

Agenda Item No:

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Report of : Head of Property Services

Report to : Chief Asset Management & Regeneration Officer

Date: 24 March 2014

Subject: Land at Thorpe Square, Thorpe Road, Throstle Terrace and Towcester Avenue, Middleton, Leeds LS10

Are specific electoral Wards affected?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, name(s) of Ward(s):	Middleton Park	
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, Access to Information Procedure Rule number:		
Appendix number:		

Summary of main issues

1. The subject sites comprise four areas of Council owned land, cleared of local authority housing stock totalling about 2.65 ha (6.5 acres) which are suitable for housing development.
2. The four sites are identified on the attached plans and are predominantly included in the City Council's Brownfield Land Programme, which was approved by Executive Board in January 2013 and seeks to bring 29 sites forward for housing, many being in more challenging housing market locations.
3. Given the viability challenges which exist, a range of approaches have been considered for sites included within the programme :
 - a) Sale and ring fencing of receipts from specific individual sites to support preparatory work to help to bring other sites included within the programme forward for development;
 - b) Packaging of a number of sites into a single disposal to improve viability;
 - c) Co-ordination of disposal and investment activity with the Homes and Communities Agency;

- d) Alignment of disposal and development proposals with existing housing investment programmes;
 - e) Consideration of institutional models.
4. The subject sites are considered to be suitable for sale on the open market to generate receipts for ring fencing towards supporting other sites.
5. It is proposed that the sites be offered on the open market inviting offers for their sale either jointly or separately, by way of informal offers with any offers received being the subject of a further report to the Chief Asset Management & Regeneration Officer.

Recommendations

6. It is recommended that:-
- i) the subject sites be confirmed as surplus to Council requirements, and
 - ii) that they be offered for sale on the open market inviting offers by way of informal offers, in order to maximise capital receipt generation, and
 - iii) any offers received will be the subject of a further report to the Chief Asset Management & Regeneration Officer.

1 Purpose of this report

- 1.1 The purpose of this report is to confirm that the subject sites are surplus to Council requirements and to approve the invitation of offers on the open market for their purchase for housing development.

2 Background information

- 2.1 The Council's draft core strategy identifies a need for up to 70,000 new dwellings to meet housing needs in the City by 2028. Work is underway to identify the sites that will be allocated to accommodate this new development.
- 2.2 The draft core strategy reaffirms sustainable planning principles and promotes the re-use of brownfield land to meet this housing requirement and to mitigate the need to develop greenfield sites.
- 2.3 In January 2013 Executive Board agreed to establish a Brownfield Land Programme to promote the delivery of new housing on Council owned brownfield sites. The programme comprises 29 sites covering 45 hectares (111.4 acres) of land, all of which have been identified for housing development but are located in challenging market locations where there is limited prospect of obtaining viable development through a market bid approach, which has to date led to them remaining undeveloped and vacant.
- 2.4 The purpose of the programme is to assist with the stimulation of the market and to support development of new housing on the Council's own unallocated brownfield land in areas of the city that currently have limited or no private sector investment interest. A number of approaches will be considered to bring forward housing:-

- Sale and ring fencing of receipts from individual sites to support preparatory work to help to bring other sites included within the programme forward for development;
- Packaging of a number of sites into a single disposal to improve viability;
- Co-ordination of disposal and investment activity with the Homes and Communities Agency;
- Alignment of disposal and development proposals with existing housing investment programmes;
- Consideration of institutional models.

3 Main issues

- 3.1 The four subject sites are predominantly included in the Brownfield Land Programme and all fall within the area covered by the Middleton and Belle Isle Neighbourhood Framework.
- 3.2 Part of the site at Thorpe Road shown as part B of plan 2 was not included in the Brownfield Land Programme but there is strong rationale to bring forward as part of the package to secure a comprehensive development approach for the area. As such this land will be marketed for sale with the rest of the sites subject to it being declared surplus to operational requirements by the Director of Environment and Neighbourhoods.
- 3.3 One of the sites, Towcester Avenue, is considered to be more attractive to developers, and sits between the New Forest Village development which is a new housing development nearing completion, which has been brought forward by a number of house builders and the Heritage Village which is a private development completed in the early 2000s.
- 3.4 With the exception of Towcester Avenue, all of the subject sites have previously accommodated local authority housing which has now been cleared. However, much of the surrounding housing stock remains in Council ownership.
- 3.5 It is proposed that the sites be confirmed as surplus to the requirements of the Council by the Chief Asset Management and Regeneration Officer and that approval be given to invite offers for their sale and development on the open market by way of an informal tendering process
- 3.6 The sites will be offered for the sale with the benefit of Planning Statements supported by the Belle Isle and Middleton Neighbourhood Framework, which will guide prospective purchasers to ensure that they submit suitable redevelopment proposals for each site.
- 3.7 It is also proposed that the opportunity be presented to allow interested parties to advance offers and proposals for the sites separately and/or on a combined basis. Any offers or proposals received will be the subject of a further report to the Chief Asset Management and Regeneration Officer.

4 Corporate Considerations

4.1 Consultation and Engagement

4.2 The sites are identified in the Belle Isle and Middleton Neighbourhood Framework which was approved by Executive Board in September 2013. The document was produced through extensive input from ward members, stakeholders and the wider community.

4.3 Ward members were consulted on 22 January 2014 regarding the proposed marketing of the subject sites. Whilst they have a desire to see more affordable and social housing developed in the area, they support the proposed marketing subject to the particulars reinforcing the garden city design ideas and the aspiration to create a road connection from Throstle Terrace to Towcester Avenue, something which was included in the Neighbourhood Framework. They were also keen to see any S106 greenspace contributions arising from the development to assist in the delivery of greenspace priorities as set out in the Framework. The draft particulars will be shared with ward members prior to marketing.

4.4 Equality and Diversity / Cohesion and Integration

4.4.1 An Equality Impact Screening was undertaken as part of the Executive Board report of 9 January 2013. This indicated that there would be no specific implications for equality groups, the proposed programme would be promoting land for development predominantly in deprived areas where its outcomes would potentially result in an improvement in the perception of areas, greater access to and choice of housing and provide opportunities for local people in training and development.

4.5 Council Policies and City Priorities

4.5.1 A disposal of the subject sites on the open market relate to a range of objectives within the City Priority Plan and Council Business Plan supporting neighbourhood regeneration and housing growth.

4.5.2 In accordance with the approval granted by Executive Board, the generation of any capital receipts will be ring-fenced to the brownfield land programme, providing the opportunity to support further disposal activities in the programme to enable other less viable brownfield Council owned housing development sites to be brought forward for development.

4.6 Resources and Value for Money

4.6.1 The sites will be fully exposed to the open market inviting offers on a competitive basis in order to ensure optimization of the level of any capital receipt to be generated from a sale of the ownerships.

4.6.2 The sites are surplus to requirements and in the absence of a reason for retention the sale of the assets provides an opportunity to utilise the value of the asset elsewhere within the Brownfield Land Programme.

4.7 Legal Implications, Access to Information and Call In

4.7.1 Under Part 3 Section 3E Paragraph 2(a) of the Council's Constitution (Officer Delegation Scheme (Executive Functions)) the Director of City Development has authority to discharge any function of Executive Board in relation to the management of land (including valuation, acquisition, appropriation, disposal and any other dealings with land or any interest in land) and Asset Management.

- 4.7.2 The Chief Asset Management & Regeneration Officer has authority to take the decisions requested in this report under Executive functions 1 and 10 (specific to the Director of City Development) of the Director of City Development's sub delegation scheme.
- 4.7.3 The proposal constitutes a significant operational decision and is not subject to call in.
- 4.7.4 The Head of Property Services confirms that the proposed method of disposal set out above is the method most likely to result in the Council achieving the best consideration that can reasonably be obtained under Section 123 of the Local Government Act 1972 (or under the Housing Act 1985).

4.8 Risk Management

4.8.1 The risks associated with a proposed disposal are as follows:-

- i) The marketing exercise fails to attract any offers supported by viable proposals.
- ii) A viable proposal is established at a market price and a bidder selected but that the bidder fails to or is unable to discharge any conditions associated with the offer or fails to complete a purchase.
- iii) Changes in the economy or deterioration in the housing market may make any bid unsustainable leading to a withdrawal of purchaser interest.
- iv) A development proposal may fail to obtain a reserved matters planning approval or may be delayed.

4.8.2 These risks, however will be mitigated as follows:-

- i) Extensive open marketing of the sites to ensure the fullest exposure to potentially interested parties and monitoring of interest as possible.
- ii) The offering of the sites with planning statements to guide prospective purchasers as to what will constitute suitable development for the sites will minimise the risk to developers who bid for sites.
- iii) Consideration of any schemes proposed for consistency with the planning statements, strength of the financial bid and risks associated with any conditions to offers will be considered at an early stage in the selection of any bid.
- iv) General market conditions will continue to be monitored in order to identify the possibility of a changing purchaser position.

4.8.3 Options relating to the proposed disposal are considered below:-

- i) **Not to sell the sites.** This is not recommended as there is no operational reason to justify retention and would not achieve those objectives outlined above.
- ii) **To sell the sites by public auction.** As the ownerships are relatively large and relate to development sites, in order to optimise on the receipts generated bidders are likely to need the opportunity to condition bids in order

to have time to eliminate risks associated with their development prior to committing to purchase. A sale by auction prevents this course of action and may result in either no interest by house builders or bids at significantly reduced levels to cost in the associated risk. This option is not recommended.

- iii) **Invite offers on the open market on an informal basis.** This would allow interested parties to bid on one or more bases with the ability to condition offers appropriately. This reduces the risk to the developer of committing to purchase the sites ahead of eliminating traditional risks associated with site purchase and development. Typically these are associated with establishing ground conditions, abnormal development costs and a detailed and approved housing scheme. This would enable bidding to take place more securely at higher levels.

5 Conclusions

- 5.1 It is concluded that the optimum method of facilitating a disposal and development of the sites for housing development at optimum price is their sale on the open market, allowing conditional bids for each site to be made.
- 5.2 It is proposed therefore; that this course of action is approved with any offers received being the subject of a further report to the Chief Asset Management and Regeneration Officer.

6 Recommendations

- 6.1 It is recommended that:-
 - i) the subject sites be confirmed as surplus to Council requirements, and
 - ii) that they be offered for sale on the open market inviting offers for their purchase by way of informal offers, in order to maximise capital receipt generation, and
 - iii) any offers received will be the subject of a further report to the Chief Asset Management & Regeneration Officer.

7 Background documents¹

- 7.1 None.

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.