

Item No. 6.1	Classification: Open	Date: July 9 2008	Meeting Name: Council Assembly
Report title: (Version 5)		Phase 1a Aylesbury Regeneration – Site Disposal	
Ward affected:		Faraday Ward	
From:		Strategic Director of Major Projects	

RECOMMENDATION

1. That council assembly approves an application be made to the Secretary of State for Communities and Local Government (CLG) for consent to dispose of the land shown edged red on the plan at Appendix 1 (the site known as Phase 1a Aylesbury Regeneration (Phase 1a)) to London & Quadrant Housing Group (L&Q) on the terms approved by the major projects board on June 19 2008.

BACKGROUND INFORMATION

2. This development is the first of the Aylesbury programme and as such will act as an exemplar and catalyst for the regeneration of the Aylesbury estate. There has been extensive resident involvement in the programme to date and an expectation that it will provide high quality homes and infrastructure. Phase 1a comprises 260 mixed tenure homes, replacement retail units and the Aylesbury Resource Centre (ARC) for adults with physical, neurological and sensory disabilities. It should be pointed out that the new centre will replace the current out-dated facility and provide a much improved range of high quality services. At the major projects board on June 19 2008 it was resolved:
 - 2.1 To approve the disposal of the land, shown edged on the plan at Appendix 1, (Phase 1a) to London & Quadrant Housing Group (L&Q) by way of a lease at a premium contained in the closed report, subject to;
 - council assembly's approval of an application to the Secretary of State for Communities and Local Government (CLG) for consent to the transfer of housing land and
 - the council obtaining the consent of the CLG to the disposal.
 - 2.2 That the council assembly approve an application to the CLG for consent to the transfer of housing land. The major projects board noted the difference between the proposed capital receipt and the land valuation noted in the closed report and recommends to council assembly that the gap is properly and entirely justified by the cost benefit analysis in the closed report. These include the improvements in design standards, environmental efficiency, public realm, affordable housing and size of units when compared with a development achieved through a traditional marketing and planning route, together with the risks inherent in a delay if the council does not pursue the L&Q transaction.
3. As the sale will result in the transfer of housing land at less than best consideration it is necessary to obtain the consent of the CLG to the sale. This involves completing a standard application form and obtaining written consent from the Secretary of State.
4. L&Q are expected to start on site in September 2008 and this will represent the start of the Aylesbury regeneration.

Corporate Objectives

5. The regeneration of the Aylesbury estate supports the council's corporate plan by creating a better place for people through localities of mixed communities and improving life chances through the opening of the ARC and high quality mixed tenure housing.
6. The strategic director of regeneration and neighbourhoods formally declared Phase 1a as surplus to requirements on December 11 2007.

Context to Land Disposal

7. This proposal is the final stage in the wider procurement of a partner for the council in the regeneration of Aylesbury Phase 1a. This process began in November 2006 and has progressed through a European procurement process, under which the council has selected L&Q as its partner. The decision, taken in January 2008 to contract with L&Q to deliver this regeneration project, was made subject to the obtaining by the council of all necessary consents to the disposal of the sites involved. This required authority to be sought from the council's assembly for an application to be made to the Secretary of State for consent to the disposal of the sites. That authority is now sought.
8. The partner in Phase 1a of the Aylesbury is required to deliver the redevelopment of the first phase of the Aylesbury estate regeneration. This development will provide replacement housing and a new resource centre in parallel with the master planning process for the wider Aylesbury area. As part of that delivery it was always intended to transfer council owned land to the successful partner. The council is required to ensure that it is dealing with its property in the most advantageous way. Advice has been sought from valuers (Drivers Jonas) and quantity surveyors (BPTW) about the effect on land value and build cost of the proposals made by L&Q. The closed report contains issues arising from the advice obtained from them.
9. Design quality has been one of the main drivers of the Phase 1a scheme, the items that constitute this have been summarised in the closed report.
10. Drivers Jonas valuers were appointed to provide a valuation for the Phase 1a site based on the minimum requirements of the Unitary Development Plan (UDP). It should be noted that this is only a theoretical valuation and given the current state of the housing market an open market disposal would represent a considerable risk. It was also noted at the major projects board on June 19 2008 that there are risks associated with a private developer buying the land in Phase 1a which would have significant potential impacts on the Aylesbury regeneration programme. It is unlikely in the current market conditions that a private developer would buy this land for any other reason than 'land-banking'. The location of the site, in proximity to 42 – 256 Bradenham (also know as Big Bradenham), enhances this risk. Due to this, the benefits of the approach recommended in this report are clearly seen in contrast to a different approach and the difference between the proposed capital receipt and the land valuation is justifiable
11. The council has accepted a contract consideration from L&Q. This is less than the open market value and details of this can be seen in the closed report. It will bring the following benefits;

Homes
260 dual aspect dwellings
No north facing dwellings
High quality materials
Gas fired district heating system
Increased space standards
Level 4 code sustainable homes

Additional 29 affordable homes

Resource centre
Green roof
High quality materials
Flexible building

These benefits are outlined, together with estimated values, in appendix 3 of the closed report.

12. In order to achieve a more complete picture the council appointed BPTW quantity surveyors to quantify the costs associated with the additional attributes of the Phase 1a scheme as compared to the minimum requirements of a UDP scheme. The benefits of the Phase 1a scheme are based on the emerging Area Action Plan which will set out a framework for future redevelopment of the Aylesbury estate and will set high benchmark standards. The additional consequential costs to the developer are outlined in the closed report.
13. In addition, L&Q has offered an added value contribution of towards the social infrastructure including contributions to training and employment.
14. The closed report demonstrates the values associated with the land disposal.
15. Since the tender submission by L&Q in October 2007 average house sales values have declined and resulted in nervousness amongst developers. This decline means that the same development marketed now in the same way might generate fewer conditional offers.
16. The Phase 1a development will provide a powerful impetus to the regeneration of the Aylesbury estate. In the closed report, appendix 3 provides a cost benefit analysis for the additional investment into the programme and demonstrates how the initial 'investment' (i.e. the difference between proposed capital receipt and land valuation) will result in long term benefits for the council in terms of the progression of the Aylesbury estate regeneration.
17. In addition to the quantifiable benefits described in the appendix of the closed report there are a range of added value elements included in the L&Q scheme:
 - Tenants will be guaranteed tenancy conditions that will be a minimum of the Council's existing arrangements.
 - L&Q will act as a comprehensive single agency to manage assets. This will improve the overall management of all homes across tenures.
 - Control measures to limit 'buy to let'.
 - L&Q has considerable experience in social housing.
 - Local Labour Initiatives with a commitment from the L&Q to invest into training and employment.
 - Guaranteed 'Right to Acquire' for social housing tenants.
 - 100% nomination for council residents.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Legal and Democratic Services

18. Council assembly is recommended to approve an application to be made to the Secretary of State for the CLG for consent to dispose of Phase 1a to L&Q on the terms approved by the major projects board on the June 19 2008.
19. Paragraph 14 of Part 3A of the council's constitution requires council assembly to agree any application to the Secretary of State in respect of any housing land transfer. Under Article 4 of the council's constitution "housing land transfer" means "the approval or adoption of applications (whether in draft form or not) to the Secretary of State for approval of a programme of disposal of 500 or more properties to a person under the Leasehold Reform, Housing and Urban Development Act 1993 or to dispose of land used for residential purposes where approval is required under sections 32 or 43 of the Housing Act 1985".
20. Approval of the Secretary of State for the disposal of Phase 1a is required under section 32 of the Housing Act 1985 and therefore council assembly's approval of the application to the Secretary of State for the transfer of Phase 1a (being housing land) must be obtained prior to the Council's application.
21. If council assembly agree the application they may approve the recommendation.

Head of Property

22. This scheme represents the start of a further major regeneration initiative whose scope makes it a project of considerable importance to the borough and London. The downturn in the property market poses a potential challenge.
23. Members are asked to approve an application to the Secretary of State to dispose of the first site in the Aylesbury regeneration for less than best consideration. The site was market-tested through European procurement regulations.
24. The difference in value between the offer and the external evaluation is examined in the closed report. The choices in this matter are to proceed with L&Q or call off the deal and start again. Members may wish to bear in mind the risks in lost time and potential adverse publicity should the deal with L&Q effectively now be stopped by the council in declining to apply for this consent.

Finance Director

25. This report recommends that council assembly approve an application to be made to the Secretary of State for consent to dispose of Phase 1a to L&Q on the terms approved by the major projects board on June 19 2008.
26. The finance director understands that based on the open market valuation, provided by Commercial Property Consultants Drivers Jonas, the sale to L&Q represents a sale at an undervalue. The finance director also recognises the current issues of market value as reported by Drivers Jonas as a result of limited credit and falling residential house prices. Their research indicates that the local market in Walworth, Camberwell and Elephant & Castle has been affected by this national phenomenon.
27. He understands that the difference between the open market valuation and net capital receipts can be explained by the increased costs of Phase 1a to that of a scheme that met the minimum requirements of the UDP. He further appreciates that these values have been provided by BPTW Quantity Surveyors, who are the council's contracted

expert advisors. It is recognised that the proposed development for the site will provide better design standards, environmental efficiency and high quality public realm spaces.

28. The Finance Director confirms that the partner has been selected through an approved procurement process and that the Council is now seeking this Secretary of State approval in order to proceed in line with Council priorities.

REASONS FOR URGENCY

29. This report is urgent because the consent of the Secretary of State for CLG must be obtained to dispose of Phase 1a to L&Q and before work is started on site. The date for the works to start on site is scheduled for September 2008 and any delay in L&Q getting on site will have significant consequences for the start of the physical regeneration of the Aylesbury Estate. Phase 1a is the catalyst for the regeneration of the Aylesbury Estate and the timetable for this is already tight as following approval by the Secretary of State the Council and L&Q will need to finalise arrangements to commence the works. Hence, any delay in obtaining Secretary of State consent to the disposal of Phase 1a will severely disrupt the planned regeneration of the Aylesbury Estate.

REASONS FOR LATENESS

30. This report is late because of the need to complete on-going additional consultation and seek further supplementary advice from other officers.

BACKGROUND PAPERS

Background Papers	Held At	Contact
Open report to Major Projects Board on 19 June 2008	Democratic Services	Andrew Weir ☎ 020 7525 4326
Project files	Aylesbury Project 63-67 Newington Causeway London, SE1 6BD	Prakash Bijwe ☎ 020 7525 4813

APPENDICES

Appendix number	Title of appendix
Appendix One	Site Plan for Phase 1a

AUDIT TRAIL

Lead Officer	Martin Smith – Project Director - Aylesbury Regeneration		
Report Author	Prakash Bijwe		
Version	Final		
Dated	June 30 2008		
Key Decision?	Yes	If yes, date appeared on forward plan	May 2008
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER			
Officer Title	Comments Sought	Comments included	
Finance Director	Yes	Yes	
Strategic Director of Regeneration [Neighbourhoods]	No	No	
Head of Property	Yes	Yes	
Strategic Director of Legal & Democratic Services	Yes	Yes	
Executive Members	Yes	Yes	
Date final report sent to Constitutional Support Services			June 30 2008

