

Executive

18 October 2018

Report of the Assistant Director – Housing & Community Safety

Portfolio of the Executive Member for Housing & Safer Neighbourhoods

Duncombe Barracks, Burton Stone Lane

Summary

1. Part of the Duncombe Barracks site on Burton Stone Lane has been offered to the council for purchase from the Reserve Forces and Cadets Association (RFCA). This report sets out the opportunity a purchase of the site presents for delivering - subject to planning approval – a mixed tenure housing development including 40% affordable housing and a future income for the council from rents and sale receipts.

Recommendations

2. The Executive is asked to:
 - a) Recommend to Council a capital budget of £2.55m for the purchase of Duncombe Barracks and the detailed survey and design work necessary to bring forward the site to a full planning application.
 - b) Approve Option 1 in the report; to purchase of the site (subject to contract) prior to residential planning consent being obtained and with preliminary ground investigations and surveys undertaken prior to completion of the purchase.
 - c) Approve the site being added to the scope of the Housing Delivery Programme as approved by the Executive in July 2018.

Background

3. In December 2016 the Cabinet Office, through its One Public Estate team, brought to the attention of the Council that 1.67 acres of the Duncombe Barracks site had been registered as surplus to requirements by the MoD. A site plan is attached at Annex 1 of this report

4. In September 2017 the local Reserve Forces' and Cadets' Association for Yorkshire and the Humber (RFCA) advised the council that it could have first option to purchase the site.
5. The Duncombe Barracks site is brownfield and therefore the type which the government is keen to see developed to help address local housing needs. It is in a sustainable urban residential location with great access to the city centre, local services, facilities and public transport routes. It is difficult to acquire land on the open market in York, and the opportunity to develop the site for mixed tenure housing would relieve pressure on green belt housing proposals in the city and also provide much needed affordable housing at higher than planning policy levels.
6. A Single Independent Valuation (SIV) was commissioned by the council to determine a planning policy compliant residual land value including 20% on-site affordable housing. The SIV has been used as the basis for the price agreed (subject to contract) with the RFCA. The RFCA have indicated that they are willing to sell the site subject to planning consent or unconditionally.
7. A budget of £2.55m is needed for the purchase and the detailed design work necessary to bring forward the site to a full planning application. A breakdown of this budget is set out in a confidential Annex 2 to this report.
8. Persimmon Homes have been undertaking a consultation on their proposals for the redevelopment of Bootham Crescent when York City Football Club moves to the new Community Stadium at Monks Cross in 2019. The Bootham Crescent site is adjacent to the Duncombe Barracks and it will be an expectation of the local planning authority that opportunities for connectivity between the two sites (such as pedestrian and cycle access) are fully considered.

Housing Need in York

9. York's 2016 Strategic Housing Market Assessment (SHMA) identifies a need for an additional 573 affordable homes each year for the next five years, especially for smaller family (2 and 3 bed) housing. There are currently around 1,100 applicants on the York housing waiting list in 'high' or 'very high' housing need.
10. The limited supply and high cost of house prices and rents in the city is having a marked impact on the ability of York's low to middle income households including first time buyers, young families and key workers in the health, education and care sectors to continue living in, or moving to,

the city. This in turn is having a negative impact on the city's economic and social ambitions with key employers including the local hospital trust experiencing difficulties in the recruitment and retention of staff due to housing costs.

Current position

11. The Single Independent Valuation (SIV) of Duncombe Barracks is based on a notional development of 37 homes and takes into account a policy compliant level of 20% on-site affordable housing. The valuation includes assumed planning contributions and site costs relating to demolition, decontamination, archaeology and specialist foundations. If it transpires these costs are higher than assumed in the SIV the price paid for the site will be reduced proportionately.
12. The budget request for £2.55m includes the maximum cost of purchasing the site subject to final contract terms being agreed with the RFCA. It also includes a budget for the detailed design work needed to bring forward a proposed development to a detailed planning application. Any deviation from this capital budget will require further approval from Members.

Options and analysis

13. Option 1 –Purchase the site **prior** to obtaining planning consent. Undertake ground investigations and surveys on ground contamination and condition, existing utilities and archaeology in advance of completing the purchase.
14. Option 2 – Purchase the site **subject** to obtaining residential planning consent. Undertake ground investigations and surveys on ground contamination and condition, existing utilities and archaeology in advance of completing the purchase.
15. Option 3 – Withdraw the council's interest in purchasing the site.

Analysis

16. The Duncombe Barracks site is a time limited and rare opportunity for investment by the council to purchase land off-market and, subject to planning approval, deliver a mixed tenure housing development. Securing ownership of the site in the most timely and appropriate way will give certainty to this opportunity.

17. For both Option 1 and Option 2 it is a recommendation of this report that site surveys are commissioned to provide due diligence information on ground contamination and condition, demolition costs, existing utilities and archaeology in advance of purchasing the site. These surveys will mitigate risks for the council but would also be abortive costs should the purchase subsequently fall through. The survey outcomes will be shared with the RFCA in order to determine any adjusted land valuation at the point of purchase.

Option 1

18. There are advantages to purchasing the site prior to obtaining planning consent including:
- Securing the council's ownership of the site at the earliest opportunity thereby minimising any risk that the site owner may withdraw from the sale and seek to advertise the site for sale on the open market.
 - Enabling an earlier spend of Right to Buy receipts for the portion of the site cost that is identified for qualifying social/ affordable rented homes. Otherwise these receipts may need to be returned to Government unspent.
 - Enabling a thorough appraisal - de-risked by not being constrained by a time limited conditional sale - of all delivery options including traditional and modern methods of construction and the range of layout and housing mix possibilities to ensure the optimum use of the site to meet priority housing needs and planning requirements.
 - Enabling the RFCA to receive a receipt for the land in the most timely fashion; recognising this is a public land disposal and that the receipt will be reinvested in the services provided by the RFCA.
 - Enabling the site to be added to the scope of the council's Housing Delivery Programme agreed by the Executive in July 2018 which sets a clear ambition for accelerated housing delivery in the city to meet the council's housing and wider social ambitions. Early purchase of this site will give clarity for a strategic approach to be taken in all aspects of the development programme.
 - Providing earlier certainty for and engagement with local residents regarding the future use of the site.

19. Officers have worked on initial sketch feasibilities of 36 homes. A development of this number would be in line with the 50 units per hectare target of the council's recently submitted Local Plan, for the "York Urban Area" zone in which the site falls. If a lower density development is required then mitigation measures could include changing the type and mix of property types and/or changing the mix and balance of tenures.
20. Obtaining site survey information on ground conditions, contamination, demolition costs, specialist foundations, existing utilities and archaeology prior to the purchase of the site will reduce financial viability risks.

Purchasing the site without planning permission is not risk free, but given the nature of the site, the opportunity to purchase off-market and the indicative proposals for housing outlined in this report it is not unreasonable to proceed on this basis. Nevertheless, it is acknowledged that the council's usual practice is not to purchase land without planning consent and this option would be a deviation from that.
21. The purchase of the site will be subject to agreeing Heads of Terms and a Contract of Sale with the Reserve Forces' and Cadets' Association. The contract will need to be agreed and drafted by solicitors for both parties.

Option 2

22. There are advantages to purchasing the site subject to obtaining planning consent including:
 - Providing a higher degree of certainty that a development of housing of a scale, tenure and type that is financially viable can be delivered.
 - Minimising the council's 'at risk' expenditure to that incurred in survey, design and planning costs necessary to bring forward a planning application.
23. Purchasing the site subject to planning consent is not without risks. The period before a sale completes is likely to be at least 12 months and this could increase a risk of the site owner seeking to withdraw from the sale although the Conditional Sale Contract should minimise this likelihood.
24. There will be a longstop date in the Conditional Sale Contract by which time planning consent must be obtained. Whilst this must be a realistic

timescale for working up a full design, undertaking consultation and reaching planning committee, inherently *any* deadline does introduce an element of risk that if it cannot be met the site owner will have a right to withdraw from the sale.

25. Planning approval may be refused or permitted for fewer or more homes. In this instance it might be possible for either party to seek to renegotiate the land price. The council would have to consider all options including withdrawing from the purchase.
26. The purchase of the site will be subject to agreeing Heads of Terms and a Conditional Contract of Sale with the Reserve Forces' and Cadets' Association. The contract will need to be agreed and drafted by solicitors for both parties.

Option 3

27. If the council decided not to purchase Duncombe Barracks the site would be offered on the open market with the likely outcome that a private developer would purchase the site. The maximum affordable housing that could be expected in that instance would be 20% under current planning policy.

Council Plan

28. The proposal to deliver an affordable housing led scheme on the Duncombe Barracks site will meet a number of the council's corporate priorities 2015-19 including:
 - Residents can access affordable homes while the greenbelt and unique character of the city is protected
 - Everyone is supported to achieve their full potential
 - All York's residents live and thrive in a city which allows them to contribute fully to their communities and neighbourhoods
 - Every child has the opportunity to get the best possible start in life

Implications

29. The implications arising from this report are:

Financial

30. The Duncombe Barracks scheme is one of a number of sites that the council is seeking to bring forward into a major housing delivery programme. These sites are:
- a. Lowfield Green
 - b. Burnholme
 - c. Former Askham Bar Park and Ride
 - d. Former Manor School
 - e. Hospital Fields Road and Ordnance Lane
 - f. Former Clifton Without school
 - g. Woolnough House
31. The ambition is to utilise HRA capital resources including Investment Reserve, Right to buy receipts and current debt headroom along with bids to extend the HRA debt cap, Homes England funding, Equity sales from shared ownership sales and capital receipts from market sales to fund this major programme.
32. An update to the HRA Business Plan will be brought to the Executive in due course and will set out how this programme overall can be funded subject to individual business cases being approved on a scheme by scheme basis. The key issue will be managing the cash flow of the developments within the scope of the Housing Delivery Programme to ensure that the investment is affordable and can be managed without adversely impacting the ongoing management of the HRA.
33. It is proposed that the purchase and development of Duncombe Barracks is funded from the HRA investment reserve. In November 2017 Members approved the latest HRA Business Plan which created a new investment reserve of £20m over the period 2018/19. To date Members have approved the following allocations from this reserve.

	£'000
Approval Nov 2017	20,000
Lincoln Court (March 2018)	-1,200
Purchase former HRA Homes (Nov 17)	-810
Lowfield (Net) (July 2018)	-4,500
Scheme Development (July 18)	-700
Uncommitted	12,790
Approval sought – Duncombe Barracks	-2,550
Revised balance	10,240

34. An indicative financial appraisal has been carried out for a scheme of 36 homes comprising a mix of social rent, shared ownership and market sale (Annex Two). This shows that the scheme can be delivered providing 40% affordable housing at a net overall cost to the HRA of circa £2.5m.
35. A full financial appraisal based on a detailed scheme layout will be needed to confirm the final housing/ apartment/ tenure mix and affordable housing provision. This will determine the final budget required for the scheme and the funding breakdown including level of Right to Buy receipts and Investment Reserve that is required.

Human Resources

36. None

Equalities

37. The One Planet York Impact Assessment form is attached at Annex Three.

Property

38. Property implications are covered in the main body of this report.

Legal

39. The Council has statutory provisions authorising it to purchase land, including a general power to purchase land under Section 120 of the Local Government Act 1972.
40. Ownership of the Site is registered at the Land Registry. A preliminary check of Land Registry records indicates that the Site does not appear to be subject to any registered restrictions or other encumbrances/ third party rights except for a covenant that the land would not be used for any noxious, offensive or dangerous trade or business nor used as a pub/inn nor as a bakery, slaughterhouse/ abattoir nor for manufacturing.
41. It is recommended that any offer to the MoD makes clear that it is subject to the results of due diligence checks (such as ground investigations and surveys) as being satisfactory.

Risk Management

Planning

42. The housing scheme envisaged for this site is within the range of the submitted Local Plan density targets for 'York urban area'. However there remains a risk of either not obtaining planning permission or not obtaining permission for the scale of development envisaged. This would most likely reduce the number of affordable homes delivered through the programme. To mitigate this risk ground investigations and surveys will be undertaken prior to the purchase.
43. With any purchase of the site there will also be risks inherent in any development including rising development costs and changes in housing market conditions. Mitigations could include changing the type/mix of homes, changing the mix and balance of tenures and securing additional funding. These risks and mitigations will be clearer at the point where a report requesting a capital budget for funding the development was brought to the Executive.

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**Report
Approved**



Date 9/10/18

Wards Affected:

All



For further information please contact the author of the report

Annexes

1. Site Plan
2. Financial appraisal summary (confidential)
3. One Planet Council Impact Assessment Form

Background papers

Refresh of Housing Revenue Account Business Plan. Executive 15 November 2017.

Housing Delivery Programme. Executive 12 July 2018