



Cabinet
8 November 2021

Report from the Director of Finance

Purchase of a S.106 block of apartments at the Telford Homes Alperton Bus Garage Development.

Wards Affected:	Alperton
Key or Non-Key Decision:	Key Decision
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Part Exempt – Appendix 3-7 are exempt as they contain the following category of exempt information as specified in Paragraph 3, Schedule 12A of the Local Government Act 1972, namely: "Information relating to the financial or business affairs of any particular person (including the authority holding that information)"
No. of Appendices:	Open Appendix 1 – Title plan Appendix 2 – CGI images Exempt Appendix 3 – Head of Terms and deal sheet Appendix 4 – Draft 999 year lease Appendix 5 – Draft 50 year lease summary Appendix 6 – Draft Development agreement (DA) Appendix 7 – Lease Financing
Background Papers:	None
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1.0 Purpose of the Report

- 1.1 This report seeks permission to purchase the long leasehold interest of 999 years in 155 affordable rented homes (flats) at the Alperton Bus Garage site located in 330 Ealing Road, Alperton ('the scheme'), from an Asset Special Purpose Vehicle (ASPV) who has an option with freeholder and developer Telford Homes. The scheme is currently in development with an estimated practical completion date of Q3 2024 for the affordable rented homes.
- 1.2 To finance the purchase of this block, the Council will take a lease of 50 years from the ASPV, with rents set a current day social rents and indexed at CPI plus 1%. Upon completion of the 50-year lease, a reversionary 949-year lease will be granted a nil rent or peppercorn.
- 1.3 The developer will grant the Council a 50-year lease with a 949 reversion at a peppercorn rent on completion of the contract for the 155 affordable homes. The developer will continue to insure the premises during the construction and until completion of the contract.

2.0 Recommendation(s)

- 2.1 Cabinet is asked to:
 - (i) Delegate authority to the Director of Finance in consultation with the Lead Member for Finance and the Operational Director of Property and Assets to negotiate and agree the terms and thereafter enter into a 50 year underlease (to be made between L.B. Brent and Asset SPV) in respect of the 155 affordable homes within the Alperton Bus Garage Development subject to (a) clean and marketable title (b) financial and legal due diligence, (c) all commercial terms having been agreed between the parties and (d) vacant possession, with a target completion date as soon as possible after the grant of the long lease of 999 years (the headlease).

3.0 Detail

- 3.1 The former bus garage development will deliver a total of 461 homes, commercial units and workspace in the Alperton area. It is a development spanning 5 years but the affordable homes are being built first. The planning application reference of the development is 20/3914.
- 3.2 Under the draft section 106 agreement between the developer and the Council, 33% of these homes will be affordable. This totals 155 homes of which 37% (57) will be shared ownership and 63% (98) rented. The rent will be capped at Local Housing Allowance (LHA). The Council intends to complete a deed of variation to the S.106 agreement so that the 155 acquired rental homes can all be rented subject to the LHA cap.
- 3.3 The developer is seeking a buyer for the 155 affordable rented homes. The ASPV has secured an option over the block with the 155 affordable homes in

it, and has proposed a leasing arrangement where the Council pays rent for the first 50 years of the lease, with a reversion for the remaining 949 years for nil consideration. Construction of the 1st phase of this development is due to commence in December 2021. There is a development agreement between the developer and the ASPV. The Council will be employing its own professional services team to ensure the quality and progression of the build are to its satisfaction.

3.4 The breakdown of the 155 rented affordable homes is as follows:

Social Rented

Unit Mix	No.	Unit GIA m2
1B 2P	24	
2B 4P	23	
3B 5P	46	
4B 6P	5	
	98	7 754

Shared Ownership

Unit Mix	No.	Unit GIA m2
1B 2P	31	
2B 4P	26	
	57	3 407

No. of Units	Unit GIA m2
155	11,161

Preferred mix:

Social Rented

Unit Mix	No.
1B 2P	55
2B 4P	49
3B 5P	46
4B 6P	5
	155

No. of Units	Unit GIA m2
155	11,161

3.5 The Head of Housing Needs has confirmed that the size breakdown will meet the essential housing needs of households on the housing register and the location of the scheme will be beneficial.

3.6 Officers have been in discussion with the ASPV regarding the possibility of purchasing these homes. An offer has been on a purchase price of circa £48M via private treaty on a 50 year leasing arrangement, which means an average of £280K for each home.

3.7 The target average development cost under the New Council Homes Programme (NCHP) is £280K per home. As such, the leasing model represents good value for money.

4.0 Former Bus Garage Site

4.1 The former bus garage is a former 1.75-acre industrial site in the borough.

4.2 The site is bounded by the A4006 to the West, the Piccadilly Underground Line to the east and the Ealing Road to the south.

4.3 In a central location in the heart of Alperton, the site is key part of the housing growth and quality job retention space in the area.

4.4 The development is expected to have 3 phases. Demolition will commence in 2021 and the completion of the entire scheme is expected by 2025.

4.5 The scheme will be a mixed site development, which will also include commercial spaces (retail) and affordable workspace.

5.0 Financial Implications

5.1 The total cost of the lease based on a 50 year term is circa £48M and the properties will sit within the HRA. It is expected the scheme will attract a GLA grant to the value of £4.3M. The average cost per home is circa £280k per unit (including the GLA grant).

5.2 Details on the lease structure are set out in Appendix 7.

5.3 It has been assumed that the Council will receive 100% Stamp Duty Land Tax (SDLT) relief based on the assumption that:

- a) The Council is deemed to be a relevant housing provider that is controlled by its tenants; and
- b) The application of GLA grant receipts meets the requirements of a qualifying public subsidy.

5.4 These assumptions will need to be fully tested along with the Council's tax advisors and HMRC. Failure to secure the SDLT exemption noted above would increase the cost of the scheme by circa £1.9M.

6.0 Legal Implications

6.1 Section 120 of the Local Government Act 1972 provides that

For or the purposes of —

- (a) Any of their functions under this or any other enactment; or
- (b) The benefit, improvement or development of their area.

The Council may acquire by agreement any land, whether situated inside or outside their area.

- 6.2 The Council will be purchasing 155 affordable homes that will be rented to Council tenants. Section 79 of the Housing Act 1985 provides that the tenant of a Council property will be a secure tenant if in accordance with section 81 of the Housing Act 1985 the dwelling is the tenant's main or principal home. Accordingly, the provisions of the Housing Act will entitle the secure tenant to purchase their home under the right to buy scheme.
- 6.3 The Council has the power to dispose of property under Section 123 of the Local Government Act 1972 for the best price reasonably obtainable (This type of disposal would be covered under the General Consents and would not need specific consent under Circular 06/03).
- 6.4 The Council Legal department will undertake all the necessary due diligence prior to exchange of contracts. Accordingly, all the necessary searches and Title information will be examined prior to entering into the contract to ensure that the Council will acquire the property with good and marketable title.
- 6.5 Section 9 of the Housing Act 1985 provides that the Council may provide housing accommodation —
- (a) By erecting houses, or converting buildings into houses, on land acquired by them; or
 - (b) By acquiring houses.
- 6.6 The General Consent 2013 section A3 provides for the sale of properties on shared ownership lease terms.

7.0 Equality Implications

- 7.1 No equality implications have been identified.

8.0 Consultation with Ward Members and Stakeholders

- 8.1 This paper will be circulated to all Ward Members.

9.0 Human Resources / Property Implications

- 9.1 There are no further property implications or human resources implications in Relation to this report.

Report sign off:

Minesh Patel
Director of Finance