

**AGENDA ITEM**

**REPORT TO CABINET**

**12 DECEMBER 2024**

**REPORT OF SENIOR  
MANAGEMENT TEAM**

**CABINET INFORMATION ITEM**

**Cabinet Member for Regeneration and Housing – Councillor N Cooke**

**THE SYCAMORES HOUSING DEVELOPMENT (Closure Report)**

**SUMMARY**

Housing is a key contributor to the health & well-being and quality of life for our residents and a key driver in supporting the boroughs economic growth. As part of the Councils strategic regeneration plans it was a longstanding ambition to bring forward a housing development on the former Victoria Estate and adjacent Elm House sites, to provide quality, truly affordable and inclusive homes within the heart of Stockton town centre. As all homes on The Sycamores have now been built, sold and are occupied this report details the successful delivery of this town centre re-development. Highlighting that the new homes delivered not only addressed local housing needs but also delivered broader social and economic benefits as well as a financial return to the authority.

**REASONS FOR PRODUCING THIS REPORT**

The former Victoria/Elm House sites were always difficult sites to bring forward. Like many brownfield re-developments the sites had high remediation costs which when combined with build costs and restricted new build property sale values, would always prove challenging in terms of bringing a viable re-development proposal forward. Despite these challenges the Council sought to identify a solution. This report highlights the outcomes of the approach adopted by the Council to create a safe, inclusive place that meets the needs of our residents (through both outright sale and affordable rented housing), in a well-connected community in the heart of Stockton town centre.

As members are aware work is ongoing to explore options for how the Council can bring forward/accelerate the provision of affordable housing across the borough that meets a range of incomes and needs. This closure report identifies valuable lessons which will be fed into the ongoing option appraisal.

**DETAIL**

**Background**

1. As part of the Councils long-standing ambition to support the economic regeneration of Stockton town centre, the delivery of a quality housing offer on the former Victoria Estate and the adjacent Elm House site was identified as integral. The ambition of the Council was *“to create a vibrant new community, providing sustainable urban living which would support the transformation of the north-eastern quadrant of the Town Centre”*.

2. Unlike previous housing-led regeneration developments (on the Hardwick and Mandale estates) where the Council had entered into Development Agreements, the decision was taken in 2018 to seek an alternative delivery model to bring the site forward. Following an evaluation of options, it was considered that a Joint Venture arrangement should be explored. The rationale for adopting this approach was informed by:
  - The recognition that the site had a negative land value and would potentially be unviable for development if marketed for sale.
  - That this is key gateway site into Stockton town and as such the site formed part of the Councils town centre regeneration plans.
3. Taking the above into consideration the Council decided that it wanted to maintain a level of influence over and above the usual constraints of a planning permission on a site; to avoid the potential for land banking or the site being developed on a piecemeal basis. The Joint Venture approach was identified to deliver this ambition but vitally a mechanism to bring in resources (financial) and expertise (skills and capacity) from a development partner who had extensive commercial and house building experience.
4. In 2018, Cabinet (decision record D180071) approved the appointment of Keepmoat Homes Limited as the Councils Joint Venture Partner and the establishment of a Joint Venture Company (limited by shares). As part of the commercial agreements for the Joint Venture Company it was agreed that the Council would provide loan funding to the company (in equal amounts to Keepmoat). Over the lifetime of the development the maximum value of the loan to be made by each partner was £1.6m and was made by the Council on a commercial return basis. However members asked to note that only £1.35m of the loan facility was drawn down (due to Keepmoats management of the cash flow over the duration of the development). It was anticipated based on development costs and estimated sales values that both partners would also secure a return on their investment (through a profit share agreement). Commercial developments of this nature are not risk free and to inform its decision, Cabinet considered a series of potential risks and mitigations.
5. As part of the joint engagement work undertaken with Keepmoat it was identified that a Collaboration Agreement, rather a Joint Venture Agreement would be more appropriate. The Collaboration Agreement was a more simplified legal structure and was more cost effective, as it did not require the expense in setting up a new company whilst still achieving the Councils development objectives. Subsequently the revised legal arrangement was approved by Cabinet on the 18.7.19 (decision record D190055).
6. The initial Collaboration Agreement did not include the adjacent Elm House site. At the time of entering the agreement it was not within the ownership of the council; however it was always the Councils ambition to enable the redevelopment of this site. Members may recall that Elm House (located on Bath Lane) was a high-rise apartment block with commercial interests on the ground floor. Whilst Thirteen Housing cleared the site, the costs of redevelopment were prohibitive. Through the agility of the Councils partnership with Keepmoat when the opportunity to bid for Brownfield Housing Funding (BHF) monies became available an application was made. This bid would not have been possible without the partnership due to the time constraints required for BHF monies to be spend. A successful BHF bid was made, £710,326 of grant was secured which reduced the sites viability gap by funding essential land remediation costs. The build of the 14, 2-bedroom bungalows was the first completed in the Tees Valley with funding secured through the BHF. Once the new bungalows were complete by Keepmoat there was an onward sale agreement to Thirteen. This extended site has delivered much needed affordable rented homes.

The Sycamores

7. Despite on-site challenges and cost inflation experienced during/post COVID, all properties on the development have now sold. The site is an example of transformational change. From an area which once experienced low demand housing (suffering from void rates of around 35%), high rates of anti-social behaviour and poor property standards (all homes were EPC rated E), to a residential development which now provides high quality housing in a green environment (**Appendix 1** provides a pictorial overview of the site ‘before’ and ‘after’ redevelopment).
8. As demonstrated in **Appendix 1** the site has been transformed from a 1960’s development of 254 properties (made up of predominately non-traditional housing i.e. flats and maisonettes above, with open back gardens) and a high-rise block of flats to an inclusive residential community which now provides 157 truly affordable dwellings for a range of households and incomes.

**Table 1: current housing mix and tenure**

Property type	Number	Overall tenure mix
2 bed house	33	<ul style="list-style-type: none"> <li>• 50% of properties outright sale</li> <li>• 15% affordable home ownership (First Homes)</li> <li>• 6% affordable home ownership (Shared Ownership)</li> <li>• 29% affordable rent</li> </ul>
3 bed house	71	
4 bed house	33	
2 bed bungalow	20	<ul style="list-style-type: none"> <li>• 100% affordable rent</li> </ul>

9. In terms of investment into the borough the total site redevelopment costs were cc. £20m (including monies secured from Homes England for First Homes, the Affordable Homes Programme and the Brownfield Housing Fund),
10. In terms of a financial return to the Council, in addition to securing the full repayment of the loan (at a commercial return), the Council has also secured a profit share of £486k (paid in October 2024).
11. In addition to the above the site has also delivered a range of broader economic and social benefits for example:
  - (a) All homes on the site are now EPC rated B (highly efficient homes / features include good insulation and various energy saving features), as noted previously all the Victoria properties were EPC rated E. The provision of new homes has supported the Councils ambition to address fuel poverty and provide quality, energy efficient housing.

**Table 2: current EPC ratings**

EPC Rating	SAP Rating	Current properties within Band	Previous properties within Band
A	92-100 SAP points <i>(most efficient)</i>	0	0
B	81-91 SAP points	157	0
C	69-80 SAP points	0	0

D	55-68 SAP points	0	0
E	39-54 SAP points	0	254
F	21-38 SAP points	0	0
G	1-20 SAP points <i>(least efficient)</i>	0	0

- (b) Whilst the total number of dwellings may have reduced Council Tax bandings have increased. Previously 100% of dwellings were Council Tax Band A. The table 3 details the new bandings and current Council Tax annual revenue.

**Table 3: current Council Tax Bandings**

Band	2024/2025 charge	Properties	Council Tax revenue
A	£1,557.34	17	£26,474.78
B	£1,816.88	90	£163,519.20
C	£2,076.44	39	£80,981.16
D	£2,336.00	11	£25,696.00
<b>Total</b>		<b>157</b>	<b>£296,671.14</b>

- (c) The current development is sustainable with no properties currently marketed for resale (as noted previously 35% of properties on the estate were empty, and most flats in Elm House were long-term voids). Added to this as/when rented properties became available they attracted a significant number of bids (for example over 500 bids were made when the 14 2xbungalows were initially advertised).
- (d) As part of the procurement exercise the Council sought to maximise social value (which included local jobs and training, supporting regional businesses and healthier, safer and more resilient communities). Keepmoat actively sought opportunities to maximise social value back into the borough and the total social value evaluation of the project exceeded £7.6m.
- (e) The provision of homes for varying income levels has sought to bring a new demographic to this town centre location. In addition to homes for rent and outright sale, the provision of First Homes enabled first time buyers (on a qualifying income and with a connection to the borough) to purchase a home with a discount. As noted in the council tax table above the provision of new homes varied with outright purchase prices ranging from £121k for a semi or terraced 2 bed houses to £185k for the larger detached four bed houses.
- (f) To understand the impact of this new housing development on Stockton town centre/the high street a Visitor Insights Report has been undertaken (analysing the period between January 2023 to September 2024). This study identified a number of positive impacts of the development on the local economy for example 11,320 visits were made by residents of The Sycamores to Stockton High Street (during the day) and 6,254 visits to food and beverage units (restaurants, cafes and pubs) within a 20 minute walking distance of the estate.

### Moving forward (lessons learnt)

12. The Sycamores has evidenced the pivotal role that housing can and will play in the boroughs Powering our Future regeneration 'place making' ambitions. Demonstrating the role that housing-led regeneration has, not only in delivering modern, high quality, energy efficient and affordable homes (creating places people want to live) but in delivering a range of wider social, financial, health and economic benefits.
13. Whilst this report details the successful outcome of this project, redevelopments of this nature are never risk-free. On this occasion the Council took a balanced approach to 'risk and reward'. Recognising that to bring this site forward, against the viability challenge facing it they needed to partner with an experienced commercial operator (one who had extensive experience in bringing forward sites of this nature) and to consider the use of council resources (through the investment loan).
14. Looking forward as the Council explores options for accelerating affordable housing delivery the learning and reflections from this partnership (and delivery model) will be considered. They include:
  - An effective governance structure (monthly project meetings, with an 'open book approach ensured effective project & financial monitoring and formal Board meetings which provided an escalation route if required).
  - The ability of the partnership to operate with an element of flexibility and agility to maximise funding opportunities as these arose (on this occasion securing access to the Brownfield Housing Fund and First Homes monies).
  - Securing the right level of expertise (skills and financial) to deliver on the Councils ambitions.
  - The benefits (and need) of an effective internal inter-department project team (legal, financial, planning, land and property and housing colleagues for example) who provided dedicated support to the project at all stages (procurement, establishing the legal arrangements and throughout project delivery). Which in turn facilitated effective partnership arrangements with Keepmoat.

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## APPENIDX 1

### The former Victoria estate and Elm House



The Sycamores

