



To: Executive Councillor for Customer Service &
Resources: Cllr Julie Smith
Report by: Head of Property Services
Relevant scrutiny Strategy & Resources Scrutiny 15/10/12
committee: Committee
Wards affected: From Arbury to Kings Hedges

DISPOSAL OF SITE K1, ORCHARD PARK, CAMBRIDGE

Key Decision

1. Executive summary

- 1.1 Site K1 was approved for disposal in November 2004. The Council entered into a development agreement with neighbouring landowners as part of the wider Arbury Camp development. It was allocated for 37 market houses with affordable housing provided on adjoining parts of the site.
- 1.2 A sale was agreed at £4.3m in 2007 but with the market decline, the prospective purchaser withdrew. Further marketing generated very low offers and it was decided to investigate other disposal options to achieve a comparable value and more timely development.
- 1.3 The Strategy & Resources Scrutiny Committee on 29th March 2010 approved investigation for a community co-housing scheme. This is the provision of houses in partnership with an established developer and a group of 'self-builders' with outright ownership of the houses and collective ownership of the communal areas/public realm.
- 1.4 Cambridge Architectural Research Limited was appointed to investigate the demand and interest into a community co-housing initiative on the site. After extensive marketing, 7 households have expressed strong interest in the scheme. A

further 13 are interested but have unresolved questions. Altogether, 62 people expressed interest.

- 1.5 The information available from the initial marketing of a co-housing scheme is considered inconclusive as to the viability of such a scheme. A decision is needed on whether to proceed with the community co-housing approach or re-market the site on the open market.

2. Recommendations

The Executive Councillor is recommended:

To approve that the Council dispose of Site K1 by one of the following options:

- 2.1 Continue with the community co-housing approach if sufficient interest allowing for a 6-month marketing period and that the risks in paragraph 1.3 of Appendix A can be mitigated, failing which the site will be disposed of as in 2.2 below

OR

- 2.2 Re-market the site on the open market to achieve a quality scheme reflecting the Council's desire for good sustainability, good design, high values and integration with the wider Orchard Park Community.

3. Background

- 3.1 Site K1 is 0.97 hectares (2.4 acres), on the edge of Orchard Park, as shown edged in Appendix B and is within South Cambridgeshire. The Council's land was brought forward for development through a collaboration agreement with adjoining landowners. This enabled a collective approach to obtaining planning consent, undertaking infrastructure works and servicing the land parcels.
- 3.2 The Council's land was split into 4 sites for housing: K1 for market housing and J1, J2 and K2 for affordable housing (now

sold and the developments completed on site). K1 was allocated 37 market housing units in the master-plan. The site had outline planning consent for these units subject to submitting a “reserved matters” application within 3 years.

- 3.3 A sale was agreed at £4.3m in 2007 but this fell through and no reserved matters application was made. The planning consent therefore lapsed in June 2008. Further offers from developers and from Registered Social Landlords were received but these were significantly below the previous sale price.
- 3.4 Consideration was given to whether or not more innovative approaches could be found to bring the site forward for sale and/or development at the earliest opportunity. Local residents were keen that the site be developed as soon as possible rather than left as a vacant building plot.
- 3.5 Options were considered at the Strategy & Resources Scrutiny Committee in March 2010. A decision was made to investigate a community co-housing scheme on the site with a fall back position that if insufficient interest, the Council could revert to the original market disposal approach.
- 3.6 The recommended community co-housing approach for Site K1 was Enabled Co-housing, providing houses in partnership with an established developer for outright ownership with collective ownership of the public realm. The key features of an Enabled Co-housing scheme are
 - Council procures a development partner (through a conditional sale or possibly an OJEU process) to design, build and market a scheme on a designated site
 - Council enables a local sponsor co-housing group to register potential self-commissioners as “off-plan” purchasers
 - Development partner develops integrated housing and landscape vision, and then obtains planning consent
 - Purchasers pay reservation fee for their plots
 - Development partner develops the site and sells to the individual purchasers by freehold or long leasehold sales

- Purchasers become members of the Resident Management Company
- Ownership of common areas and benefit of covenants on site management are vested in the Resident Management Company
- Purchasers arrange their own mortgages and pay for homes on completion
- Development partner usually takes all risk on development
- Purchasers pay a service charge for the upkeep and development of the common areas and maintenance costs
- Resident Management Company takes all decisions regarding ongoing management and maintenance of the site
- Purchasers can sell on properties subject to the above covenants

3.7 As this is an innovative approach for which the Council had no internal experience, consultants were appointed to undertake a 3-phase approach to investigate this further. Phase 1 was feasibility, phase 2 procurement, and phase 3 construction and sale. Phase 1 has now been completed and a copy of the report by Cambridge Architectural Research Ltd [CAR Ltd] is included in the confidential Appendix A.

3.8 This information gathered through phase 1 is considered inconclusive as to the viability of a co-housing scheme. There was extensive marketing over a 7-month period by way of website, branding, leafleting, posters, Enlinca's mailing list, Twitter, the press, Cambridge Matters and South Cambridgeshire Magazine.

3.9 The outcome of this was 7 parties were very interested in K1, 13 undecided and 13 interested in co-housing but not on K1. 62 people have expressed interest in this site. Previously identified potential self-build groups (Enlinca, Argyle Street Co-op and Cambridge Chinese Community) have stated that they are not interested in this site.

3.10 The profile of those very interested included single people, retired couples and younger families. All appeared to have access to reasonable deposits but most would require

mortgages. 3 of the group would be interested in acting as Chairperson and 2 of these have construction backgrounds.

3.11 The Council has to decide whether to proceed with the co-housing scheme or revert to a more traditional disposal method. The Council's VAT position is very important with regard to the options available and the potential implications are set out in Appendix A in more detail.

3.12 Only a disposal on the open market to a developer has no VAT issues for the Council.

3.13 The options are considered below.

SITE K1 OPTIONS				
	Proposal	Scheme	Comments	Timescales
1	Community co-housing scheme	40 units based on enabled co-housing approach with a community house.	Innovative, potential design individuality, VAT issues and additional resource/cost to manage likely to reduce net receipt. Sales receipts may be phased based on actual sales.	18 -24 months to complete on site
2	Sale to developer	In accordance with original planning consent – 37 market housing units.	Sales receipts may be phased based on actual sales. No restrictions or conditions on sale.	12-18 months assuming planning consent obtained without appeal.

3.14 Whichever option is chosen, it is important that a development recognises the important location of Site K1 as a gateway into Orchard Park. It is also important that, as an island site, any development integrates well with the rest of Orchard Park, with good pedestrian links and permeability across the site. Working with partners as part of the co-housing discussions, a specific Site K1 design guide was published by South Cambridgeshire District Council's planners in January 2012.

The stated objective of this guide is to ensure that any development will create a high quality, desirable place to live.

- 3.15 A co-housing scheme must be part of the wider Orchard Park community and not an isolated community within a community. The design of any scheme must reflect this and ensure good links with the wider community. Discussions with a prospective co-housing group will reflect this desire and will no doubt be reinforced by planners. This should not be an issue as community co-housing groups are formed by the desire to be part of the wider community.
- 3.16 The key issue is whether co-housing at Site K1 is or isn't viable and if further consultant fees should be incurred to take the scheme forward. At this stage, it is not possible to say with certainty that K1 is or is not viable for co-housing. There is a core of 7 households who have expressed genuine interest with 13 others interested but who require more details about the scheme.
- 3.17 There are limited examples of co-housing schemes in the UK but 2 schemes are Springhill in Stroud and Forge Bank near Lancaster. These demonstrate that such schemes can be successful and are useful for comparisons in terms of how the schemes developed, the types of sites and locations, the structure of the co-housing group and how this group formed.
- 3.18 The Springhill co-housing project in Stroud completed in 2006. It is a compact site in an urban environment comprising 36 units. An individual bought the site with a view to doing a co-housing scheme. He then established the co-housing company and was the driving force for the scheme. It would appear to be a successful and award winning scheme.
- 3.19 Forge Bank near Lancaster is one of the most recent co-housing projects and is under construction. It has 41 units with only one remaining unsold. In an edge of village location, the site runs alongside the River Lune which most properties front. The site is approx. 2.5ha (6 acres) and includes a common house, managed workspace and river access.

- 3.20 These schemes have been successful and are very different from each other and Site K1 in terms of location and surrounding. The advantages of Site K1 for co-housing are that land values are lower than other parts of Cambridge, it is well served by public transport and other facilities, has good highway links and assuming the new station happens at Chesterton, it will have easy access along the guided busway to the station.
- 3.21 If after 6 months, there is a significant number of committed co-housing members but not for all the units, discussion can take place as to whether or not they wish to proceed. It is not considered advisable to try and split the site with a smaller co-housing scheme as the benefits of co-housing are watered down and the costs of shared facilities then become higher per capita.

4. Implications

Financial Implications

- 4.1 To proceed with the next phases for a co-housing scheme will incur costs in the region of £50,000 plus VAT. If the co-housing scheme does not proceed beyond phase 2, these costs will be reduced. If a co-housing scheme does not proceed, it may be possible to continue with a disposal to the development partner without incurring significant additional fees and marketing costs.
- 4.2 Please see the confidential Appendix A for more detail on the financial implications.

Staffing Implications

- 4.3 The community co-housing scheme will involve resources to procure the development partner, project manager and consultancy support and to oversee the project to completion. Depending upon the development partner and the skills of the relevant co-housing group, the amount of time spent managing

the project may be less. If the co-housing group has sufficient skill then the Council's officer time may be reduced.

- 4.4 A disposal on the open market will require some officer time although agents would be appointed to deal with the marketing and some aspects of negotiation. It is likely that some of the parties previously involved will continue to be interested in the site at similar values to those previously discussed.
- 4.5 It is recommend that to ensure that a community co-housing scheme proceeds in a timely manner, the Council should appoint:
- A senior Member or Council Officer as Project Champion
 - A Project Manager with responsibilities and accountabilities to co-ordinate and manage all of the activities required.

Equal Opportunities Implications

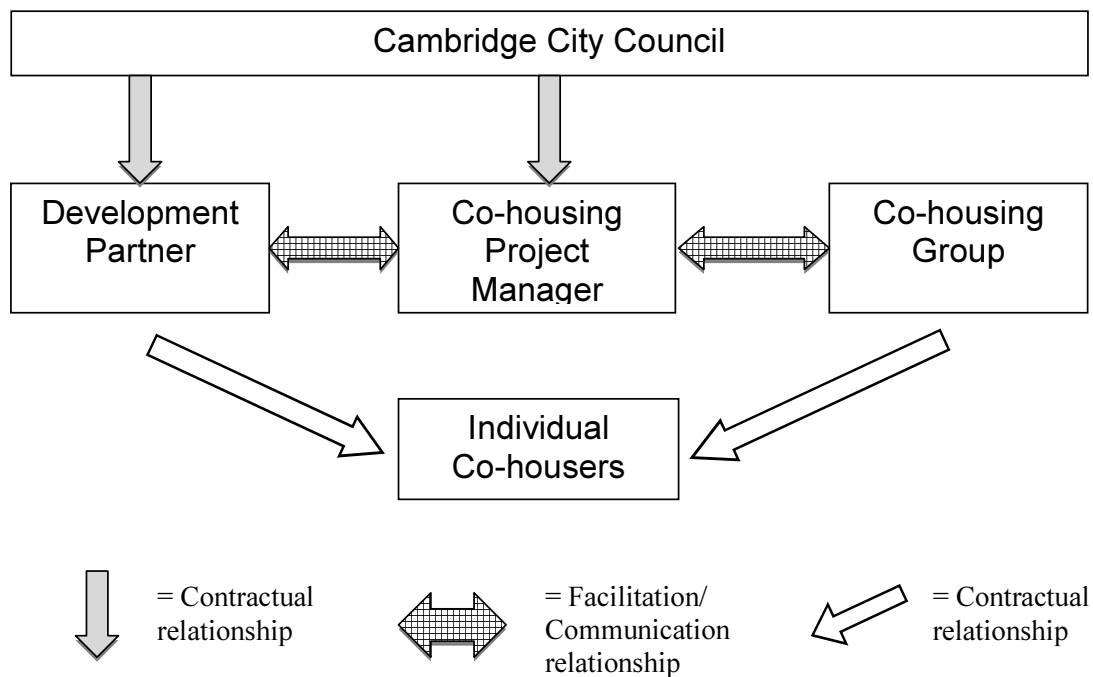
- 4.6 One of the barriers to self provided housing is availability of land when competing with developers. When the market is low, however, one of the barriers becomes the availability of finance. Lenders indicated that a self provided housing scheme in the manner proposed would be acceptable for funding to reasonable levels of loan to value ratios (probably up to 70%). Given the probable mix of properties on the site, this should enable new entrants to the property market to get onto the property ladder as well as existing homeowners.
- 4.7 Co-housing groups can represent a cross section of the communities from which they are drawn. They tend to come together from cultural, family or ideological backgrounds. A scheme offering a mix of property types and values can meet their requirements well. Such schemes may also offer opportunities for specific ethnic or cultural communities that are difficult to bring together by more traditional approaches.

Environmental Implications

4.8 Whilst it is possible to impose specific environmental and sustainability targets on Site K1, this may impact value significantly depending upon the level specified. Many co-housing groups have high sustainability expectations anyway and so it is anticipated that the site is likely to achieve good performance in this respect. It may be seen as contrary to the principles of self provided housing if targets are imposed rather than agreed by the ultimate residents of the scheme themselves.

Procurement Implications

4.9 The expected disposal route for co-housing will be a sale with conditions attached related to a co-housing scheme on the site. The various contractual arrangements likely are shown in the diagram below.



4.10 The Council may need to undertake an OJEU procurement exercise to appoint a development partner to work with to deliver an Enabled Co-housing project but this is considered unlikely. The procurement exercise could either be dealt with

internally if sufficient resource available or could possibly be dealt with by the externally appointed consultant/project manager which will incur additional cost.

4.11 An open market disposal will require the appointment of an external agent.

5. Background papers

These background papers were used in the preparation of this report:

Confidential - Cambridge Architectural Research Ltd report:
"Cambridge k1: A Developer Enabled Co-Housing Project"

Confidential (Report)- Report, Minutes and Decision: "Disposal Of Site K1, Orchard Park, Cambridge" – Strategy and Resources
Scrutiny Committee 29th March 2010

Springhill Co-Housing Website: www.springhillcohousing.com
Forge Bank Co-Housing Website: www.lancastercohousing.org.uk/

6. Appendices

Appendix A – Confidential Appendix

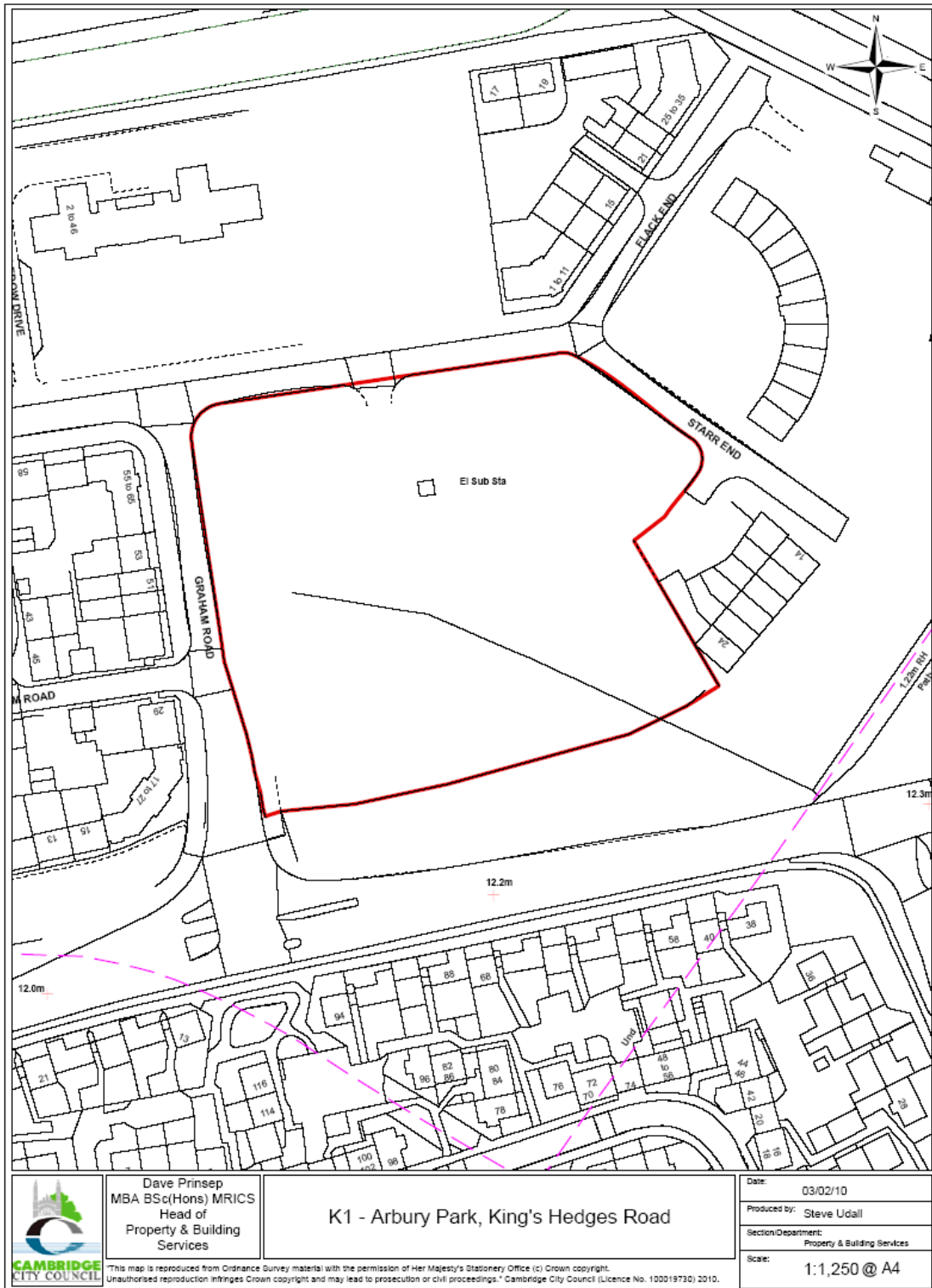
Appendix B – Plan

7. Inspection of papers

To inspect the background papers or if you have a query on the report please contact:

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Appendix B – Plan



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K1 - Arbury Park, King's Hedges Road

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