITE

