

## Item

### REPORT ON THE REDEVELOPMENT OF FORMER EAST ROAD GARAGE SITE



#### To:

Councillor Gerri Bird, Executive Councillor for Housing

Report by: Natalie Bailey, Acting Senior Development Manager Housing Development Agency

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Wards affected: Petersfield

## Key Decision

### 1. Executive Summary

- 1.1. This report seeks approval to proceed with the redevelopment of the former East Road garage site to provide circa 40 new highly sustainable homes. These new homes will be developed in parallel with the delivery of associated improvements to the adjacent housing estate.
- 1.2. This report seeks approval for a development budget and selected delivery route to allow redevelopment.
- 1.3. Approval for variation in proposed tenures is being sought, due to ongoing uncertainty as to availability and level of grant funding, national economic uncertainty, and broader uncertainty in the construction and housing markets.
- 1.4. Option A would be to deliver circa.40 (100%) affordable homes for Council rent; 16 (approx. 40%) affordable homes to be let at Social rent, and the further 24 (approx. 60%) to be let at 80% of market rent.
- 1.5. In order to retain flexibility an alternative option B is also included. Option B is that the development be delivered as 40% affordable housing (16 homes), with rents set at 60% of Market rent or Current Local Housing Allowance, whichever is lowest. The balance of the homes on the site (24) would be for market sale.

- 1.6. The preferred 100% affordable option maximises the delivery of affordable homes and is based on overall financial viability.
- 1.7. A resident engagement meeting was held at St Matthews Church, St Matthews Street Cambridge on November 8<sup>th</sup> to share proposals with residents for both the East Road site and 47-51 Norfolk Street. For the East Road site feedback was also sought on wider estate improvements. Approximately 63 people attended, 51.6% out of 64 responses support the proposals to deliver new homes, including affordable, at the East Road site. Refer Appendix 3. The feedback will be considered by the project team as part of the scheme development to planning.
- 1.8. Work on proposals for a development at 47-51 Norfolk Street is ongoing and these will be subject to further review, and as such are not addressed in this report.
- 1.9. The East Road scheme is indicative and subject to further review, and resident engagement with regards to wider estate improvements. Pre-application planning consultation remains underway.

## **2. Recommendations**

- 2.1. The Executive Councillor is recommended to:
- 2.2. Approve that the 100% affordable housing scheme (option A) be brought forward and be included in the Housing Capital Programme, with an indicative capital budget of **£10,964,000**. Budget will be drawn down from the sum already ear-marked and approved for investment in new homes.
- 2.3. Authorise the Strategic Director in consultation with the Executive Councillor for housing to approve variations to the scheme including the affordable rent levels, number of units and mix of property types, sizes and tenure as outlined in this report.
- 2.4. Authorise the Strategic Director in consultation with the Executive Councillor for housing to adopt option B; to deliver 40% affordable housing (16 homes), with rents set at 60% of Market rent or Current Local Housing Allowance, whichever is lowest, should this be necessary to ensure continued financial viability.
- 2.5. Approve delegation to the Head of Finance, as Section 151 Officer, to agree the terms in relation to the sale of land, should option B be adopted and market sale units be delivered upon which a capital receipt to the council would be due.

- 2.6. Approve that delegated authority be given to the Executive Councillor for Housing in conjunction with the Strategic Director to enable the site to be developed through Cambridge Investment Partnership (CIP) subject to a value for money assessment to be carried out on behalf of the Council.

### **3. Background**

- 3.1. This Development opportunity addresses all the Council's key Corporate Priorities for 2022-27:

#### **3.1.1. Priority 1 - Leading Cambridge's response to the climate change and biodiversity emergencies**

This proposal is to replace a former garage site with highly sustainable, low energy homes. The new homes will provide overheating management and reduced water consumption, as well as being low carbon and gas free. A minimum of 20% biodiversity net gain will also be targeted across the site.

#### **3.1.2. Priority 2 - Tackling poverty and inequality and helping people in the greatest need**

An increase in new council homes will benefit low-income residents across the city. The sustainability standard should mean increased energy efficiency will help to reduced energy consumption within these homes and therefore energy bills are expected to be lower for residents.

#### **3.1.3. Priority 3 - Building a new generation of council and affordable homes and reducing homelessness**

There is a recognised need for more council housing across the city. As of September 2022, there were 2,256 households in need of affordable homes across the city; progressing this scheme will help in meeting the needs of those on the waiting list.

#### **3.1.4. Priority 4: Modernising the council to lead a greener city that is fair for all**

A target of 20% biodiversity net gain will contribute towards this. Increased diversity of planting such as wildflower areas and different species of trees will be explored as part of the landscaping. Bird boxes, bat boxes and insect hotels will be included where appropriate.

In addition to this, modern methods of heating and cooling will be included, such as mechanical ventilation and heat recovery, underfloor heating, triple glazed windows, extra thick wall cavities.

Further innovation and future proofing will also include consideration of underground 'iceberg' bins. The proposed development is car-free, and extensive cycle parking will be incorporated within the design. The promotion of other sustainable methods of transport such as walking and the use of public transport will also be a key aspect of this development.

3.2. This development also meets the objectives of:

3.2.1. The Greater Cambridge Housing Strategy 2019-23: Building the right homes in the right places that people need and can afford to live in; enabling people to live settled lives; and building strong partnerships

3.2.2. The Council's Homelessness & Rough Sleeping Strategy 2021-26

### 3.3. The Site



Location plan- Existing

3.3.1. The Public Reports Pack submitted to September 2021 HSC noted that work had started to explore redevelopment possibilities on a number of estates, with detailed scheme reporting to be brought to future meetings as any potential schemes developed. The ageing garage block at East Road was listed as being under active consideration for redevelopment.

3.3.2. On the 18th of February 2022, the garage block suffered a partial collapse due to high winds. This rendered them unsafe for continue use and an Urgent Decision recommending demolition was taken 20<sup>th</sup> May 2022, based on the consideration that the block was beyond any scope for economical repair.

3.3.3. The demolition of the garage block was completed on 5th September 2022, at which point the site was fully hoarded and utilities and services were disconnected.

- 3.3.4. The development site is approximately 0.11 hectares in size. It formerly housed a block of 116 individually let garages on three floors.
- 3.3.5. It is located opposite Cambridge Crown Court, at the junction of St Matthews Street and East Road. Former vehicular access to the garages was from St Matthew's Street although the site can also be accessed via Staffordshire Street.
- 3.3.6. To the south of the site are three two-storey residential blocks (Glenmore, Hollymount and Inveran). The freehold interest of a number of the properties within these blocks have been sold under Right to Buy legislation.
- 3.3.7. The site is directly adjacent to four storey Hilderstone House, which is owned by the Council under a freehold interest. This block is occupied by 14 households, of which 6 are leasehold and the remainder are council tenants. The dwellings are a mixture of maisonettes and flats.
- 3.3.8. To the west of the site between Hilderstone House and Wheaton House there is an existing triangular area of green space next to East Road. There are also some longer green areas that run towards the southern end of the estate and are linked by pedestrian routes.
- 3.3.9. The former garage block was connected by a staircase to one side of Hilderstone House. Access via this staircase was closed during demolition but reinstated afterwards. As part of the proposed redevelopment the staircase will need to be reviewed and possibly relocated closer to the existing residential block it serves.
- 3.3.10. The area adjacent to the staircase serves as a communal bin store for Hilderstone House and has a number of locked storage cupboards, which are owned by leaseholders or rented by tenants. This area is currently in a poor condition and there is an opportunity to re-provide and possibly reconfigure these as part of the redevelopment.
- 3.3.11. As part of the proposed redevelopment, the HDA is working with Estates and Facilities to deliver wider improvements to the estate. These improvements will be funded through the existing Estate Investment Scheme budget. Details of the wider improvements will be developed via engagement with residents. Suggestions at the consultation event included enhancements to biodiversity, and improved lighting and planting to encourage relaxation and play.

#### 3.4. Protected Open Space

- 3.4.1. There is no Protected Open Space at this location

#### 3.5. Local Housing Need

There is a recognised need for more affordable housing across the city. The table below demonstrates the number of households on the Housing Needs Register as of September 2022. This scheme will help in meeting the needs of those on the register:

Cambridge City	1 Bed	2 Bed	3 Bed	4 Bed	Total
	1,231	569	358	98	2,256

#### 3.5.1. Tenure

This mix is in alignment with the proposed changes to rent levels as outlined in the Update on New Build Council Housing Delivery Report as submitted to HSC 21<sup>st</sup> June 2022.

3.5.2. There is a specifically identified need for an increase in affordable rented accommodation. Given the current economic climate in terms of inflation and cost of living rising significantly in recent months, this would benefit low-income families at a much-needed time.

3.5.3. Homes at varied affordable rent (Social rent and 80% of median market rent), will not only help scheme viability but also addresses an identified market gap. Cambridge has a higher-than-average proportion of private rented accommodation, which are of poorer quality than national averages. While there are many good private rental providers in the city, the data is clear that social stock is delivering to a higher standard on average.

3.5.4. A detailed affordability analysis conducted by Savills in 2017, suggested a large gap in terms of affordable housing for incomes of around £25-£45k in Cambridge. An affordable rented product offered at an increased 80% market rental would allow the council to target this marginalised demographic which currently falls between products being delivered by Registered Housing Providers and the market.

3.5.5. Located directly adjacent to existing housing stock, the development would bring some more units to the area, supporting sustainable communities.

Unit Type	Units
1B2P Flat	26
2B3P Flat	3
2B4P Flat	9
3B4P Flat	2
Total	40

3.5.6. It is recommended that the development is delivered as:

3.5.7. Option A: 40 (100%) affordable homes for Council rent, with 16 (approx. 40%) affordable homes to be let at Social rents, and the further 24 (approx. 60%) to be let at 80% of market rent. This option requires grant funding.

3.5.8. Under this proposal all the homes will be owned and managed by Cambridge City Council and let on Cambridge City Council tenancies. The indicative mix of the proposed scheme will provide 40 Council rented homes, with an overall net gain of 40 Council rented homes.

3.5.9. Option B: An alternative option which does not require grant funding. Option B would deliver 16 (40%) affordable rented homes to be let at 60% of market rent, and 24 homes for market sale. Having this option helps mitigate financial risk to the Council and allows for the development to proceed should an application for grant funding prove unsuccessful.

3.5.10. Current CIP proposals are subject to planning and show two blocks, being six storeys and four storeys in height. The scheme is indicative and subject to further review, public engagement with regards to wider estate improvements, and statutory pre-application planning consultation.

### 3.6. Budget

3.6.1. This report seeks approval of a capital budget for the scheme, based on the indicative capacity study which has been undertaken for the site and the outline appraisals referenced in this report, and for the delivery route to be adopted. The design ambition is to deliver the scheme to Passivhaus standards or equivalent level of sustainability, subject to financial viability, or at the minimum to 35% below 2013 building regulations, and to be gas free.

3.6.2. The total indicative cost of this development is **£10,964,000**. This budget allows for the delivery of 40 homes, and includes legal, Section 106 costs, Clerk of Works and Employer's Agent fees and H.D.A project management allowance.

3.6.3. Further surveys and investigations will be undertaken by Cambridge Investment Partnership.

### 3.7. Delivery Alternatives

3.7.1. As part of the scheme development of the two options proposed the following considerations have been taken into account as set out below:

	Option A	Option B
No. of dwellings	40	40
Affordable Homes	16	16
Market Homes	0	24
National Guidelines for space standards	✓	✓
Amenity Space – balcony or private garden	✓	✓

Accessibility for wheelchair users	✓	✓
Wheelchair user adapted homes	TBC	TBC
Security – crime designed out	✓	✓
Heating	TBC- Detailed design to be developed	TBC- Detailed design to be developed
Energy Bills	Low	Low
Ventilation	Mechanical	Mechanical
Bike Storage	✓	✓
Water l/pd	90	90
Biodiversity Net gain	+20%	+20%
Underground bins	✓	✓
Wider estate Improvements	✓	✓

### 3.8. Alternative options considered

#### 3.8.1. Retain as existing

Retention of the existing structure is not an option as the garages have been demolished for safety reasons. Reinstatement of the garages would not align with the Council's key Corporate Priorities for 2022-27.

#### 3.8.2. Disposal of site on the open market

Disposal of the site would likely generate a favourable return to the HRA as it is in a good location in the City Centre. This route would however offer significantly less opportunity to ensure the delivery of a high quality development integrated with the existing estate. Based on the fact that the development scheme for 40 homes through the Cambridge Investment Partnership is viable to the HRA this option has not been pursued.

## 4. Design and Sustainability

4.1. The design ambition is to deliver all units on the scheme to Passivhaus or equivalent level of sustainability performance, but at least at a minimum of 35% below 2013 building regulations and to be gas free. There are also sustainability targets for water, biodiversity, car park ratios which are all significant improvements on the current Local Plan. This will follow principles of the updated Sustainable Housing Design Guide (SHDG) which was approved at January 2022 HSC.

4.2. The sustainability targets for this site are set out on the matrix below. The scheme is at design stage and the actual performance of the building/detail will be developed over time against this aspiration. There may be financial, viability or technical constraints which will mean the exact targets set out cannot be met; they may also be exceeded. There needs to be the intent for Cambridge Investment Partnership to be focused on design solutions which achieve the carbon emissions reduction, energy bills and annual maintenance costs associated with these standards.



SHDG Range of Targets		This Development targets
	Local Plan	Passivhaus or equivalent level of sustainability
Units		40
PHPP kWh/m <sup>2</sup>	65	Up to 28 – as close to Passivhaus level as achievable
Water l/d	110	90
Biodiversity Net gain	10%	20%
Car Parking ratios across schemes	0.7-0.9	0.5 or less
Are there technical constraints?	<b>PHPP:</b> This scheme will aim to deliver Passivhaus or equivalent level of sustainability. These principles have been incorporated from the outset.	
	<b>Water:</b> The target is 90lppd but the detailed design to deliver this has not yet been developed.	
	<b>Biodiversity:</b> The opportunities for improvement are included and a 20% improvement is being targeted	
	<b>Car Parking:</b> The target is 0.5 or less	
Are there financial constraints	Estimated costs for the programme have included a cost allowance for Passivhaus or equivalent standards	
Recommended Sustainability Target	Passivhaus or equivalent standards	
Additional measures included to meet Net Zero Carbon in the future	Future proofing - Measures in future are likely to include Solar PV and battery storage	

## 5. Programme

5.1. The indicative programme for the development is as follows:

November	2022	Resident consultation event
January	2023	HSC Report on possible redevelopment
March	2023	Planning Submission
September	2023	Planning Approval
February	2024	Start on Site
July	2025	Practical Completion

5.2. Demolition notices

There is no requirement at this location to issue Demolition Notices under the Housing Act 1985 in order to suspend the Right to Buy.

5.3. Tenant Decants

There are no tenant decants proposed at this location.

#### 5.4. Compulsory Purchase Order

There are no CPOs required at this location.

## 6. Financial Implications

### 6.1. Budget / Funding

6.1.1. The total indicative cost is currently estimated at £10,964,000 (In addition to the construction costs, this includes pre and post statutory planning fees, professional consultant fees, survey and site investigation costs, other associated costs and HDA fees.

6.1.2. It is proposed that the investment will be met from HRA resources as below.

This will result in the following mix of funding:

Right to Buy receipts:	£0
Grant Funding (assumed):	£2,576,000
HRA resources and borrowing:	£8,388,000
<b>Total:</b>	<b>£10,964,000</b>

6.1.3. The indicative capital cost to the HRA is expected to be £10,964,000 to deliver 40 new homes.

6.1.4. Option A appraisal assumes grant will be secured, and funding bids are proposed to be submitted to Homes England through Continuous Market Engagement. Alternative funding streams will be investigated as these become available. Grant assumptions used in this budget are projected based on discussions with Homes England and grant identified to date, and exact levels which may be agreed are subject to variation.

6.1.5. Option B appraisal assumes no grant, and the scheme viability would be achieved via the inclusion of private sale properties.

6.1.6. Should sufficient grant not be identified, then option B would be to deliver approx. 16 (40%) affordable homes for Council rent through the Cambridge Investment Partnership. The council is requesting delegated authority allowing the Executive Director in consultation with the Exec Councillor to deliver the scheme with (40%) affordable homes to be let at 60% of market rent, and 24 market homes for market sale, subject to continued financial viability.

6.1.7. Moving from a grant funded affordable rented scheme to mixed tenure would have additional budgetary implications in respect of SDLT and Section 106 planning contributions. These will need to be quantified and re-appraised in line with the latest market assumptions at the point at which option B may need to be adopted.

## **7. Implications**

### **(a) Staffing Implications**

The development scheme will be managed by the Housing Development Agency which will also provide the Council's staffing contribution to the development of the scheme. The scheme will be developed by the Cambridge Investment Partnership (CIP) which is a 50-50 Joint Venture Partnership. This will follow principles of the CIP scheme delivery routes approved at September 2019 HSC.

### **(b) Equality and Poverty Implications**

A scheme specific EQIA has been completed and accepted.

### **(c) Environmental Implications**

A scheme specific Climate Change Rating Tool has been completed and accepted. The overall impact is classified as Net Low Positive.

### **(d) Procurement Implications**

The scheme will be delivered by the Cambridge Investment Partnership (CIP). The Council will both draw on the experience which Hill can bring to CIP of delivering projects to Passivhaus or equivalent standards and will ensure that the ongoing learning is captured. The project will be subject to an independent Value for Money assessment by the Employers Agent for the Council.

### **(e) Community Safety Implications**

The scheme will be built in accordance to Secure by Design guidelines as set out within the City Councils Design Brief.

## 8. Consultation and communication considerations

- 8.1. There has been communication with surrounding residents prior to this report being presented. All adjacent tenants and residential leaseholders were contacted with an invitation to attend a consultation event on November 8<sup>th</sup> to view our initial proposals and provide feedback. This meeting was organised on a drop-in basis over a period of four hours from afternoon to early evening to discuss the council's proposals. The meeting was in a location very near to the former garage site and followed current Government COVID guidelines.
- 8.2. Approximately 63 people attended, and all were asked to fill in a questionnaire about the proposed redevelopment. Concilio supplied a Final Feedback Report dated 28<sup>th</sup> November 2022 (Appendix 3). 64 survey responses have been received. 51.6% out of 64 responses support the proposals to deliver new homes, including affordable, at the East Road site. Refer Appendix 3. Some of the areas to note are:
- Useful suggestions made for wider estate improvements
  - Strong support for our focus on sustainability
  - 12 respondents commented on the height of the proposed buildings and generally felt that the proposed buildings were too tall and suggested preferred heights, or felt that a smaller building would be preferred over the provision of commercial space. One respondent was positive about the opportunity to increase scale in order to maximise value for the taxpayer
- 8.3. The project team will be working through this feedback as part of the next stages of design development. There will also be further engagement as part of a planning application and specifically in relation to the estate improvements.
- 8.4. There has been consultation with Ward Councillors about the proposals.
- 8.5. The HDA continues to liaise closely with colleagues in City Homes, to ensure timely and accurate information is made available to all parties affected by the proposal.
- 8.6. There will be further formal consultation through the planning process

## 9. Risks

- 9.1. Below is a table setting out key risks associated with the project:

Description of risk	Likelihood	Impact	Mitigation

Site size and location	Med – The site is constrained and adjacent to a busy road and residential estate. There is potential for noise from site, and disruption to neighbouring residents and traffic flow.	Disruption to neighbours and potential delays to programme if access not well managed.	Drawing on CIP experience from previous sites- noise, access and unavoidable disruption to be carefully managed. Regular communication with surrounding homes to be undertaken.
Achieving sustainability levels as outlined in this report	High – Achieving the levels of insulation and air-tightness required is demanding on all elements of the supply chain. Errors can have significant cost and delay implications.	Potentially higher build costs involved in achieving standards	Training, draw on Hill experience to get to as close to sustainability standards outlined as financially viable. A specialist advisory consultant will be employed from the outset.
Cost: Market conditions in the construction industry can also impact on estimated costs.	High- further site investigations could uncover unknown issues; current supply chain issues may mean rising costs continue into 2023/2024	High-. If costs go beyond approved budget this could lead to delays to start on site and contract negotiations leading to the potential increase in costs.	This scheme is being worked up through CIP, meaning that detailed costing is achieved at key stages. Real time procurement information is made available via other schemes progressing on site. CIP will also be tasked in providing information on impact on life-cycle costs. The HDA will also engage an Employers Agent to scrutinise costs.
S106: To be agreed following successful planning application	Med- Potential for delay in agreement of S106 following planning approval resulting in programme delay.	Med- Delay to start on site	Team have undertaken multiple negotiations for 106 agreements for similar schemes. Contract documents to be prepared for execution whilst awaiting s106 agreement.
Bringing together two different programmes (housing delivery and wider estate improvement) for the first time	Med- Possibility that residents unwilling to engage, expectations are not managed, failure to reach agreement on proposed improvements	Med- Substantial wider estate improvements are not delivered	Work with landscape architect and CCC Resident Engagement Team. Start engagement early and draw on experience both within CIP and CCC.
Planning: The planning application will be subject to the observations of consultees, the assessment of planning officers, and ultimately the decision of the Planning Committee.	Med- current scheme has been through a Pre-application discussions with Planning. There is a need to balance planning policy and views of the local people and ward members.	Med- Potential change in unit mix and numbers	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.

## **10. Background papers**

19/42/HSC Approval for CIP scheme delivery routes

21/48/HSC: Report on progress toward HRA estate regeneration programme.

22/32/HSC: HSC Update on New Build Council Housing Delivery Report.

21/48/HSC: HSC Report on progress toward HRA Estate Regeneration programme.

Housing Key Facts, Housing Register Applications & Lettings Summary, Commentary & Data Tables September 2022 ([www.cambridge.gov.uk](http://www.cambridge.gov.uk))

Detailed affordability analysis Cambridge and South Cambridgeshire- Savills Research Report to Greater Cambridge Partnership (delivering the City Deal) June 2017 ([cambridgeshireinsight.org.uk](http://cambridgeshireinsight.org.uk))

The Council's Homelessness & Rough Sleeping Strategy 2021-26 ([www.cambridge.gov.uk](http://www.cambridge.gov.uk))

## **11. Appendices**

Appendix 1 – Site Location plan and red line of proposed transfer

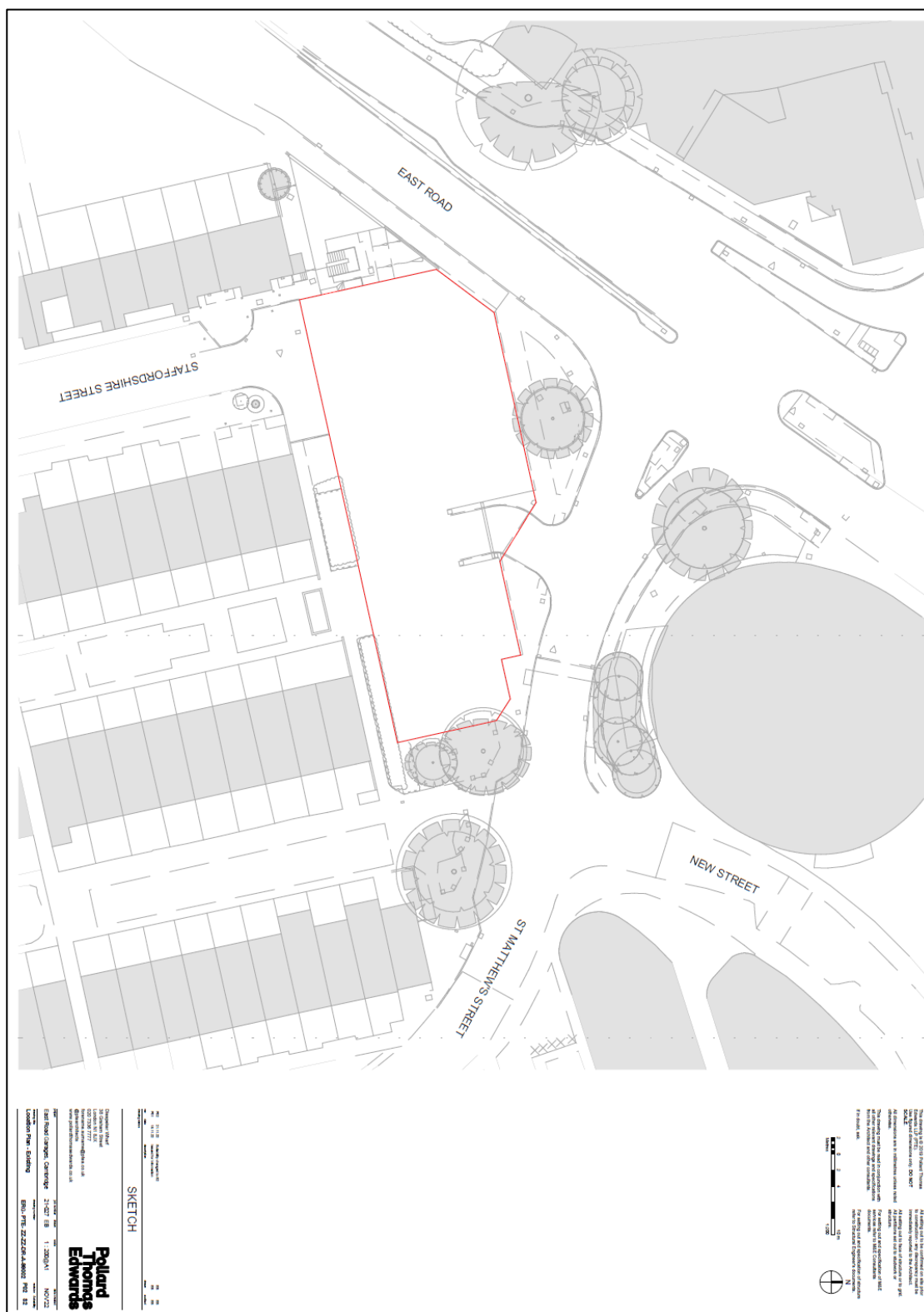
Appendix 2 – Indicative Layout

Appendix 3 - Concilio Final Feedback Report Dated 28<sup>th</sup> November 2022 – redacted to remove personal information.

## **12. Inspection of papers**

To inspect the background papers or if you have a query on the report please contact Natalie Bailey, Housing Development Agency, tel: 07702 605 689, email: [natalie.bailey@cambridge.gov.uk](mailto:natalie.bailey@cambridge.gov.uk)

## Appendix 1 – Site Location plan



Appendix 2 – Indicative layout. Further pre-application planning advice is being sought on this layout.

