



To: Executive Councillor for Customer Services and Resources: Councillor Julie Smith
Report by: Dave Prinsep, Head of Property Services
Relevant scrutiny committee: Strategy & Resources 17/3/2014
Scrutiny Committee
Wards affected: Arbury King's Hedges

DISPOSAL OF SITE K1, ORCHARD PARK, CAMBRIDGE

Key Decision

1. Executive summary

- 1.1 This report provides a progress update on the proposed cohousing scheme at Site K1, Orchard Park. There is considerable interest in such a scheme with over 36 paid up cohousing members interested in Site K1. They have established a formal company, Cambridge Cohousing Ltd, to progress the scheme.
- 1.2 The report seeks approval to the conditional disposal of Site K1 to an enabling development partner and that authority be delegated to the Head of Property Services to accept an offer for the site.

2. Recommendations

The Executive Councillor is recommended:

- 2.1 To approve the conditional disposal of Site K1 as set out in paragraph 3.8

And

- 2.2 To delegate authority to the Head of Property Services in consultation with the Executive Councillor for Customer Services and Resources, the Chair and Opposition Spokesperson for Strategy and Resources Committee to accept an offer for Site K1, Orchard Park.

3. Background

- 3.1 Strategy & Resources Committee at its meeting on 29/3/10 approved that Site K1 should be considered for disposal by way of an enabled community self-provided housing scheme if enough interest for such a scheme. A report on 15/10/12 advised that such a scheme could be viable and the Executive Councillor for Customer Services and Resources approved that further marketing was undertaken to progress such a scheme.
- 3.2 An informal cohousing group was formed by prospective residents. The Head of Property Services reviewed the group numbers in June 2013 at which point there were 8 paid up members and 4 with payment pending. The group continued marketing the scheme and by August 2013, there were 22 paid up members. It is now oversubscribed with over 36 members.
- 3.3 The cohousing group is a broad mix of ages, household size and property requirements. It has business meetings every 2 weeks covering matters such as governance, design, legal issues and how the scheme will operate. It has been working with Cambridge Architectural Research Ltd (CAR Ltd) to develop a design brief that will inform a subsequent planning application. The group is now a registered company limited by guarantee called Cambridge Cohousing Ltd.
- 3.4 The Council supported the project by providing consultancy and project management support. This was approached in 3 phases: phase 1 was the feasibility and initial soft market testing of potential cohousers, developers and funders; phase 2 is forming the cohousing group, developing the design and procurement of an enabling development partner/disposal of the scheme; and phase 3 is the construction and sale of the scheme. Phase 2 is coming to a conclusion.
- 3.5 The Council funded Phases 1 and 2 when there was limited interest from developers in the site in 2010. In order to progress the scheme, further funding is required to obtain an outline planning consent and deliver Phase 3. The Council supported the cohousing group's application for "seedcorn funding" from the Community Led Project Support Funding Programme, managed by the Homes and

Communities Agency. Their funding application was approved in February 2014 and they have been allocated £79,000 (excluding VAT).

3.6 The Seedcorn Funding will be used for:-

- Creating an outline planning consent based on the cohousing group's design brief.
- Establishment of the legal entity that is now Cambridge Cohousing Ltd (completed at risk).
- Legal costs for Cambridge Cohousing Ltd to the end of the project
- Helping Cambridge Cohousing Ltd to complete Phase 2 of the project.

3.7 As there is sufficient interest in cohousing, it is proposed to proceed with a disposal of the site as outlined in 3.8 below. The process below addresses both a successful cohousing scheme and an unsuccessful one but with the outcome being the disposal of Site K1.

3.8 The disposal will be dealt with as a conditional sale to an enabling developer through a 2 stage process.

- Stage 1 will be a selection based on prospective developers demonstrating that they can meet the cohousing, design and minimum price requirements set by the Council.
- Stage 2 will require the prospective developers to make an offer for the land (subject to a minimum price) and explain how they will deal with individual cohouser requirements above a basic specification.

Potential development partners will have to present to the Council and Cambridge Cohousing Ltd an integrated housing and landscape vision/design and a method statement for working with Cambridge Cohousing Ltd to work up a detailed design and cost plan, and obtain reserved matters planning permission.

The disposal will be subject to the following conditions on the enabling developer to:-

3.8.1 Develop a detailed design in accordance with the outline planning permission, obtain the necessary reserved matters consents, then build, finance and market the scheme to the members of Cambridge Cohousing Ltd.

- 3.8.2 Offer the individual units by way of first refusal to Cambridge Cohousing Ltd's nominated members as prospective "off-plan" purchasers at pre-agreed prices.
 - 3.8.3 Offer any untaken units to the remaining members of Cambridge Cohousing Ltd at the same price until there are no eligible members remaining.
 - 3.8.4 Proceed with a cohousing scheme if the number of members of Cambridge Cohousing Ltd purchasing units is more than an agreed number of the total units on the site. Alternatively, the enabling developer and Cambridge Cohousing Ltd could agree a smaller cohousing scheme.
 - 3.8.5 Build the agreed scheme and sell the completed homes to each cohousing member by way of long leases with a share in the freehold of the whole site. Freehold ownership of the whole site, including public open spaces, common areas and buildings will transfer to Cambridge Cohousing Ltd on completion of the scheme.
 - 3.8.6 Ensure each purchaser becomes a member of Cambridge Cohousing Ltd if the site is to be developed on a cohousing basis.
 - 3.8.7 Require all purchasers to pay a service charge for the upkeep and development of the common areas and normal maintenance provisions for leasehold properties.
 - 3.8.8 Take the marketing risk on all units unallocated to 'off plan' cohousing purchasers. These can be sold at whatever price the market determines.
- 3.9 The disposal is not proposed to be subject to any specific environmental and sustainability requirements beyond that required for complying with building regulations for reasons set out in the earlier Committee reports. It is expected, however, that the enabling developer will allow cohousers to specify a range of environmental upgrades for which the individual cohousers will pay.
- 3.10 The Report to Strategy and Resources Committee on 15/10/12 identified several risks to be mitigated. Appendix B identifies these and updates how risk will be mitigated.

4. Implications

(a) Financial Implications

The main financial implications have been dealt with in the previous Committee Reports of 15/10/12 and 29/3/10. The housing market in Cambridge has improved significantly since the site was last marketed in 2010 and the values reviewed in 2012. This improvement is likely to continue, especially with the planned new railway station at Chesterton Sidings which will be easily accessible by the guided busway which runs adjoining Site K1.

The site will be marketed at offers above £3m and enabling developers will be asked to provide some form of overage provision to reflect additional development beyond that originally envisaged. This capital receipt is required to finance current and future capital infrastructure costs.

There will be disposal and project management costs to conclude phase 3 and these are estimated to be in the region of £10,000. In addition, there will be legal fees estimated to be in the region of £10,000 - £15,000. These costs will be met from the Property Strategy Fund and a budget of £25,000 will be established for this purpose.

(b) Staffing Implications

The staffing implications have been dealt with in the previous Committee Reports of 15/10/12 and 29/3/10

(c) Equal Opportunities Implications

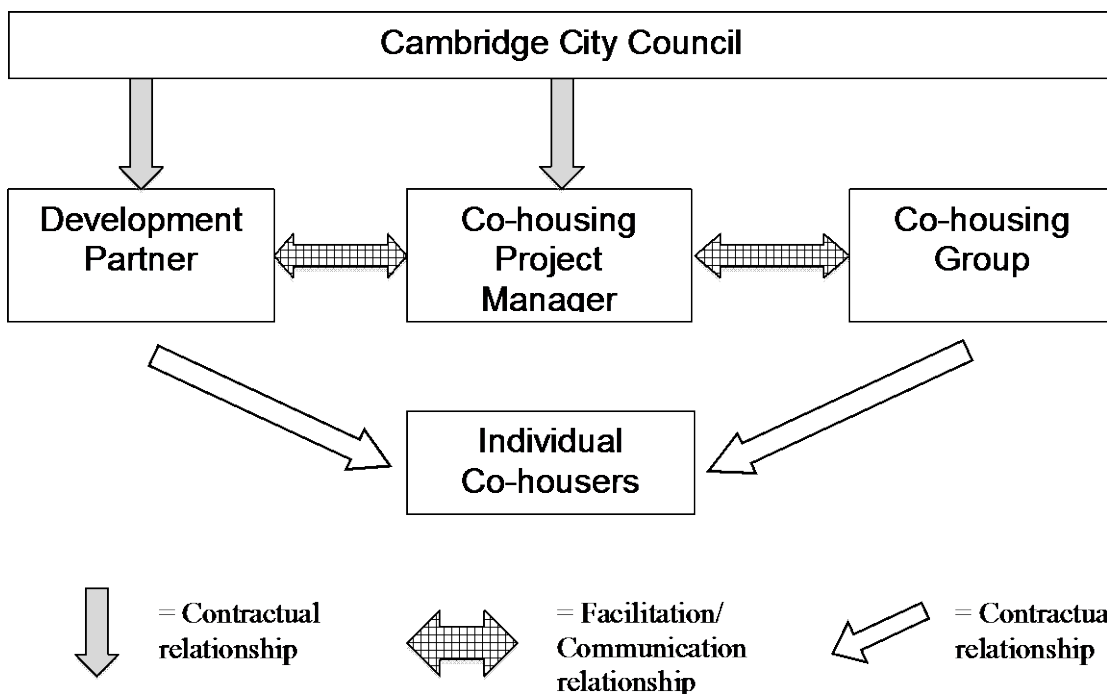
As this is a disposal of vacant land to generate a capital receipt, an EQIA is not required. One of the barriers to self-provided housing, however, is the availability of land when competing with developers. This scheme makes such land available. The mix of properties on the site should enable new entrants to the property market as well as existing homeowners whose needs have changed. Affordable housing in connection with this site was provided elsewhere on Orchard Park previously.

(d) **Environmental Implications**

It is possible to impose specific environmental and sustainability targets on Site K1 but this may impact value depending upon the level specified. Many co-housing groups have high sustainability expectations 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.

(e) **Procurement**

The disposal 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.



The disposal of Site K1 is a property transaction and is not subject to the Public Contracts Regulations 2006. The procurement of the Project Manager will be subject to the requirements of the Council's Contract Procedure Rules.

(f) **Consultation and communication**

The cohousing scheme has been marketed and discussed over the past year or so leading to the formation of the cohousing group. A K1 website was developed to inform people about the scheme and generate interest in Site K1. There have been several open days and

recruitment events to make people aware of the scheme and seek new members for the cohousing group.

5. Background papers

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

Public Report and minutes: "Disposal of Site K1, Orchard Park, Cambridge"
-Strategy & Resources Scrutiny Committee 29/3/10

Public Report and minutes: "Disposal of Site K1, Orchard Park, Cambridge"
-Strategy & Resources Scrutiny Committee 15/10/12

6. Appendices

Appendix A: Plan of Site K1

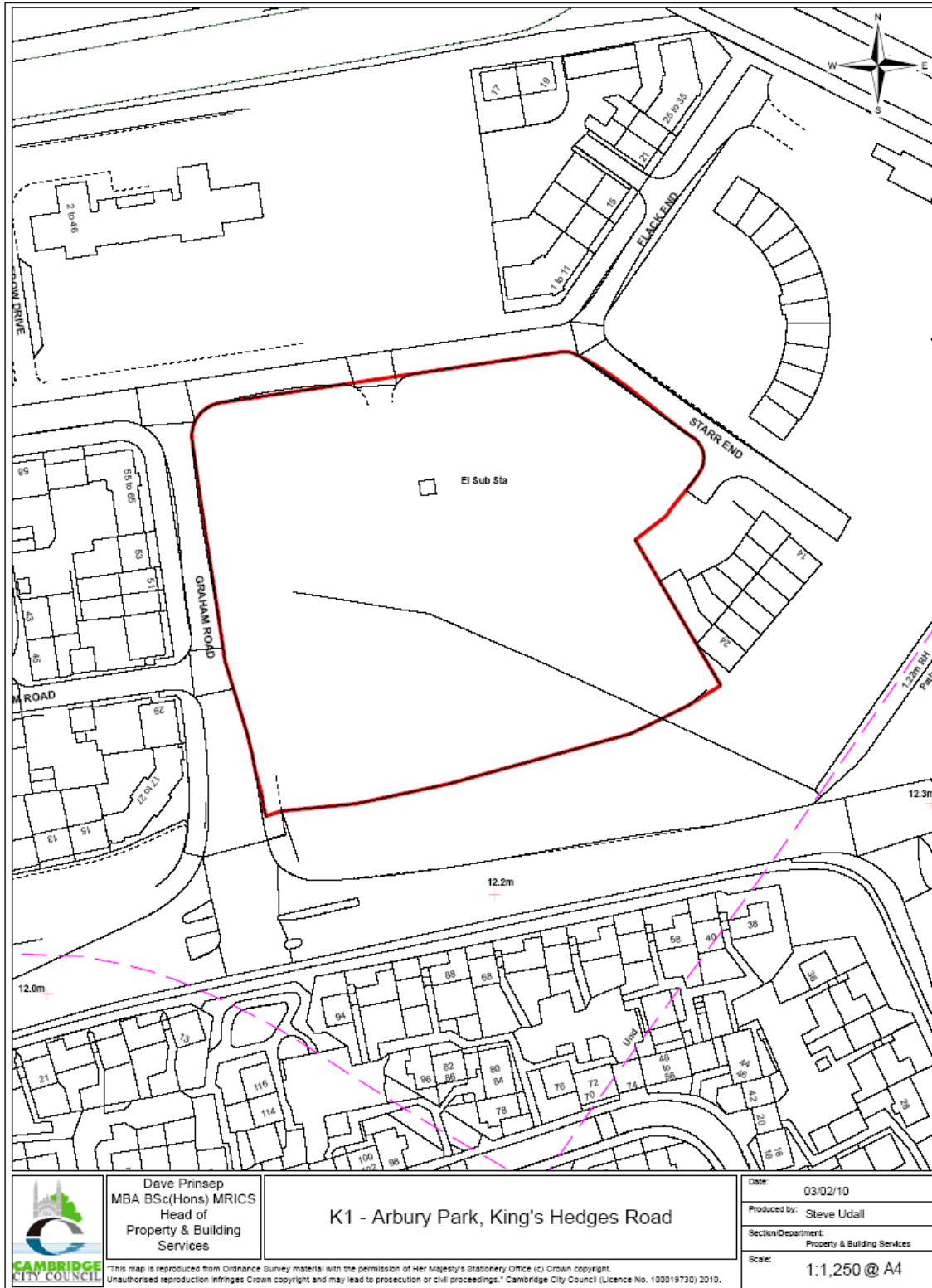
Appendix B: Risks

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 A: Plan of Site K1



Dave Prinsep
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K1 - Arbury Park, King's Hedges Road

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Date:	03/02/10
Produced by:	Steve Udall
Section/Department:	Property & Building Services
Scale:	1:1,250 @ A4

Appendix B: Risks

COMMUNITY CO-HOUSING RISKS				
Risk	Description	Impact	Mitigation as at 15/10/12	Mitigation as at 17/3/14
Financial	Uncertain value	Lower or higher capital receipt than forecast.	As the scheme develops, values and costs become clearer but there will still be uncertainty for some time	A minimum price will be set of £3m. Values have recovered strongly since scheme inception.
Financial	Uncertain costs of managing project as limited internal experience.	Net receipt reduced by higher project costs (internal and external)	Monitor costs against forecast and include contingency.	Phase 1 completed and Phase 2 concluding within budget.
Financial	Funding for scheme may not be available on acceptable terms for co-housing group.	Lack of funding will affect scheme viability or result in higher costs that may reduce quality or environmental performance.	Ongoing discussions with lenders. As scheme progresses and interest confirmed, commitment from lenders should be possible.	Discussions with lenders have proved positive and funding is expected to be available.
Demand	There may be insufficient or too much demand for scheme	If insufficient, scheme viability is questionable. If excess interest, need to ration.	Scheme can be stopped at later date. If excess interest, criteria for allocation or a lottery could be used.	The scheme is currently oversubscribed but it is unlikely that all Members will purchase.

COMMUNITY CO-HOUSING RISKS				
Risk	Description	Impact	Mitigation as at 15/10/12	Mitigation as at 17/3/14
Timescales	The timescale for getting co-housing group together is uncertain.	Delays may have knock-on effect for later stages of the project.	An intensive marketing campaign will be implemented early in the process and this will either prove viability or not.	The cohousing group is now a formal company, Cambridge Cohousing Ltd.
Development Partner	A development partner needs to be procured. This project needs more management than traditional development.	There may be a limited number of potential partners, especially with the planned scale of house building locally.	There may be a need to be more flexible around how the scheme is procured, contracted and developed although there are some key VAT constraints	The proposed disposal approach is set out in this report. Soft market testing suggests that there will be sufficient interest from possible development partners.
VAT	There are VAT implications for the Council dependent upon approach taken	The Council could be required to repay significant VAT to HMRC	Advice has been provided on how the disposal needs to be dealt with to minimise or remove VAT implications.	The disposal will be in accordance with the advice received.