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**Executive**

**17 March 2022**

Report of the Director of Housing, Economy & Regeneration

Portfolio Holder for Finance and Performance and the Portfolio Holder for Housing and Community Safety

## **Housing Delivery Programme Update - Delivering Affordable Housing on Council Land**

### **Introduction**

1. This report provides an update on the progress of the Housing Delivery Programme (HDP), seeks permission to proceed to construction on the Duncombe Barracks and Burnholme sites with an increased proportion of affordable housing, to deliver further affordable homes through the Second Hand Shared Ownership Programme, and puts forward proposals for the disposal of 17-21 Piccadilly for affordable housing.

### **Recommendations**

2. Executive are asked to agree :-
  - a) To enter into a construction contract with Caddicks as preferred supplier for development of the Duncombe Barracks and Burnholme sites
  - b) To recommend to full council an increase of the budget of £2,614k for the scheme at Burnholme and £2,148k for the scheme at Duncombe Barracks.
  - c) To recommend to Full Council increased HRA borrowing of £2,570k for the scheme at Burnholme and £832k for the scheme at Duncombe Barracks.
  - d) To apply for further Homes England Shared Ownership grant funding for development of the Duncombe Barracks and Burnholme sites
  - e) To increase the level of affordable housing on the Duncombe Barracks and Burnholme sites to 60% in line with the revised business case in confidential Annex 2
  - f) To agree to re-procure multidisciplinary design services for all future Housing Delivery Programme sites.
  - g) To apply to Homes England to extend the second hand shared ownership programme by a further 15 homes to support families into

shared ownership via this route and if funding is forthcoming to agree a net HRA capital budget of £720k for the delivery of these schemes to be funded from the Local Authority Homes (Phase 2) budget.

- h) To reaffirm the future use of the former Askham Bar Park and Ride site for housing and to ask officers to undertake further work to explore different options for delivering a scheme on the site that would deliver a minimum 40% of affordable housing and deliver zero carbon development, with potential for delivering other community facilities.
- i) To extend the current lease of the former Askham Bar Park and Ride site if this is needed for a continued use as a Vaccination Centre until the site is ready for housing development
- j) To dispose of land at 17-21 Piccadilly by way of a 999 year lease for a affordable housing scheme
- k) To delegate to the Executive member for Housing and Community Safety and the Executive Member for Finance and Performance the finalisation of the procurement evaluation model to select a buyer.
- l) To grant Spark:York a further lease of the site at 17-21 Piccadilly until the site is ready for development and to delegate to the Director of Housing Economy & Regeneration to finalise the terms of this lease in line with the proposals set out in this report.

## **Background**

### **Housing Delivery Programme**

- 3. The Housing Delivery Programme (HDP) is set to deliver 600 sustainable homes. These homes will be sustainable with the majority of the sites being developed as Passivhaus zero carbon in-use housing with a minimum of 40% affordable homes. Lowfield Green is in construction, with 60 homes now occupied and the remaining 80 homes to be complete and occupied by the end of the year. Values of the market sale homes for the final stage are expected to rise significantly given the growth in house prices over the past 12 months. It is expected that the increased sales revenues will offset any increase in construction costs relating to the sewer diversion and the impact of covid.

### **Burnhome and Duncombe Barracks**

- 4. Burnholme and Duncombe Barracks sites were granted planning permission in 2021 for 112 timber framed Passivhaus homes which will be zero carbon in use, utilising air source heat pumps and solar PV to provide the annual energy demand for each home. In January the council concluded the construction procurement and Caddick Construction have been selected as a preferred bidder whilst a cost

review is undertaken and should CYC receive approval to continue, they will be formally awarded preferred bidder status. Caddick are a strong, local contractor who submitted a well thought-out and detailed tender and have an excellent reputation for quality.

5. The financial business cases for both Duncombe Barracks and Burnholme were presented to Executive for agreement in October 2020 and a total design & construction budget of £32.1m was approved. However, in the period between the approval of the Business Case in October 2020 and the return of tenders in January 2022, the UK construction market has seen extremely high levels of inflation, largely due to material shortages as a result of the pandemic and brexit. This impact has been felt across the construction sector with some elements, such as timber, experiencing inflationary increases upwards of 20%. Our budgeted allowance for inflation was lower than experienced over the past 18 months, therefore the tender returns exceed the previously agreed construction budgets. Projections are that inflation will not decrease in the foreseeable future. The revised overall design and construction budget for both Duncombe and Burnholme is £37.695m, an uplift of £4.762m across both projects.
6. Over the same period, the housing market has also seen a prolonged period of rising house prices. This has meant that whilst costs of construction have increased for both projects, this has largely been offset by the increase in projected sales values across the two sites.
7. Despite challenges around global increases in construction costs, the Housing Delivery Team have been proactively working to identify opportunities to increase the amount of affordable housing on these two projects. This would help a larger number of families to purchase a home which they wouldn't be able to afford on the open market. Positive partnership discussions have taken place with Homes England and it is proposed that a grant application be submitted to increase the affordable housing offer to over 60% (average 61.6% affordable housing across both sites). This will total 69 new council and shared ownership homes, adding to the 56 currently being delivered at Lowfield. Given the great demand experienced for the shared ownership homes at Lowfield Green, alongside the continuing demand for the second hand shared ownership programme, it is proposed to change the tenure of 23 homes that were previously earmarked for open market sale into shared ownership. The additional shared ownership homes are a mix of one bedroom apartments and two and three bedroom houses, these will provide the best opportunity for first time buyers to get onto the property ladder or for people to downsize or form a new household later in life. Delivering the additional affordable

homes is dependent on support from Homes England and a grant bid is being prepared subject to Executive approval.

8. The net HRA investment (excluding Right to Buy Receipts) for 60% affordable housing would increase by £3.402m to £11.648m for an additional 23 homes meaning a cost of £148k per additional affordable net zero carbon Passivhaus home. Details are provided in the financial implications as well as a business case provided in the confidential Annex 2.
9. Whilst this approach requires additional up front HRA funding, the projects perform better financially in the long term, providing a better revenue stream to the Council over a 35 year period. Both sites would provide an increased affordable housing offer of 60% which is three times planning policy level. 20% of the homes on both sites would be social rented properties to increase HRA stock and affordable rented properties with a further 40% of properties being shared ownership which provides an affordable route to home ownership for many who would not be able to afford to buy a home on the open market in York. Modelling of the affordability of shared ownership homes on both sites is set out in annex 3.
10. It is important that opportunities are taken through our delivery of innovative zero carbon houses to add value in respect of green skills. Within the draft construction contract, Caddicks have committed to a set of social outputs that will benefit the local economy including the creation of 30 jobs, 22 work placements and a programme of training and development with events targeted to 14-19 year olds, training on site through apprenticeships and traineeships and undertaking of higher qualifications for new entrants and existing staff. The contractor will work with York College, York Apprenticeship Hub (CITB Apprenticeships), and Job Centre Plus to maximise local recruitment and benefit York's labour market. There will be a focus on 'Green Skills' in the supply chain with participation in the local construction industry skills forums, engagement with local trades and construction SMEs and creating construction training content with local further education and higher education providers. Caddicks target is to source 70% of their subcontractors and suppliers within 30 miles of the site.

## **Other Sites**

11. Application for planning permission to develop the Ordnance Lane site is currently in the planning determination system with an expected decision in April 2022. Willow House and York Central sites are in the design and feasibility stages.

12. In 2019 the council appointed Mikhail Riches as architects for the delivery of the Housing Delivery Programme. After developing proposals for 4 sites this contract has now reached its maximum value and in order to proceed with work on further sites, a further procurement needs to be initiated. Executive are asked to agree to the commencement of a re-procurement of architects services for all future sites.
13. A decision was made to utilise Woolnough House as accommodation for adults with learning difficulties. The former Manor School site is in abeyance until there is greater clarity around the larger neighbouring ABF site and the installation of the spine road access through the site. The former Clifton Without School site has recently been approved for a library hub alongside disposal of part of the site for delivery of affordable housing by a registered provider partner.
14. Executive have recently agreed a number of disposals listed at a-j below that will enable other registered providers, self-builders and community housing groups to use council land to create around 150 affordable homes. Many of these homes will meet the strict definition of affordable housing set out in planning policy, others will provide affordable housing solutions for a range of families who cannot afford to purchase a house which meets their needs on the open market.
  - a. 6 Self Build plots at Lowfield
  - b. 19 home community housing project at Lowfield
  - c. Disposal of 8 small HRA land assets around the city for self-builders
  - d. 5 self-build homes as part of the Burnholme development
  - e. The disposal of land on Sturdee Grove to Joseph Rowntree Housing Trust for 8 affordable homes
  - f. Former Tang Hall Library site disposal for community housing for families with profoundly disabled children/young adults
  - g. Morrell House site disposal for community housing
  - h. 65 homes purchased on the open market and converted to shared ownership homes for those in housing need
  - i. For the former Clifton Without Junior School site to be developed as a library hub with a part of the site to be disposed of for affordable housing

- j. In May 2017 the council secured £2.76m of Homes England Second Hand Shared Ownership funding for the purchase of 65 market homes to be part-sold to private individuals to enable them to become home owners. The scheme has been hugely successful with 65 owners purchasing an average of 59% of their properties. Executive are asked to agree to apply to Homes England to extend the second hand shared ownership programme by a further 15 homes to support a total of 80 families into shared ownership via this route. If grant funding is forthcoming, Executive are asked to agree a net HRA capital budget of £720k to be funded from the Local Authority Homes (Phase 2) budget.

### **Former Askham Bar Park and Ride site**

15. This 3.8 acre site is a draft housing allocation in the local plan for 60 homes. It sits in a sustainable location close to a number of services and facilities and the site already has utility connections and vehicular access, adjacent to a large retail site and recent housing developments. However the site is not straight forward to develop. Under the middle of the site runs a large sewer, to the west is the east coast mainline, and pedestrian and cycle access off Moor Lane is difficult due to a steep embankment.
16. The site is currently leased to Nimbuscare Ltd as York's primary Covid vaccination centre. This use will continue well into next year. The contractual term of their current lease will expire on 24<sup>th</sup> September 2022 though there is a possibility that this may need to be temporarily extended. The site therefore is unlikely to be available for development for at least 20 months. Nimbus Care have been made aware that the site is committed for housing in the local plan.
17. The HDP is funded from the Housing Revenue Account. This funding stream is subject to constraints in the amount of borrowing that can take place at one time. It is therefore unlikely that the programme will have the capacity to take forward Askham Bar for another 3 years.
18. Members are asked to reaffirm the future use of the site for housing and to ask officers to undertake further work to explore different options for delivering a scheme on the site that would deliver a minimum of 40% affordable housing and deliver a zero carbon in-use development, with the potential for delivering other community uses alongside this.

### **17-21 Piccadilly**

19. 17-21 Piccadilly (Annex 1) is the site of the former Reynard's Garage and is now the site of the hugely successful Spark:York, a temporary

pop-up container development hosting many small, local, retail, food and drink businesses.

20. The site is a part of the Castle Gateway scheme and in 2020 Executive asked officers to consider whether the site should be developed by the council as part of the Castle Gateway or disposed of.
21. The site is narrow and in close proximity to residential buildings, including residential accommodation above commercial spaces on Walmgate. It is in a prime city centre location and stands to take advantage of the recent refurbishment and new build developments on Piccadilly. A Planning Statement from September 2013 sets out a concise urban analysis which refers to the strong urban grain of Piccadilly and the relationship of views from Parliament Street.
22. A further report will be brought back to Executive in spring 2022 detailing progress with the delivery of the Castle Gateway scheme but 17-21 Piccadilly is not central to that vision and in the Executive report in 2020 officers were asked to bring back further analysis of options for the site that would be complimentary to and support the delivery of the agreed masterplan.
23. The masterplan for this site suggested a mixed development with active ground floor uses, most likely commercial space with housing above.

## **Options**

24. There are 3 potential options

Option 1 - To dispose of the Site without restricting/limiting the permitted use in order to achieve the maximum market value

Option 2 - To dispose of the Site for mixed use but specify high levels of mixed tenure affordable housing to increase the level of affordable housing in the city centre

Option 3 – Council deliver a mixed scheme as part of the Castle Gateway Project

**Option 1 - To dispose of the Site** without restricting/limiting the permitted use **in order to achieve the maximum market value**

25. An independent valuation has indicated that the site is worth in the region of £900k to £1.04m if sold unencumbered, without restricting or limiting the permitted use. The site has been previously marketed for sale but this was terminated when the site was identified as part of the Castle Gateway masterplan as a potential commercial or residential

development. The highest offers made were for hotels but the site is marginally too small for most hotel operators and this would eventually be a barrier to this use type. It is more likely that maximum value will be achieved through private residential development potentially with commercial uses at ground floor or for student accommodation.

26. Residential developers would be required through the planning process to provide 20% affordable housing or an off-site commuted sum.
27. If the site were sold unencumbered the council would have no control over of what gets delivered/developed on the site but it would maximise the level of capital receipt and may result in either additional commercial space or an increase in housing stock in the city but would most likely deliver a lower level of affordable housing or an off-site commuted sum through the planning process.

### **Option 2 - To dispose of the Site for housing to increase the level of affordable housing**

28. Land availability remains the biggest barrier to delivering more affordable housing in the city and the appetite from registered providers and charitable organisations to build more affordable housing in York is strong. A city centre site would be more likely to appeal to certain registered providers who are used to undertaking urban development and in particular may be of interest to specialist providers offering intermediate rental products like affordable rent. Conversations with housing providers in the city clearly indicate that should the council seek to dispose of any site for the purposes of affordable housing, that there would be strong interest.
29. This would deliver on the January Executive decision to work with other providers to secure affordable housing on council land in addition to the creation of new affordable housing from our own Housing Delivery Programme.
30. This approach could deliver a 100% affordable housing scheme which is likely to incorporate a range of affordable tenures including social rent, affordable rent (which is higher rent than the social rent) or some forms of low cost home ownership tenure including shared ownership. These tenures will appeal to key workers who would strongly benefit from good access to the city centre. This approach will deliver a healthy capital receipt to the council but it is likely that this will not be the highest commercial value that could be achieved on the site. Estimated value of land for 100% affordable housing with a mixture of tenures is £500k (subject to formal valuation).



31. The option would meet the objective of increasing the supply of sustainable, affordable housing without requiring any CYC investment. It would generate a capital receipt and the opportunity to purchase would be well received by housing partners interested in investing in affordable housing in the city. If CYC wish to prescribe an affordable housing scheme then this would need to be undertaken as a compliant procurement exercise, advertising the opportunity to providers of affordable housing, setting out scheme parameters and identifying evaluation criteria for capital receipt value and tenure mix. Consideration of the sustainability standards of the scheme proposals also needs to be built into the evaluation model. It is recommended that the site be disposed of by granting a 999 year lease rather than a freehold disposal (as it is somewhat easier to enforce covenants restricting use in perpetuity contained in a lease than in a freehold transfer deed).

### **Option 3 – Council Deliver a mixed scheme as part of the Castle Gateway Project**

32. If the site at 17-21 Piccadilly is developed by the Council itself within the Castle Gateway project it may be able to generate a commercial profit to contribute to the delivery of the Castle Gateway masterplan. However the site has some constraints and is unlikely to deliver a large developer gain on top of land value. It would increase the peak borrowing level for the project during development and carries the usual commercial risks.
33. The masterplan proposals for 17-21 Piccadilly are for up to 25 apartments built over ground floor commercial spaces for small independent businesses. No detailed design work has been undertaken due to the focus being on Castle Mills and St George's Field planning applications. Whilst 17-21 Piccadilly does have an important role to play in the redevelopment and regeneration of Piccadilly it doesn't contain any of the fundamental elements of the masterplan.
34. If the council were to develop the site it would control delivery, quality and land use and could realise an anticipated developer profit of c£1.48m. However, as with Castle Mills, this would require the council to undertake the short term borrowing (circa £5-6m) and the developer risk in a challenging construction market.

### **Conclusion**

35. Option 2 generates a capital receipt but delivers much needed affordable housing in the heart of the city without any development risk or associated borrowing. It is therefore recommended that Executive

agree to dispose of the land for a mixed tenure affordable housing scheme with the agreement of the procurement evaluation model to be delegated to the Executive member for Housing and Community Safety and the Executive Member for Finance and Performance.

### **Spark:York Lease**

36. The lease of the site at 17-21 Piccadilly to Spark was extended last year for a further year as the site was not ready for redevelopment and Covid had interrupted the business plan for most of the small enterprises located there. This lease expires at the end of March 2022. A further extension to the lease has been requested by Spark who wish to continue to trade off the back of a success which has seen the facility fully occupied and is very popular with independent traders and start-ups.
37. In all of the future development options for the site, the process of procurement, disposal and planning is anticipated to take at least eighteen months before the site is needed for development and it is not desirable to have the site empty for any length of time. Spark:York has provided a footfall driver and has increased economic activity in the immediate area and across the city centre as well as helping numerous local small businesses to grow and thrive with a number of Spark businesses having expanded and relocated to permanent premises in the city.
38. Whilst there have been some problems with securing planning permissions and instances of noise nuisance to immediate neighbours after 9pm, Spark York has become a broadly well-loved and well used contributor to city centre vitality and a time-limited extension to the lease will provide a longer window of opportunity to find an alternative location for the scheme.
39. It is therefore proposed to grant Spark a further lease of the site for a term of 2 years and 7 months from 1<sup>st</sup> April 2022. This will be subject to a landlord break option, entitling the council to exercise a break after 7 months of the new agreement, with a further 12 month's notice. The earliest date by which the lease could be terminated would therefore be 1<sup>st</sup> November 2023. This will afford the council flexibility to gain vacant possession of the site when needed, given the anticipated timescale to get the site ready for development. In order to provide Spark with assurance that trading during the more profitable summer months will not be effected, the break date would not be able to be exercised in the summer period.
40. Spark have previously reported trading losses and therefore no payments had been due to CYC as part of the profit sharing

mechanism within the lease prior to the pandemic. As Covid commenced, Spark were in the process of agreeing the previous lease extension but did not sign the lease and were therefore operating under a tenancy at will which did not trigger the previous profit share mechanism, given a tenancy at will is a temporary, flexible day to day legal occupancy agreement. In the 1st year of Covid, Spark continued to operate but focussed upon working with their traders to provide home delivery services which proved popular during lockdown. In that year they made a profit which would have given rise to a profit share of c£25k for the Council, on top of the base rent of £13,333pa paid. In the 2nd year of Covid (ending March 2022) whilst accounts need to be finalised, Spark anticipate making a further profit which should see the Council due a further £15k on top of its £13,333pa base rent.

41. It is proposed that the granting of a further lease is predicated upon Spark agreeing to meet the previously negotiated profit share for the period when they occupied the site under the tenancy at will as a good faith commitment to the commercial relationship between the 2 parties. This will see a one off additional payment of c. £25k payable to the Council. In return for being granted a further lease, Spark have further agreed that the rental payable will be the greater of (i) a revised base rent of £25k or (ii) £13,333 plus 30% of profits. This will give rise to a substantial increase in the minimum rent (which is currently calculated on the basis of £13,333 plus 30% of profits). All other terms within the current lease to Spark shall remain “as is” within a new lease which require Spark to comply with all planning and statutory regulations.

### Implications

42. The increased costs and values of the schemes at Burnholme and Duncombe Barracks will impact the funding and budgets of the Housing Delivery Programme. These are considered below:

#### 43. Burnholme

The revised costs and proposed funding for the Burnholme Scheme is shown below compared to the latest budget approvals for the scheme.

	Current £'000	Budget (Oct 2020) £'000	Diff £'000
Land	3,000	3,000	0
Construction	26,034	23,420	2,614
<b>Total Expend</b>	<b>29,034</b>	<b>26,420</b>	<b>2,614</b>
Income			
Market Sales	13,195	17,797	-4,602

Self Build Sales	400	0	+400
Shared Ownership Equity Sales	4,234	1,784	+2,450
Homes England Grant	960	0	+960
<b>Total Income</b>	<b>18,789</b>	<b>19,581</b>	<b>-792</b>
Net HRA (Resources)	10,245	6,839	+3,406
Of which RTB's	2,258	1,422	+836
<b>Net HRA investment</b>	<b>7,987</b>	<b>5,417</b>	<b>+2,570</b>

The level of Market Sales has reduced by £4.6m as the mix of the development has reduced from 53 properties for sale to 30 properties for sale. The average market sale price has increased from £336k to £444k per property. There are a further 16 Shared Ownership properties resulting in an increase in equity sales. The shared ownership properties do provide the HRA an ongoing revenue stream as property owners pay a rental linked to the outstanding equity on the property. This additional income offsets the cost of the additional borrowing. The extension of shared ownership is viable due to the assumed Homes England Grant.

There are further metrics of the development summarised in confidential annex 2. They show that whilst the HRA borrowing costs for the development have increased by £2.6m and estimated interest costs of £74k per annum, the revenue from shared ownership has increased by £100k per annum.

#### 44. Duncombe Barracks

The revised costs and proposed funding are shown below

	Updated £'000	Budget (Oct 2020) £'000	Diff £'000
Land	2,029	2,029	0
Construction	11,661	9,513	+2,148
<b>Total Expend</b>	<b>13,690</b>	<b>11,542</b>	<b>+2,148</b>
Income			
Market Sales	6,720	7,310	-590
Shared Ownership Equity Sales	1,820	694	+1,126
Homes England Grant	480		+480
<b>Total Income</b>	<b>9,020</b>	<b>8,004</b>	<b>+1,016</b>
Balance (HRA Resources)	4,670	3,538	+1,132

Of which RTB's	1,009	709	+300
<b>Net HRA investment</b>	<b>3,661</b>	<b>2,829</b>	<b>+832</b>

The level of Market Sales has reduced by £0.6m as the mix of the development has reduced from 20 properties for sale to 13 properties for sale. The average market sale price has increased from £366k to £517k per property. There are 8 additional Shared Ownership properties resulting in an increase in equity sales additional Homes England Grant is anticipated. The shared ownership properties do provide the HRA with an ongoing revenue stream as property owners pay a rental linked to the outstanding equity on the property. This additional income offsets the cost of the additional borrowing. The extension of shared ownership is viable due to the assumed Homes England Grant.

There are further metrics of the development summarised at confidential annex 2. They show that whilst the HRA borrowing costs at the development have increased by £0.8m and estimated interest costs of £23k per annum the revenue from shared ownership has increased by £46k per annum.

#### Evaluation of Additional Investment

45. The costs of both schemes have increased as well as the overall assumed market values. It should be recognised that this is high quality product that is being delivered and that comes with higher than average costs. The receipts assumed on the sites for both Market Sales and shared ownership are high which allows costs to be recovered. In the early years the income allows for the interest on borrowing to be repaid however the income will increase annually whilst borrowing costs remain fixed. Sales of additional proportions of shared ownership equity will also provide capital receipts that can be used to repay debt. The two schemes require additional HRA investment totalling £4,538k before use of Right to Buy receipts and £3,420k net of those receipts It is proposed that the additional net investment of £3,420k is funded from additional HRA borrowing.

#### 46. Impact on overall programme

The original Housing Delivery Programme assumed the use of £44.5m of Housing Resources from either land appropriation (which involves a debt adjustment between HRA and General Fund) as well as use of commuted sums and investment reserve. This has been assumed within the latest HRA business plan updated as part of the 2022-23 Financial Strategy (Executive February 7<sup>th</sup> 2022) and based on 60% of the sites being subject to market sales. To reduce the value of market sales adds upfront costs to the HRA and will slightly reduce funding available for sites assumed

towards the end of the programme but does deliver an increased overall level of affordable housing. This will be updated as part of future business plan updates.

#### **47. Shared Ownership Schemes**

The proposal to extend the shared ownership scheme requires £720k HRA funding to support the Homes England Grant. This can be funded from the Local Authority Homes (Phase 2) budget which currently totals £3,503k. This would reduce the budget to £2,783k

#### **48. 17-21 Piccadilly**

The site could generate a capital receipt which is required to balance the funding of the capital programme following the purchase of properties including the Coney Street commercial acquisition. There are costs of holding land vacant so the issuing of a further lease to Spark:York provides an income stream to the council whilst minimising these costs.

#### **49. Property**

A sewer of significant size runs underneath the middle of the Askham Bar Site. Therefore the land directly above and immediately in the vicinity of such sewer could not be built upon. This (and any other encumbrances/third party rights affecting parts of the Site) may impact upon how values and how feasible it would be to develop housing on the Site

#### **Legal**

50. 'Right to Buy' – If the Council disposes of the 17-21 Piccadilly site (whether by freehold transfer or grant of a long lease) to someone who develops housing on the Site and then grants tenancies of the dwellings, the occupiers/tenants would not have the 'right to buy' under the Housing Act 1985 as the Council would not be their landlord. However if the developer/landlord is a housing association then its tenants may have a slightly similar 'right to acquire' under separate legislation that applies to Housing Associations and their tenants.
51. Powers to dispose - The Council has statutory powers to dispose (either by freehold transfer or grant of long lease) of property owned by it. The Council can dispose of General Fund land at less than best consideration/full market value without needing consent from the Secretary of State where both of the following criteria are satisfied:
  - a. The difference between the price obtained and best consideration/full market does not exceed £2 million; and

- b. The Council (reasonably) considers that the purpose of the disposal will contribute to the improvement of the economic, environmental or social well-being of its area.

If both of those criteria were not satisfied in relation to a disposal then specific consent for the disposal would need to be obtained from the Secretary of State.

52. Spark:York Lease – as per Spark’s current lease of the site at 17-21 Piccadilly, the proposed further lease will be excluded from the security of tenure/automatic renewal provisions of the Landlord and Tenant Act 1954.

## **Procurement**

53. If the 17-21 Piccadilly site is disposed of with no stipulation on what is built on site (Option 1) then there are no procurement issues. If the council imposes contractual obligations on the buyer to develop the site in a particular manner within a specified timescale (and restricts the future use of the site) (Option 2) then the developer would need to be procured through a compliant process.

### **54. Reprocurement of Architect’s Services**

The council procured and entered into a framework agreement for the provision of architect services for the Housing Delivery Programme on 5<sup>th</sup> September 2019. However, the original value of the framework was mistakenly set at £2m. Therefore whilst the existing works will continue, for future works a new procurement exercise must be undertaken in accordance with the relevant legislation.

## **Risk Management**

55. There are a number of financial risks that need to be considered
56. Cost Increases – there has been and continues to be high levels of inflation across the construction industry. These pressure have already impacted upon the overall costs for the scheme. Negotiations have taken place with the preferred bidder for Duncombe Barracks and Burnholme to fix the cost and transfer inflation risk for the project to the contractor to insulate against further construction inflation. A small contingency is also built into the budget to help mitigate other cost pressures.
57. Delays – Whilst contract prices are fixed, delays that are due to the client would lead to increased contract costs. Pre-agreement of highways and drainage designs before construction commencement

will mitigate against other common causes of cost inflation. Significant ground investigation work has also been undertaken but there are 2 existing buildings on the Duncombe Barracks site which have limited this work and a risk of increased costs still exists though these are relatively small areas of the site. Whilst a contingency is included in the overall costs this may not cover all costs

58. Sales Prices – these are reliant on the market. Whilst prices have been increasing ahead of inflation over a number of years, this cannot be guaranteed to continue and could result in reduced revenues which would impact the net cost of the development. Options are available around changing tenures of properties at a later stage to support a viable business case.
59. Demand – there is a risk that when the properties are available for sale there may not be high demand given other economic factors. This could impact prices or the time taken to sell properties
60. External Grants – the shared ownership element of the scheme are viable due to the inclusion of grant from Homes England. Should this not be fully achieved this could lead to the schemes being unviable. Failure to secure sufficient grant would require a revised business case to be brought back before Executive for consideration.
61. Interest Rates – the borrowing costs are based on interest rate levels of 2.75%. Should these increase beyond those levels at the time of borrowing this would impact the scheme viability.
62. Should there be no interest in purchase of 17-21 Piccadilly for affordable housing, a further report will be brought back before Executive to review options.
63. To cover the risk that Spark fail to secure an extension to their planning permission, the lease extension will be conditional upon obtaining permission. Should this be the case, an alternative approach would be outlined in a revised Executive report for future consideration.

## **Contact Details**

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**Date** 8/3/22

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**Wards Affected:** List wards or tick box to indicate all

**All**

Guildhall  
Heworth  
Dringhouses and Woodthorpe  
Clifton

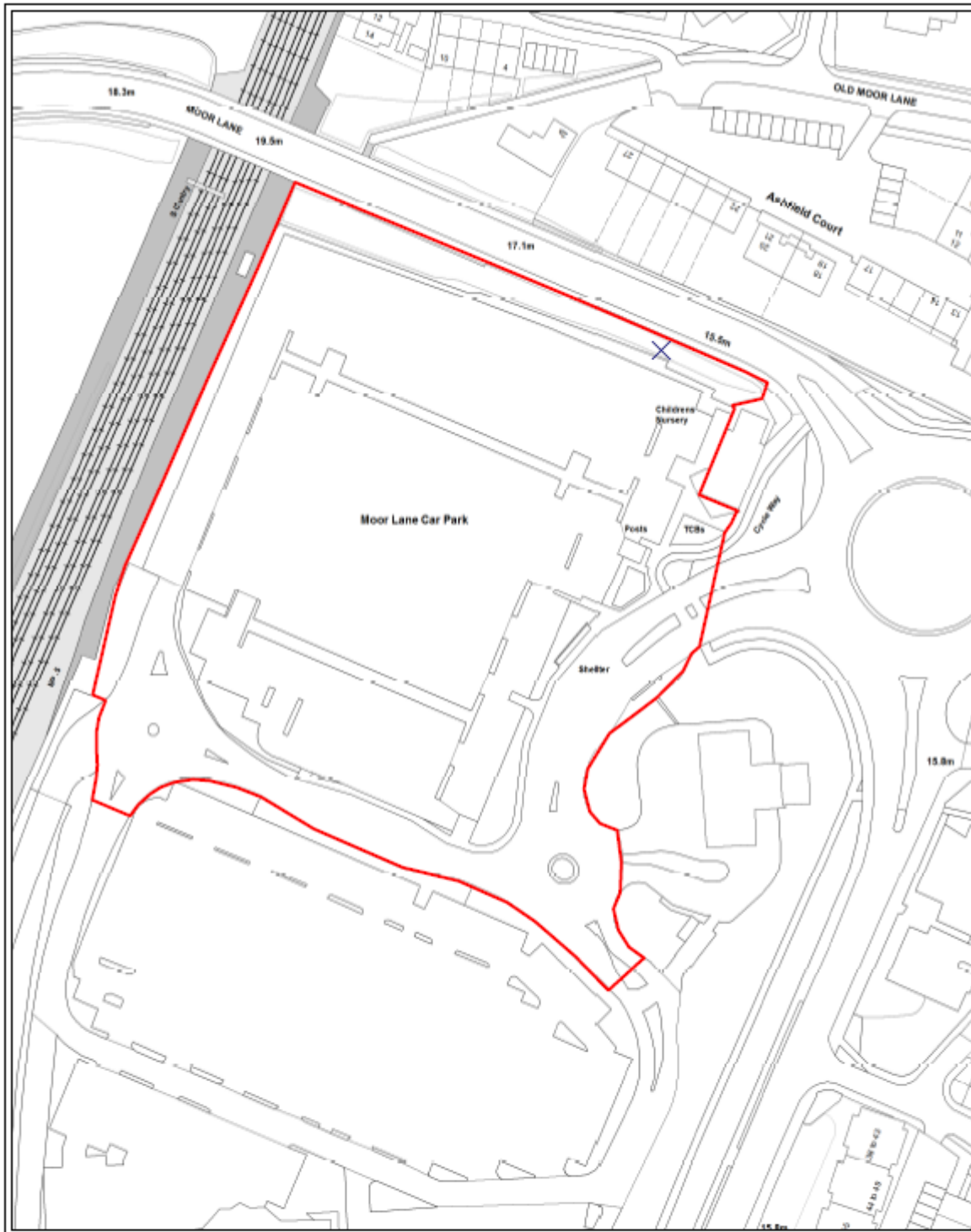
**For further information please contact the author of the report**



**Annexes**

- Annex 1 – Site plans for Burnhome, Duncome Barracks,17-21 Piccadilly and the former Askham Bar Park and Ride
- Confidential Annex 2 Revised business case for Burnholme and Duncombe Barracks and extension to the 2<sup>nd</sup> Hand Shared Ownership Programme
- Annex 3 Modelling of shared ownership affordability on Duncome Barracks and Burnholme

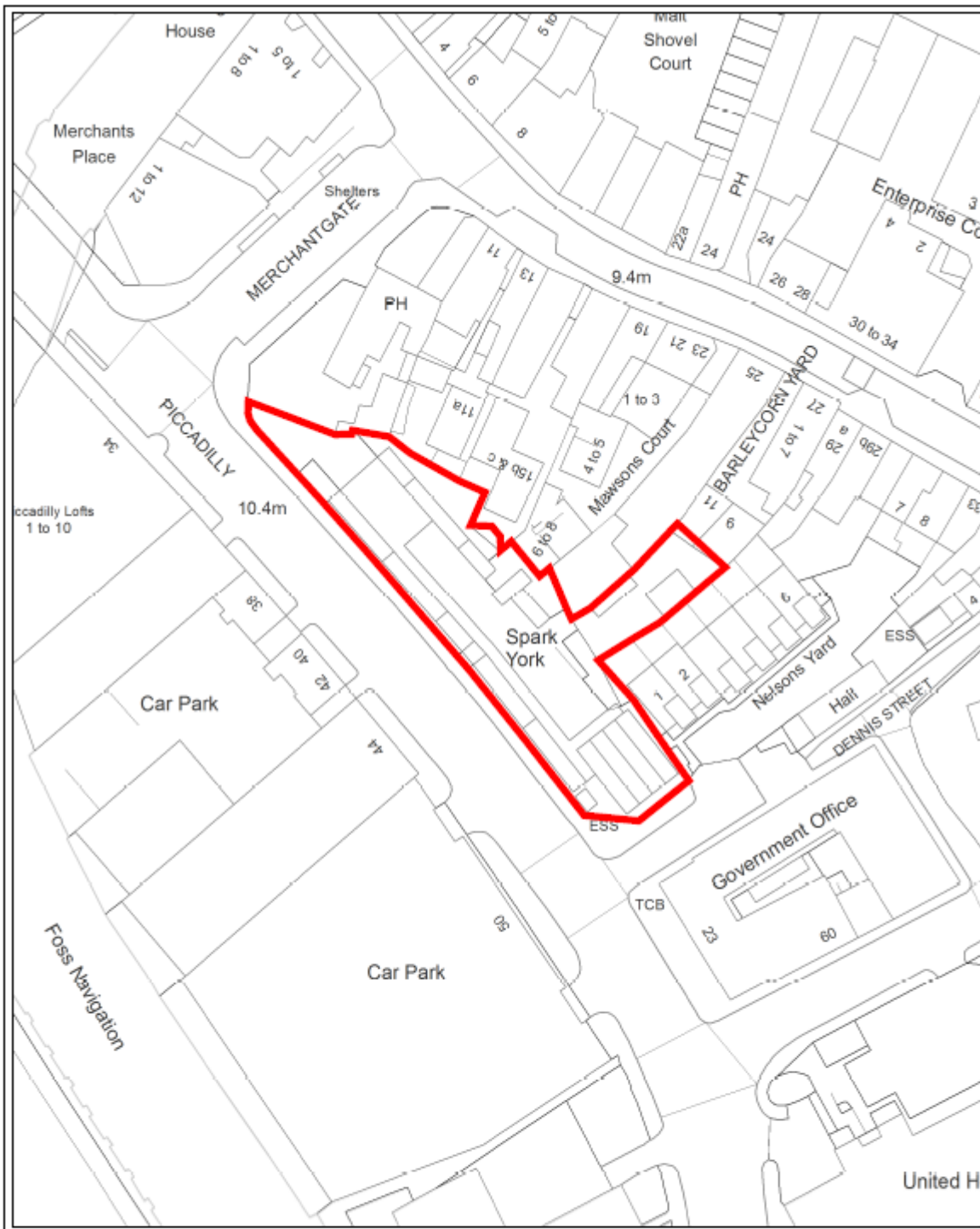




Annex 1

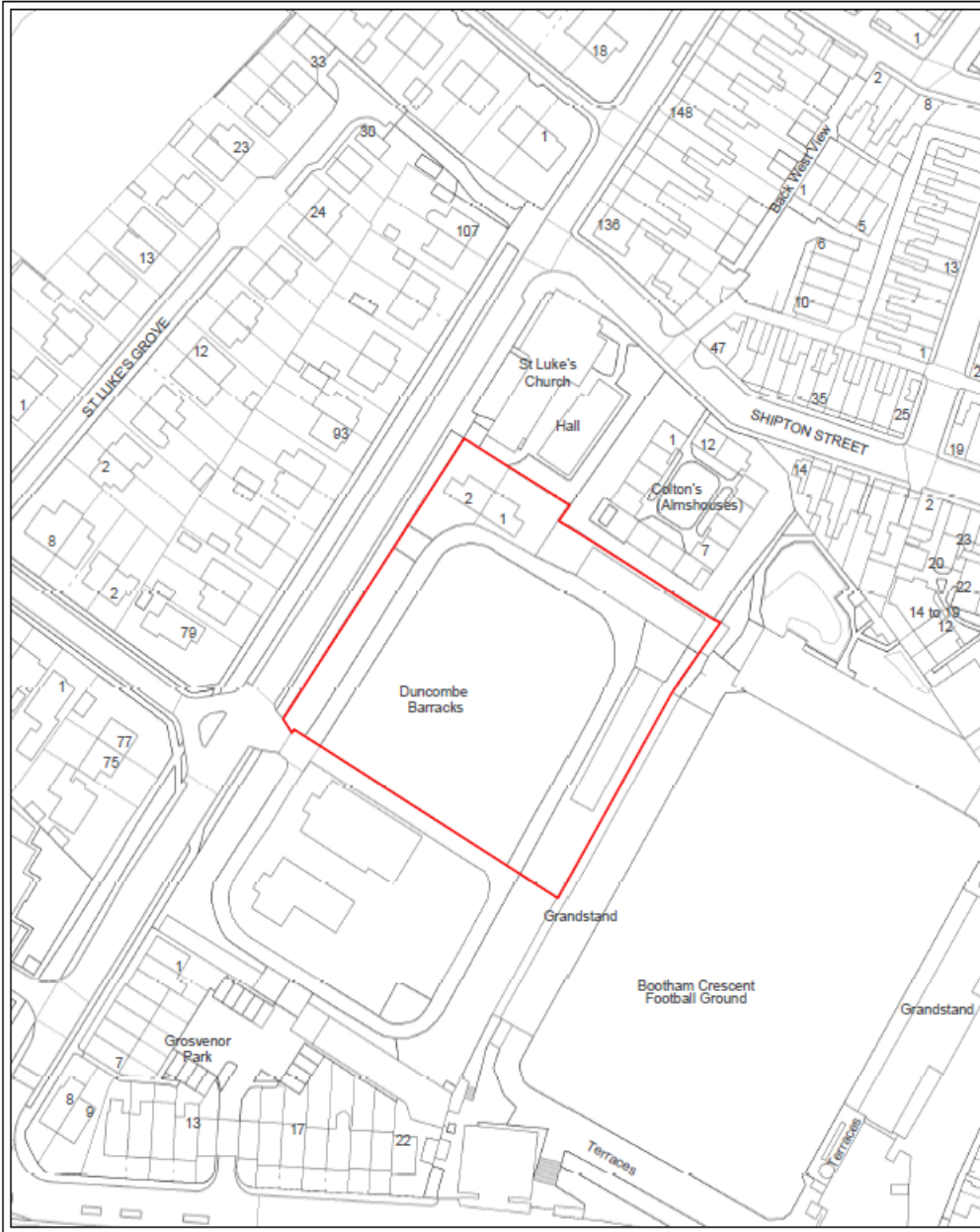


 <b>CITY OF YORK COUNCIL</b>	<b>Askham Bar Former Park &amp; Ride Site</b>		
	SCALE: 1:1250	DRAWN BY: CC	
<b>Asset &amp; Property Management</b>	<b>Asset &amp; Property Management</b>		Drawing No. <b>E00454</b>
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Site Plan of 17-21 Piccadilly



 <p><b>CITY OF YORK</b> COUNCIL</p>	<p>17-21 Piccadilly, York</p>	
<p><b>Asset &amp; Property Management</b></p>	<p>SCALE: 1:750      DRAWN BY: CC      DATE: 18/03/2020</p> <p>Originating Group: <b>Asset &amp; Property Management</b></p>	<p>Drawing No.</p>
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**Asset & Property  
Management**

## Duncombe Barracks Site



SCALE 1:1,250

DRAWN BY: KLM

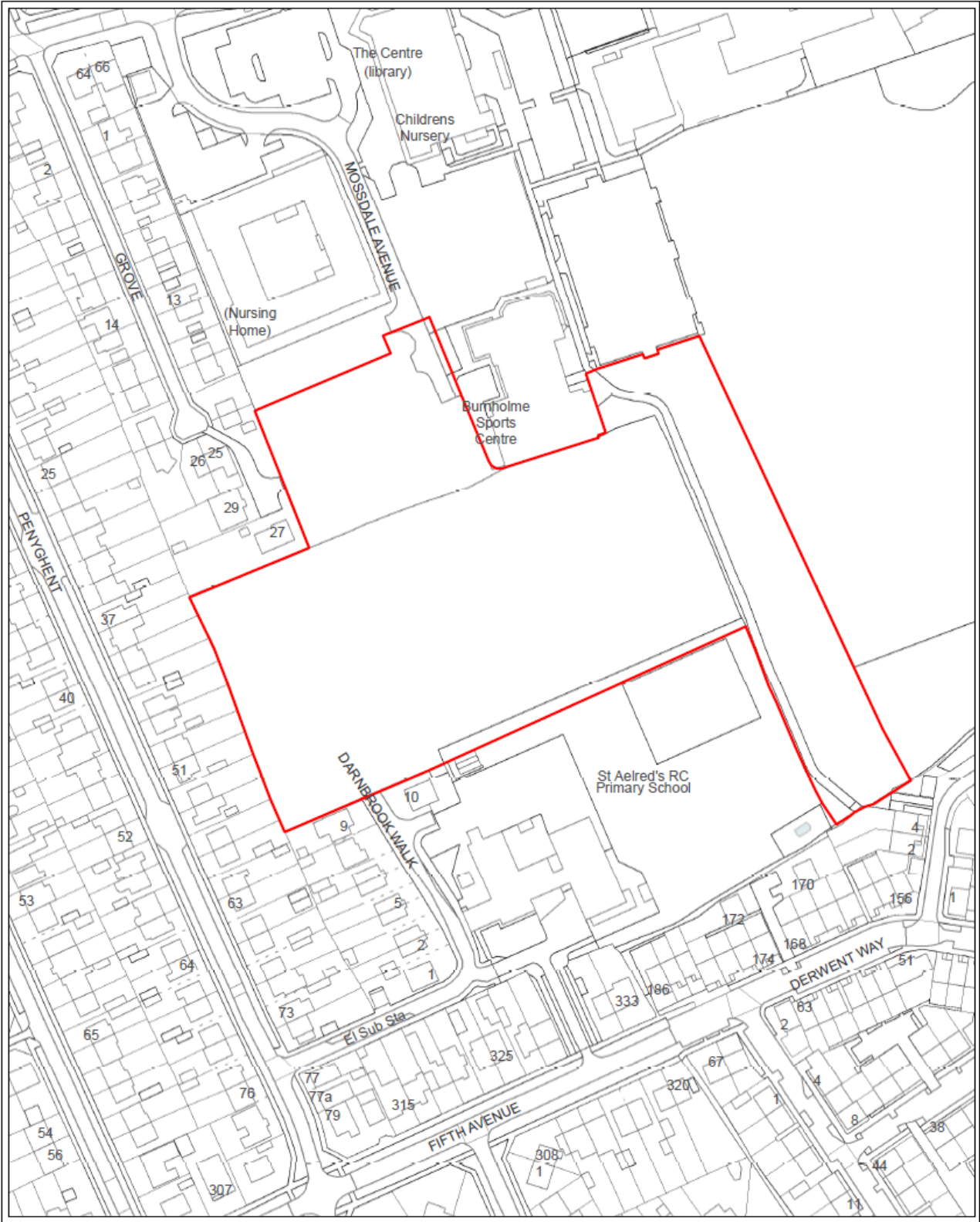
DATE: 07/03/2022

Originating Group:

**Asset & Property Management**

Drawing No:

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**Asset & Property Management**

# Burnholme Housing Site



SCALE 1:1,750  
Originating Group:

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DATE: 07/03/2022

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Drawing No.