

## **Appendix 2 – Wadloes Road (Former Nursery School Site) Project Appraisal**

### **1. Summary**

This site has been vacant since June 2008, and was formerly tabled for consideration for redevelopment as part of the Council's 3 Year Rolling Programme in June 2011 following demolition of the existing building.

This report requests project specific approval to proceed with redevelopment of the site for residential purposes, providing a mix of affordable and market housing.

### **2. Reason for Investigation:**

Despite active marketing on similar terms between June 2008 and January 2010 a commercial tenant could not be found. A total of six expressions of interest were received during this time, but none of them proceeded past the initial discussion stage.

A combination of building age and lack of use meant that significant investment would be required to bring it back to a standard that could continue to be marketed without the requirement for extensive refurbishment by any lessee, and a decision was taken by the Head of Property Services in April 2010 to demolish the existing building based upon the uneconomic nature of such investment.

Consequently, the site was put forward for potential redevelopment following demolition of the existing building in April 2011. Since this time Property Services have been actively marketing the vacant site, seeking a lease on a commercial basis, without any expressions of interest to date.

### **3. Feasibility:**

Existing Site: Vacant (0.19ha)

The site has been vacant for approximately 4 ½ years, following the early surrender of the last lease (1yr into a 10 yr term). The site

was let to a Nursery School project, with formal surrender occurring in June 2008.

The existing site is currently classified as Commercial use (D1, D2) in planning terms.

A formal planning application will also require the approval of a use class change to Residential (C3). Planning has indicated that a change of use may be permitted if non-viability as a commercial site can be demonstrated.

### Local Housing Need

The table below shows figures taken from the latest available update of the Home-Link Register (October 2013), indicating the demand City wide for properties of a given size and band as follows:

	1 bed	2 bed
Band A	198	104
Band B	328	209
Band C	3029	676
Band D	1602	763

### Maintenance and Value for Money

The existing site requires little maintenance in its current form. Demolition of the former redundant building that once occupied the site has been undertaken, negating the need for ongoing maintenance and site security.

### Site Constraints

The site has good access to local amenities with the Abbey Ward, with a local centre located within walking distance to the South at the junction with Newmarket Road. Bus stops linking the site to the city centre are located within 500m of the site. The location is close to schools, library, religious, medical, and recreation facilities.

The site will require the creation of a new vehicular access direct from Wadloes Road, which may (subject to final design) require the relocation of the existing pedestrian crossing further into Wadloes Road to avoid conflict with any new junction. A specialist

consultant has assessed the initial traffic implications of this proposed access and the site for residential vehicle movements, and considers it viable subject to detailed design and agreement with Cambridgeshire County Council Highways.

There are a number of mature trees on the site, and the final layout/design will take into account advice from the arboriculture officer, following the preparation of a specialist report.

#### Engagement with Local Residents

There has been no formal engagement with local residents to date. If approved, the scheme will go through a robust process of neighbourhood engagement at the pre-application and formal planning application stages.

#### **4. Proposed scheme:**

The proposed scheme (subject to planning) will deliver a total of 10 homes. The **proposed mix** of the scheme is as follows:

##### **Affordable Housing – Total 6**

2 x 1 bed/2 person apartments (48 sq/m)  
4 x 2 bed/4 person apartments (71 sq/m)

##### **Market Housing – Total 4**

2 x 1 bed/2 person apartments  
2 x 2 bed/4 person apartments

- All of the Affordable Housing will meet Lifetime Homes Standard.
- All units will meet the requirements of Level 4 of the Code for Sustainable Homes.
- The Market Housing will be built and sold at the developer/house-builder partner's risk.

Target Start date	Feb 2014
Target completion date	Oct 2014

An indicative layout plan of the proposed scheme is attached.

## **5. Costs, Funding and Viability**

### **Capital Costs**

Net Construction Costs	£730,657
Quantity Surveyor	£ 17,358
Internal Development Fee (2%)	£ 21,430
Total	£769,445

### **Funding**

Grant	£106,338
Borrowing	£663,107

### **Viability**

A typical benchmark used by Registered Providers in determining scheme viability is when a scheme first breaks even in revenue terms (typically 12 years max) and when the total capital used is paid back (typically 30 years max). This benchmark relates particularly to vacant sites. The viability against the benchmark is shown below.

Payback Period:	32 Years
Break Even:	Year 1

### **Rent Levels –**

1 bed - £119.14 per week
2 bed - £130.54 per week

The rents include the RPI (currently 2.5%) + 0.5% increase that will be applied to base rents from April 2013, reflecting the scheme coming into management during the 2013/14 financial year.

### **VAT implications**

VAT is not payable on new build construction costs. Detailed advice will be sought from the Council's VAT specialist to ensure that there are no adverse VAT issues affecting the project.

## **6. The Procurement**

At the Community Services Committee on the 25 March 2010 the Executive Councillor for Housing approved that an Affordable Housing Development partnership be procured. This partnership was to enable the redevelopment of City Homes housing considered feasible for redevelopment in the 3 Year Rolling Programme. The 25 March 2010 report stated that two developer partners would be procured; due to procurement regulations it was not possible to procure two partners. Therefore a procurement exercise was undertaken to select one partner, which adhered to procurement rules.

The procurement process was completed in October 2011 and Keepmoat was the successful tenderer.

The principles behind the development model used on other Council schemes already approved is repeated here i.e. a mixed tenure scheme, developed with the a house-builder/developer partner, providing for the cross-subsidy of the Affordable Housing from the sale of market houses, thereby minimising capital outlay for the Council.

The model involves the disposal of freehold plots to the house-builder/developer partner where Market Housing is proposed and/or disposal under long leases where Market Apartments are involved. The Council will retain the freehold of land upon which the Affordable Housing is provided and the freehold of land should Market Apartments be provided.

It is the intention to control and procure the redevelopment by way of a Development Agreement and a standard form JCT Design and Build contract to cover the building works. The draft agreements have been set up with the Council's legal team.

In summary, the key points of the draft Development Agreement are as follows;

The contractual arrangements with the house-builder/developer are conditional on the achievement of a satisfactory planning permission. The Development Agreement is also conditional on the Council confirming it has secured sufficient funding for the Project, achieved vacant possession and achieved all necessary Executive

Councillor approvals. The Council must approve a scheme prior to the house-builder/developer submitting a planning application.

The cost of the redevelopment to the Council is capped at 10% above the Construction Cost of a final scheme agreed with the house-builder/developer to allow for any onerous conditions that may be applied through the planning process (this is within the limits allowed by the Council's Contract Procedure Rules).

### **Key Risks**

The Development Agreement will be conditional on the Director of Resources confirming that the Council has the finance in place to fund the scheme. Therefore a key consideration is developing a finance package that is acceptable to the Director of Resources.

A planning application will need to be agreed between the developer / house-builder partner and the Council that is satisfactory to the Strategic Housing division.

Subject to the approval of the Committee of the scheme presented, the Development Agreement will be signed and our house-builder/developer partner will proceed to submit a planning application after vacant possession has been achieved. The Development Agreement will include a clause allowing our house-builder/developer partner to claim back a proportion of the cost of achieving planning permission should the Project not proceed for reasons that are not the fault of our partner. In the unlikely event that the Council does not wish to proceed with the redevelopment, the risk is mitigated by the fact that the land will have a planning permission that will have a value to the Council.

Should the project proceed with HCA grant, a key risk will be not meeting key deadlines for the grant funding drawdown, which is time limited until March 2015.

### **Other implications**

Davis Langdon (Aecom PLC) has been appointed Quantity Surveyor/Employers Agent for the Council 146 Programme and will verify that costs provided by our partner developer (Keepmoat) are reasonable in the prevailing market.

