

**Report for:** Cabinet 9<sup>th</sup> July 2019

**Title:** Disposal of Red House, 423 West Green Rd N15, to Magic Living Ltd (part of the Paul Simon Magic Homes Group) and agreement to acquire completed homes within the proposed site development for retention as social rented Council housing.

**Report authorised by:** Dan Hawthorn, Director of Housing, Regeneration & Planning

**Lead Officer:** Steve Carr, Interim Assistant Director of Economic Development & Growth (and Strategic Property) 0208 489 612

**Ward(s) affected:** St Ann's

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

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

- 1.1 The report recommends the disposal of the Council's freehold interest in The Red House, 423 West Green Rd N15, to Magic Living Ltd, part of Paul Simon Magic Homes Group (PSMHG), and the acquisition by the Council of the freehold interest in two blocks of property comprising 46 new-build homes within the proposed site development, as well as open green space. The two blocks of housing totalling 46 apartments comprise 64% of the 72 homes to be constructed on the Council's current ownership of the land. The acquisition of these 46 homes will attract grant from the Mayor of London along with the Council's financial commitment as set out in **Part B**, the exempt part of the report.
- 1.2 The disposal will remove the current cost of maintaining and securing the vacant site. It will result in the early move out of temporary accommodation (TA) by many families thereby reducing the cost to the Council's TA budget and will also lever the creation of community facilities and public realm improvements.
- 1.3 The current proposal replaces a previous contract with the Paul Simon Magic Homes Group agreed at Cabinet 10<sup>th</sup> February 2015, which lapsed in September 2018. This previous contract with the developer was due to create only 25 affordable homes (30% of the total at that time), of which none would have been Council rent homes.
- 1.4 The purpose of this report is to seek Cabinet approval for the disposal of the Council's freehold interest in the Red House site to Magic Living (PSMHG) and the acquisition by the Council of 46 new-build homes for Council rent which are to be contained within two blocks that are to be delivered by Magic Living (PSMHG), and also the acquisition of a parcel of green space which will be added to the Council's open space provision in St Ann's ward.

- 1.5 The report also seeks Cabinet approval to the transfer of the Council's ownership of a small strip of land on the Red House site fronting the Derby Hall Church of God Church to the Derby Hall Christian Assembly Church of God (DHCA) organisation, thereby divesting the Council of any remaining residual interest in the parts of the site which will be part of the wider development scheme.
- 1.6 The Red House project by Magic Living Ltd (PSMHG) is part of the Council's wider housing delivery programme which includes different means of delivering social housing. Cabinet are also considering at its July 2019 meeting a programme setting out progress on the overall Council housing delivery programme. As well as acquiring new homes, the Council is intending to pursue an ambitious programme of new Council homes directly delivered by the Council. As the delivery capacity of the Council gears up to deliver more homes on Council land there will be less such reliance on private developer delivery of Council homes. The strategic report elsewhere on this agenda identifies a number of sites on which the Council can deliver these homes and notes that over the next 12 months the Council is aiming to achieve 500 planning consents for new Council homes and for 350 new Council homes to have started on site by the Council delivering directly.

## **2. Cabinet Member Introduction**

- 2.1 This report sets out the agreement by the Council to acquire homes within the site redevelopment for retention as social rented council housing towards achieving the priority of 1000 new Council homes over the Borough Plan period.
- 2.2 The wider project on the site will also deliver private homes in support of the Council's overall obligation to meet housing supply targets set for the borough under the Mayor's London Plan. The heads of terms will allow for profit share (overage) payment to the Council if the private sale units exceed sales prices assumed in the Planning viability study.
- 2.3 The scheme is compliant with the Council's Budget and Policy framework as set out in part 4, section E of the constitution, and the housing funding element of the project is part of the Council's budget setting process which was the subject of a Council decision in February 2019.
- 2.4 Officers have worked within benchmarks for affordable housing provision and, I am pleased that the social housing is supported by the Mayor of London's affordable housing programme grant. The use of the grant by the Council is time limited however.
- 2.5 I am also pleased that this scheme will not only count towards the Council's 1,000 social rented housing priority, but will also help tackle the housing long waiting list and creating savings in the cost of providing temporary accommodation to families as well as assist in tackling homelessness in the borough.

2.6 I concur with the recommendations as set out, and in Annex B in Part B of the report.

### 3. Recommendations

#### That Cabinet:

- 3.1. Agrees to the disposal of the Council's freehold interest in the Red House Site, 423 West Green Rd, N15 (land identified in the attached plan at **Appendix A**) to Magic Living Ltd (Paul Simon Magic Homes Group) for a sum as provided in the exempt **Part B** of the report, under Heads of Terms which are also attached in **PART B**, with the land receipt to the Council to be hypothecated against any repayment of a NHS grant in respect of the former Red House care home, should such a payment to the NHS be required; and
- 3.2. Agrees to the acquisition by the Council for housing purposes of the freehold interests in two blocks of flats, comprising a total of 46 social rented homes, to be constructed by Magic Living Ltd (PSMHG) on sites B and C on the attached plan, for a maximum sum of provided in **Part B** of the report plus the Council's acquisition costs, and according to the terms which are also set out in the Heads of Terms document attached as the annex A in **PART B**, the exempt part of this report; and
- 3.3. Gives delegated authority to the Director of Housing, Regeneration and Planning, in consultation with the Director of Finance to agree the final contracts; and
- 3.4. Agrees that the Council should make financial provision as detailed in **Part B of the Report**, including Council on-costs for the project, provision for which exists within the Council's Housing Revenue Account, and thereby making use of the housing grant the authority has been allocated by the Mayor of London's affordable housing programme; and
- 3.5. Agrees to the acquisition by the Council for a consideration, as set out in **Part B of the report**, of green space shown green at **Site D** on the attached plan at Appendix A, following the completion of the development, in order to provide for the creation of new public open space in the St Ann's area which will be managed by the Council.
- 3.6. Agrees to transfer, for a sum provided in **Part B**, the exempt part of the report, of the Council's freehold interest in the small strip of land (identified as **site E** on the attached plan at Appendix A) fronting the church to the owners of the DHCA church, in order to enable the church to participate fully in the development of the overall Red House site and in accordance with the proposed planning application. This transfer is to be on condition that the owners of the DHCA church remains party to the wider site development partnership with Magic Living (PSMHG) and makes use of this land in support of the scheme as granted under the future planning determination.
- 3.7. **Recommendation 3.7 is fully contained in PART B, the exempt part of the report.**

#### 4. Reasons for decision

- 4.1. The disposal of the freehold of The Red House site will enable the development by Magic Living (PSMHG) of a wider site which incorporates adjacent land ownerships of the church and the former pub. This development will deliver 46 affordable homes which the Council will be able to acquire on completion of the developer's scheme. The new homes will then be managed by Homes for Haringey as social tenure homes for Council rent and enable the provision of further new private homes in the wider scheme. In addition, a new community space and new public open space will be created.
- 4.2. This project responds to the Borough Plan commitment for the delivery of 1,000 homes at Council rent in Haringey and contributes to the wider housing supply targets set for the borough by the Mayor of London under the London Plan. The development by Magic Living (PSMHG) is subject to the grant of a planning consent, and is expected to start on site in 2019 with completion in 2021.
- 4.3. The disposal of the Red House site will enable this site to be developed together with the adjoining sites to make a much more comprehensive development than were it to be able to be developed on its own. A total of 88 homes, of which 4 are for the clergy use by the DHCA organisation, are to be constructed as part of the wider project. As part of this wider project 72 homes are to be developed on the Council's Red House site itself of which 46 (64%) will be acquired by the Council as new affordable homes, meaning that along with the transfer back of green space, 53% of the Council's existing land by area will come back to the Council. The project delivers the completed Council rent homes at least two years faster than would be possible were the Council to set aside this ongoing relationship with the developer and instead seek to develop the Red House site on its own. The housing programme investment by the Council will result in this private led housing scheme delivering more than fifty percent of the homes as affordable, which would not otherwise have been possible through planning requirements alone. As well as contributing to the Council's target of 1,000 Council rent homes the wider project promoted by the developer will also deliver private homes in support of the Council's overall obligation to meet housing supply targets set for the borough under the Mayor's London Plan.

#### 5. Alternative options considered

- 5.1. **Option A:** The Council could provide grant funding to a Housing Association in order to deliver affordable homes on the Red House. This option would involve the Council providing grant funding to secure the delivery of lower cost affordable housing. This option was discounted on the basis that the Council's newly adopted Borough Plan prioritises the delivery of Council owned homes on its own land, in order to maximise the delivery of affordable homes of the right type and tenure for the local community.

- 5.2. **Option B:** The Council could decide against proceeding with acquiring homes on the Red House site and default to the original scheme proposed by the developer under the now defunct disposal agreement. The developer's original scheme was submitted in the belief that it was fully compliant with planning policy. However, this has been rejected in favour of the recommended option because the Magic Living (PSMHG) proposed scheme on its own, without the Council as purchaser of the affordable homes, would have delivered only 30% affordable housing on the site, comprising 25 homes at London Affordable Rent and no Council rent homes.
- 5.3. **Option C:** The Council could decide not to proceed with the disposal of the site to Magic Living Ltd (part of PSMHG) and instead seek to promote a scheme on its own land, commissioning a contractor to build the units directly on behalf of the authority.
- 5.4. Whilst this direct development by the Council is possible given the Council's housing strategy and the new capacity being built up in the Housing team to deliver directly, taking forward our own scheme has several disadvantages for several reasons:
- (i) Timing: It could take at least eighteen months - and most likely as long as two years - for the Council to work up an alternative scheme and achieve planning a consent. The start on site for a direct delivery route may therefore not be until 2022 and completion of Council rent homes would not be until 2024. This compares with a potential start on site in 2019 (depending on when planning is granted) for the Magic Living (PSMHG) scheme and practical completion anticipated 2021.
  - (ii) Planning Risk: A Council-led scheme would carry a planning risk, because the planning status (DPD) of the site requires that the church be brought together into a single development with the former Red House site. Were the Council to promote a scheme on its own land in such a way, there is no guarantee that the Council's planning officers could be in a position to recommend such a scheme for approval. There are major challenges in assembling the whole site and reaching an agreement with the pub and church owners and so it is likely that the Council would only be able to pursue a scheme on its own land if it wanted to expedite the development and start on site.
  - (iii) Fewer Homes: An alternative Council scheme only on the Red House site, even if it were to be permissible in planning terms, is unlikely to be able to achieve anywhere as near that many residential units as the current development proposed by the Magic Living (PSMHG). This is because issues such as rights-to-light and access challenges from neighbouring users would need to be factored into the design of the scheme, reducing the overall density of a stand-alone development on Red House alone. There is no guarantee that the owners of the church and the pub would wish to collaborate directly with the Council in submitting a scheme for planning given that they have a settled position with the developer dating back many years. The Church has a right of way and a right to park over the existing car park so the car park land



would effectively be outside of the curtilage of the Council's alternative development scheme, resulting in far fewer units achievable on the Red House. Even were the Council able to promote its own scheme, not all of the homes on the Red House site would be Council rent because there would not be sufficient viability in such as scheme without some form of cross-subsidy from private sale housing.

- (iv) No community space: Even were the Council to promote its own scheme on the Red House without the church and achieve a planning consent, the scheme would not achieve an improved church building, community space, café and nursery provision which the Magic Living (PSMHG) scheme will achieve. The green space at area D on the plan would also not become green space, being needed to improve the Council's development platform, given the constraints presented from existing and neighbouring users (below).
- (v) Temporary Accommodation: There is a cost of keeping those on the housing waiting list who are in temporary accommodation – for these households/families and for the Council's budget. A two year wait for the Council rent homes to be delivered over the private developer route of delivery would cost £288,000 plus the cost of temporary accommodation staff and other Council costs in supporting these households (as further set out in the value for money section below).

## 6. Background information

- 6.1. The Red House, 423 West Green Rd, N15 was operated by the Council as a Residential Care Home for older people. The 34 bed 2-storey care home provided services for the physically frail and older people with dementia until its closure following a Cabinet resolution on the 19<sup>th</sup> July 2011 to shut the home along with other Council-owned older people's residential care homes. This was decided by Cabinet on 12 February 2013. See the attached Ordnance survey extract plan in **Appendix A** which shows the Red House site currently owned by the Council outlined in red.
- 6.2. Adjacent to the Red House is a building occupied by the Derby Hall Christian Assembly (DHCA), 425-431 West Green Rd, N15, a small multi-community church which also lets a small space within its grounds to the Destiny Haven Nursery. This is shown in yellow on the Ordnance Survey extract plan. The DHCA church also has the benefit of a mutual pedestrian and vehicular right of way along with 6 car-parking spaces which was granted under a Deed dated 25 March 1980 (Land Registry Charges register, AGL345742) entered into by the Council. This gives the church effective control over a sizeable car park that forms part of the Red House site. There was no term (length) set for this deed, so in effect it was granted in perpetuity. Consequently, this car park could not be developed without the DHCA's consent and compensation. The carpark can be seen hatched in black on the Ordnance Survey extract plan in the Appendix A.
- 6.3. The DHCA church have been in possession of a small strip of land which is within the Red House title which is shown marked E and hatched in pink on the

Ordnance Survey extract plan. The DHCA church have built on this small strip of land and have consequently occupied the subject land for a number of years which gives them legal authority over this land. The proposal is that the Council agree to complete the legal transfer of this strip of land as part of the wider collaboration with the developer with which the church as a JV agreement. A transfer to the DHCA has been agreed in principle, subject to the strip of land forming part of the DHCA's joint venture with the Magic Living (PSMHG).

- 6.4. The former Duke of Cambridge pub (now Golden Sands café), 433-435 West Green Rd, N15 is located adjacent to the DHCA church and the Red House car-park. The Magic Living (PSMHG) have acquired an interest in it by way of an option agreement with the owner. This was agreed to ultimately widen the development envelope in accordance with their planning application HGY/2018/1806 – see Planning section below. The ownership of the former pub is shown in blue on the Ordnance Survey extract plan at Appendix A.
- 6.5. On 10 February 2015 Cabinet agreed the following:
  - a. That the original decision by Cabinet on 12 February 2013 that the Red House, 423 West Green Rd, N15 is surplus to requirements be reconfirmed.
  - b. That the Assistant Director of Property & Capital Projects be authorised to dispose of the Council's freehold interest in the Red House, 423 West Green Rd, N15 for best consideration reasonably obtainable to Magic Living Ltd/Leonard Cheshire Disability.
  - c. That In the event that Magic Living Ltd/Leonard Cheshire Disability is unable to proceed with the acquisition, officers engage with Derby Hall Christian Assembly/Aitch in an attempt to agree a holistic policy compliant scheme.
  - d. That In the event that Derby Hall Christian Assembly/Aitch are unable to present a holistic policy compliant scheme and proceed to an acquisition, that the Red House, 423 West Green Rd, N15 is offered for sale on the open market for best consideration reasonably obtainable
- 6.6 On 21 June 2016 the Council entered into a conditional contract with Magic Living Ltd (PSMHG), with completion subject to the following conditions being satisfied: (a) entering into a joint venture (JV) between themselves and Derby Hall Christian Assembly as owners of the Derby Hall Church of God church; and (b) securing a satisfactory planning consent with a longstop date for completion, extended to the 28th September 2018. The original mixed-use development scheme that Magic Living Ltd (PSMHG) were looking to bring forward included 51 residential units of which, 11 were for assisted living for Leonard Cheshire Disability. However, as Leonard Cheshire Disability consequently withdrew from the acquisition because of continued opposition to the scheme by the church, the development evolved through the planning process culminating in the present scheme proposed in the planning application HGY/2018/1806.

- 6.7 Magic Living Ltd (PSMHG) agreed a JV with the owners of the DHCA church by the 28<sup>th</sup> September 2018 deadline, but they were unable to fulfil the other condition precedent of a satisfactory planning consent by the longstop date.
- 6.8 This presented the Council with the opportunity to renegotiate terms of the disposal that would be more favourable to the objectives of the Borough Plan, including the delivery of greater affordable housing provision. This report represents the result of the renegotiation process over the past few months and the final recommended scheme to be approved by the Council.

## **Planning**

- 6.9 The Red House site was identified within the Council's Site Allocations Development Plan Document (DPD) as Site Allocation SA57 'Red House Care Home' and as a development opportunity capable of supporting a mixed-use scheme that could deliver residential accommodation along with community space.
- 6.10 The Magic Living/Paul Simon Magic Homes Group are seeking to re-develop the Red House together with the Derby Hall Christian Assemblies church (DHCA), 425-431 West Green Rd, N15 and the owners of the Duke of Cambridge public house, 433-435 West Green Rd, N15. This culminated in a planning application ref no: HGY/2018/1806 being submitted to reflect the aspirations of the DPD in bringing forward comprehensive redevelopment with improved townscape. PSMHG's originally submitted a scheme with only 30% affordable homes (23 flats) when first considered by the Council's Planning Service. This previous scheme evolved with duplex units being removed by the developer following advice from a meeting with the Planning Service on the 31<sup>st</sup> October last. The Mitalee community centre was also originally envisaged to be part of the wider DPD development brief, but planners are content that it can be omitted from the proposed scheme by the developer. This would, however, not prevent the Mitalee site being brought forward as a separate development project in future. The scheme has since been revised by the developer to provide a final scheme for planning of 88 units of which 46 units (64% of the homes on Council's portion of the land) are to be Council rent and no other affordable tenure included.
- 6.11 The planning application as revised in its final form proposes a relocated Church and nursery, café, flexible use commercial unit along with 84 market residential units and four clergy homes for retention by the church, 88 homes in total, associated car and cycle parking spaces and improved connections to the adjacent park. The revised planning application proposes that 46 of the homes will be allocated for social rent, the remainder for private sale and private rent including the clergy designated homes. Over half the homes on the wider scheme will therefore be affordable through the investment approach taken by the Council.
- 6.12 The Council is expected determine the application at its planning meeting in July 2019.

## **Council Acquisition of 46 Residential Units**



- 6.13 It is proposed that the Council enters into an agreement for the disposal of the Red House site and at the same time enter into a contract to acquire 46 of the affordable homes that are to be constructed. These homes will be located in 2 self-contained blocks shown as sites B & C on the attached Ordnance Survey extract plan at Appendix A. The Council will acquire the freehold of these two blocks and associated land around these blocks. This will lead to the Council owning two self-contained blocks of apartments for management as social housing for Council rent by Homes for Haringey, thereby avoiding complex service charge arrangements with third parties.
- 6.14 The design quality and environmental quality have been deemed to be good by the Council's quality review panel. Magic Living (PSMHG) has agreed to provide the homes to the standard required by Homes for Haringey. In accordance with the updated Building Regulations all the homes are designed for long-term adaptability and accessibility. Two of the units are to be wheelchair accessible. The wider scheme is car free other than disabled parking bays. The larger 4 bedroom homes are large, one of them being 147 sq metres and the 1 bed units are typically 50 sq metres. There is at least one cycle space allocated to the 46 units, all provided in communal cycle stores throughout the wider development.

The type of homes that the Council will acquire on completion are in summary:

<b>Block B comprises:</b>	2 no. 4 bed flats
	4 no. 3 bed flats
	9 no. 2 bed flats
	<u>6 no. 1 bed flats</u>
Total:	21 flats
<b>Block C comprises:</b>	6 no. 3 bed flats
	13 no. 2 bed flats
	<u>6 no. 1 bed flats</u>
Total:	25 flats

### Housing Need

- 6.15 There are therefore thirty-four 2 bed and 3 bed properties within the forty-six homes. There are twelve one bedroom homes, two of which are at ground floor level. There are 22 no. two bedroom flats in the property to be acquired by the Council. A recent housing needs study by Homes for Haringey has identified a particular shortage of 2 bed social homes in this part of the borough as well as larger family units. The availability of these 2 bed flats makes it possible for Homes for Haringey to release more 3 and 4 bedroom flats from their existing stock, many of which are being under occupied by current residents, offering such people a smaller but more modern and more energy efficient home they can afford to run without the impact of the bedroom tax on their incomes.
- 6.16 The Council bases its affordable housing mix on the Strategic Housing Market Assessment, which is in the recently revised Housing Strategy and comprises 10% of need being for 1 bedroom homes, 45% need for 2 bedroom homes and 45% for 3 bedroom+ properties. Whilst this is a strategic requirement, rather

than a site-specific requirement, it gives an indication that the Red House project is supportive of the strategic housing requirement of the borough.

- 6.17 Once acquired the two blocks will be held within the Council's Housing Revenue Account. This approach was not considered previously due to the HRA borrowing cap that has been in place since the introduction of the HRA self-financing regime in 2012. However, the Government's recent lifting of the borrowing cap has allowed for a different model for the delivery of social rented homes and the Council has adopted its own new approach based on this new fiscal regime.
- 6.18 The Council has already identified HRA funding to support the acquisition of the new Council homes, using further support from the grant allocation achieved from the GLA's Building Council Homes for Londoners (BCHfL) programme. As part of the Council's approved funding under that programme, this site has a specific allocation for 25 homes, but as there is some flexibility in the bid to switch allocations or bring forward funding, and officers have reached an in-principle agreement with the GLA to fund all 46 homes. Homes for Haringey has already been involved in agreeing the draft specification for the 46 homes and will be further involved as the detailed design for the scheme that comes forward on the site.
- 6.19 Through negotiation with the PSMHG, several changes have been made to the original agreement made in 2015 which have enabled the Council to secure early development of social housing for Council rent. The freehold transaction enables the PSMHG to develop the site and for the Council to acquire the completed affordable homes.
- 6.20 The proposal enables the Council to apply the highest level of grant available from the Mayor of London's affordable housing programme, achieving a good value for money against benchmarks, as detailed in Part B, the exempt part of the report per unit. This is because the proposed blocks on sites B and C are within the curtilage of the land currently owned by the Council within the overall scheme and the units are part of a wider scheme.

#### Value for Money

- 6.21 The Council has a pre-allocation of GLA Building Council Homes for Londoners (BCHfL) Grant for this scheme as provided in the exempt **Part B** report. This revised scheme has an in-principle agreement from the GLA for an additional of grant to be allocated to the scheme toward the Council's total costs of acquiring the units. This GLA funding is time limited and therefore by taking advantage of its availability now reduces the cost burden to the Council's HRA programme as a whole in support of the total goal of achieving 1,000 new Council homes over the Borough Plan period.
- 6.21 The Council has appraised the developer's delivery programme and examined it in comparison with other affordable housing schemes using standard financial appraisal tools in order to arrive at an agree minimum price to be paid for the 46 affordable homes. The details of this are contained in Part B, the exempt part of the report.

- 6.22 Officers have worked within the benchmark values for affordable housing provision of 2 bed homes in determining the acceptability of the proposed purchase price for individual units within the proposed scheme. As the finance table sets out in para Part B, the exempt part of this report, the public sector cost from the purchase of these units is within the Council's current housing programme benchmarks.
- 6.23 In order to further confirm value for money several other factors have been considered. The alternative cost of the Council purchasing homes on the open market rather than through this proposed agreement has also been reviewed. Given that there are, on average, 2 bedrooms per unit across the 46 homes, a comparison could be with an average cost of purchasing a 2 bedroom flat in this area, this benchmarking being fully set out in Part B of the report. The Red House properties will be newly built homes, so the running costs and maintenance are going to be less than for general market homes that would otherwise need to be purchased to meet housing need. There is also a time factor in this value for money judgement. The agreement with Magic Living (PSMHG) will deliver homes two years or more faster than were the Council to seek to develop the site itself, creating savings in the cost of providing temporary accommodation to families on the housing waiting list and other savings arising from the early provision of Council housing in the borough.
- 6.24 The Council has further established value for money from the investment by securing an independent valuation of the disposal to determine the extent to which the developer can afford to commit to affordable housing in the absence of the Council's agreement to purchase of competed homes and the value of the land interest under the final planning application submitted.
- 6.25 PSMHG scheme delivers Council homes 2 years earlier than a Council scheme. This means a two-year saving from the Temporary Accommodation Budget (TA). Assuming that 32 of the 46 units are likely to go to those on the TA list there will be considerable savings to the TA budget. There are also savings to the management and maintenance budgets of the Council from protecting and maintain a vacant site for two further years. In addition, there is the blight and general negative impact that a vacant site would continue to have on the surrounding community and economy which would impact on values, housing transactions and business confidence and ultimately in the rateable and tax base of the Council.

#### Procurement Issues

- 6.26 The Council has satisfied itself that the disposal agreement and acquisition of the homes that are to be constructed by Magic Living/PSMHG does not constitute any form of works contract covered by Public Contracts Regulations 2015. Independent legal advice from a QC has been obtained whose opinion is that the terms agreed in the Heads of Term attached is for all intent and purposes a sale and purchase contract of land and therefore outside the scope of the Regulations.

#### **Heads of Terms**

- 6.27 The Heads of Terms have been agreed and are attached in the **Annex A to Part B**, the exempt part of the report and a delegated authority to the Director of

Housing, Regeneration and Planning, in consultation with the Director of Finance to agree the final contracts is required to agree the final contracts.

- 6.28 Magic Living PSMHG will not be able to acquire the site until it has obtained planning consent. The Council will have the ability to buy back the site if the site is not developed within certain time scales. On acquisition, the Council will be paying a deposit for the 46 homes, but the balance of the acquisition monies will not be paid until the 46 homes have been completed with a small retention subject to satisfying all quality checks on the completed homes. This arrangement therefore does not put Council's capital at risk.

**Paragraphs 6.30 – 6.42 are contained in Part B, the exempt part of this report.**

### **Homes for Haringey Operation and Management**

- 6.29 The Council's arm's-length housing operation and management organisation, Homes for Haringey, will take on the management and maintenance at practical completion along with repairs at the end of the Defects Liability Period. Whilst the scheme has been fully designed, there is a degree of influence over the final product that the development agreement with the developer will afford the Council over what would otherwise be achieved were the Council not to collaborate in the delivery of the scheme submitted for planning. The finish and completion of the homes will be managed to ensure that they accord with the standard required by Homes for Haringey and otherwise meet LB Haringey's expectations in terms of housing quality.

## **7 Contribution to strategic outcomes**

- 7.1 The approach outlined in this report would deliver 46 social rented homes for Council rent. The emerging Borough Plan prioritises the delivery of safe, stable and affordable homes for everyone, whatever their circumstances. This agreement will contribute significantly to the Council's objective to deliver 1,000 Council homes at Council rent over the lifetime of the current administration. It will also contribute to the borough's requirement to deliver new homes in support of the Mayor of London's housing plans.

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

### **Finance**

- 8.1 The Council is proposing the disposal of land known as the Red House for a sum (as set out in the exempt part B report) to Magic Living Ltd (part of the Paul Simon Magic Living Group), the provision of an indemnity to Magic Living (PSMHG), and the acquisition of 46 residential units. Carter Jonas, the Council's appointed external valuers, have confirmed that the disposal at represents best consideration in relation to the proposed planning scheme with 46 Council rent homes included within it as the affordable housing element of the wider planning scheme. This information is in the exempt **Part B** report.
- 8.2 The Council at its budget setting meeting of 25th February 2019 agreed the

Housing Revenue Account (HRA) business plan and capital programme for the period 2019/20 to 2023/24. This provides the resources to fund the acquisition of social rented homes programme over that period.

### **Financial Summary**

A full financial summary is in the exempt Part B report.

- 8.3 The draft heads of terms that are attached to **Part B**, the exempt part of the report, include payment provisions relating to the homes to be acquired. Under these agreed terms, the Council will take possession of the units at practical completion.
- 8.4 There will be a protection in the agreement for the Council to safeguard its funds. This is set out in the attached Heads of Terms document at **Part B** whereby only a nominal deposit will be paid and the balance of the purchase price paid on practical completion of the 46 units, save for a percentage paid at the end of the Defects Liability period. These will be drafted into the detailed sales agreement.

***Full Finance comments are contained in Section 7 & 8 of the Exempt Part B of the report.***

#### **Procurement**

- 8.5 Strategic Procurement notes the contents of this report; however, comments are not applicable for property and land transactions as they sit outside of the Public Contracts Regulations 2015.

#### **Legal**

- 8.6 This report seeks authority to dispose of the freehold interest in Red House and then acquire affordable housing units on completion. The Council has authority pursuant to Section 120 of the Local Government Act 1972 to acquire for the purposes of any of its functions under the 1972 Act or any other enactment, by agreement any land, whether situated inside or outside its area. The properties will be acquired for housing purposes held within the Housing Revenue Account.
- 8.7 The Council has the power under section 123 of the Local Government Act 1972 to dispose of the site but must obtain the best consideration reasonably obtainable.
- 8.8 Any disposal would be subject to the right of way and parking rights in favour of the owners of the Derby Hall Church Assembly (DHCA) and it will be for the developer, PSMHG, to deal with this matter. However, it is not considered that this will be an issue as the PSMHG has entered into an agreement with the owners of the DHCA for the redevelopment of their site as part of the whole scheme.
- 8.9 The properties are yet to be built and the Heads of Terms for the disposal and acquisition of the properties are set out in Part B.



## Equality

- 8.10 The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:
- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act
  - Advance equality of opportunity between people who share those protected characteristics and those people who do not
  - Foster good relations between people who share those characteristics and people who do not
- 8.11 The three parts of the duty applies to the following protected characteristics: age disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.
- 8.12 It is not expected that this decision will have any negative impacts on individuals or groups who share the nine protected characteristics. The council will ensure that new housing stock acquired by this decision will be subject to the Housing Allocations Policy, which has been subject to an Equalities Impact Assessment as part of the homelessness strategy.
- 8.13 This decision will increase the supply of homes which are genuinely affordable to local residents by delivering new build council-rented homes. This is likely to have a positive impact on individuals in temporary accommodation as well as those who are vulnerable to homelessness. Data held by the council suggests that women, young people, and BAME communities are over-represented among those living in temporary accommodation. Furthermore, individuals with these protected characteristics, as well as those who identify as LGBT+ and individuals with disabilities are known to be vulnerable to homelessness, as detailed in the Equalities Impact Assessment of the council's Draft Homelessness Strategy. As such, it is reasonable to anticipate a positive impact on residents with these protected characteristics.

## 9 Use of Appendices

**Appendix A** - Ordinance Survey Plan of the Red House, 423 West Green Rd, N15 (which denotes the location of sites "B" & "C")

Red Line Site: LB Haringey Freehold Ownership 'The Red House' to be disposed to Magic Living Ltd/PSMHG. Site C and Site B: Housing Blocks to be acquired by LB Haringey on completion. Site D: green space to be transferred back to LB Haringey. Yellow, Blue and White Areas to be retained by Magic Living (PSMHG) and its partners for development as community space and private

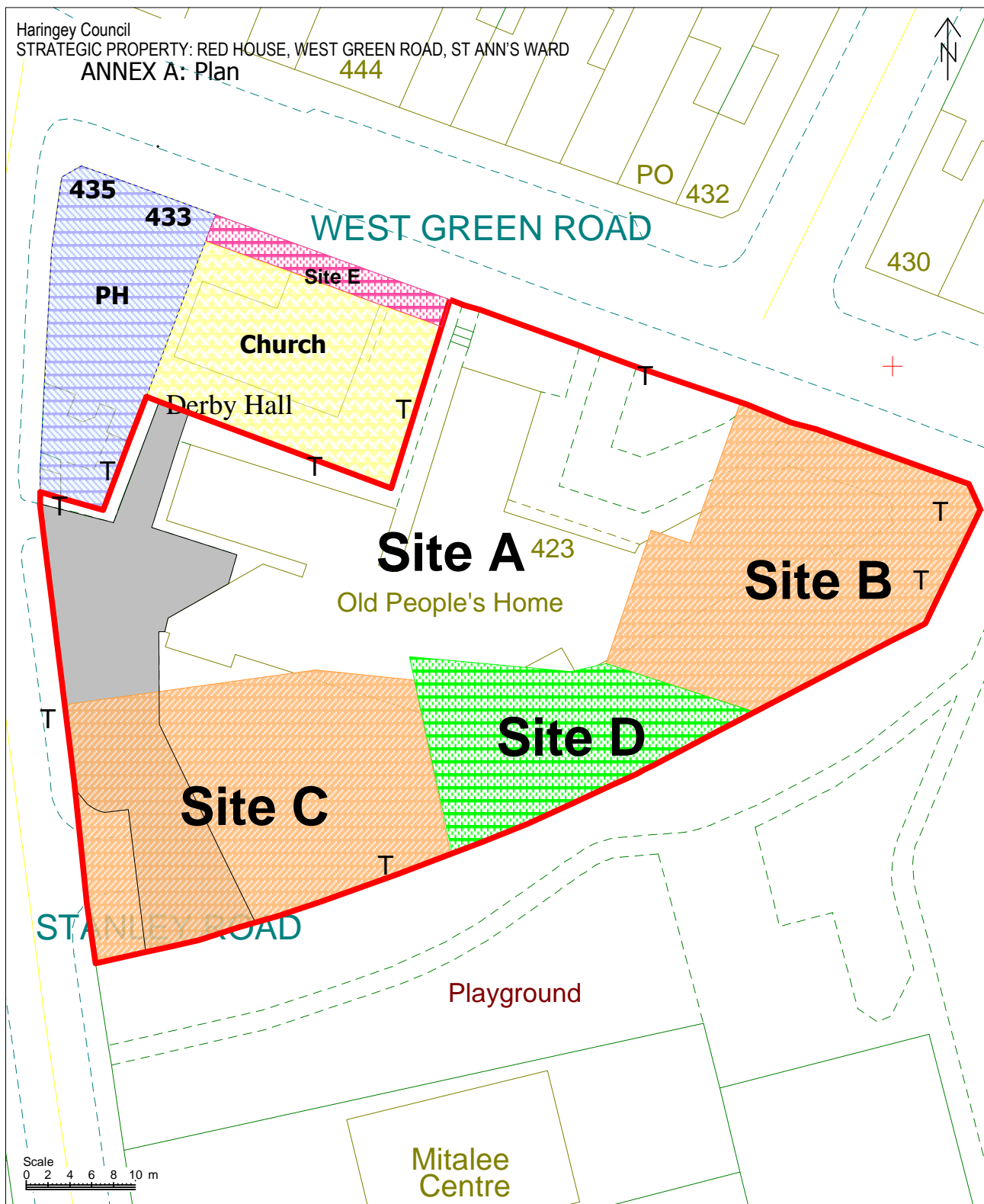
housing. Site E: small strip of land occupied by the DHCA church organisation to be transferred by the Council to the church as part of its joint venture agreement with Magic Living (PSMHG);

## **10 Local Government (Access to Information) Act 1985**

Appendices which are NOT FOR PUBLICATION is by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Part of this report is not for publication as it contains information classified as exempt under Schedule 12A of the Local Government Act 1972 in that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information). Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings

PART B (the exempt part of the report) also contains **Annex A** –Heads of Terms for The Disposal/Development Agreement (exempt from publishing).



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The Red House  
 423 West Green Road  
 Tottenham  
 London  
 N15 3PJ

RED HOUSE : LBH freehold ownership disposal : (EDGED IN RED)  
 RED HOUSE : CAR PARK : (BLACK HATCHING)  
 DHCA : (YELLOW HATCHING)  
 DUKE OF CAMBRIDGE PUB: (BLUE HATCHING)

SITE A: (White Shading) : PSMHG retained site.  
 SITE B: (Orange Shading) : Acquisition of 25 no. Residential homes by LBH.  
 SITE C: (Orange Shading) : Acquisition of 21 no. Residential homes by LBH.  
 SIDE D: (Green Shading) : Land to be transferred to LBH + incorporated into Stanley/Culcross pocket park.  
 SITE E: (Pink Shading) : Strip to be transferred to DHCA.