

CABINET ITEM COVERING SHEET PROFORMA

AGENDA ITEM

REPORT TO CABINET

29 NOVEMBER 2012

REPORT OF CORPORATE MANAGEMENT TEAM

CABINET DECISION

***Housing & Community Safety – Lead Cabinet Member - Councillor S Nelson
Regeneration and Transport – Lead Cabinet Member – Councillor M Smith***

PARKFIELD/MILL LANE HOUSING REGENERATION SCHEME

1. Summary

To update Members on proposals that will deliver a full site residential redevelopment for the Parkfield/Mill Lane (Phase 2) area.

To seek Cabinet approval for a number of critical next steps that will enable the successful delivery of a sustainable residential development which will deliver much needed affordable housing, the Councils housing regeneration ambitions for the Parkfield/Mill Lane (Phase 2) area and support its broader vision for a vibrant Stockton town centre.

2. Recommendations

Members are asked to:

1. Note the approaches made by two separate parties regarding redevelopment proposals for the Parkfield/Mill Lane site.
2. Support the re-direction of a maximum of £910k from the £970k resource allocation previously approved by Cabinet (in February 2012) for site public realm, greening and infrastructure works to Fabrick in order for their development proposal (“Approach 1”) to proceed. This funding will be allocated in the form of a grant to be targeted at the provision of affordable housing provision on this site.
3. Authorise the Corporate Director of Development and Neighbourhood Services and Head of Legal Services, in consultation with the Cabinet Member for Housing and Community Safety to agree the detailed conditions under which the grant to Fabrick will be provided.
4. Note the timetable of next steps (as detailed in para 13) and that that subject to planning approval Fabrick aim to commence building works with effect from early June 2013.
5. Authorise the Corporate Director of Development and Neighbourhood Services in consultation with the Cabinet Member for Housing and Community Safety to incorporate “Approach 2” (the small redevelopment proposal) within the full site redevelopment proposal, if it provides better value than the Fabrick proposal alone and does not impact on the Fabrick development timetable.

6. Note that the Council is tied into a “Funding Agreement: in relation to acquisition and demolition of properties in the Parkfield and Swainby Road areas of Stockton-on Tees” with the Homes and Communities Agency (HCA). In order for redevelopment proposals (as outlined paragraphs 4 to 14) to progress, Cabinet is asked to support an approach to the HCA to revise this Funding Agreement and that approval to agree all necessary revisions is delegated to the Corporate Director of Development and Neighbourhood Services and the Head of Legal Services, in consultation with the Cabinet Member for Housing and Community Safety.
7. Note that subject to agreement with the HCA the disposal of land will be undertaken on an un-restricted market value basis.

8. Reasons for recommendations/decisions (s)

The interventions and next steps detailed within this report will bring forward the Councils housing regeneration ambitions for the Parkfield/Mill Lane (Phase 2) area; deliver much needed affordable housing in the Borough and support the Councils vision for a vibrant and sustainable Stockton town centre.

4. Members’ Interests

Members (including co-opted Members) should consider whether they have a personal interest in any item, as defined in **paragraphs 9 and 11** of the Council’s code of conduct and, if so, declare the existence and nature of that interest in accordance with and/or taking account of **paragraphs 12 - 17** of the code.

Where a Member regards him/herself as having a personal interest, as described in **paragraph 16** of the code, in any business of the Council he/she must then, **in accordance with paragraph 18** of the code, consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member’s judgement of the public interest and the business:-

- affects the members financial position or the financial position of a person or body described in **paragraph 17** of the code, or
- relates to the determining of any approval, consent, licence, permission or registration in relation to the member or any person or body described in **paragraph 17** of the code.

A Member with a personal interest, as described in **paragraph 18** of the code, may attend the meeting but must not take part in the consideration and voting upon the relevant item of business. However, a member with such an interest may make representations, answer questions or give evidence relating to that business before the business is considered or voted on, provided the public are also allowed to attend the meeting for the same purpose whether under a statutory right or otherwise (**paragraph 19** of the code)

Members may participate in any discussion and vote on a matter in which they have an interest, as described in **paragraph 18** of the code, where that interest relates to functions of the Council detailed in **paragraph 20** of the code.

Disclosable Pecuniary Interests

It is a criminal offence for a member to participate in any discussion or vote on a matter in which he/she has a disclosable pecuniary interest (and where an appropriate dispensation has not been granted) **paragraph 21** of the code.

Members are required to comply with any procedural rule adopted by the Council which requires a member to leave the meeting room whilst the meeting is discussing a matter in which that member has a disclosable pecuniary interest (**paragraph 22** of the code).

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RECOMMENDATIONS

Members are asked to:

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Corporate Director of Development and Neighbourhood Services and the Head of Legal Services, in consultation with the Cabinet Member for Housing and Community Safety.

7. Note that subject to agreement with the HCA the disposal of land will be undertaken on an unrestricted market value basis.

DETAIL

Background

1. As Members are aware the Parkfield/Mill Lane (phase 2) area, located between Yarm Lane and Dovecot Street was identified as an area of "housing market failure" a number of years ago and since 2006 a programme of property acquisition and demolition has been ongoing. Significant progress has been made in acquiring properties by voluntary agreement with 195 of the 204 private properties now acquired by the Council.
2. Following the sudden cessation of Housing Market Renewal Funding, Cabinet agreed (July 2011) to remove 80 properties from a future phase of demolition. These 80 properties were prioritised for improvement works and subsequently have benefited from investment via the 'Go-Warm' Community Energy Savings Programme.
3. Earlier in the year (February 2012) a report was presented to Cabinet which explained that the Council in partnership with the Homes and Communities Agency (HCA) had commissioned DTZ (working alongside Gillespie's and Arup) to undertake site master planning. The purpose of this exercise was to identify how best to bring forward this site for development in the future and included; an assessment of the site, a review of any constraints, market conditions and soft market testing with house builders. In summary, this exercise concluded that the site was *challenging* (mainly due to prevailing economic conditions), but there were opportunities to implement a phased development programme which would create the right market conditions for private sector led development in the longer term. However for this to be a viable option, the report concluded that the Council should invest in public realm, greening and infrastructure improvements i.e. to make the site more attract in the longer term for a potential partner. Cabinet subsequently approved £970k for this purpose.

Proposals for the redevelopment of the site

4. The Council has recently been approached by two separate parties seeking to redevelop either all or part of the site:

Approach 1:

5. As reported previously to Cabinet, Fabrick (which is a partnership of Tees Valley and Erimus Housing) secured £500k from the HCA to facilitate the delivery of 20 new build homes on the Parkfield site. Fabrick have a strong track record of working in Partnership with the council and have delivered a number of new housing schemes across the Borough in recent years. In addition, they have also acted as lead development partner in a number of regeneration schemes in other neighbouring authorities.
6. Recently the Council have been in discussions with Fabrick to bring forward an alternative development proposal. In summary; with the £500k secured from the HCA, grant support from the Council to a maximum of £910k and utilising their own resources and borrowing capacity Fabrick have proposed a fully funded, full site development for the Parkfield site. This development would see in the region of 118 new build properties; 84 houses, 12 apartments and 22 bungalows. Fabrick propose to take the lead developer role and would not rely on any further investment from the private sector or the appointment of a private house builder to sell properties.

7. It is anticipated that this development would take in the region of 3 years to build out and complete. Members are asked to note that this timescale is dependant on the Council's ability to acquire remaining properties and may be affected should a Compulsory Purchase Order prove necessary.
8. Given current market conditions, lack of mortgage availability etc. it is anticipated that the majority of properties built will initially be made available for rent (both market rent and affordable rent). With a small number being available for sale (potentially via intermediate home ownership options such as equity share or rent to buy). However as market conditions and confidence in the area improves it is Fabrick's intention to 'flex' tenures (i.e. as/when a rented property becomes vacant a decision will then be made to either rent again or sell either on an outright or affordable home ownership basis). Members are asked to note that this 'flexibility' in tenure is not proposed for all properties on the site, for example those units identified as 'affordable rented' (such as those funded via the HCA) will remain as affordable units in perpetuity. This flexible approach is supported by the Housing Service as it would promote a mixed-tenure, sustainable development.
9. In summary a scheme of this nature would:
 - a. Deliver in excess of £9 million to the local economy;
 - b. Deliver a fully funded, 3 year proposal for the site which include a mix of house types developed to address local housing need (including accommodation for elderly and vulnerable residents);
 - c. Deliver a quality housing scheme which has achieved secured by design status, with all properties achieving HCA design standards and Code Level 3;
 - d. Incorporate a green wedge/pocket park and high quality landscaping in accordance with the masterplan (which was a priority for local residents);
 - e. Offer guaranteed training and apprenticeship opportunities (as Fabrick would commit to a 3 year build project);
 - f. Increase the number of people living within this area of the Borough, thereby supporting the wider regeneration of Stockton town centre;
 - g. Promote affordable homeownership options for those wanting to purchase a property but struggling to do so due to lack of mortgage availability etc; and
 - h. Deliver the Councils housing regeneration ambitions for the Parkfield/Mill Lane (phase 2) area without requiring any further additional investment by the Council (i.e. Fabrick would be responsible for carrying out all necessary infrastructure works and greening improvements required within this development).
10. As detailed previously Members are asked to note that this site is challenging. In addition to the challenges detailed in paragraph 3, 'rent levels' in the area will be relatively low (thereby restricting potential rental income levels), a high pressure gas main runs through the site which is cost prohibitive to re-route and as a consequence the layout of the site is limited. Therefore without the grant support from the Council, Fabrick will be unable to proceed with this comprehensive redevelopment proposal. On this basis Cabinet are asked to support the re-direction of a maximum of £910k from the £970k previously identified for public realm, greening and infrastructure works to be paid to Fabrick as a grant. This grant would be targeted at the delivery of affordable housing units on this site. To ensure the Council is appropriately protected the allocation of this grant funding will be time limited and subject to planning approval being granted.

11. Officers from across Finance, Land and Property and Housing have been provided by Fabrick with the financial feasibility details of this project. In addition, Fabrick have offered to go 'open book' prior to the grant funding being awarded.
12. The disposal of land to facilitate this development will be undertaken on a non-restricted market value basis. However members are asked to note that given current market conditions, a non-restricted market value is likely to be negligible.

Next steps/timescales (Fabrick proposal)

13. Fabrick are working to finalise a final site planning and want to commence work on site as quickly as possible. On this basis they are aiming to:

Wk commencing 10.12.12	-	Hold a pre-planning community consultation event
Early January 2013	-	Submit planning application
Early June 2013	-	Start on site

Approach 2:

14. Interest in redeveloping a small area of the site has recently been made by an alternative party; this party currently owns a number of properties on the site which the Council has yet to acquire. This approach is relatively new and as such we do not have the full details to share with Members at this time.
15. Members are asked to note that this alternative proposal is being considered as should it; prove viable, offer better value than the Fabrick proposal alone, be incorporated within the Fabrick development proposal and does not impact on the Fabrick development timetable then it *may* negate the need for future Compulsory Purchase Order (CPO) action. Should the Council need to secure a CPO this would inevitably be costly and impact on the development timetable for the full site redevelopment. On this basis Cabinet are asked to authorise the Corporate Director of Development and Neighbourhood Services in consultation with the Cabinet Member for Housing and Community Safety to incorporate "Approach 2" within the site redevelopment proposal should the issues noted above be suitably addressed.

Approval from the HCA in order to progress with site redevelopment proposals

16. Members may recall that the HCA has previously supported the regeneration of the Swainby Road and Parkfield regeneration schemes via the allocation of funding. This funding allocation was linked to a Funding Agreement which places a number of 'obligations' on the Council in relation to both sites. In order to deliver one/or both of the proposals received it will be necessary to agree a variation to the Funding Agreement.
17. An initial scoping conversation has taken place with the HCA who have indicated that they are 'supportive' of the proposal detailed within the body of this report. Members are therefore asked to authorise the Corporate Director of Development and Neighbourhood Services and Head of Legal Services, in consultation with the Cabinet Member for Housing and Community Safety, to negotiate and agree with the HCA those changes to the Funding Agreement necessary to enable site redevelopment to progress.

FINANCIAL IMPLICATIONS

18. As detailed in paragraph 10 it is proposed to award Fabrick a maximum of £910k in grant funding (to be targeted at affordable housing). This money will be re-directed from the £970k previously approved by Cabinet for public realm, greening and infrastructure works.

The £970k is currently accounted for in within the overall scheme financial profile. There will be no further financial implications on the Council as a result of the Fabrick proposal.

LEGAL IMPLICATIONS

19. In agreeing the conditions which grant funding may be provided to Fabrick particular regard needs to be paid to the potential state aid implications of grant funding the scheme.
20. Providing grant assistance to a registered provider to enable them to have the financial capacity to deliver the level of affordable homes required across the authority may constitute State Aid. If State Aid is not granted lawfully, it may jeopardise the scheme and lead to clawback of the grant from the beneficiary.
21. It is essential therefore that the provision of grant aid to Fabrick (or one of its subsidiary landlords) is managed in accordance with the state aid rules. In this instance the targeting of grant towards the affordable housing element of the scheme will be undertaken in accordance with the General Block Exemption Regulation (GBER) in which the European Commission has outlined the conditions under which a State Aid can be granted lawfully.

RISK ASSESSMENT

22. The proposal detailed within this report has been incorporated within the overall Parkfield/ Mill Lane (phase 2) regeneration project. The overall project is categorised as medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

SUSTAINABLE COMMUNITY STRATEGY IMPLICATIONS

23. The proposed new 'full site' housing development will have a positive impact on the following Sustainable Community Strategy themes:
 - a. **Economic Regeneration and Transport:** the investment of a further £9million into Stockton will support the broader growth and redevelopment of the town centre.
 - b. **Safe Communities:** the scheme will be designed to provide a safe and inclusive environment. Fabrick will be seeking 'secured by design' status.
 - c. **Healthier Communities and Adults:** the scheme will have a direct impact on addressing the housing needs of the population of the Borough with units of accommodation being made available for both elderly and vulnerable residents.
 - d. **Environment and Housing:** additional units of affordable accommodation will address identified housing need both for current and future generations.

Supporting themes:

- e. **Stronger communities:** the proposal is to develop a range of property types for families, vulnerable and older residents. The quality of the development will help foster a sense of pride by scheme residents.
- f. **Older Adults:** the proposal is to include a number of bungalow units which will assist in addressing the growing housing needs of older adults in our Borough.
- g. **Arts, Leisure and Culture:** the development proposals will incorporate high quality design.

EQUALITIES IMPACT ASSESSMENT

24. This report is not subject to an Equality Impact Assessment as it does not relate directly to a change of policy strategy or service delivery (rather this report details the means of delivering the Councils previously agreed ambitions for the area).

CONSULTATION INCLUDING WARD/COUNCILLORS

25. Ward Councillors and Cabinet Members are provided with ongoing briefings to ensure that they are kept up to date on the progress of this housing regeneration scheme.

26. Officers of the Housing Service attend regular meetings of the Town Centre Community Forum to update on scheme progress and arrange monthly site walkabouts with local residents. Before a planning application is submitted both will be briefed. In addition, Fabrick will undertake a pre-planning consultation event before they submit a formal planning.

27. As the scheme continues we will ensure timely and ongoing communication with local residents.

Corporate Director of Development & Neighbourhood Services

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Background Papers

None

Education Related

No

Ward(s) and Ward Councillors:

Stockton Town Centre – Cllr Coleman and Cllr Kirton

Property

As detailed within the report, it is proposed to sell the site to Fabrick at unrestricted market value.