



**Cabinet Member for Adults, Health and
Housing
20 March 2019**

ITEM 11

Report sponsor: Greg Jennings – Director of
City Development and Growth
Report author: Karen Brierley – Principal
Housing Development Manager

Purchase of a city centre site in Derby for potential future redevelopment

Purpose

- 1.1 To propose the purchase of a city centre site leasehold, where the Council already own the freehold interest, funded by the Housing Revenue Account (HRA) and Right to Buy (RtB) receipts at an agreed cost.
- 1.2 To propose the appropriation of the site's freehold from the general fund to the HRA once the leasehold has been acquired at an approved asset valuation.
- 1.3 To propose the redevelopment of the site to provide affordable housing funded by the HRA and RtB receipts subject to design, planning permission and Cabinet approval
- 1.4 To propose the demolition and clearance of the site to facilitate survey and design work required as part of any proposed future redevelopment

Recommendations

- 2.1 To approve the purchase of the city centre site's leasehold funded by the HRA and RtB receipts at an agreed cost.
- 2.2 To approve the appropriation of the site's freehold interest to the HRA at the Councils asset valuation.

Reasons

- 3.1 The purchase of the site will secure the land for redevelopment
- 3.2 The appropriation of the site will provide the HRA with a freehold site suitable for redevelopment to provide suitable affordable housing for those in need on the Housing Register

Supporting information

- 4.1 A city centre site, where Derby City Council own the freehold interest, was marketed for sale.. An offer was submitted by the Council, subject to formal approval, and has been accepted.
- 4.2 A RICS Red Book valuation was carried out and the agreed purchase price for the lease is in line with this valuation. The industry practise allows for a degree of variation on the valuation figure and the purchase price has been approved by the Head of Strategic Asset Management and Estates
- 4.3 Once the lease is purchased the site's freehold interest will need to be appropriated to the HRA at a value determined by a RICS Red Book valuation process.
- 4.4 The site has previously been used for light industrial business but is currently vacant although the workshop and offices are in situ and will require clearing and demolishing.
- 4.5 The site would be suitable for re-development to provide approx. 25-30, 1 and 2 bedroom apartments which would be in keeping with the surrounding properties.
- 4.6 This is a brownfield site and it's redevelopment will bring a vacant site back into use. Survey works will be undertaken to identify any remediation required as part of the redevelopment.
- 4.7 To prevent anti-social behaviour and Health and Safety issues associated with a vacant site, further approval will be sought for demolition, clearance and securing of the site once the purchase is secured.
- 4.8 Future Cabinet approval will be sought for the site to provide affordable housing subject to design, planning permission and survey works that are undertaken and completed

Public/stakeholder engagement

- 5.1 We have consulted with Derby Homes and they have confirmed there is need for the property type proposed in this area

Other options

- 6.1 To do nothing. On the basis of a long leasehold interest there were a limited number of interested parties due to the relatively short unexpired term. This means that the site is less likely to come forward by the private sector and could be vacant in the long term.
- 6.2 To enter into a long leasehold with a new third party. Although this may generate some additional interest from the private sector we would not be able to control the pace of any redevelopment and the site may not be brought forward in the short term. In addition it may not be redeveloped to provide new affordable homes.

- 6.3 To sell the freehold. As with the option in 6.2 this may generate some additional interest from the private sector we would not be able to control the pace of any redevelopment and the site may not be brought forward in the short term. In addition it may not be redeveloped to provide new affordable homes.
- 6.4 If the site were to prove unviable for re-development for affordable housing in the future the site can be remarketed for sale subject to the relevant approvals

Financial and value for money issues

- 7.1 Our initial bid was rejected but an increased offer was made, and accepted, on the basis that this reflected our advantageous position as reversionary freeholder so that on completion of the purchase the lease would be extinguished and we would have the benefit of an unencumbered freehold no longer subject to the remainder of the lease.
- 7.2 The Council has the capacity within its latest HRA Business Plan to acquire the site. Provided the site is developed for social housing, Right to Buy (RtB) receipts can be applied at 30% of the acquisition cost in accordance with Agreement - Section 11(6) of the Local Government Act 2003.
- 7.3 The dwellings will be protected from any financial loss from subsequent right to buy applications by the cost floor rules, meaning that the dwellings cannot be sold for less than the value of the cumulative total spend for 15 years from the date of acquisition.
- 7.4 The provision of new homes will generate New Homes Bonus and Council Tax revenue for the authority
- 7.5 Following construction of affordable properties, an Exemption from Regulations will be submitted to the Ministry of Housing, Communities and Local Government (MHCLG) which allows DCC to retain 100% of the capital receipt if they are sold under Right to Buy. This minimises the financial loss to the Council that could result from Right to Buy sales.
- 7.6 The purchase will be subject to SDLT but there will be no VAT payable.
- 7.7 As with any development there are risks associated with the site. At this stage the actual cost of demolition, the remediation and overall development costs cannot be quantified until tenders are received, survey work is undertaken and a design is agreed. These will be sought as a matter of urgency post purchase.
- 7.8 Once purchased the site will be managed in accordance with the city Councils vacant building strategy and as part of the demolition and clearance works the site will be fenced.

Legal implications

- 8.1 The purchase process will be subject to the Council's standard due diligence and undertaken by either the Council's in-house Legal Service or if this is not possible due to capacity constraints by external lawyers, appointed under EM Lawshare arrangements.'

Other significant implications

- 9.1 The redevelopment of this site for affordable housing will provide new homes for those in housing need in the city

This report has been approved by the following people:

Role	Name	Date of sign-off
Legal	Sophia Brown	11 th February 2019
Finance	Mazer Hussain	7 th March 2019
Service Director(s)		
Report sponsor		
Other(s)	Ian Fullagar	12 th February 2019
	Jayne Sowerby Warrington	13 th February 2019