

Cabinet – 12 December 2012

Goscote Development Package – Proposed Disposal of Land

Portfolio: Councillor Adrian Andrew, Deputy Leader, Regeneration

Related Portfolio: Councillor Christopher Towe, Finance and Personnel

Service: Regeneration – Development and Delivery

Wards: Blakenall

Key decision: Yes

Forward plan: Yes

1. Summary

- 1.1 This report seeks Cabinet approval for the disposal of Council-owned land, shown edged red on plan EMPS 3697 **Appendix A** and extending to 36,743 square metres or thereabouts to Walsall Housing Group (whg) to facilitate the delivery of the Goscote Development Package. This proposed action reflects recent changes to the sites package and subsequent reduction of the Council's land ownership within the overall package. The proposed disposal would simplify and benefit the project management, procurement and delivery of the regeneration package by whg.

2. Recommendations

- 2.1 That Cabinet approve the disposal of the freehold land shown edged red on **Appendix A** Plan no. EMPS 3697 and extending to 36,743 square metres or thereabouts to Walsall Housing Group (whg) for £1.00 (one pound) to support viability and facilitate the delivery of the Goscote Development Package as set out in the report.
- 2.2 That Cabinet agree that any overage payments received by Walsall Housing Group (whg) in relation to the Council's land ownership and the delivery of the Goscote Development Package sites are paid into an agreed joint account/fund to support priority regeneration projects (e.g. environmental improvements, community facilities, etc) within the vicinity of the Goscote development sites, as determined by the Council and whg in consultation with the Goscote Regeneration Group, through a legal Agreement.
- 2.3 That Cabinet delegate authority to the Executive Director – Regeneration, in consultation with the Chief Finance Officer and the Regeneration Portfolio Holder, to agree the terms of, and sign, an Agreement with Walsall Housing Group setting out the arrangements for the fund referred to in 2.2 above.

3. Report detail

- 3.1 In February 2012 Cabinet endorsed the actions being taken by the Council and whg to progress the residential Goscote Development Package **Appendix B**, including pursuing the principle of the land-use exchange between sites B and J through an outline planning application. Cabinet also supported in principle the inclusion of land in the Council's ownership and reinvestment of land values into the package, namely sites C and J and other incremental parcels across the remainder of the package sites, in order to secure financial viability. Subsequently, in April 2012 Cabinet endorsed the draft Heads of Terms for the Goscote regeneration area development agreement; to be used in the joint procurement and appointment of a preferred developer partner(s) by the Council and whg.
- 3.2 An outline planning application was prepared and submitted for the Goscote sites package at the end of January 2012 prior to procuring a developer partner(s). The application was prepared based on the principles of the Goscote Design Guide and the development appraisal/sensitivity testing, including the principle of the land-use exchange involving the development of existing Green Belt land at site J (approx. 6ha) but with the majority of site B (approx. 8.6ha) reverting to open space. The application was considered at a special Planning Committee in March 2012, where Members resolved to defer the application to a later date in order to prepare and provide further information.
- 3.3 Since this time the proposals have been reconsidered and now form part of the consideration by Cabinet that the package will now progress without development on the existing Green Belt land at Site J, known locally as 'The Lea', and instead provide residential development on the entirety of the former Goscote Estate (Site B). As a result of this change the Council therefore has a reduced land holding within the overall package (exclusive of Highways land): a reduction from 37% to 18% land ownership (see Section 8: Property Implications for further details). In recognition and in response to this, the disposal of Council-owned land to whg is proposed which would simplify and benefit the project management, procurement and delivery of the regeneration package by whg. The reduction in land owners will reduce the time to obtain agreement and approvals from respective decision-makers to take the project forward and provide a single contact/partner for a future developer(s).

4. Council priorities

- 4.1 The project aims to achieve increased numbers and types of new homes, including a percentage of affordable housing, alongside high quality environmental, infrastructure and community facility improvements. This will contribute positively towards the Council's 'Communities and Neighbourhoods' and 'Health and Wellbeing' priorities. Ensuring that the development programme generates work and training opportunities for the businesses and residents of the borough through the Think Walsall approach is also a key objective/output, as well as the overall residential development attracting the workforce required to develop the boroughs Economy. The project therefore has benefits towards the Council priorities as set out in the Corporate Plan 2011/12 – 2014/15.

4.2 The delivery of the package is in line with the following objectives as set out in the Marmot Review:

- Give every child the best start in life
- Enable all children, young people and adults to maximise their capabilities and have control over their lives
- Create fair employment and good work for all
- Ensure a healthy standard of living for all
- Create and develop healthy and sustainable communities
- Strengthen the role and impact of ill-health prevention

5. Risk management

5.1 **Risk 1 - Overage payments received into any fund over the duration of the project are minimal/low due to the market and project costs (e.g. development, abnormals, sales), which is reflected in the subsequent level of community benefits delivered in the Goscote area.**
(Risk Medium/High Level)

It is extremely difficult to predict future variations in market conditions, particularly given the volatility that still remains in the residential market, the characteristics of the area, and the need for market and affordable housing. It is therefore not likely that the sites will yield greatly increased values over the development period (e.g. 8-10 years). However, a legal development agreement between whg as the land owner and the developer partner will be utilised to ensure that the land owner is able to benefit from any future increases in values (overage) and reinvested in community benefits including affordable housing. A secondary agreement between whg and the Council relating to the disposal of the Council's land to whg will set out the priorities and process for reinvesting any overage back into community benefits in the development area resulting from the Council disposing 18% of its land to whg. The form of this agreement is yet to be determined but options for the form this may take is set in paragraph 6.2.2

Due to the financial viability of the Goscote Development Package, a key principle is the requirement for capital receipts from land sales to be reinvested into the package through the legal Development Agreement between the land owner and developer partner(s). These capital receipts will in turn require the developer(s) to deliver community infrastructure benefits - as first approved by Cabinet in April 2008 – which will be articulated and influenced through the local planning process of any future planning application for the development package/sites. This will assist in a level of community infrastructure benefits being provided as part of the development exclusive of any additional overage benefits. It is proposed that Council-land within the package is disposed to whg on the basis that whg will demonstrate the re-investment of actual land values and development clawback into the package (either residential or community infrastructure elements) through a visible and accountable process.

6. Financial implications

6.1 Land Values and Best Consideration

- 6.1.1 A key principle of the Goscote Development Package, as previously approved by Cabinet, is for the land owners (both the Council and whg) to forgo the traditional capital land value receipts. Instead any values realised are to be re-invested into the package in order to support the viability of the residential scheme in the first instance and subsequently deliver associated community infrastructure benefits thereafter. The viability appraisal work produced for the package to date indicates that this principle will need to underpin the programme as a means of ensuring financial viability (as reported to Cabinet in February 2012 and Planning Committee in March 2012).
- 6.1.2 The development appraisal work and sensitivity testing scenarios provided on a site-by-site basis (dated August 2012) produced negative or marginal residual land values for the majority of the sites within the package, largely due to significant infrastructure and remediation costs and market conditions. However, under all tested sensitivity scenarios for Site J, the development appraisal work produced a positive residual land value and as such played an important role in cross-subsidising the development of the less viable sites. The development appraisals were based on a number of assumptions (e.g. housing types/sizes, number of units, level of affordable housing, level of S106 contributions) which will have to be reviewed for the revised sites package. However with Site J now excluded from the package, the reinvestment of any land values realised from the remaining sites will be vital to support the viability and delivery of the package. This is further evidenced in the District Valuation Office report on the development viability appraisal of the Goscote Development Package outline planning application (dated 5th March 2012), which documented an overall significant negative residual value for the former sites package (sites A, B, C, D and J).
- 6.1.3 The development appraisal work outlined in the paragraph above only provides an indication of potential (negative) residual land values. Attempting to value the Council's remaining land holdings at the present time based on such appraisals would be inappropriate, as these were produced using a number of assumptions and scenarios at a moment in time; a number of which will now need to be revised as a result of the subsequent exclusion of Site J. In any case, the true land values will not be fully known until the completion of the OJEU procurement process and contract signing with the preferred developer partner(s). Even in this situation, the development and delivery of the Council's land holdings is so intrinsically linked to whg's that valuing land under separate ownerships will be difficult and misleading. For example, the Council's land holdings are dispersed across the package sites as a result of previous single-plot acquisitions and also from land retained post-LSVT, which would not provide for standalone development opportunities outside of the development package.
- 6.1.4 On the basis of the development appraisal work producing negative residual land values, the disposal of the Council's land parcels within the revised package of Goscote sites to whg at a nominal value (£1.00) reflects the current market value and represents Best Consideration.

6.2 Overage

- 6.2.1 It is extremely difficult to predict future variations in market conditions, particularly given the volatility that still remains in the residential market, the characteristics of the area, and the need for market and affordable housing. However it is not likely that the sites will yield greatly increased values over the development period (e.g. 8-10 years). Despite this likelihood it was intended that clauses would be included within the legal development agreement with the developer to enable land owners to be able to benefit from any future increases in values. This would have been done on the basis that any overage realised would be apportioned between the Council and whg as land owners based on final land values or ownership, and subsequently reinvested based on organisation priorities.
- 6.2.2 However, on disposal of the Council's land holdings within the package to whg, any future overage would accrue to whg as the sole land owner through a legal development agreement with the developer(s). It is therefore proposed that, as part of the disposal process, the Council and whg agree that all overage payments are paid into a joint account (e.g. VIEW or similar) to support joint priority community infrastructure projects in the vicinity of the development sites; with the arrangements for the fund and priorities to be set out in a legal agreement after negotiation with whg.

7. **Legal implications**

7.1 Development Clawback

- 7.1.1 Development clawback applies to the difference between the value of the land sold by whg for open market value and the value of the same land for social housing purposes. Following the LSVT Agreement clawback is divided three ways; a third accruing to the Council, a third to whg and a third allocated to the VIEW fund for regeneration projects. Subsequently, subject to whg contributing its third, the Council will also reinvest any money generated by the clawback provision into VIEW for regeneration projects. In September 2009, Cabinet agreed to waive development clawback to reflect both the Council's and whg's intention to reinvest their respective one third shares generated from the disposal of land assets in the SRF1 areas (Goscote, Moxley and Brownhills) into the delivery of comprehensive housing regeneration and community infrastructure benefits in these areas.
- 7.1.2 Whilst the eventual level of affordable housing may vary in the package in order to ensure viability following the exclusion of Site J, the level of affordable housing delivered across the package will have implications on the proportion of clawback. For example, a higher mix of open market housing would increase the proportion of clawback being reinvested into the package. However, regardless of the final development clawback value, any clawback funds (i.e. all thirds) will be reinvested back into supporting the viability and delivery of the package's residential development in the first instance and community infrastructure benefits thereafter. This will mean that development clawback will not be received through the traditional method of the VIEW fund. Instead clawback will need to be reinvested effectively on a visible and accountable basis into the

package. In essence the development clawback values will remain within the package, albeit that the eventual values (from land values and clawback) will remain largely with whg's portfolio of properties and the community infrastructure benefits (i.e. affordable homes, open space and Education).

8. Property implications

8.1 The original and revised development sites within the Goscote Package are shown in the tables below. The key differences are:

- Site J has now been excluded from the package with the land-use exchange proposals between this land and site B no longer being pursued.
- Site C has also been excluded from the package at this time. The previous market testing identified that the site is capable of individually delivering development proposals outside of the development package. It is therefore proposed that the site is not disposed of to whg at this time in order for the Council to explore options for its future use. An initial discussion has been held with whg about alternative uses of the site which could lead to a partnership arrangement over the delivery of such uses; this may enable the Council to dispose of the land in the future which would be reported to Cabinet as required.

Original Development Package

Site	Council-owned (ha)	Whg-owned (ha)	
A – Shakespeare Crescent	1.20	4.76	
B – Former Goscote Estate	2.09	7.48	
C – Dolphin Close	0.5	0	
D – Chaucer Road	0.38	2.49	
H – Barracks Lane	0	1.33	
J – Land north of the canal	6	1	
	10.17ha	17.06ha	27.23ha
	37%	63%	100%

Revised Development Package

Site	Council-owned (ha)	Whg-owned (ha)	
A – Shakespeare Crescent	1.20	4.76	
B – Former Goscote Estate	2.09	7.48	
D – Chaucer Road	0.38	2.49	
H – Barracks Lane	0	1.33	
J – Former residential land	0	1	
	3.67ha	17.06ha	20.73ha
	18%	82%	100%

9. Staffing implications

The Development Team within the Development and Delivery Service area of the Regeneration Directorate will continue to liaise and work with Walsall Housing Group on the proposed disposals, along with officers within Asset Management and Legal Services.

10. Equality implications

- 10.1 An Equalities Impact Assessment (EqIA) has been undertaken for this report, with the outcome stating that no major change is required to the project. The proposal will as a minimum, include conditions which:
- Prohibit the parties from unlawfully discriminating under the Equality Act
 - Require them to take all reasonable steps to ensure that staff, suppliers and agents meet their obligations under the Equality Act.
- 10.2 The disposal of the Council's land within the Goscote Development Package to Walsall Housing Group will facilitate the redevelopment of the sites. This will bring benefits to the local community through the provision of new housing and enhancements to the local environment. The redevelopment will therefore present opportunities to engage with many sectors of the community and ensure issues of equality and accessibility are taken into account.

11. Consultation

- 11.1 Officers have presented and discussed the proposed land disposals at the Council's Capital Strategy Board and with Walsall Housing Group.
- 11.2 It has been agreed that Walsall Housing Group will lead local community involvement and consultation on the project moving forward. This will be in the form of a new local group which will take its membership base from the Goscote Project Reference Group, plus other key representation including the recently formed Friends of the Lea Group and residents from the wider area/adjacent the development sites.

Background papers

Appendix A: Plan Ref. EMPS 3697

Appendix B: Goscote Developments Site Plan

Goscote Development Package: Development Viability Appraisals – Overview and Recommendations (GVA, August 2011)

Review of Development Viability Appraisal: Proposed Development on land at Goscote Lane (Site A, B, C, D & J) (Worcester Valuation Office, March 2012)

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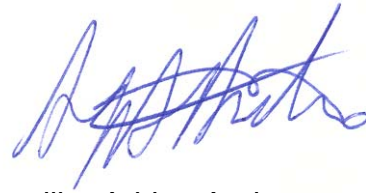
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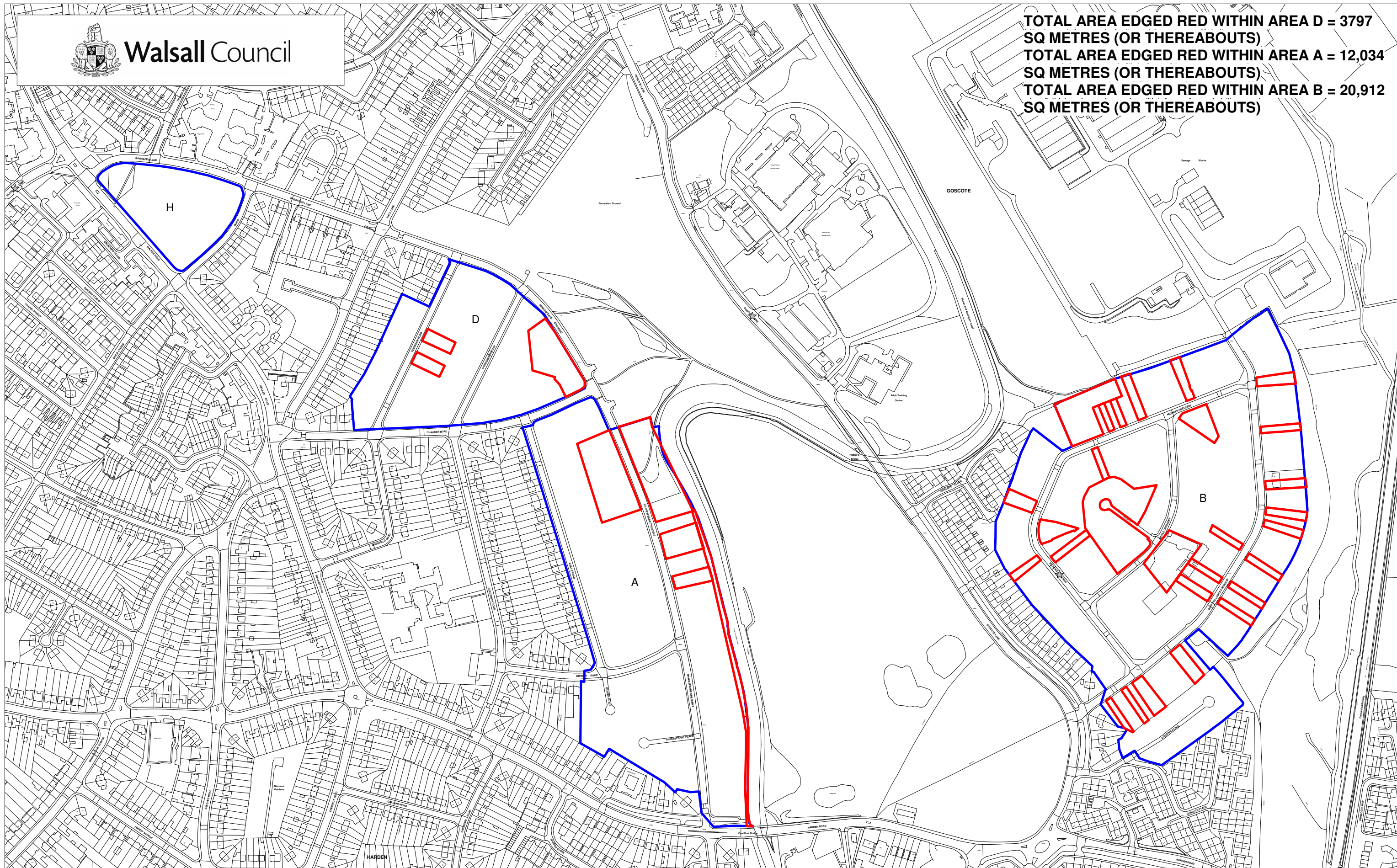
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Councillor Adrian Andrew
Deputy Leader
Portfolio Holder – Regeneration

12 December 2012

**TOTAL AREA EDGED RED WITHIN AREA D = 3797
SQ METRES (OR THEREABOUTS)
TOTAL AREA EDGED RED WITHIN AREA A = 12,034
SQ METRES (OR THEREABOUTS)
TOTAL AREA EDGED RED WITHIN AREA B = 20,912
SQ METRES (OR THEREABOUTS)**



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