

	<b>London Borough of Hammersmith &amp; Fulham</b>  <b>CABINET</b>  <b>22 JULY 2013</b>
<b>HOUSING DEVELOPMENT PROGRAMME – SALE OF LAND ADJACENT TO 215 HAMMERSMITH GROVE (VERULAM HOUSE ESTATE)</b>	
<b>Report of the Cabinet Member for Housing, Councillor Andrew Johnson</b>	
<b>Open report</b> A separate report on the exempt Cabinet agenda provides exempt information on market sensitive financial data, due diligence and management of risk.	
<b>Classification:</b> For Decision  <b>Key Decision:</b> Yes	
<b>Wards Affected:</b> Hammersmith Broadway	
<b>Accountable Executive Director:</b> Melbourne Barrett, Executive Director of Housing & Regeneration	
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## 1. EXECUTIVE SUMMARY

- 1.1. The Council is currently pursuing three strands of direct housing development as part of the delivery of the Council's Housing Strategy '*Building a Housing Ladder of Opportunity*'.
- 1.2. The Housing Development Programme Business Plan was approved by Cabinet on 24 June 2013. The proposed four year programme is based on delivery of 100 Discount Market Sale and 33 private for sale new housing units across 16 sites.
- 1.3. One of these 16 sites comprises infill developments on the Verulam House estate. Originally it was proposed that three new one-bedroom apartments, for Discounted Market Sale (DMS), would be built in the undercroft of the Verulam House estate, where residents' pram stores and sheds are currently located, together with works to external areas, and a new four-bedroom house, for Private Sale, to be built on land adjacent to 215 Hammersmith Grove. In accordance with the Housing Development Programme Business Plan 2013 to 2017, approved by Cabinet on 24 June 2013, it is now proposed that the land for the new four-bedroom house be sold with planning consent.

- 1.4 As the Council has a limited track record of direct development of high value private for sale market housing of this type, the sale of the land will limit risk, accelerate the programme and also improve the cashflow due to the earlier than forecast receipt of income from the land sale. This income is required to cross subsidise the three one bedroom Discounted Market Sale apartments being built underneath the undercroft of Verulam house.
- 1.5 An external valuation and marketing strategy has now been prepared by Lambert Smith Hampton, the Council's retained Chartered Surveyors. Prior to disposal of the land, advice from Lambert Smith Hampton, is that a low voltage electricity cable crossing the site should be diverted, so that the site can be offered to the market unencumbered so as to maximise the likely sale price. A formal quotation is currently being sought from the respective utility companies (See the exempt report for further information).
- 1.7 The Director of Law has confirmed that Secretary of State approval to dispose of the land is not required, in addition to Cabinet approval, given the small size of the plot and the fact that it is vacant.

## **2. RECOMMENDATIONS**

- 2.1. To approve the disposal of land adjacent to 215 Hammersmith Grove (Verulam House Estate), shown edged on the plan attached as Appendix A via auction.
- 2.2. To note that this scheme falls within the scope of the Housing Development Programme Business Plan for the period 2013-2017.
- 2.3. Authorise the Executive Director of Housing & Regeneration to incur all necessary expenditure to divert the low voltage electricity cable that runs across the site, carry out additional site surveys, and to incur marketing and auction costs (See the exempt report for further information).

## **3. REASONS FOR DECISION**

- 3.1 To approve the sale of the land adjacent to 215 Hammersmith Grove (Verulam House Estate) with planning consent for a four bedroom house in accordance with the Housing Development Programme Business Plan 2013-2017 approved by Cabinet on 24 June 2013, in support of the Council's Housing Strategy "Building a Borough of Opportunity" adopted in October 2012.

## **4. BACKGROUND**

- 4.1 The Council is currently pursuing the following three main strands of direct housing development as part of the delivery of the Council's Housing Strategy '*Building a Housing Ladder of Opportunity*':

- Strand 1: *Hidden Homes* – a programme for small conversions, generally less than 5 units per site
- Strand 2: *New Build Innovative Housing* - built using Modern Methods of Construction (Rational House), generally between 5 – 50 units per site
- Strand 3: *Housing & Regeneration Joint Venture* – partnership with a private sector partner to redevelop selected larger Council owned development sites, delivering 50+ units per site

## **5. VERULAM HOUSE SCHEME**

### **5.1 Development Schemes**

5.1.1 Under Strand 1 : Hidden Homes programme, on 18<sup>th</sup> December 2012, the Council secured planning consent for a four bedroom house at the Verulam House Estate (on Hammersmith Grove, W6). The consented scheme (Planning Application Reference No : 2012/02855/FR3 – See Appendix A: Planning Consent Approved Drawings) designed by Employer’s Agent, Baily Garner comprises a new build four bedroom single family dwelling over three storeys plus basement. The design replicates the adjoining 215 Hammersmith Grove and demonstrates a continuation of the period character of the terrace which was constructed in the mid 1800’s. The scheme incorporates design with period features and includes a mansard roof, stepped panel door entranceway, wrought iron fencing and timber sash windows.

5.1.2 The proposed development is incorporated within a rectangular section within the south east segment of the Verulam House estate with direct access onto Hammersmith Grove.

5.1.3 The three Discounted Market Sale (DMS) apartments that were granted under a separate planning consent (See Appendix B: Planning Consent Approved Drawings) will be cross subsidised by income generated from the sale of land for the private sale for the four bedroom house.

5.1.4 Three DMS apartments are proposed to be built with the undercroft, together with other estate improvements, including the provision of 31 new sheds, replacing the existing sheds that will be demolished. The proposed programme in respect of the three, one bedroom new infill apartments in the undercroft of the Verulam House is to commence in September 2013 with Practical Completion due May 2014.

### **5.2 Case for Land Sale**

5.2.1 As the Council has a limited track record of direct development of high value private for sale market housing of this type it is proposed that this land is sold rather than directly developed by the Council. The sale of the land will limit risk, accelerate programme delivery and also improve the cashflow due to the earlier than originally forecast receipt of income from

the land sale to cross subsidise the development of the three, one bedroom discounted market sale properties at the undercroft of Verulam House.

### 5.3 Consents/Restrictions

- 5.3.1 Authorisation is now sought to sell the land with planning consent, with the sale being expected to complete in late Autumn 2013. The Director of Law has confirmed that Secretary of State's approval to dispose of the land is not required, in addition to Cabinet approval, given the small size of the plot and the fact that it is vacant.
- 5.3.2 The site is situated within a conservation area, however to further protect the Council's value and protect residents at Verulam House, a 'restrictive covenant' to restrict development to a four-bedroom property as opposed to maisonettes or apartments will be included as a sale conditions. Irrespective of the restrictive covenant, an application to vary the consent would be required in order to construct maisonettes or flats and officers understand this is currently unlikely to be granted due to the history of this site, having regard to resident consultation and the site being within a conservation area.
- 5.3.3 Consideration is also being given to a potential time restriction on when the development would needed to have been commenced, albeit that the planning consent would expire three years, after 18 December 2012.

## **6. MARKETING STRATEGY AND PROGRAMME**

- 6.1 In consideration of the type of property, location, prospective lot size and existing planning consent LSH would anticipate strong interest from local property developers and builders.
- 6.2 LSH's opinion is that sale by auction is the best option for disposal of this site.
- 6.3 It is anticipated that an auction would generate a high level of interest and would achieve a quicker sale in comparison to private treaty or informal tender where a sale period in excess of seven months is estimated. Current market conditions are relatively strong and favourable for an immediate disposal.
- 6.4 An auction sale has the particular advantage of being an aggressive and accelerated market method that encourages interest to secure the highest price for an asset in an open and transparent environment. Auction is currently popular among vendors as the process also removes valuation uncertainty. The Council will be protected by a well-considered reserve price which can also ensure best value is achieved at sale.
- 6.5 As it is proposed that the Council pursues the auction route as opposed to market, it is advisable to consider an auctioneer with a strong presence in the high end local residential markets for instance Savills. Indeed we would

anticipate an indicative realistic time period of approximately 12 weeks from instruction to completion during the auction process.

6.6 In order for the Council to dispose of their freehold interest, LSH/Savills recommend the following steps prior to marketing and as soon as Cabinet approval is granted in order to take the site to auction in Autumn 2013:-

- Commission a marketing brochure
- Commission additional marketing advert(s) in addition to the standard entry included within the auction package – e.g. Estates Gazette
- Review title documentation to ensure LEB rights in relation to an electricity substation on adjoining property in Verulum House estate do not affect development site
- Potentially obtain quotes for insurance against rights of light at the adjacent property
- Divert any utility services, and in particular, the low voltage electrical cable that presently runs through the site, serving a street lighting column. The land ideally needs to be unencumbered with services prior to taking the site to auction, albeit this is not essential
- Preparation of a full sales pack with documentation including:
  - Planning drawings and decision notice;
  - Title reports;
  - Title plan;
  - Topographical survey;
  - Utilities report.

## **7. RESIDENT CONSULTATION / ENGAGEMENT**

7.1 Stakeholders and residents of Verulam House Estate and residents located adjacent the site at Hammersmith Grove will be notified of the proposed disposal of this site by auction by letter, following cabinet approval.

7.2 A meeting with residents on the estate and local community is planned, prior to construction of the three infill apartments. The purpose of this meeting is primarily to notify residents of the programme of works and what measures will be put in place, to mitigate any potential disruption, during construction.

7.3 At this meeting, we will also outline the programme for auction of the plot for sale and how there is likely to be a restrictive covenant as a sale condition restricting use to a four bedroom house and not for apartments or a maisonette.

## **8. EQUALITY IMPLICATIONS**

- 8.1 The recommendations in this report (to agree largely marketing and other expenditure for the sale of the site, plus the actual sale of the site itself), will not have any particular impacts on equality groups. The original proposal was to develop a four bedroom house for private sale and this is still likely to happen, albeit it is now expected that the Council will not be the vendor of the completed house but now merely the land. Therefore, there is no particular change to the plan from a buyer's point of view.
- 8.2 Comments completed and provided by Charles Wooldridge, Development Manager, having liaised with Carly Fry, the Council's Opportunities Manager.

## **9. LEGAL IMPLICATIONS**

- 9.1 The legal implications are set out in this report, and in particular within the due diligence section of the exempt report.
- 9.2 Comments completed and provided by David Walker, the Council's Principal Solicitor (Property).

## **10. FINANCIAL AND RESOURCES IMPLICATIONS**

- 10.1 An estimate of the value or receipt, by Lambert Smith Hampton, from the proposed sale of the land adjacent to 215 Hammersmith Grove with planning permission at auction, is included in the exempt report. This will be a capital receipt. As this is a sale of housing land, the use of this receipt will be ring fenced for housing and regeneration purposes and used to cross subsidise the development of three new affordable (DMS) properties at Verulam House.
- 10.2 Approval is requested, in the exempt report, to incur expenditure to facilitate the sale which will be funded from the decent neighbourhoods fund. A considerable proportion of this expenditure is likely to be the cost of disposal, however the diversion of the electricity cable and a local estate related service, together with the planning costs already incurred, will be capital expenditure, these actions add value to the land.
- 10.3 Other financial comments are in the exempt report.
- 10.4 Comments completed and provided by Dan Jones, Head of Housing Financial Investment and Strategy.

## **11 RISK MANAGEMENT**

- 11.1 This is covered in the exempt report.

## **12. PROCUREMENT AND IT STRATEGY IMPLICATIONS**

- 12.1 There are no procurement related issues as the report relates to sale of land in Hammersmith Grove.
- 12.2 Comments completed and provided by Alan Parry, the Council's Procurement Consultant.

### **LOCAL GOVERNMENT ACT 2000** **LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT**

<b>No.</b>	<b>Description of Background Papers</b>	<b>Name/Ext of holder of file/copy</b>	<b>Department/ Location</b>
1.	None.		

## **SCHEDULE OF APPENDICES**

**Appendix A: Planning Consent Approved Drawings - New Four Bedroom House (Private Sale) : 2012/02855/F3 - 18th December 2012**

**Appendix B: Planning Consent Approved Drawings - Three One Bedroom Apartments (Discount to Market Sale): 2012/02698/FR3 – 13th November 2012**