

MILL ROAD PROJECT UPDATE



Cambridge City Council

Item

To: Executive Councillor for Housing
Report by: Fiona Bryant Strategic Director
Relevant scrutiny committee: Housing Scrutiny Committee 27/09/2018
Wards affected: Petersfield

Strategic Development of Mill Road Depot Site

‘Appendix 4 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 tackling the housing crisis in Cambridge. As the main provider of social and affordable

housing in Cambridge, the Council has established a new build programme to:

- a) Provide additional social housing to meet housing needs in Cambridge and replace social housing lost through Right to Buy.
- b) Replace existing council social housing that no longer meets current standards or is becoming less popular with residents due to factors relating to space and the impact of fuel poverty.
- c) Build new house types that will better meet the overall mix of future Affordable Housing needs.
- d) Improve the energy efficiency of the Council's housing stock.

1.2 The Devolution Programme was agreed as part of the Cambridgeshire and Peterborough devolution settlement in 2016/17. The settlement included allocation of £70 million to build 500 new affordable homes within the City of Cambridge starting on site within a 5 year period between April 2017 and March 2022. The deal also includes match funding utilising Council Right to Buy Receipts and other Council resources to provide a total funding envelope of approximately £100 million.

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

1.4 In 2015 the Executive Councillor for Finance & Resources approved the preparation of a strategic development brief for the Mill Road Depot site for the delivery of housing. In January 2016 the Executive Councillor approved the General Fund development programme - a ten year programme identifying potential sites for development which present investment opportunities for the General Fund. Mill Road Depot is the largest development site in the programme.

1.5 In 2016 the Strategy and Resources Scrutiny Committee approved setting up the Cambridge Investment Partnership (CIP) as a

mechanism for the Council to bring forward assets for development including sites for the delivery of new homes. The CIP was established in January 2017. The partnership brings with it the advantage of the experience and resources of the development partners which is beneficial on large and complex sites such as the Mill Rd Depot site.

- 1.6 The principles governing the approvals process for sites which are developed with CIP were approved at Strategy & Resources Scrutiny Committee on 9th October 2017 and are set out in Appendix 4. Mill Road Depot is the first General Fund asset to be developed using these approved principles.
- 1.7 The CIP Investment Team developed a Project Plan for the site which was approved by CIP Board on 3rd November 2017. The Project Plan incorporates a strategic development brief which meets the Council's key objectives for the site and which were identified following public consultation during 2015. The brief for the site which was agreed in March 2017.
- 1.8 At the Strategy & Resources Committee on 13th November 2017 the Executive Councillor for Finance & Resources approved the transfer of the land known as Mill Road Depot to CIP for redevelopment. It was noted that two separate planning applications would be made by CIP. The application for Phase 1 of the site would cover the development of the land at the back of the site for housing and the application for Phase 2 would be in relation to the development of the land at the front of the site at the Mill Rd end. At the time of the November 2017 S+R Committee the Council was working with CIP and the YMCA Trinity Group on a proposal for the delivery of new facilities for the YMCA and a new council community facility, this would form the basis of the Phase 2 planning application.
- 1.9 In December 2017 CIP submitted a planning application for Phase 1 of the development for the land at the back of the site, as shown on the plan in Appendix 1. The indicative development at planning submission stage included 187 units with a ratio of 50% private tenure and 50% affordable tenure. The application was determined at the Planning Committee held on 28 March 2018 and was approved on that date.

Following approval of the planning application CIP has worked with its design team to refine the final Phase 1 scheme; the final scheme approved at CIP Board is shown in Appendix 1 and includes a total of 182 dwellings with a ratio of 50% private tenure and 50% affordable tenure.

- 1.10 In July 2018 the Board of the YMCA Trinity Group confirmed a decision not to proceed with relocation from Gonville Place to the new Mill Road site. This decision provides an opportunity for CIP to develop the front of the site for additional housing units which will form part of the Phase 2 planning submission and which will contribute towards the devolution delivery target. The new in perpetuity Council owned community facility will be included in the planning application.
- 1.11 In accordance with the principles set out in Appendix 3 and the CIP Board approval of the Project Plan for Phase 1 of the development; this report outlines the key elements of the Phase 2 Project Plan, including a summary investment plan. The paper makes recommendations for CIP to develop Phase 2 of the site for housing delivery as part of an overall programme to deliver the 500 new Council homes.

2. Recommendations

The Executive Councillor for Housing is recommended to:

- 2.1 Note the updated Phase 1 development which will be delivered at the back of the site as shown on the plan in Appendix 1.
- 2.2 Approve the strategic brief for the front part of the site following the withdrawal of YMCA Trinity Group. Development of this land will form Phase 2 of the development and will primarily be a housing development with the affordable units contributing to the Devolution Programme target. Phase 2 will also deliver the in perpetuity council owned community facility, delivery of which will be funded through S106 contributions.

- 2.3 Approve the proposal for a second planning application for the front of the site. The development proposal on which the planning application will be based will meet the strategic brief outlined in paragraph 4.8 and the Council's strategic and corporate objectives for the site. It will be informed by the output from the public consultation and pre-application planning process. Submission of the final planning application to be delegated for approval by Board and Strategic Director and the CIP Board.
- 2.4 Delegate authority for agreement of the final mix of affordable housing to the Strategic Directors in consultation with the Executive Councillor for Housing. Note that the scheme is still indicative and authorise the Strategic Directors in consultation with the Executive Councillor to approve variations to the scheme including the number of units and mix of property types and sizes outlined in this report in line with Council strategic objectives and housing requirements.

The Executive Councillor for Housing and the Executive Councillor for Finance and Resources are recommended to:

- 2.5 Approve the indicative proposed investment plan for Phase 2 of the development as outlined in confidential Appendix 4, with the high level commitments associated with the General Fund and HRA. The investment plan will be refined in line with final project plans post planning permission determination and approval by the CIP Board, with the Council's funding built in to the relevant Budget Setting Report.

3. Background and Context

- 3.1. Mill Road Depot site comprises 2.7ha adjacent to Mill Road Bridge. The site served as a depot site for Cambridge City Council for over 100 years; from the 1990s until the site was vacated in June 2018 it provided the main site for Cambridge City Council Services.

- 3.2 In November 2017 the Executive Councillor for Finance & Resources approved the transfer of the land known as Mill Road Depot to CIP for redevelopment; in December 2017 the land was transferred to CIP.

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 Council rented homes is a key strategic aim. CIP has worked with the Council to address these objectives and incorporate them into the strategic development brief for the scheme and the development of the site.

Phase 1 Development Proposal

- 4.2 In January 2017 CIP appointed architects Allies and Morrison to work on the depot site with a view to developing a Phase 1 scheme which would improve on the parameters set out in the SPD. Working with the Council, stakeholders and the Local Planning Authority a scheme was developed for public consultation that addressed the SPD objectives and exceeded the requirements in many areas.
- 4.3 CIP considered several development options for the site as part of the process to finalise a proposal. A public consultation held on 2nd November 2017 provided an opportunity for the members of the public to comment on the proposal. The comments received were considered and subsequently informed the final development proposal which formed the basis of the Phase 1 planning application.
- 4.4 The Phase 1 planning application was submitted in December 2017 and approved at Committee on 28th March 2018.

4.5 Full details of the development proposal submitted and approved at Planning Committee are set out in Appendix 1. A summary of the key issues is provided below:

- 182 new homes of which 50% for social rent including agreement to purchase a further 20 homes through the Councils Housing Company.
- Quality open space representing 28% of the total site area
- Car Storage at a ratio of 0.65 per dwelling
- 22 basement visitor car parking spaces
- 6 on street car parking spaces including disabled parking provision
- Cycle parking
- Dedicated corridor for Chisolm Trail
- The design criteria underpinning the development proposal are in line with Cambridge Sustainable Housing Design Guide and will exceed the criteria where possible
- Additional sustainability features include rainwater gardens and planted swales, energy efficient communal heating and solar panels

Phase 2 Development Proposal

4.6 In July 2018 CIP extended the brief for Allies and Morrison to work on a proposal for development of Phase 2 of the site. As noted in section 1.8 at the time of the Committee approval discussions were in progress with YMCA Trinity Group for the relocation of their facility to the depot site. Following the withdrawal of YMCA Trinity Group from the negotiations the Phase 2 development proposal will focus on housing delivery and the in perpetuity community facility.

4.7 CIP will adopt a similar approach to that taken for Phase 1. CIP will work with the Council, stakeholders and the Local Planning Authority to develop a scheme that addressed the SPD objectives and exceeds the requirements where possible. CIP proposes holding a public

consultation in October 2018 and is targeting a planning submission by the end of 2018.

The development proposal in this report is based on an indicative scheme as set out below.

4.8 The proposal includes provision for delivery of the following key elements:

- Between 40 and 50 new units of which 50% will be owned by Cambridge City Council and will be let through the council's housing service to local people on the Housing Register
- Predominantly 1 and 2 bed affordable homes in Phase 2
- Quality open space contributing to the 28% of the total site area
- Car Storage with the ratio across the site as a whole at 0.58 per dwelling
- Cycle parking
- In perpetuity council owned community facility
- The design criteria underpinning Phase 2 of the development are in line with Cambridge Sustainable Housing Design Guide and will exceed the criteria where possible
- Consideration is given to the opportunity to deliver some specialist housing on the scheme subject to design and viability.

4.9 The combined Phase 1 and proposed Phase 2 development at Mill Road has a higher-than-usual proportion of one and two bedroom affordable units included. This deviates from Cambridge City Council's Draft Affordable Housing Supplementary Planning Document, May 2014. One of the fundamental reasons for this is to try and address increasingly unmet need from the housing needs register. The following figures illustrate this:

- 65% of applicants on the housing register are seeking one bedroom properties (63% of these – 964 - are in 'reasonable preference categories' i.e. bands A, b or C)
- 25% of the applicants are seeking two bedroom properties and 51% (300 households) of these are in reasonable preference categories.

Although many with one bed entitlement are in band C, this group provides the lion's share of the Council's homeless applicants, which suggests that many band Cs are in very insecure housing situations as illustrated below:

- 58% of those making homeless applications are seeking one bedroom accommodation
- 25% of those making homeless applications are seeking two bedroom accommodation

The gap between need and supply is most stark in terms of one bedroom properties; one beds only account for 26.47% of the Council's current housing stock.

4.10 There is a risk associated with having a high proliferation of 1 bedroom properties on larger sites such as Mill Road; proportionally, more vulnerable households are in one bedroom need categories. The Council intends to mitigate this risk by introducing a local lettings plan at first tenancy lets as a minimum. This could possibly include a requirement to insist that a high percentage of those allocated have at least one household member in work. The housing register statistics suggest that this is achievable with 60% of 1 bed lead applicants and 64% of 2 bed lead applicants in work.

4.11 Plans were drawn up and approved for an in-perpetuity community facility to be built to serve the Mill Road development and the proposed development on the former Ridgeon's site on Cromwell Road. The plans were in line with the approved Community Centre Strategy. S106 funding circa £700,000 was approved through the signed S106 agreements for the sites, and generic funding approved by the Executive Councillor for Communities following the June 2018 Environment and Community Scrutiny Committee. In the light of the proposed changes to the front of the site, a commitment remains for the delivery of an in-perpetuity community facility; however, officers are currently reviewing the final plans in line with the strategic briefs. An indicative plan is shown at Appendix 2.

5.0 The Project Plan and Funding Package

5.1 The Project Plan will be presented for approval by the CIP Board on 18th September 2018.

5.2 The Financial Model

The CIP financial model for the development is based on the following assumptions:

- An independent valuation of the land based on RICS Red Book valuation was undertaken as part of Phase 1 due diligence and reflects delivery of the increased density of affordable housing at 50%
- 40% of the costs will be met by CIP partners (20% Council and 20% Hill Investment Partnership)
- The residual 60% will be met by borrowings, as agreed by partners
- Income derived from sales will be assigned to partners in line with their inputs
- Surplus shared 50:50

5.3 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%
- A land value based on independent land valuation based on a planning policy compliant development.

5.4 The indicative investment plan included with the project plan contains commercially sensitive information and therefore is included as a confidential paper in Appendix 4. This is shown for phase 1 and 2 combined.

6.0 Risks

Officers have considered the risks associated with the development and delivery of the proposed scheme and have identified the following:

Description of risk	Likelihood	Impact	Mitigation
Not achieving the 500 homes target: This scheme contributes significantly to meeting the target which is a key Council priority	Low- Current program has identified 483	Med- impact would be delivery of a lower number of much needed homes and reputational risk in the Councils ability to deliver and therefore attract grant in the future.	The H DA is working with partners to bring forward schemes in line with programme requirements. Quarterly reports on progress will be submitted to the HSC and, following scrutiny committee, to the Combined Authority in line with programme reporting frameworks.
Cost: Indicative costs are set out in the confidential appendices to the report. Further work including site investigations have been commissioned by CIP and will inform the final cost plan. Market conditions in the construction industry can also impact on estimated costs.	Med- further investigations could uncover unknown issues	Med-. Delays to start on site and contract negotiations leading to the potential increase in costs and reducing the surplus for CIP partners	Ensure all site surveys are as accurate as they can be. CIP has implemented a survey tracker and is working with a Planning Consultant and Technical Advisers. CIP has engaged an Employers Agent to scrutinise costs and to manage quality assurance processes which have an impact on life-cycle costs.
Planning: The planning application will be subject to the observations of consultees, the assessment of planning officers, and ultimately the decision of the	Low- current scheme has been through a number of Pre Application discussions with Planning Needs to be worded in the context of further	Med- Potential change in unit mix and reduction in numbers	The indicative scheme will continue to be developed in response to the comments received from the pre-application discussions with the LPA which have been carried out. Further discussions will be carried out.

Planning Committee.	discussions regarding Phase 2 tenure mix		
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7.0 Next Steps

- 7.1 Subject to approval of this report and the outcomes of the consultation process in September 2018, CIP will finalise a detailed full planning application for the front part of the site (smaller outline on plan at Appendix 1) with the intention of making a submission to the Planning Authority in by the end of 2018.
- 7.2 It is anticipated that a planning decision will be determined in spring 2019. Subject to approval, works will start on site as soon as possible to fit in with the construction programme for phase 1.
- 7.3 The target date for completion of all works on Mill Road Depot site is summer 2021.

8.0 Implications

(a) Financial Implications

All information regarding the financial implications is included in the confidential Appendix 4.

(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

Development of new Council Housing in sustainable locations supports people in housing need to settle and participate in Cambridge society. Many of these people are vulnerable and their wider needs are supported by this process. The development framework for new housing delivered by the Council was approved at the Housing Scrutiny Committee in March 2017 and was informed by an EQIA. This development does not require any tenants to decant and/or relocate.

(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 which took place in December 2017, there are no environmental implications at this stage of the process.

(e) Procurement Implications

As set out in Appendix 3, Cambridge City Council approved the establishment of the Investment Partnership in January 2017. The development process managed by the CIP Investment Team utilises mini competitions through the Hill Group supply chain to achieve best value. 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) Consultation and Communication

A consultation strategy has been developed using the strategy for phase 1. There will be a public consultation of the emerging proposals in October 2018.

(g) Community Safety Implications

There are no community safety implications for this report.

9. Background papers

17/52/SR :Mill Road Strategic Site

10. Appendices

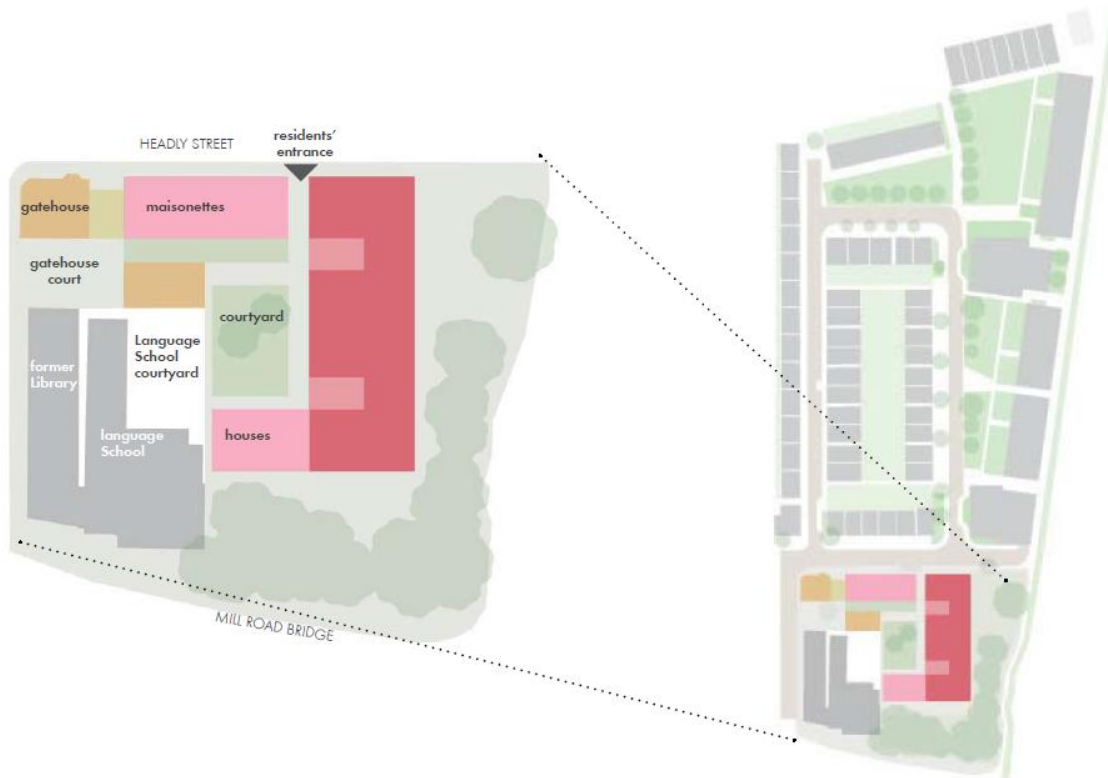
- (a) Appendix 1 – Phase 1 Planning Approved Site Plan
- (c) Appendix 2 – Phase 2 Outline Plan
- (c) Appendix 3 – Cambridge Investment Partnership (CIP)
- (d) Appendix4 – Confidential

11. Inspection of papers

To inspect the background papers or if you have a query on the report please contact Fiona Bryant, Strategic Director, tel: 01223457325, email: fbryant@cambridge.gov.uk.

Appendix 2

Mill Rd Phase 2 Indicative Plan



WORKSHOP
BOT PHASE 2

Appendix 3

The Cambridge Investment Partnership (CIP)

In July 2016 Cambridge City Council Strategy and Resources Committee approved a recommendation to establish an Investment Partnership. 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). The 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. A higher percentage of development uplift in a scheme procured through an alternative single developer route, would be paid directly to the developer

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.

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.

The process by which schemes are identified and offered to CIP for development was approved in a Report which was presented to Strategy + Resources Scrutiny Committee on 9th October 2017.