

192. RED HOUSE YARD, 432 WEST GREEN RD, N15 3PJ - Public Minutes

The Cabinet Member for Finance and Strategic Regeneration introduced the report which recommended 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 report set 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.

The Cabinet Member highlighted that the wider project on the site would 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 would allow for profit share (overage) payment to the Council if the private sale units exceed sales prices assumed in the Planning viability study.

The Cabinet Member informed the meeting that Officers had worked within benchmarks for affordable housing provision and was pleased to note that the social housing was supported by the Mayor of London's affordable housing programme grant.

The Cabinet Member noted the scheme would not only count towards the Council's 1,000 social rented housing priority but would also help tackle the housing long waiting list and create savings in the cost of providing temporary accommodation to families as well as assist in tackling homelessness in the borough. The scheme was 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.

In response to questions from Councillors: Gordon, Davies, das Neves and Barnes, the following information was noted:

- Regarding how quickly the homes could be built, the Cabinet Member confirmed that these would be completed within 3 years, by 2022.
- In relation to the revised terms of the agreement, the Cabinet Member noted this allowed the Council to acquire the 46 properties intended for Council rent with the freehold of the land for these properties and the green space. The previous scheme had included only 30 units under shared ownership terms.
- With regards to the value of the land, this normally decreases when adding social housing.
- In response to the potential for the developer land banking, Officers advised that the terms on which the Council agree to sell the land would include clauses such as longstop dates for completion of the homes and binding the developer to develop directly, thus protecting the Council from land banking or onward sale of the land to another party.

- Regarding the procurement, the Cabinet Member advised that this was in the exempt part of the report and that this could not be commented on in the public meeting.
- In relation to the gates being included in the development, Officers advised that these would only be used at the request of Metropolitan Police and were not a Council requirement. Officers confirmed that it was possible that public pedestrian routes into the scheme could be closed at night as was clear in the scheme approved at Planning Committee. This was at the discretion of the police and if they required this so not a Council decision. In addition, this feature was also being considered for schemes in the past and future in Wood Green as well as Tottenham so not unique to this project.
- Officers clarified that the previous agreement with Paul Simon Magic Homes in 2015 for disposal of the land had expired in September 2018. There had not ever been a planning consent for the previous scheme.
- Officers advised that with every disposal of land that the Council made, it is legally obliged to get a Best Consideration of a report from a valuer. This would confirm that, based on the use of the land and the market value of the land, the price that the Council disposes of it would be the best use of public resources.
- Given the proportion and type of affordable housing that was being developed on the land in accordance with the planning application and consent, the price that the Council was selling the land for was the appropriate price and best consideration.
- Officers further provided more information on how the values relating to this development had been reached and were value for money. It was noted that there were two value calculations involved in this transaction, the appropriate price in disposing of the freehold of the land to the developer. This first calculation which is supported by, professional advice from an independent valuer, reflects the tenure and the amount of affordable homes that are intended to be built on the site. The second calculation is based on cost considerations for the homes when the Council buys these back from the developer for use as Council homes. It was noted that the benchmark test will be applied to test the affordability of those homes within the overall HRA business plan and this currently shows that any rental income that will come in from the homes covers these costs. Officers were therefore, satisfied that the agreed price for acquiring the completed homes was within the benchmarks that have been set in the housing delivery programme.
- The Cabinet Member for Housing and Estate Renewal later added that many of the Council's housing estates had a concierge service who assisted residents in and out of their premises.
- Officers advised that the possible unfavourable consideration by the owners of church and pub to the possibility of an alternative Council-led development rather than the current Paul Simon Magic Homes scheme included an element of conjecture but was reasonably based on the long running discussions with these parties dating back to 2012 and a judgement on their appetite to wait still further a different Council led scheme.
- in relation to the option of leasing the site to developer, there would be constraints with a procurement process and tendering policy.

Further to considering exempt information at item 31,

RESOLVED

1. To agree 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
2. To agree 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. To give delegated authority to the Director of Housing, Regeneration and Planning, in consultation with the Director of Finance to agree the final contracts; and
4. To agree 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
5. To agree 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.
6. To agree 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.
7. **Recommendation 7 is fully contained in PART B, the exempt part of the report.**

Reasons for decision

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.

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.

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. 88 homes, of which four 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.

Alternative options considered

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.

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.

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.

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 a 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).