

Item

STRATEGIC SITE DEVELOPMENT OF MILL ROAD



Cambridge City Council

Item

To: Leader of the Council
Report by: Nicola Hillier, Assistant Managing Director, HDA
Relevant scrutiny committee: Strategy & Resources 13/11/2017
Scrutiny Committee
Wards affected: Petersfield

Strategic Site Development of Mill Road Depot Site

Appendices 4 and 5 attached to this report contain exempt information during which the public is likely to be excluded from the meeting subject to determination by the Scrutiny Committee following consideration of a public interest test. This exclusion would be made under paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Key Decision

1. Executive Summary

- 1.1 A core objective for Cambridge City Council is in tackling the housing crisis in Cambridge. The City Council has worked to deliver affordable housing in this area with high housing market values and private rents, for many years in partnership, with significant levels of new provision already completed, for example on sites in Trumpington. There are currently, however, still 2500 applicants on the housing register.
- 1.2 The City Council has agreed a devolution deal with government to deliver 500 new Council homes over 5 years. The programme for

delivery of these will focus on social rented homes (defined locally as rents at no greater than Local Housing Allowance levels). The new housing will be owned and managed through the Council's Housing Revenue Account (HRA) and will be let as secure local authority tenancies.

- 1.3 The Mill Road Depot site comprises 2.7ha adjacent to Mill Road bridge and has served as the main site for Cambridge City Council Services since the 1990s. In 2015 the Exec Cllr approved the initiation of a development brief for the site in order to maximise the use of Council assets to deliver much needed housing.
- 1.4 The General Fund development programme was approved by the Executive Councillor for Finance and Resources at the Strategy & Resources Scrutiny Committee in January 2016. This is a ten year programme of potential development and investment opportunities for General Fund sites, of which Mill Road Depot is the largest.
- 1.5 In 2016 the Strategy and Resources Scrutiny Committee approved the setting up of the Cambridge Investment Partnership (CIP) as a mechanism for the Council to bring forward assets for development to provide sites for the delivery of new homes. This partnership brings with it the advantage of the experience and resources of the development partners, which is seen as especially beneficial on large and complex sites which includes the Mill Rd Depot site. The CIP was established in January 2017.
- 1.6 The principles which govern the progression of sites with development opportunities through CIP were approved at Strategy & Resources Scrutiny Committee on 9th October 2017. Mill Road Depot is the first General Fund asset to be developed using these approved principles.
- 1.7 The CIP Investment Team has developed a strategic Project Plan for the site incorporating a clear development brief to meet the Council's key objectives following public consultation and in line with planning policy and the supplementary planning document for the site agreed in

March 2017. CIP Board approved this Project Plan on 3rdnd November 2017.

- 1.8 In accordance with the principles set out in clause 1.6 above, and the CIP Board approval of the Project Plan, this report outlines the key elements of the Plan, including a summary investment plan, and identifies alternative options considered to inform the agreed strategic objectives. The paper makes recommendations for transfer of the site to CIP for the Investment Partnership to take the site forward for development as part of an overall programme to deliver the 500 new Council homes.

2. Recommendations

The Executive Councillor is recommended to:

- 2.1 Approve the transfer of the land known as Mill Road Depot, and shown edged red on the attached plan in Appendix 1, to Cambridge Investment Partnership (CIP) for redevelopment in accordance with the approved Supplementary Planning Document. This transfer will be at a value provided by an independent valuer, which has been approved by CIP Board as detailed in the Project Plan.
- 2.2 Note that, following transfer of the land, there will be two planning applications submitted by CIP to develop the land for housing and the YMCA in accordance with the Council's strategic and corporate objectives and with the output from the public consultation and pre application planning process.
- 2.3 Note also that the proposed commercial in confidence investment plan for the project in Appendix 5 will be confirmed subject to the outcomes of the public consultation on 2nd November and the determination of the CIP's planning applications. The relevant investment requirements will be subject to the appropriate Council investment decisions.

3. Background

- 3.1. In July 2013 S&R Committee approved the Office Accommodation Strategy, which was followed up in October 2014 with S&R Committee approval to relocate council services operating from the Mill Road depot site to alternative facilities. In July 2015 there was approval of the initiation of a development brief for the site by the Exec Cllr in order to maximise the use of Council assets to deliver much needed housing.
- 3.2 In November 2015 the Waste Services Team became a shared service with SCDC and relocated to Waterbeach, therefore vacating a significant part of the site.
- 3.3 The depot is partially vacant at the present time with the majority of staff now located in the southern half of the site (the gatehouse and coach houses). The relocation of all staff is expected to be completed by Spring 2018, with staff moving to Mandela House, the Guildhall and Cowley Road. Current business leases occupying premises are due to expire in December 2017.
- 3.3 Located within the Mill Road Opportunity Area, the 2.7 hectare site has been identified in the emerging local plan (Site Allocation R10). During late 2015 and early 2016 a number of workshop and consultation events were held with residents and key stakeholders to inform the preparation of the draft Supplementary Planning Document (SPD). This was approved in March 2017 at Development Plan Scrutiny Sub-Committee and forms the basis upon which the depot site should be developed.
- 3.4 The future development of the site must deliver in accordance with the approved SPD as a minimum. The key SPD parameters are:
- To deliver approximately 167 new homes of which 40% (equivalent to 67 homes) must be affordable housing in accordance with planning policy requirements.
 - Inclusion of usable open space provision for the needs of the new development as well as the existing community, to be between 20-25% of the site area.
 - To include provision for the Chisholm Trail to pass through the site (north/south).

- To consider parking provision to ensure no displacement to neighbouring streets
- Provision of Community facilities

The Cambridge Investment Partnership

- 3.5 In July 2016, the Leader approved setting up an Investment Partnership to optimise the use of the Council's property through investment in commercial, residential and other uses to achieve both social and financial returns. After an assessment by a panel of external consultants and internal officers from the Council, Hill Investment Partnerships (HIP) was selected from a shortlist of companies to form the Cambridge Investment Partnership (CIP) with the City Council. The Partnership is an equal, 50:50 Limited Liability Partnership (LLP).
- 3.6 This investment partnership model provides an opportunity for the Council to benefit from the experience and additional resource that a development partner can bring. Each partner shares the outputs (financial and social) in proportion to the value of its input, and therefore the model allows the partners to share the development risk and the development uplift arising from a scheme.
- 3.7 The Investment Partnership provides significant advantages to the Council in delivering individual development projects and programmes of work and thereby achieving its aim. With the alternative model of procuring a developer to build out a scheme, the developer is much more likely to retain all profits from uplift in value. The procurement process for individual schemes and larger programmes of delivery tends to be lengthy. The CIP model is robust in its governance and decision making processes and provides a sound model for the more accelerated development and delivery of its Council partner's assets.
- 3.8 The principle of the Members' Agreement underpinning the partnership is that both partners will share any investment upside and risk equally (or as may be agreed). This potential added value is calculated after adjustments have been made for the payment of land value, consultants and associated professional fees, site/running costs and business overheads. The partnership is a deadlock partnership, the terms of which allow either partner to exercise its powers under the deadlock to veto any proposals for development of a site. Accordingly the Council Board members are able to veto a scheme that would

prejudice the best interests of the Council in the stewardship of its assets and in delivering its strategic and corporate objectives. In circumstances where a deadlock was reached, the veto would provide for the transfer of the land from CIP back to the Council.

3.9 The agreed objectives of CIP as set out in the Members Agreement are:

- Investment in the development of land to create successful new places that meet both the financial objectives (primarily a revenue return) and social objectives of the Cambridge City Council (particularly housing that is affordable and is needed locally), provided always that the individual sites may be developed to meet either financial or social objectives;
- Improve the use of Council assets and those of other Public Sector Bodies in the Cambridge, or Cambridge wide, area;
- Maximise financial return through enhanced asset value,(with reference to the first bullet above)
- Provide a return to the Investment Partners commensurate to their investment and the level of risk in respect to such investment.

3.10 The business of CIP is conducted in accordance with the governance processes and procedures which are set out in the Members Agreement. Cambridge City Council is represented on the CIP Board by Executive Councillor for Finance and Resources and the Executive Councillor for Housing, Hills Investment Partnership is represented by two Directors of Hill Investment Partnership.

3.11 The principles which govern the progression of sites with development opportunities through CIP were approved at Strategy & Resources Scrutiny Committee on 9th October 2017.

3.12 Those principles require the Council to agree strategic objectives for a given site, and for Exec Cllrs, following the appropriate Scrutiny Committee (Housing or Strategy and Resources), to give approval for the CIP to develop the sites in line with those strategic objectives. Detailed proposals and final investment plans are then developed in line with the objectives set and within the planning and consultation frameworks, and these are approved by the CIP Board. For Mill Road Depot site, The CIP Board approval of the Project Plan has triggered

this report to S & R Committee to recommend the transfer of the site to the CIP to take forward for development.

4. CIP Development Proposal

- 4.1 Tackling the City's housing crisis is a corporate objective; maximising the development opportunity of General Fund assets such as the Mill Rd Depot site for viable delivery of social rented homes is a key strategic aim. CIP has worked with the Council to address these objectives and incorporate them into the scheme which has been developed for the site.
- 4.2 In January 2017 CIP appointed architects Allies and Morrison to work on the depot site with a view to developing a scheme which will improve on the parameters set out in the SPD. Working with the Council, stakeholders and the Local Planning Authority a scheme has been prepared for public consultation that addresses the SPD objectives and in many areas exceeds the requirements.
- 4.3 The CIP has considered various development options for the site which are in line with the SPD requirements. A public consultation was held 2nd November which provided an opportunity for the public to comment on the proposal. Following this there is additional time, until the 20th November 2017, to make comments that will inform the final proposal by CIP prior to the submission of planning applications. The development proposal in this report is based on the indicative scheme presented at the public consultation.
- 4.4 The proposal includes provision for delivery of the following key elements:
 - To make best use of the site to deliver housing numbers the proposal will deliver 187 new homes. This is an additional 20 homes over and above the approximate number referenced in the SPD.

- Delivery of 50% of the proposed homes (94 units) as social rented (capped at Local Housing Allowance levels) Council owned homes.
- Open space designed to occupy 28% of the site area, an increase of 3% above the level set out in the SPD.
- The planned relocation of the YMCA from their current Gonville Place site to Mill Road Depot site, with extended accommodation of 140-150 supported spaces, subject to an agreement with YMCA. This will enable the delivery of further Council owned social rented units in a redevelopment of their current Gonville Place site (circa 100 units).
- The addition of YMCA to the scheme will bring the opportunity to develop and manage exemplar community facilities, in conjunction with local community groups. Further proposals will be developed as part of the planning application for the YMCA building.
- Consideration of community facility provision on the site includes discussions with the County Council, who own the Old Library on the site.
- Car storage at levels similar to the surrounding Petersfield area, 0.65 spaces per dwelling, to avoid displacement of vehicle parking on the neighbouring streets. A total of 122 residents parking spaces will be provided, 22 basement visitor spaces and 6 on street spaces are proposed, including spaces reserved for disabled parking. These spaces will be largely accommodated in a basement car park to improve the quality of streets and spaces. Electric charging points will be available to houses as well as the basement.
- Increased provision of secure cycle parking and a dedicated corridor for the inclusion of the Chisholm Trail to pass through the development. We are working with the County Council on an appropriate crossing and access to the Trail which doesn't impact on housing numbers on the site.
- The proposal is designed in line with the Cambridge Sustainable Housing Design Guide which requires construction to be equivalent to the Code for Sustainable Homes Level 4 as a

minimum. Additional sustainability features are also included such as:

- Sustainable urban drainage features e.g. rainwater gardens and planted swales
- Energy efficient communal heating system
- Solar panels

4.5 In keeping with the strategic objectives for the site, and the Council's desire to maximise affordable housing delivery on a site within its overarching financial and social objectives, the CIP has modelled a number of options around the level of affordable housing on the site. These options included:

- A Planning Policy compliant scheme delivering 40% affordable housing (of which 75% is affordable rent and 25% is an intermediate tenure)
- 50% affordable housing at rents no greater than Local Housing Allowance (LHA)
- 58.8% affordable housing at rents no greater than Local Housing Allowance (LHA)
- 80% affordable housing at rents no greater than Local Housing Allowance (LHA)
- A scheme that delivers 100% affordable housing at rents no greater than Local Housing Allowance (LHA).

Investment Appraisal information relating to these options is included in Confidential Appendices 4 and 5.

5.0 The Project Plan and Funding Package

5.1 The Project Plan has been approved by the CIP Board on 3rd November

5.2 The Financial Model

The CIP financial model based around the following assumptions:

- Independent valuation of the land based on RICS Red Book valuation standards.
- 40% of the costs being met by CIP partners (20% Council and 20% Hill Investment Partnership)
- The residual 60% being met by borrowings, as agreed by partners
- Income derived from sales being assigned to partners in line with their inputs
- Surplus shared 50:50

The model is flexible, demonstrating immediate impacts of changes in any given field on the others. It also allows, however, for some decisions to be made on elements which apply a more static agreed value to the assumption in question, based on strategic objectives or outcomes.

The Financial Model proposed is based around the following static assumptions:

- An average price of £200k per unit to be paid by the HRA for purchased houses to ensure relevant value provision to HRA
- Meeting the business requirements outlined in the CIP business model for projects to achieve an estimated surplus for reinvestment in further projects. The target is 17.5% with a minimum requirement of 8%
- A land value based on independent land valuation based on a planning policy compliant development.

And the further assumption of:

- A finalised deal between the CIP and YMCA which provides forward funding for the proposed YMCA facilities on the Mill Road site with the resulting transfer of their current Gonville Place site to the CIP at an agreed residual net value.

5.3 The indicative investment plan included with the project plan contains commercially sensitive information and therefore is included as a confidential paper in Appendix 5.

6.0 Next Steps

- 6.1 Subject to approval of this report and the outcomes of the consultation process on 2nd November, the CIP will finalise a detailed full planning application for the main part of the site (larger outline on plan at Appendix 1) with an outline of the YMCA and community facilities with the intention of making a submission to the Planning Authority in December 2017.
- 6.2 Further work is required to agree the detailed plans for the YMCA and community facilities and this will be developed with YMCA and in consultation with community groups (smaller outline on plan in Appendix 1). This will be submitted for planning permission as soon as agreed
- 6.3 It is anticipated that a planning decision may be achieved in March 2018 (YMCA facilities decision will be later). Subject to approval, works will start on site in April 2018.
- 6.4 The target date for completion of all works on site is Summer 2021.

7.0 Implications

(a) Financial Implications

All information regarding the financial implications is included in the confidential Appendices 4 and 5 attached.

(b) Staffing Implications

In accordance with the principles for developing a site through the CIP process which are set out in earlier sections of the report; all matters relating to the development of Mill Road Depot are managed by CIP including the provision of staff. The costs associated with this are managed as part of the CIP business. Staff from both investment partners (CCC and Hill Investment Partnership) work collaboratively to achieve successful outcomes for the partners. A benefit of the Investment Partnership is the provision of experienced professional resources from both partners to support delivery and meet the partners' objectives.

(c) Equality and Poverty Implications

EqlA – See Appendix 2

(d) Environmental Implications

The redevelopment of this site is subject to a full planning application and will be subject to planning conditions with specific regards environmental assessments and implications. For the purposes of the transfer of land to CIP there are no environmental implications at this stage of the process.

(e) Procurement Implications

The Investment Partnership provides a significant advantage to the Council in delivering individual development projects and programmes of work. With the alternative model of procuring a developer to build out a scheme, the developer retains all profits from uplift in value. The procurement process for individual schemes and larger programmes of delivery tend to be lengthy. The CIP model is robust in its governance and decision making processes and provides a sound model for more accelerated development and delivery of its Council partner's assets.

(f) Community Safety Implications

None Identified.

8. Consultation and communication considerations

8.1 The strategy for public consultation and stakeholder engagement originally envisaged a single public exhibition. However the strategy developed over summer 2017 and it was decided that there would be better engagement from a two phased strategy. Firstly holding an initial exhibition to demonstrate how the designs were developing and to gain feedback, followed by a second exhibition in early November where more advanced proposals could be shared. The planning application is expected to be submitted in late 2017.

8.2 The first phase of the consultation opened in June 2017.

Methods of consultation included the following activities:

- Letters to key stakeholders
- Approx. 1500 letters delivered by hand to nearby residents and businesses
- An advert in the Cambridge News
- Posters displayed in public areas including shops and community halls
- Meetings with key stakeholders and community groups
- A dedicated website
- A public consultation event on 19 July

The exhibition was attended by 200 people, and 140 people provided feedback. The feedback showed that 41% of respondents supported CIP's proposals for the redevelopment of the former Mill Road Depot. 37% said that they did not support the proposal and 22% said that they did not know.

8.3 The second phase of consultation started in October 2017 and included similar methods of consultation as outlined above, including a public exhibition on 2 November 2017.

9. Background papers

No background papers were used in the preparation of this report.

10. Appendices

(a) Appendix 1 – Site Plan of land to be transferred to CIP

- (b) Appendix 2 - Equality Impact Assessment
- (c) Appendix 3 - CIP Presentation boards from 2nd November 2017 Consultation event.
- (d) Appendix 4 – Confidential CIP Options Table
- (e) Appendix 5 – Confidential Financial Appraisal and Implications

11. Inspection of papers

To inspect the background papers or if you have a query on the report please contact Nicola Hillier, Assistant Managing Director, Housing Development Agency, tel: 01223 - 457923, email: nicola.hillier@cambridge.gov.uk.

Boundary of Site for Transfer to Cambridge Investment Partnership

