



To: Executive Councillor for Customer Services and Resources
Report by: Alan Carter
Relevant scrutiny committee: Strategy and Resources 9 April 2013
Wards affected: Trumpington

CLAY FARM LAND DISPOSAL Key Decision

Appendix 2 is recommended to be NOT for publication and that press and public are excluded by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

1. Executive summary

At the Strategy and Resources Committee on the 4 July 2011 the Executive Councillor for Customer Services and Resources approved that the Council proceed with a project to dispose of the Council's land at Clay Farm.

Delegated authority was given to the Director of Resources and the Head of Legal Services to agree a procurement process to select a preferred partner to dispose of the land following consultation with the Leader; relevant Executive Councillors; and Opposition Spokespersons and that a report be brought back to the Committee to authorise that a contract be entered into with the preferred partner.

The procurement process has now concluded and this report requests authority to enter into the contract.

Appendix 2, which is confidential, summarises the results of the evaluation of the successful tender.

2. Recommendations

The Executive Councillor is recommended:

To confirm the award of a contract to a developer partner selected through a procurement process to develop the City Council's land at Clay Farm.

3. Background

Cambridge City Council owns the freehold of approximately 6.75 acres of land at the centre of the Clay Farm development area on the Southern Fringe of the city. Appendix 1 shows the location of the land (shaded green) adjacent to the new Community Centre and Square (shaded blue).

This land will provide up to 209 dwellings and up to 540 square metres of retail space.

Members have clearly expressed their expectations that ownership of the land presents the opportunity to deliver;

- a development of quality design
- that sets exemplar sustainability standards
- with 50% of the housing as Affordable Housing
- that generates a capital receipt for the Council
- with risk to the Council kept to a minimum

At the Strategy and Resources Committee on the 4 July 2011 the Executive Councillor for Customer Services and Resources approved that the Council proceed with a project to dispose of the site to achieve these objectives. Delegated authority was given to the Director of Resources and the Head of Legal Services to agree a procurement process to select a preferred partner to dispose of the land following consultation with the Leader; relevant Executive Councillors; and Opposition Spokespersons and that a report be brought back to the Committee to authorise that a contract be entered into with the preferred partner.

Also at the Customer and Community Services meeting in June 2012 it was approved in principle that the Council should retain the Affordable Housing on the Council's site. This principle was subsequently agreed at Strategy and Resources Committee in July 2012 and at the Strategy and Resources Committee in January 2013 it was approved that the Council should retain the ownership of up to 450 square metres of commercial units on the site.

As further context, in 2006 the Council approved that a Collaboration Agreement (CA) be negotiated with Countryside Properties Limited (CPL) the developer of the remainder of the Clay Farm site to facilitate the development of the Council's land. The CA has now been signed.

The main provisions of the CA are;

- the transfer of some of the Council's land to CPL. This is because most of the non-developable land (eg designated for parks and open spaces) for Clay Farm as a whole is on the land owned by the Developer. The Council's land area is 7% of the total area of Clay

Farm overall and therefore as part of the CA it has been agreed that the Council's land is reduced to 7% of the developable area. This equates to 6.75 acres.

- a requirement for CPL to provide the site infrastructure (groundworks; utility supplies; roads; etc) up to the boundary of the Council's land to allow it to be developed and achieve the necessary outline Planning Approvals in return for a financial contribution from the Council. The CA does not cover the provision of site infrastructure required within the Council's area of land because this will depend on the design of the development on the Council's land and will be provided by the Council's development partner. The cost to the Council under the CA will be 7% of the CPL's total infrastructure and Planning costs. Currently, the Council's contribution to CPL's total infrastructure is estimated to be £4.35 million.

Should the Executive Councillor confirm that a contract be awarded an indicative timetable for the development of the Council's land is as follows;

September 2013 – Planning application

December 2013 – Planning approval

May 2015 – First house completions

December 2017 - Long stop date for project completion

After the award of a contract the Council will need to apply to the Secretary of State for consent to dispose of its freehold interest in the development site and to confirm that the disposal does not breach and 'state aid' rules. Legal advice has and will continue to be sought on these matters and the contract will be subject to any such statutory approvals.

4. Implications

(a) Financial Implications

In summary the procurement process has been designed to deliver the following estimated capital receipt;

- A minimum capital receipt of £6.25m has been set as an acceptable bid. This has been set based on an estimated site valuation carried out by Savills.
- Structured payment – bidders were invited to submit phased payments over a number of years. A lump sum of £6.25m today converts into a higher sum paid on a phased payment basis.
- A £6.25m baseline bid would cover our net Collaboration Agreement costs of £4.35m leaving a £1.9m capital receipt.
- There will be an overage clause that will provide the Council with a 50% share of any market sales values above that predicted in bids should the market improve.

Cost of Affordable Housing - A fixed cost to the Council for the Affordable Housing has been set at an approximate blended construction cost of £1600 per sq m. (based on construction cost assumptions used in Savills report cross-referenced with figures from David Langdon – the cost of flats are estimated at £1680 per sq m and houses at £1400 per sq m to arrive at the blended rate).

Cost and return on Commercial Units – A fixed cost for the commercial units has been set at £800 per sq m. The rent for the commercial units is estimated to be in the region of £100,000 p.a. (within a range of £80,000 to £120,000 p.a.). The cost, excluding any site value but including 15% developer's profit, is likely to be in the region of £1.28m. This gives a return on capital of about 8%.

An up-front budget of £117,000 was approved to facilitate the project.

(b) Staffing Implications (if not covered in Consultations Section)

A cross department Project Group has been working on this project and has been meeting on a regular basis since July 2011. Internal officer input has been made from the Strategic Housing Enabling and Development Team; Planning, Urban Design and the Environmental Sustainability officers; Property Services; Procurement, Legal, Finance and Internal Audit services. The Director of Resources is the Project Champion.

External input has been commissioned from a property consultant; a property valuation consultant; a VAT specialist; an architectural adviser; and the Building Research Establishment.

Legal services have been commissioned from Sharpe Pritchard who also provided a report and recommendation on the most effective disposal route to secure the Council's ambitions for the development. The recommendation was to dispose of the site by a Development Agreement that allows the phased transfer of land to the developer partner in return for phased land payments. Disposal through a Development Agreement provides a greater degree of control by the Council on delivery and standard of the development and aids de-risking the disposal for the Council. Sharpe Pritchard has provided a report summarising all legal aspects of this land disposal.

(c) Equal Opportunities Implications

A project specific EQIA is not applicable for the general land disposal although an EQIA has been completed for the Council House Building Programme. The specification for the Affordable Housing to be provided on the site includes two fully wheelchair accessible properties. The requirement

for a minimum Level 5 of the Code for Sustainable Homes will mean that all of the housing will be built to the Lifetime Homes Standard.

(d) **Environmental Implications**

The baseline for bids was set at Level 5 of the Code for Sustainable Homes and BREEM Excellent for any commercial element – but with an emphasis on Sustainable Urban Drainage and use of materials for the development to be exemplar.

The bids have been evaluated using Code for Sustainable Homes and BREEM pre-development assessment schedules. BRE have been recruited as external experts to assist with the evaluation of exemplar sustainability.

(e) **Procurement**

There has been three main stages to the Restricted Procedure tender process.

Issue of the OJEU Notice - In effect the advertisement that openly announced our project and invited organisations to register their interest. This Notice was issued on 2 July 2012.

Pre-qualification Questionnaire (PQQ) - The short-listing process. All interested organisations were asked to submit information in a prescribed form to allow consistent analysis and evaluation by 6 August 2012. At this stage we particularly tested bidders:

- Economic and financial standing
- Technical and professional ability especially with regard to the delivery of high quality, sustainable development
- Capacity to deliver the project

Invitation to Tender (ITT) - Following the shortlisting (PQQ) process above, three organisations were invited to submit their final costed bid. The ITT was issued on 7 December 2012 with the deadline for returns set for 8 March 2013.

In order to reflect Members ambitions for the project the evaluation of bids has been structured in two stages as follows.

Stage 1 – Pass/Fail

- Bidders must offer at least £6.25m net present value for the site

- Tendered schemes must be at least to Level 5 of the Code for Sustainable Homes and BREEAM Excellent standard on any commercial element
- Bidders must agree to sign the Development Agreement (the contract) in its prescribed form (to avoid any post tender attempts to vary)

Bids not satisfying these minimum requirements would be rejected.

Stage 2 – Price and Quality Assessment

- Price offered for land – 34% marks
- Overage offer – 6% marks
- Design Quality – 40% marks
- Sustainability – 20% marks

The project team concluded that bids that passed Stage 1 would be high quality in their own right and would provide a capital receipt for the Council. The Stage 2 evaluation was then designed to test the added value each bidder offered either in terms of extra capital receipt or exceptional quality design and added dimensions to sustainability – again evaluating an appropriate balance between the three – in order to arrive at a winning bid.

Quality Design has been assessed by a Panel of three external architectural and design experts and an urban design officer. The tender submissions required a Design, Sustainability and Drainage Statement; master-plan drawings; a detailed area plan covering 50 units; two section/street elevations; house and flat types and layouts. A clause in Development Agreement will require that the architect used at tender stage is retained by the selected developer at least to the achievement of a planning approval.

The mix of houses and flats and sizes are required to be within Affordable Housing Supplementary Planning Guide and the tender stated the minimum and maximum floor areas for the Affordable Housing which are set in line with the current housing standards being considered through the Local Plan Review.

Appendix 2, which is confidential, summarises the results of the evaluation of the successful tender.

Should the recommendation to confirm the contract not be approved the current procurement process will terminate. As with any procurement there will be the risk of a challenge by bidders in this event, however, the Council has reserved the right throughout the procurement process not to award a contract. Should a contract award not be approved the Council would need to re-analyse its favoured route for the disposal of the land. Current house market conditions, the risks of retaining the site un-developed at the centre

of the Southern Fringe development and the loss of early opportunity to cover the Council's costs under the CA would be significant considerations.

(f) **Consultation and communication**

Cross party lead Members have been kept advised of progress on this project through meetings and briefing notes.

(g) **Community Safety**

There are no specific community safety implications of this project.

5. Background papers

None

6. Appendices

Appendix 1 – Location Plan of Council's Land at Clay Farm

Appendix 2 – CONFIDENTIAL Summary of the results of the evaluation of the successful tender (to follow)

7. Inspection of papers

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

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