


<p>London Borough of Hammersmith & Fulham</p> <p>CABINET</p> <p>6 MARCH 2017</p>	
<p>DISPOSAL OF LAND AT LAVENDER COURT, 168 - 178 WESTWAY LONDON W12 0SA FOR DEVELOPMENT OF AFFORDABLE HOUSING</p>	
<p>Report of the Cabinet Member for Housing, Councillor Lisa Homan and the Cabinet Member for Economic Development and Regeneration, Councillor Andrew Jones</p>	
<p>Open report</p> <p>A separate report on the exempt part of the Cabinet agenda provides exempt financial information.</p>	
<p>Classification - For Decision</p> <p>Key Decision: Yes</p>	
<p>Consultation Legal, Finance, Housing Options, Property Services</p>	
<p>Wards Affected: Wormholt and White City</p>	
<p>Accountable Director: Jo Rowlands, Director of Housing, Growth, and Strategy</p>	
<p>Report Author: David Burns Head of Housing Strategy</p>	<p>Contact Details: Tel: 020 753 6090 E-mail: david.burns@lbhf.gov.uk</p>

1. EXECUTIVE SUMMARY

- 1.1. Lavender Court is Housing Land, situated in the north of the borough, and close to the A40 at 168 - 178 Westway, London, W12 0SA. It was built in the 1960s and provided 23 units of hostel accommodation, held within the Housing Revenue Account (HRA). In July 2015 Cabinet considered whether this site could be redeveloped for temporary accommodation as part of a wider strategy and approved the establishment of a framework to take this forward. The framework was not pursued, however, and there is now an opportunity to develop the site with A2 Dominion Housing Group for permanent affordable housing. A2 Dominion have indicated they have funds committed to affordable housing in the borough following their development of Queens Wharf.

2. RECOMMENDATIONS

- 2.1. To agree to dispose of the land at Lavender Court 168-178 Westway London W12 0SA to A2 Dominion Housing Group Ltd under a land sale agreement and using the land exemption from the EU procurement regime on a 250 year lease.
- 2.2. To agree to delegate authority to the Director for Housing, Growth, and Strategy, the Director of Finance & Resources and the Director of Building and Property Management in consultation with the Cabinet Member for Housing and the Cabinet Member for Economic Development and Regeneration to complete negotiations with A2 Dominion Housing Group Ltd and complete a land sale agreement for the transfer of the land.
- 2.3. To note that the disposal will be subject to several conditions, including that:
 - 2.3.1. Development is expected to commence by June 2018 and there will be a final later long stop date
 - 2.3.2. 60 new genuinely affordable homes will be delivered
 - 2.3.3. The Council will have 100% nomination rights to affordable homes delivered on this site.
- 2.4. To agree to delegate authority to the Director for Housing, Growth, and Strategy in consultation with the Cabinet Member for Housing and the Cabinet Member for Economic Development and Regeneration to apply for Secretary of State consent to dispose of the Housing land at Lavender Court.
- 2.5. To agree to delegate to the Strategic Finance Director in Consultation with the Cabinet Member for Finance decision on opting to tax the land sale.

3. REASONS FOR DECISION

- 3.1. The Council is committed to maximising the supply of genuinely affordable housing and the Council's Housing Strategy 'Delivering the Change we need in Housing' identifies working with housing providers as a key route to achieving this. The disposal of Lavender Court for this purpose fits clearly within these objectives.

4. PROPOSAL AND ISSUES

- 4.1. Lavender Court is on Housing Land situated in the North of the Borough adjacent to the A40 that currently provides 23 hostel spaces for families. The site has been identified as suitable for development previously, as it is outdated and no longer meets modern expectations for the quality of housing, and it does not make efficient use of the space available.
- 4.2. A Cabinet report of 6th July 2015 authorised the creation of a framework for the management and construction of temporary accommodation on local authority owned sites. This report identified Lavender Court under the Lot 1

element of this procurement as being the most suitable site for development. However, the Council has decided that this option does not offer value money and will not be proceeding with the procurement. This has led to the opportunity to look again at the site to deliver the Council's objectives as stated in the Housing Strategy.

- 4.3. A2 Dominion are a West London based housing association with a strong record of accomplishment of affordable housing delivery. They are currently delivering new homes at Queen's Wharf, in partnership with Mount Anvil. A2 Dominion have committed to the Council that any surpluses realised on this scheme will be re-invested within the borough on new affordable housing. They have also committed to re-invest any further surpluses generated from new developments in the borough. It should be noted there is no written agreement in place regarding this.
- 4.4. Given the scarcity and value of land in the borough, working with the Council on local authority owned land provides an opportunity for these surpluses to be used in delivering more affordable housing. On Lavender Court, A2 Dominion have committed to use some of their surplus to create a 100% affordable housing scheme and return a land value to the Council.
- 4.5. Lavender Court is currently occupied as temporary accommodation (TA) by families. Before work can commence on site, the families will be re-accommodated under an accelerated TA transfer process within the borough using the properties bought back as part of the Earl's Court regeneration programme, or elsewhere depending on the location of suitable properties.

Land Exemption from Public Procurement Regulations

- 4.6. Under the public procurement regulations, the Council does not have to complete a public procurement exercise for the disposal of land under the land exemption. This provides for the council to dispose of land without competition where it does not obtain from the developer an enforceable obligation to carry out works to the specification of the Council. Instead the Council is reliant on commercial incentives to ensure that the site is developed.
- 4.7. While not being able to specify works, the Council can specify:
 - i) The types of building to be developed
 - ii) The disposal would be by way of the 250 year lease rather than a freehold disposal with appropriate break clauses in the event of works not being commenced or completed within agreed timescales
 - iii) That Council will have nomination rights to all homes if they are built on the land
 - iv) Input into the design of the development
 - v) A long stop date for development.

Proposed Development

- 4.8. The Council and A2 Dominion have completed feasibility studies for the development of the site at Lavender Court. The resulting proposal that will form the basis of the land sale agreement is to build 60 new homes, split as 60% social rented and 40% as shared ownership. This is split as:

Bed Size	Shared Ownership	Social Rent	Total
1 bed	10	14	24
2 bed 3 person	15	14	29
2 bed 4 person		7	7
Total	25	35	60

- 4.9. The proposed development has a currently estimated construction cost of c.£10m and will meet the highest environmental standards including the former code for sustainable homes level four and have solar PV panels to generate communal electricity supply. The development will also meet GLA funding compliance for quality and specification of the units.
- 4.10. A2 Dominion have proposed that the social rent units have an average rent of £130 per week, which is based on 30% of gross household income up to £22,500 a year. The shared ownership units will be affordable for households in the £38,000 to £50,000 per year income bracket. This is based on an initial purchase of 25% equity and rent on the unsold equity at 1.75%.
- 4.11. A2 Dominion propose to start on site in January 2018 and complete the development in Spring 2019. This is subject to obtaining an implementable planning consent and to any site investigations and abnormals on site.

5. OPTIONS AND ANALYSIS OF OPTIONS

- 5.1. The housing service considered several options for this site.
- 5.2. Lavender Court is currently in use as temporary accommodation, and this use could be maintained. However, the building is no longer fit for purpose and does not offer the standard of accommodation expected by the Council. In addition, the site is not efficiently used and it can provide a greater number of new affordable homes, which in turn will reduce the need for temporary accommodation. Although it was included within the proposed procurement of newly constructed temporary accommodation, this was not pursued.
- 5.3. The Council could choose to develop this site directly, under its direct delivery programme. However, this programme is currently running at capacity in terms of both staff resources and the capital resources required to develop a circa £10m site. To develop this site directly, the Council would need to wait several financial years before capital resources became available. In addition, the Council development would not deliver a capital receipt for the land, whereas disposal to a third party could deliver a capital receipt.

- 5.4. The Council could choose to run an open competition for the development of the land to obtain the maximum possible land value. However, this would negate two opportunities:
- a) To obtain the most possible affordable housing on the site (currently proposed as 100% affordable); and
 - b) Use of A2 Dominion's surplus which they have committed to use in LBHF for affordable housing.
- 5.5. It would also mean giving up the strong partnership arrangements that are proposed by A2 Dominion, whereby the Council will be involved in the design and planning of the scheme.
- 5.6. Disposing to A2 Dominion directly provides the best overall value to the Council and delivers the outcomes that align most closely with the Council's agreed housing strategy.

6. CONSULTATION

- 6.1. Consultation will be required with neighbouring properties as part of the planning application process.

7. EQUALITY IMPLICATIONS

- 7.1. The creation of new genuinely affordable housing provides opportunities to address income inequality. The new homes will also have 10% as fully wheelchair adapted, and 90% as wheelchair adapted and so provide an opportunity for disabled residents to access appropriate housing.

8. LEGAL IMPLICATIONS

- 8.1. A procurable public works contract is likely to exist where the Council obtains from the developer an enforceable obligation to carry out works to the specification of the Council. Conversely, a public procurement competition may not need to be run where the arrangements provide for a looser relationship with more optionality on the part of the developer or with less specification on the part of the Council.
- 8.2. The disposal would be by way of a 250 year lease rather than freehold with a user restricting use to social housing. This would prevent private sales. The lease would also provide for provision for surrender in the event of the works approved under the Planning Permission not having been commenced or completed by agreed dates
- 8.3. Activities which are permitted under the land exemption include:
- 8.3.1. A developer engaging with the Council in respect of the type of buildings they might want to provide (so long as there is not a legally binding obligation to deliver the works to a specification);
 - 8.3.2. A developer pursuing planning applications in respect of the site (and the land sale or lease could include a provision that the site

would be developed in accordance with planning permission and planning policy);

- 8.3.3. Including a provision (which would need to be appropriately worded) that the Council could re-purchase a site in the event of non-construction (which should be defined as not starting the works) by the developer.
- 8.3.4. Agreeing that if the developer constructed the housing then the Council would have nomination rights into those dwellings.
- 8.3.5. Including overage (profit-sharing payments) within the sale contract provided that this is not accompanied by any legal obligation on the developer to carry out any works;
- 8.3.6. The Council attending design meetings and provide input and opinion into those design meetings, as long as the Council cannot be said to be exercising a "decisive influence" over the design development process in a context where the developer is committed to building the development

8.4. As the land is housing land within the HRA Secretary of State consent would be required for its disposal under S.32 of the Housing Act 1985. Such consent can either be a specific consent or in certain cases by way of a General Consent. General Consent A3.1.1 provides that a local authority may dispose of land for a consideration equal to its market value so no such specific consent would be needed if that is the case with this disposal.

8.5. *Implications verified/completed by: Dermot Rayner Senior Property Solicitor 0208 753 2715.*

9. FINANCIAL IMPLICATIONS

9.1. The Housing Capital Programme does not have the resources to directly develop Lavender Court within the next few years. This agreement will allow for the site to be developed to provide shared ownership and social rented homes much more quickly than the Council could.

Impact on the General Fund

9.2. The cost of decanting and housing the 23 tenants currently residing in Lavender court would be borne by the General Fund until completion of the 35 additional units. This is because the homes used to rehouse tenants from Lavender Court would not be available for other homeless families, which may in the worst case scenario, result in additional Bed & Breakfast costs. These will need to be contained within the Housing General fund budgets and there is no growth in budgets beyond what is in the MTFs beyond 17/18.

9.3. Based on A2 Dominion's estimated development period of 18 months, allowing 3 months for demolition and based on a worst case scenario where all the additional temporary accommodation is provided in Bed and Breakfast, this gives a maximum risk to the general fund of circa £88k. The Council can minimise this risk by ensuring additional private sector leases are procured to cover the shortfall.

- 9.4. There will be a saving in the longer term in the general fund as the 35 new social rented homes will free up temporary accommodation. Considering just the 12 additional homes provided (35 new social rented homes less 23 hostel spaces), this could represent a potential B&B cost saving with a net present value of approximately £0.5m over 30 years.
- 9.5. This will contribute towards existing MTFS savings plans and the containment of risks to the Housing Solutions budget (up to £14.1m by 2021/22)

Protecting the long terms savings

- 9.6. The nominations agreement should be set up to ensure the Council gets good access to units, ideally within the Borough, at rents similar to or lower than those proposed for Lavender Court if A2 Dominion uses any of the homes covered by the nominations agreement for management transfers.
- 9.7. *Implications verified/completed by: Kath Corbett, Director of Finance and Resources, Housing and Regeneration, 020 8753 3031*

10. IMPLICATIONS FOR BUSINESS

- 10.1. The development of new affordable housing will create opportunities within the construction supply chain and thus benefit businesses in the borough.

11. OTHER IMPLICATIONS PARAGRAPHS

11.1. Risk Management

- 11.2. There are two key risks to the council. Firstly, that the Council is not able to specify what is to be delivered on site; the site will be outside the Council's control and A2 Dominion may not deliver the promised residential homes. However, the Council can place provisions within the land sale agreement that the land must be surrendered if it is not developed within a set time. In addition to this, the Council has an ongoing relationship with A2 Dominion with future sites to become available for disposal, therefore it is in A2 Dominion's commercial interest to cooperate with the Council.
- 11.3. Secondly, there is the risk that A2 Dominion obtain planning permission for an alternative mix of units with private homes, generating value beyond that which is agreed within the land price. However, the council can include an overage provision within the land sale agreement so that it will achieve best consideration if an alternative mix is implemented.

12. Health and Wellbeing

- 12.1. New affordable housing will be of a higher standard than that which potential social tenants are currently housed and so presents opportunities to improve the health of our residents. Stable housing for those in temporary

accommodation has also been shown to have positive effects on mental health.

13. BACKGROUND PAPERS USED IN PREPARING THIS REPORT

None

LIST OF APPENDICES:

Appendix 1 – land at Lavender Court