

## Meeting of the Executive

6<sup>th</sup> November 2007

Report of the Director of Housing and Adult Social Services

### Selection of a Preferred Discus Bungalows Re-development Partner

#### Summary

1. The report details the tenders that have been received from organisations interested in being selected as the preferred development partner for the Discus Re-development Project. The Executive is asked, based on the evaluation information, to approve the Project Board recommendation for a preferred development partner to purchase the sites and work with the residents, the Project Board, the Council and the wider community to re-develop the three Discus sites at St Anne's Court/ Horsman Avenue, Regent Street and Richmond / Faber Street.

#### Background

2. At the meeting of the Executive Member for Housing and Advisory Panel in March 2006, a report on the 'Future of the Discus Bungalows' detailed a number of options for the future. At this meeting the following recommendations were approved:
  - A development option to provide a minimum of 100 homes for older people
  - The appointment of a Project Manager (PO3-6) on an initial 2-year contract to lead the re-development for the Council.
  - The selection of a development partner, the criteria for which is to be decided by a representative panel.
  - Not to let any further properties on the sites; that residents are given priority transfer status from the implementation of the new allocation policy and are eligible for home loss and disturbance payments from that date; that void properties are monitored on a regular basis
3. Following this recommendation, a Project Manager was employed on a 2-year contract in July 2006.
4. The Discus Project Board was established to oversee the selection of a development partner, agree the selection criteria and the future development of the sites. The Board first met in November 2006 and is made up of one

councillor from the Heworth Ward, one councillor from the Fishergate ward, the Executive Member for Housing, three members of the Residents Development Committee, and three senior managers from Housing Services. The purpose and Terms of Reference of the Board will be re-considered once a development partner is selected.

5. In October 2006, an Officer Project Team was also established with representatives from across the Council to draft the key housing objectives for the re-development, agree the planning statement, the extra care facility, offer an Occupational Therapy Assessment to all existing residents and agree the process for relocating tenants. The work carried out by this team has contributed to the documentation setting out expected outcomes of the project, which formed part of the sales particulars to market the three sites.
6. The existing Discus residents have completed housing transfer forms and no properties have been let since July 2006. All current residents are a priority for re-housing. There are currently 39 properties empty across the sites.
7. Many residents have taken the opportunity to visit new housing schemes for older people across the region, which have been organised by the Project Manager. These included visits to a variety of housing for older people including flats, bungalows and extra care. Visits have also been arranged to extra care schemes in York.

## **CONSULTATION**

8. There has been widespread consultation with residents through the Residents Development Committee, which with the help of the Neighbourhood Management Unit became a constituted group in 2006 with a committee structure, which enabled representation on the Board. The resident representatives on the Board have ensured that views of the committee and the wider residents group are considered.
9. The Board meeting on the 1st March 2007 considered reports on proposals for the phasing of the re-development and agreed the Key Housing Objectives to be included in the sales particulars. Following discussions with the Residents Development Committee, the Board agreed that the properties at St Anne's Court would be vacant first and the site made available for development from April 2008.<sup>1</sup>
10. Following Housing and Property consultation with the Council's Planning, Procurement and Legal Services, essential and desirable criteria was agreed. Each tender submission was assessed against these criteria using the evaluation methodology. This criteria was discussed and signed off by the Board at the meeting of 11<sup>th</sup> June 2007.

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<sup>1</sup> A planned process of decanting residents from St Anne's Court into Regent Street voids and other housing has now commenced and is expected to be complete by the end of November. All affected residents are being fully consulted and supported by the Project Manager and Estate Manager throughout their moves

11. All potential development partners, who expressed an interest in submitting a proposal for the re-development, were given an opportunity to meet with representatives from the Residents Development Committee for a question and answer session. Eight organisations (some of the bids have come from a partnership of registered social landlords and private developers) took the opportunity to meet residents' representatives to discuss their proposals for the sites.

## **DEVELOPMENT PARTNER SELECTION TIMETABLE**

12. The March 2006 EMAP report agreed that a preferred development partner would be selected to purchase and re-develop the three Discus sites. Following advice from Housing and Property Services, the Board agreed that a 2-stage selection process would be followed. The timetable for this process is detailed below:

- March 2006 - agreement to redevelop the site
- October 2006 - Project Team established
- November 2006 - Discus Project Board established
- March 1st 2007 - Key Housing objectives and outcomes considered by Board
- April 23rd - final 'sign off' of outcomes, timetable and 2 stage tender agreed by the Board as well as agreeing vacant possession of St Anne's Court by April 2008
- May 3rd - advert for the sale of the land in local and national press. Also details mailed out to all RSLs and developers on council database
- June 11th - selection criteria (essential and desirable) plus evaluation methodology sent out to all organisations that had requested a detailed tender information pack
- June - various meetings with organisations interested in submitting a proposal, and residents Question and Answer session
- July- September- evaluation of submitted proposals against essential and desirable criteria and analysis of planning and highways implications to each tender
- September 25th - Board to analysis submissions and recommend three developer partners to present their proposals to the Board and Residents Development Committee
- October 16th – developer partner presentations and Board to evaluation and agree their preferred developer partner
- November 6th - Board's recommendation to Executive meeting for approval

## **NEXT STEPS**

13. Set out below are the next steps which outline some of the work still to be carried out and the anticipated timescale.

## **November 2007- April 2008**

- Heads of Terms agreed
- Application made for Social Housing Grant from the Housing Corporation
- Conditional Development Agreement completed
- Planning application submitted and ground and other surveys carried out
- Development of Section 106 agreement
- Proposed start on site – April 2008

## **DEVELOPMENT PARTNER SELECTION PROCESS**

14. The basis of the approval and sale is that the preferred developer organisation, which must be a Registered Social Landlord (RSL), or is a developer with an RSL partner. They must demolish the existing bungalows on all three sites and provide one hundred dwellings for older people to be funded through a Housing Corporation Social Housing Grant. All bids invited for the purchase of the three Discus sites are subject to completion of a development agreement and the purchase of the sites being conditional on the developer receiving satisfactory ground and other surveys, planning approval for their housing scheme and Social Housing Grant. Further to agreement with the Board, the developers were instructed in the sale particulars to base their tender on the following main elements:
  - These homes will comprise a minimum 60 x two bed bungalows for rent across a minimum of two sites (of which one must be Richmond Street), a minimum 30 x 2 bed extra care dwellings for high dependency care, and the remaining to be other housing specifically designated for older people.
  - 50% of the remaining housing (the other housing) to be affordable (being 90% rented dwellings and 10% discount for sale)
  - The Council to have nomination rights of 100% of first and 75% of subsequent lettings of the affordable rented dwellings
  - The other housing should reflect a mixture of housing types and sizes.
  - All dwellings should be visually indistinct regardless of tenure.
  - All dwellings should meet the secure by design standard, eco 'excellence' standard and be built to a lifetime standard (as defined by the Joseph Rowntree Foundation Design Standard).
  - The developer partners will work in consultation with the Project Board and Residents Development Committee in respect of the design and layout of the new dwellings.
15. Eleven tender submissions were received in total, as follows (details of the tender evaluation overall scores are available at Confidential Annex 1 and financial appraisal details are included in Confidential Annex 2):
  - Tees Valley Housing Group/York Housing Association/Southdale Homes
  - Hanover Housing Association/Accent Group/Keepmoat PLC
  - Miller/Yorkshire Housing

- Housing 21/Haslam Homes/FHM
  - Northern Counties Housing Association/Guinness Care and Support. Guinness Developments Ltd
  - Places For People
  - Home Group Ltd
  - Chevin Housing Association Ltd
  - Jephson Housing Association/Wates Living Space
  - The Riverside Group
  - Joseph Rowntree Foundation
16. At the Board meeting on the 25<sup>th</sup> September, the four highest scoring bids that met the essential criteria were discussed. It was agreed to invite the following three tenders to the presentation stage of the evaluation (see Annex 3 for detailed summaries)
- Tees Valley Group/York Housing Association/Southdale Homes
  - Hanover Housing Association/Accent Group/Keepmoat PLC
  - Miller/Yorkshire Housing
17. The essential and desirable criteria were scored out of a possible 100 points. The Board in consultation with the Residents Development Committee evaluated the three highest scoring bids at the presentation stage against an agreed additional six criteria area; an additional 10 points was available for the presentation on the 16<sup>th</sup> October. The final three bids were therefore scored out of a possible 110 points (see Confidential Annex 1 for details).

## OPTIONS

18. Members are asked to consider the following options:
19. **Option 1:** Accept the Project Board's recommendation of Tees Valley/York Housing Association/Southdale Homes as the preferred development partner and to sell the land to them, subject to a receipt of satisfactory planning consent, ground investigation surveys, the award of a Social Housing Grant and resolution of issues brought up as part of the evaluation, providing this does not affect the capital receipt to a point where it will affect the order of the evaluation scores.
20. **Option 2:** Not to accept the Project Board's recommendation to appoint Tees Valley/York Housing Association/Southdale Homes as the development partner and to approve one of the others tenders.
21. **Option 3:** Reject all the tenders and begin a new procurement process.

## ANALYSIS

22. In regard to the options, Members are asked to consider the following details:

23. **Option 1:** In approving the Project Board's recommendation, Members will be accepting an offer which meets all the requirements of the tender documents as outlined in the background papers. Sensitivity analysis suggests that where further negotiation with the development partner may be required, there should be a tolerance on the capital receipt reduction of not more than 20%. The process to reduce the capital receipt should be agreed with Corporate Procurement Team in advance of any negotiations. This development partner offers the following (details can be seen at Annex 3a):

#### **Tees Valley Group/York Housing Association/Southdale Homes**

- Total number of properties: 198
- Total 100 re-provision: 60 x bungalows, 40 x extra care apartments
- Total additional affordable: 1 x extra care apartment, 20 x 3 bed houses, 28 x 2 bed apartments
- Total remainder: 4 x extra care apartments, 26 x 3 bed houses, 7 x 2 bed houses, 12 x 2 bed apartments
- Total number of each tenure: social rent 144, discount for sale 5, market sale 49

24. **Option 2:** If Members decide not to accept the Project Board's recommendation, one of the two remaining potential development partners will need approving, and this will affect the capital receipt of the land sale and the type of re-housing provided. The two remaining potential development partners are as follows (details at Annexes 3b and 3c): If the Executive choose option 2 and approve one of the remaining two bids, it must have a substantive reason for doing so.

#### **Hanover Housing Association/Accent Group/Keepmoat PLC**

- Total number of properties: 162
- Total 100 re-provision: 60 x bungalows, 30 x extra care apartments, 10 x older persons apartments
- Total additional affordable: 2 x 1 bed/2 per apartments, 17 x 3 bed/5 per houses, 13 2 bed/4 per houses
- Total remainder: 30 x 3 bed/5 per houses
- Total number of each tenure: social rent 125, discount for sale 3, shared ownership 4, market sale 30

#### **Miller/Yorkshire Housing**

- Total number of properties: 175
- Total 100 re-provision: 60 x bungalows, 40 x extra care apartments
- Total additional affordable: 8 x 2 bed apartments, 14 x 2 bed houses, 16 x 3 bed houses
- Total remainder: 16 x 2 bed apartments, 2 x 2 bed houses, 17 x 3 bed houses, 2 x 4 bed houses

- Total number of each tenure: social rent 98, shared ownership 10, market sale 37 (the remainder has not been distinguished in terms of social rent or shared ownership)
25. **Option 3:** If Members decide to reject the Project Board's recommendation, this will result in the development being delayed because there will need to be a re-tendering process. This may result in the possible loss of Housing Corporation funding, discontentment of Discus residents, and it may impact the Housing Revenue Account (HRA) Business Plan as a result of the Discus sites not being re-developed in line with meeting the 2010 Decent Homes Standard deadline.

## **Corporate Priorities**

26. The re-development proposals reflect many of the council objectives and priorities, and many of the actions related to council objectives and initiatives. Specific links can be made to the following:
27. Outward facing
- Increase the use of public and other environmentally friendly modes of transport
  - Improve the actual and perceived condition and appearance of city's streets, housing estates and publicly accessible spaces
  - Reduce the actual and perceived impact of violent, aggressive and nuisance behaviour on people in York
  - Improve the health and lifestyles of the people who live in York, in particular among groups whose levels of health are the poorest
  - Improve the life chances of the most disadvantaged and disaffected children, young people and families in the city
  - Improve the quality and availability of decent affordable homes in the city
28. Improving our organisational effectiveness
- Improve our focus on the needs of customers and residents in designing and providing services
  - Improve the way the Council and its partners work together to deliver better services for the people who live in York
  - Improve the way the Council and its partners work together to deliver better services for the people who live in York

## **Implications**

29. The implications arising from this report are as follows:

- **Financial** - The associated costs to the Council of the re-development including the statutory homelessness payments to the existing tenants will need to be met from the capital receipt from the land sale. The project costs are regularly monitored and reviewed and currently the receipt that would be received from the preferred development partners will meet these costs.

Any remaining capital receipt after the relevant project costs have been met will be spent on the provision of affordable housing which can include funding expenditure on the Council's own stock in order to meet the decent homes standard. This use of the receipt is in accordance with government capital regulations regarding the use of housing capital receipts.

- **Property** - Property implications are included within the report and in detail at Confidential Annex 4.
- **Legal** - If the value of the land for the sale will be less than the unrestricted value and therefore an application may need to be made to the Secretary of State for consent to the sale, although it is not anticipated that there would be any problems in obtaining this.

There will be a development agreement with the developer and a separate planning agreement that will deal with ancillary planning matters including nomination rights of the Authority.

It is intended to give the developer vacant possession on sale of land with a licence back to the Authority, so that the Authority is able to manage the decant of tenancies throughout the development period.

The developer and the RSL will be responsible for the submission of Housing Corporation funding for Social Housing Grant and the agreement will be conditional upon this.

- **Crime and Disorder** - There are no immediate crime and disorder implications, but it should be noted that the re-development would be built to Secure by Design standard. It should also be noted that throughout the course of the development there would be void properties across the sites. These will need to be monitored and managed, and any issues around vandalism or anti-social behaviour tackled immediately.
- **Equalities** - This development will offer better choice and access to housing, that will not only help meet the aspirations of older people as highlighted in the Older People's Housing Strategy 2006-2009, but will help respond to affordable and other housing needs for a wide range of residents in York.
- **Information Technology (IT)** - There are no IT implications
- **Human Resources** - There are no Human Resources implications



- **Other - Housing Corporation, Social Housing Grant** - The Council expects the approved developer RSL to bid for and be awarded SHG from the Housing Corporation in April 2008 (bid to be submitted before 2<sup>nd</sup> November 2007 deadline) to fund the provision of affordable homes on the sites.

## **Risk Management**

30. If Housing Corporation Social Housing Grant (SHG) is not secured with a bid by 2<sup>nd</sup> November for 2008/09, there will not be an opportunity to bid again until July 2008 delaying the proposed timetable. However, provided that the preferred RSL meets the submission deadline it is likely that SHG will be allocated to this development for following reasons; there has been a number of meetings between the Strategy and Enabling Team and the Housing Corporation to emphasis the significance of securing the bid and they are aware that this is a key strategic site for the delivery of affordable housing (and in particular housing for older people) in the city; all potential developer partners have been made aware of the deadline and the need to secure funding for 08/09; as City of York Council owns the land and has a stake in the development, there is greater certainty of delivery.
31. It must be noted that if Members approve a development partner, the selection is only provisional and the developer partner will not gain preferred status until a Heads of Terms Agreement is signed.
32. If further negotiation with the developer partner is required on any of the points raised in the recommendation, this may affect the level of capital receipt.
33. The chosen development partner's proposals are subject to satisfactory planning consent, ground investigation surveys and an award of Social Housing Grant.

## **Recommendations**

34. The Executive are asked to:
  - i. Note the contents of this report and the progress of the Discus re-development project to date, through the work of the Project Board that has agreed the selection process.
  - ii. Approve Option 1, to select the partnership of Tees Valley Housing Group, York Housing Association and Southdale Homes Ltd, as the provisional preferred development partner to purchase and develop the three Discus sites, subject to a receipt of satisfactory planning consent, ground investigation surveys, the award of a Social Housing Grant and resolution of issues brought up as part of the evaluation, providing this does not affect the capital receipt to a point where it will affect the order of the evaluation scores.

**Reason:** This developer scored the highest marks in the selection process.

- iii. Delegate responsibility to the Director of Housing and Adult Social Services in consultation with the Project Board, to agree a Heads of Terms and Conditional Development Agreement with the preferred development partner to include the Discus Housing Objectives, subject to the Project Board confirmation of the agreements, and prior consultation with the Executive Member, the Corporate Landlord and the Chief Finance Officer in the event that the agreement may result in any reduction of the capital receipt.

**Reason:** To secure an agreement with the Discus development partner that achieves all the outcomes agreed through consultation with stakeholders and interested parties.

## Contact Details

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### Chief Officer Responsible for the report:

**Steve Waddington**  
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**Report Approved** ✓ **Date** 25<sup>th</sup> October 2007

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### Wards Affected:

Fishergate and Heworth

**For further information please contact the authors of the report**

**Background Papers:**

EMAP report March 2006

Objectives for the Board

Affordable Housing/ Housing Corporation advice

Evaluation criteria- essential & desirable

Evaluation Methodology

Detailed evaluation of essential/desirable of the 4 bids that passed the essential criteria stage

Detailed presentation stage evaluation scores

**Annexes:**

**Confidential Annex 1:** Overall evaluation scores

**Confidential Annex 2:** Financial appraisal

Annexes 3a, 3b, 3c, and 3d: Detailed analysis of the 4 bids that passed the essential criteria

**Confidential Annex 4:** Property implications