

**Report for:** Cabinet Member Signing – 23<sup>rd</sup> January 2017

**Item number:** 4

**Title:** Sale of Land to Sanctuary Housing Association to enable phase 2 of the Infill development programme

**Report Authorised by:** Director of Regeneration Planning and Development

**Lead Officer:** Jon McGrath Assistant Director Corporate Property and Major Projects

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**Ward(s) affected:** All

**Report for Key/  
Non Key Decision:** Key Decision

## **1. Describe the issue under consideration**

1.1 The Council has identified a portfolio of potential under-utilised infill sites for development to help address the need for increased affordable housing supply within the borough. Offers were sought from our Preferred Partner Registered Providers in order to access their development funding and expertise, to transfer development risk, and to enable the efficient delivery of the dwellings. This report recommends disposal of up to 20 small Council infill sites to Sanctuary Housing Association as the Council's preferred developer following a competitive process.

1.2 The disposal contract will be subject to planning and the Council being satisfied that open market value has been achieved for the land value - this is linked to viability and achieving the maximum affordable housing provision. It is proposed that maximising the numbers of affordable housing dwellings to be developed will take priority over receiving a direct capital receipt

## **2. Cabinet Member Introduction**

2.1 The Council's Corporate Plan includes objectives to increase the supply of new affordable housing and which is also reflected in our recently adopted Housing Strategy

2.2 This report proposes an initiative to develop our phase 2 infill sites portfolio

to provide a significant number (in the region of 70) of new dwellings, of which a minimum of 50% are to be affordable homes

2.3 These infill sites are too small to be of interest to the proposed Haringey Development Vehicle, and disposal to our chosen Preferred Partner Housing Association will enable development by accessing their funding, resources and expertise whilst retaining full nomination rights to the borough

2.4 In this way, we will further the development of high-quality, well-insulated homes for local people without a call on the Housing Revenue Account budget and thus enable more funding to be retained for improving the quality of stock for existing residents

### **3. Recommendations**

3.1 Cabinet is recommended to approve:

- (i) To declare surplus to requirements and to dispose of 20 sites to Sanctuary Housing Association for the purposes of enabling development to increase housing supply. The sale contract for these sites to be subject to obtaining planning consent; compliance with Secretary of State Consent for disposal requirements (if required); and obtaining market value for the land and based on the (draft) Heads of terms set out in Appendix 3. The Council will receive 100% nomination rights for affordable rented homes subsequently developed on these sites and any intermediate affordable homes will be marketed to borough priority groups which will include existing Council and Registered Provider tenants within Haringey
- (ii) The agreement with Sanctuary Housing to include a provision to substitute other suitable infill sites (being vacant HRA land), the cumulative market value land receipt for any such substitute sites to be less than £500,000, should any of the 20 sites within the current portfolio fail to proceed following further site and planning due diligence. This decision to be delegated to the Director of Regeneration, Planning and Development after consultation with the Cabinet Member for Housing Regeneration and Planning.
- (iii) That the agreement of final heads of terms and price for each site is delegated to the Director of Regeneration Planning and Development after consultation with the S151 Officer and Cabinet Member for Housing Regeneration and Planning.

### **4. Reasons for decision**

- 4.1 There is an acute shortage of housing supply, particularly of affordable housing, in Haringey and the borough has identified a portfolio of 20 potential development sites within its ownership to help address this shortage
- 4.2 The Housing Revenue Account budget is under pressure due to the 2016-20 1% per year rent reduction and the proposed High-Value Voids Levy to fund the Right to Buy extension for housing association
- 4.3 Haringey operates a Preferred Partner List of Registered Providers (a small number chosen for their strategic fit with the Council and their development capacity ) to work in partnership with the borough to ensure the quality of new developments and day to day management are delivered to the highest standards
- 4.4 Registered Providers have the development capacity and expertise to efficiently deliver housing on these sites and disposal to a Preferred Partner would transfer any funding requirement (other than potentially some borough Right to Buy Grant for affordable rented accommodation if applicable) and development risk away from the Council whilst maintaining 100% Council nomination rights for the affordable housing delivered. Registered Providers (RPs) are development-focused and resourced to speedily obtain planning consent and commence delivery of the homes
- 4.5 In order to enable site due diligence and design work to commence quickly, it is proposed to exchange contracts on all sites within this portfolio early in the New Year. This exchange will be subject to obtaining planning consent for a viable and deliverable scheme; complying with any requirement for Secretary of State Consent to the disposal and the Council being satisfied that it has received market value for the land value taking into consideration the unit and tenure mix
- 4.6 Planning consent is required prior to disposal to protect the borough's position in obtaining market value for the land value, given that it is the planning consent that will create this value
- 4.7 The Council expects the dwellings on these sites to be delivered within a reasonable timescale and the Council will have a legal Option to re-purchase the site should there be unreasonable delay due to Sanctuary Housing not progressing development proposals in a timely manner
- 4.8 The valuation of the land will be based upon the tenure and unit mix achieved at planning consent. Sanctuary Housing has committed to a minimum of 50% of all units across the sites portfolio to be affordable dwellings .Whilst this percentage significantly exceeds planning policy, the demand for affordable housing and shortage of supply is such that it is considered of greatest value to the Council to maximise affordable housing provision beyond the 50% level. This will be reflected in the value of the land at the point of sale and will need to reflect market value at the time

## **5. Alternative options considered**

## 5.2 To sell on the open market

This option would provide a capital land receipt, however the vast majority of these small infill sites will yield less than 10 units and as such fall below the planning threshold for the delivery of affordable housing. In addition to little or no affordable provision, this option would result in an unknown landlord immediately adjacent to our existing stock, potentially sharing access and external amenity areas and would not give the confidence in consistently high management standards compared to a trusted Preferred Partner Registered Provider.

## 5.3 The Council to develop

The Council has a phase 1 infill programme in construction. Since this programme was approved, significant constraints have been placed upon the HRA budget including the 2016-20 1% per year rent reduction and the proposed High-Value Property Levy to fund Right to Buy. It is considered that an RP can procure planning and construction more efficiently than the Council and will fund the projects and take development risk whilst the Council will retain 100% Nomination rights to the affordable properties

## 6. Background information

6.1 The Phase 1 Council infill programme comprising 31 affordable homes over 7 sites is currently in construction with the first new Council homes handing over into management in January 2017

6.2 The Council has continued to identify further infill development opportunities and the July 2015 Housing Investment Strategy Cabinet Paper referred to a phase 2 infill sites programme to be considered, in consultation with the Lead Member for Regeneration and Housing, for batching with some larger sites. It was subsequently considered that larger sites may be included within the Haringey Development Vehicle

The July 2015 Cabinet paper also referred to commissioning capacity studies, and following a further review of potential under-utilised Council-owned sites, the borough commissioned architects to provide these capacity studies to indicate the number of new homes that could be accommodated for each site along with a high level assessment of the constraints and opportunities presented. The Council has further progressed one of these sites at Templeton Road (11 shared ownership flats) well beyond capacity study stage and resolution to grant detailed planning consent was approved by the Planning Sub Committee in December 2016

6.3 In view of the pressures on the HRA budget, Council Officers explored options to enable development of a portfolio of these phase 2 small infill sites by a Preferred Partner Registered Provider (RP)

An Invitation to Tender was issued to Haringey's Preferred Partners via the procurement portal in September 2016 with a tender return date at the end of October

The five key competition objectives are summarised below:

- Maximise affordable housing supply
- A mixed tenure approach (with some affordable rent expected in the West of the Borough)
- A housing mix that responds to the Borough's needs
- An accelerated programme for delivery of affordable homes
- High quality design and well insulated homes

Following Bid Evaluation by a Panel comprising representatives from Housing, Planning and Homes for Haringey, a recommendation was agreed at Priority 5 Operational Board in early November, subject to Cabinet approval, to proceed with Sanctuary Housing for dispose of these sites to enable develop – any disposal to be subject to obtaining the consent of the Secretary of State

Sanctuary were recommended on the basis of their tender offer comprising :

- Minimum 50% affordable homes across the portfolio of sites, which exceeds the Housing Strategy target of 40% – most sites are under 10 units which would normally have no planning requirement for affordable provision.
- Commitment to Code 4 equivalent for high-insulation homes to combat fuel poverty
- At least 20% of the shared ownership dwellings will be marketed at the minimum initial equity tranche of 25% making these dwellings potentially more attractive to Council tenants interested in home ownership
- 100% Nomination rights including re-lets – this exceeds the Council's usual Nominations arrangements with R.P's
- The degree of development and funding risk residing with the R.P
- Recognition in the bid of the borough's strategic desire for some affordable rented provision in the West of the borough with greater emphasis on home ownership in the East
- A Local labour and construction training requirement within the construction contract
- A strong and experienced Sanctuary team to resource this project including Haringey Design Awards 2016 shortlisted and winning Architects

- A collaborative approach to finalising tenure and unit mix (subject to viability and market value requirements) and sensible management arrangements to be agreed where external services may be shared with adjacent estates
- A locally-based (Wood Green) Preferred Partner R.P. that has demonstrated their experience in successfully delivering similar estate infill schemes

6.4 The current use of each site as follows:

<b>Site No.</b>	<b>Address</b>	<b>Current Use</b>
1.	4&6 Poynton Road N17 9SL	Derelict mixed-use buildings
2.	Lealand Road N15 6JS	Vacant land with temporary use as contractor's compound
3.	Antill Road N15 4AS	Vacant plot between terraced houses used as car parking area
4.	Cornwall Road N15 5AR	Disused dilapidated tennis court and former garage site with temporary use as contractor's compound
5.	Earlham Grove N15 5AJ	Vacant open strip of derelict scrubland area which includes some trees
6.	Janson Road N15 4JP	Car parking area
7.	Mount View N8 OSG	Garages
8.	Nightingale Lane N8 7QX	Garages
9.	Farrant Ave. N22 6PG	Garages
10.	Mosselle Ave. N22 6EX	Garages
11.	Morely Ave. N22 6NT	Garages
12.	Ramsay Court N8 8JU	Garages, parking area and small grassed area
13.	Redlands N15 4HE	Under-utilised courtyard area and garages
14.	Romney Close N17 ONT	Car parking and garage area

15.	St Mary's Close N17 9UD	Car parking area
16.	Stokely Court N8 7BG	Car parking and garage area
17.	Templeton Road N15 6RU	Car parking area
18.	Tudor Close N6 5PR	Car parking area
19.	Wat Tyler House N8 7AW	Car parking area
20.	White Hart Lane N17 8LA	Open green space including a few small trees opposite Tottenham Cemetery

- 6.5 There is a pressing need to increase the supply of new affordable homes within the Borough and ensure they are delivered within the shortest timeframe. An efficient progression to start on site and delivery of these dwellings is expected, with exchange of contracts on all sites within the portfolio programmed for February 2017

Completion of the Transfer on a site by site basis is to take place 28 working days after the judicial review period where a satisfactory full planning permission for the proposed development becomes immune from challenge or at any earlier date proposed by the Purchaser

Sanctuary Housing will lodge a full planning application for the proposed developments as soon as is practically possible, with a target date of Summer 2017

Sites within the portfolio will proceed through the investigatory stage and planning process at different rates as site survey due diligence and detailed design work is progressed, it is however, anticipated that a start on site will be achieved by the end of December 2017 where feasible to do so

## 7. Contribution to strategic outcomes

The Delivery of new homes on Council owned estate Infill sites falls within Priority 5 of the Councils Corporate Objectives:

“Create homes and communities where people choose to live and are able to thrive”

The Council’s **Housing Strategy** 2017-2022 builds on the Corporate Plan 2015- 2018 vision and objectives. The Councils vision for housing is:

Housing is about people and communities, not just bricks and mortar. This means mixed and inclusive neighbourhoods where residents can lead happy and fulfilling lives.



This proposal will contribute to the following strategic objectives:

Strategic Objective 1 - Achieve a step change in the number of new homes built  
Strategic Objective 3 - Drive up the quality of housing for all residents

**8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)**

**9. Finance**

The value of the land being disposed of is to be determined at a later point in the negotiations. The consideration to be received by the Council that reflects the value is likely to consist of a combination of the following:

- Affordable housing outputs
- Land receipts

Housing land is normally required to be disposed of at market value, however legal advice (in section 9) is that as this land is vacant land, the price is to be determined by the Council.

The approximate total capacity of the sites is expected to be 70 to 80 units. The Council expects at least 50% of these to be affordable so this would translate to 35 to 40 units. These would be split between low cost home ownership and affordable rent but the detail of this split will be arrived at with further discussion and negotiation with Sanctuary.

The Heads of Terms state that the Council has nomination rights to the affordable rented properties. Nomination rights will be taken up by the Council in line with the allocations policy. Where the properties are used to discharge the Council's duty to house homeless families, this would allow the Council to avoid net costs of private sector temporary accommodation e.g. £2,600 per household per year.

Sanctuary are expected to apply for GLA grant to improve viability, this should enhance the consideration received by the Council.

The Council may be in a position to grant Right To Buy 1-4-1 receipts to Sanctuary to improve viability of the affordable rented units, this would enhance the consideration received by the Council as per the above. However, this would depend on the timing of the developments and the use of any GLA grant.

There are 55 garages spread over several of the sites to be disposed of. Currently 16 of these are vacant. The disposal will result in an annual net loss of £20k for the Council's Housing Revenue Account.

**10. Procurement**



- Of the 6 LBH Preferred Partners, 4 responded to the Expression of Interest.
- Procurement acknowledges that the Registered Providers (RPs) are development focused and resourced to speedily obtain planning consent and commence delivery of the homes in question.
- The five key competition objectives employed during the evaluation stage are listed in section 6.3.
- The Invitation to Tender was issued via the procurement portal on 12<sup>th</sup> September 2016 with a tender return date at the end of October 2016.
- The 4 Preferred Partners issued ITTS were Sanctuary, Notting Hill, FamilyMosaic and Newlon.
- The fact that Sanctuary Group was the only tender received, reflected the general unattractiveness of these very small, resource-hungry infill sites. No comparison summary was produced on this basis.
- Procurement notes that discussions held at Priority 5 board level have led to the reasons given in section 6.3 of this document as being sufficiently strong to accept the Sanctuary tender
- Procurement notes that whilst no estimate of package value currently exists, valuation sign off on a site by site basis once the unit and tenure mix is confirmed at planning consent stage will be provided.
- Following Bid Evaluation by a Panel comprising representatives from Housing, Planning and Homes for Haringey, a recommendation was agreed at Priority 5 Operational Board in early November, subject to Cabinet approval, to proceed with Sanctuary Housing for dispose of these sites to enable develop – any disposal to be subject to obtaining the consent of the Secretary of State

## 11. Legal

The Council is proposing to dispose of land held for housing purposes. The Council has the power under section 32 of the Housing Act 1985 to dispose each of these sites but must obtain the consent of the Secretary of State. Where the site is vacant no specific consent is required, instead the Council will be able to rely on the *General Consent for the Disposal of land held for the purposes of Part II of the Housing Act 1985-2013* where the disposal is for a consideration equal to its market value or if the land is vacant (ie where there are no dwellings or the dwellings have been demolished or are unfit for human habitation and are to be demolished) the price is to be determined by the Council.

The site at White Hart Lane is described as an open space; the Council should advertise its intention to dispose for two consecutive weeks in a newspaper circulating in the area and consider any objections.

## 12. Equality

The Council has a public sector equality duty under the Equality Act (2010) to have due regard to:

- Tackle discrimination and victimisation of persons that share the characteristics protected under S4 of the Act. These include the characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex (formerly gender) and sexual orientation;
- advance equality of opportunity between people who share those protected characteristics and people who do not;
- foster good relations between people who share those characteristics and people who do not.

These disposals will enable development of a higher proportion of affordable housing than required by planning policy (minimum 50% affordable). Both the affordable rented and low cost home ownership dwellings will be targeted at local people who cannot afford to buy or rent on the open market.

Rents will be in accordance with the borough's Housing Strategy and the affordable housing will be targeted at priority groups in compliance with borough housing policy.

At least 20% of the shared ownership dwellings will be marketed at the minimum initial equity tranche of 25% making these dwellings more affordable and potentially more attractive to Council tenants interested in home ownership

The provision of additional affordable housing to own and rent will have a positive impact for groups with the protected characteristics, in particular younger residents, ethnic minorities and lone female parents, who we know have a disproportionately greater need for affordable housing.

10% of the properties will be wheelchair accessible in accordance with our planning policy, increasing suitable stock of housing for people with physical disabilities.

The homes will be constructed to Code 4 equivalent for high-insulation homes to combat fuel poverty, known to disproportionately impact on households with low incomes.

Sanctuary will require an element of local labour /training to be included as a requirement within their construction contract, creating job and apprenticeship opportunities particularly for young people.

As a Preferred Partner R.P. Sanctuary has Equal Opportunities policies acceptable to the borough, and will be expected to comply with the Equality Act 2010 and our borough wide commitment to fairness and equality.

Equalities considerations and strategic affordable housing goals will continue to inform the planning process for the infill sites as they are brought forward.

### **13. Use of Appendices**

Appendix 1 – Sites List

Appendix 2 – Site Plans

Appendix 3 - Draft Heads of Terms (exempt)

#### **14. Local Government (Access to Information) Act 1985**

Background Papers - Housing Investment Strategy Cabinet Report July 2015

Part B – draft Heads of Terms is exempt as it contains information relating to the financial or business affairs of any particular person (including the authority holding the information).