

Part A For General Release

DELEGATED DECISION REPORT TO:	CLLR SIMON HALL CABINET MEMBER FOR FINANCE AND TREASURY
AGENDA ITEM:	PUBLIC BACKGROUND DOCUMENT
SUBJECT:	DISPOSAL OF WORKSHOPS AT BOULOGNE ROAD FOR AFFORDABLE HOUSING
LEAD OFFICER:	RICHARD SIMPSON EXECUTIVE DIRECTOR (RESOURCES) AND S151 OFFICER
CABINET MEMBER:	CLLR SIMON HALL CABINET MEMBER FOR FINANCE AND TREASURY
WARDS:	SELHURST
<p>CORPORATE PRIORITY/POLICY CONTEXT: Provide a choice of housing for people at all stages of life Reduce social, economic and environmental deprivation Conserve and create spaces and buildings that foster safe, healthy and cohesive communities</p>	

<p>FINANCIAL IMPACT The disposal will secure a capital receipt for the Council</p>
<p>FORWARD PLAN KEY DECISION REFERENCE NO.: n/a</p>

The Leader of the Council has delegated to the Cabinet the power to make the decisions set out in the recommendations below

1. RECOMMENDATIONS

1.1 That the Cabinet agree that the Council dispose of the Freehold interest in the land at Boulogne Road as shown on the plan attached to this report on the terms detailed within this and the associated Part B report.

1.2 Agree that, for the reasons detailed in this report, the Executive Director (Resources) and s151 Officer be given delegated authority, in consultation with the Cabinet Member for Finance and Treasury to make minor adjustments to the terms of the disposal including to the purchase price of up to 10% as considered necessary after the decision has been made.

2. EXECUTIVE SUMMARY

- 2.1 As part of the Councils asset strategy there is a drive to use their assets to provide fit for purpose accommodation that offers the opportunity for better service delivery and value for money. As part of this strategy the Council are looking to relocate the Croydon Equipment services from their current site at Boulogne Road to an industrial unit on Imperial way known as Crossfield. This has created a potentially vacant site for redevelopment at Boulogne Road
- 2.2 The Council have been working with the homelessness and community support charity Evolve for some time and many of their existing hostel customers are referred to them by Croydon. An opportunity has come up for a new development within Croydon, supported by a grant from the GLA, for a new development of 49 units to support this vulnerable sector of the community. The site at Boulogne Road has been identified as being suitable for this purpose and this report is seeking approval for the Council to dispose of the site to Evolve for development of the units.
- 2.3 The units will provide “move on” accommodation for residents currently living in hostels and through the use of 3-5 year Assured Shorthold Tenancies at affordable rents (rents up to a maximum of 80% of market rent levels) will provide more stability to homeless people and an opportunity to plan their next step on the property ladder.
- 2.4 The site has not been marketed and the proposed sale will be at less than best consideration when compared to private development but offers other significant social and financial benefits through the reduced need to pay out night subsidy and the increase of affordable accommodation in the Borough over and above that secured through commercial development.

3. DETAIL

- 3.1 The proposed site currently houses the Croydon Equipment Service and provides a series of old workshop premises and modular office space plus some open yard storage. The service has outgrown the site and work is underway to relocate them to Crossfield, another Croydon owned asset. The business case for the relocation has been approved and the initial feasibility work is underway for the refurbishment of the space.
- 3.2 The site is expected to become vacant in March 2019 and due to the nature of the buildings on site, the most appropriate future use is to look at some form of redevelopment. Consideration for a school site has been looked at but considered to be too confined and at present there is no identifiable demand in the immediate area from a school provider. The location is best suited to either a commercial redevelopment to provide light industrial units or for residential development.

- 3.3 The Council has been approached by Evolve, a homelessness and community support charity, who work with around 2000 people each year in and around London. They are a developing RSL provide high quality accommodation and support for people affected by homelessness, to enable them to live independently and have a track record of development. They already work with the Council to provide hostel accommodation and are now looking to create move on accommodation for hostel residents in Croydon who are ready to live independently and require little or no additional support.
- 3.4 Evolve have provisionally secured a grant allocation from the GLA Affordable Housing Programme towards a new development to provide high quality affordable accommodation in Croydon. The development is to provide units for:
- Single people to move on after completing a support programme
 - Homeless families who might be in poor quality temporary housing in Croydon
 - Rough sleepers identified through the CR Zero 2020 campaign
- 3.5 The proposal is to provide 49 units offering 8 x 2 bed and 41 x 1 bed units that will meet London Design Guide standards. They will be offered to tenants on Assured Shorthold Tenancies (AST) of 3 years duration for people moving on from hostels or 5 years for Housing First Clients to offer a degree of stability for these tenants. This will be a 100% affordable housing scheme.
- 3.6 In addition, Evolve will offer a range of community services to residents including work and learning or health and well-being support and the opportunity to mentor or support other homeless people.
- 3.7 Evolve have agreed draft terms to purchase the site from the Council but the GLA funding and their model reflects the need to acquire land at below market value due to the provision of 100% affordable housing. Valuations have been undertaken for Existing Use Value, a residential development reflecting 50% affordable housing and the Evolve model with 100% affordable housing which are set out in Part B of this paper. At this stage the actual figure has not been finalised as this may vary once further investigation works around possible contamination have taken place. However, if this is found to be an issue then this would impact on any disposal values as it is highly unlikely that an unconditional offer would be received.
- 3.8 The negotiations are at an early stage but Evolve require an in principal agreement to the sale now in order to progress their grant application with the GLA. It may therefore be necessary to amend some of the terms detailed above and in particular the purchase price if substantial levels of contamination are discovered on site following further detailed investigation.
- 3.9 Although the site is classified as brown land and therefore a degree of contamination may be anticipated, the previous use as a commercial vehicle workshop may mean that a greater level of contamination may be present that will require expensive remedial works

3.10 The proposed milestones for the scheme are:

- Cabinet approval by end March 2018
- Design and planning April 2018 to December 2018
- Site handed over to Evolve March 2019
- Evolve start on site March 2019

3.11 A valuation summary is included in Part B of this report which has been undertaken in line with the requirements of the RICS Guidance Note 5 “Local authority disposal of land for less than best consideration”. This sets out an unrestricted market value and the restricted value based upon the proposals outlined within this report. The valuations also include the capital benefits of the requirement of 100% affordable housing use in perpetuity.

4. CONSULTATION

4.1 No consultation outside of the Council has taken place but wider consultation will be part of the planning process.

5 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

5.1 Risks

The proposed disposal is reliant on the relocation of the existing service. If the refurbishment of Crossfield is delayed then hand over of the site may not be possible by the end of March 2019. To mitigate this risk discussion around the possibility of a partial handover of the site to allow some works to be undertaken are being had.

As part of the disposal a nomination agreement can be put in place with Evolve to secure the ability to direct Croydon residents into the units to secure long term security.

5.2 Options

The use of the site for educational purposes has been explored but ruled out as there is no identified demand or approach from a free school operator within this immediate area. This proposal is being put forward as an opportunity to contribute towards the budget savings targets. The only other options would be to look towards other tenants as the need to let space has been identified.

The other option would be to sell the site for a private housing or mixed use development. This would secure a higher capital receipt but would deliver substantially less affordable housing. If the additional savings to the Council are considered then the net effect of selling the site to evolve is very comparable to a private sale.

The property could be retained for Council use. However, the buildings are of poor quality and do not make best use of the site. Ongoing maintenance costs are therefore likely to be high and some capital expenditure would be required. If retained, the units could be let as there is a reasonable demand for this type of space and, after an initial rent free to reflect the required works a reasonable annual rental could be secured of between £80-100,000pa

5.3 Future savings/efficiencies

Although the proposal to sell would generate a saving for this site due to the vacation by the service, they will be relocated to another largely vacant premises and therefore the annual running and maintenance costs are likely to be similar. No revenue savings have therefore been included. The capital receipt will however reduce the amount of Council borrowing for other projects and therefore offer an annual saving on this basis

(Approved by: Lisa Taylor, Director, Finance Risk and Insurance and deputy s151 Officer)

6. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

- 6.1 In agreeing the basis of the disposal, the Council must be satisfied that it is receiving a fair market value for the site or that it falls within the provision for sale of assets at less than best consideration. The best consideration test and requirements are set out in section 123 of the Local Government Act and sales at under value within General Disposal Consent 2003.

(Approved by: Sean Murphy, Principal Corporate Solicitor (Regeneration))

7. HUMAN RESOURCES IMPACT

- 7.1 The opportunity to release this site requires the relocation of the existing service. The new accommodation proposed at Crossfield will provide a much better working environment and future proof the service delivery. The provision of new affordable housing of the specialist nature proposed will improve the range of accommodation available for homeless people and improve the opportunities available to them.

8. EQUALITIES IMPACT

- 8.1 By securing the this development it will help ensure that vulnerable individuals and families will not spend as long accommodated in expensive hostel or emergency bed and breakfast accommodation (regarded as “unsuitable” if provided to a household with dependent children or a pregnant family member for more than six weeks) The provision of the new affordable AST’s on longer terms than the current “temporary” provisions will also help offer more stability to homeless people and an opportunity to plan future property options

9. ENVIRONMENTAL IMPACT

- 9.1 The new development will be fully compliant with current environmental requirements for buildings and be replacing a collection of old and inefficient structures. The development will also help the regeneration of this area

10. CRIME AND DISORDER REDUCTION IMPACT

- 10.1 There will be no major impact on crime and disorder as a result of the development.

11. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

The disposal will allow the provision of 49 affordable housing units to a particularly vulnerable sector of the community. The provision by an external provider also helps to offer the units on AST's allowing or medium term security whilst retaining a degree of flexibility. The nomination rights will secure the long term provision for Croydon residents and the savings benefits the scheme offers to the Council.

12. ALTERNATIVE OPTIONS CONSIDERED

The only alternative options would be to either look at a private developer or retain the asset to let out and secure a rental income. Neither are seen to offer better options to help achieve the Council's strategic objectives. The proposed disposal to Evolve will provide a better choice of housing and help to reduce social, economic and environmental deprivation and help create buildings that foster safe, healthy and cohesive communities.

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BACKGROUND PAPERS: Site Plan