

Committee: Housing Board
Title: Walden Place, Saffron Walden
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Summary

1. This report provides detail relating to the proposed redevelopment of the existing sheltered housing scheme at Walden Place, Saffron Walden and explores the preferred mechanism for undertaking this redevelopment that will maximise the return to the Council from this valuable asset

Recommendations

2. That Housing Board:
 - considers the options detailed in the report to progress the proposed redevelopment of Walden Place in Saffron Walden.
 - Recommends to Cabinet that the redevelopment of Walden Place is progressed as a council funded and managed project (Option 2) subject to budget availability.

Financial Implications

3. Financial provision of £800k for the development of Walden Place new Council owned homes is included within the Housing Revenue Account. Under Option 1 the development partner will also contribute considerably to the cost of this redevelopment, as detailed in the report. Under Option 2 the council will be required to enter into short term borrowing of £1m which will be repaid once the main house is sold. This would need to be the subject of a separate report to Full Council to agree the budget implications.

Background Papers

4. The following papers were referred to by the author in the preparation of this report and are available for inspection from the author of the report:
 - a. None

5.

Communication/Consultation	Existing tenants, local residents, Town Council and external agencies
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Community Safety	Appropriate precautions would be taken during works
Equalities	Equality and diversity is a key issue for the Council with regards to older persons housing provision
Health and Safety	During the management of the project all risks will be constantly reviewed, revised and managed
Human Rights/Legal Implications	Legal team have been consulted
Sustainability	An opportunity to construct new thermally efficient homes, and communal facilities for older people
Ward-specific impacts	Saffron Walden
Workforce/Workplace	There are sufficient resources in the housing team to manage the project

Situation

6. Walden Place sheltered housing scheme consists of a four storey Grade II listed Georgian town house that currently contains 3 sheltered flats and communal facilities. Attached to this house is a court of 26 purpose-built sheltered housing flats that were constructed in the 1980's.
7. The Georgian town house element of this sheltered scheme currently provides reasonable communal facilities, although not to modern standards or specification. Furthermore, this building is a considerable financial burden on the Housing Revenue Account due to high ongoing maintenance costs – in excess of £23,000 per annum. Also, with the building being Grade II Listed, this can cause delay and extra cost when needing to undertake larger maintenance works.
8. Attached to this report (Appendix A) are the concept designs for the redevelopment of this scheme. The thrust of this proposal is to separate the Georgian house from the 1980's sheltered scheme, to construct a new purpose built communal facility, three new sheltered flats/bungalows and associated plant room. Parking and landscaping will also form an important part of this project, in order to meet the needs of the sheltered scheme and any future use of the Georgian house.
9. Apart from the re-provision of as much sheltered housing accommodation as possible, the other key driver for this redevelopment project is to provide a modern, fit for purpose replacement communal facility that can be used by the residents and the community.

10. The size of the facility that can be achieved will be determined through the planning process. Walden Place is located in the Conservation Area, so scale, design and materials will be of key importance to both Development Control and the Conservation Officer. The Conservation Officer is supportive of the general principle, as there is a desire to see the Georgian House separated from the 1980's sheltered scheme. Partnership working with both the Conservation Officer and the Planning Team is therefore key to maximising the outcomes for this proposal.
11. The concept designs have been considered by the council's Quantity Surveyor who has estimated the separation/new build costs to be in the region of £1.7 million. This figure does not include costs for the redevelopment of the Georgian house.
12. The key element to the financial viability of the whole project is to maximise the future value of the Georgian house and the council has been working with advisors from Savills who have considered this element on behalf of the Council. They do not believe that there will be a market for it to be converted into a single residential dwelling, given its size compared to the grounds that can be offered, its proximity to the sheltered housing scheme and the right of way from Myddleton Place to Park Lane. They believe that the most optimum utilisation of the floor space would be to convert the building into six apartments, of two and three bedrooms.
13. In light of the unique nature and central location of the building, combined with a high specification of refurbishment, Savills would expect values and demand to easily exceed those currently being achieved in Saffron Walden. They have estimated that they would expect a sale of the house, once separated from the newer sheltered scheme and before refurbishment to achieve £1.1 million, or above.
14. In terms of a development/disposal strategy two options have been explored. The first being a Joint Venture (JV), and second being a straight disposal on a subject to planning basis.

OPTION 1 – JOINT VENTURE

15. Under a JV arrangement, the partner developer would obtain detailed planning permission and undertake the entire redevelopment project. The benefit of this approach would be that the delivery of the replacement accommodation, plant room and communal facility would be efficiently managed by one party throughout the construction period.
16. On the negative side the JV partner would however expect vacant possession of the Georgian house from the outset, so that the works to the sheltered scheme and also the refurbishment of the Georgian house can run concurrently. This would leave the sheltered scheme without a communal facility for a period of time.

17. There are also financial complexities and risks in establishing a joint venture which also need to be considered.
18. Savills were appointed to undertake the marketing of this JV opportunity. Savills were chosen as the ideal agent in this instance due to their detailed knowledge of the market place for a development of this nature. This is an opportunity that would only suit a specific number of developers with a proven track record of working on listed buildings in Conservation Areas.
19. Bids were received from three interested parties. Of these bids two of the development partner submissions were financially of interest to the Council, albeit that the figures were calculated on estimated basis using the minimal information available.
20. To proceed with one of these partners on a Joint Venture basis the Council would need to consider the higher risk profile associated with a joint venture, such as the impact on the Council's Standing Orders, tax liability and the requirement for the partners to obtain an interest in the property in order to attract development funding. There would be considerable legal fees to finalise the agreement, along with upfront expenditure to enable the costings for the project to be finalised and fixed.

OPTION 2 – COUNCIL CONTROLLED PROGRAMME

21. An alternative option explored was for the council to carry out all the necessary separation works and dispose of the Georgian house, subject to obtaining listed building and planning consents, as a project discrete from the works to the adjacent sheltered housing scheme.
22. The benefit of this option is that the complex and potentially costly financial models imposed by a JV can be avoided. In addition a sale of a 100% private scheme may attract a premium from the market due to the more straight forward conversion opportunity on offer, thereby potentially appealing to a wider range of developers.
23. The other benefit is that the council will have total control of the planning process associated with the sheltered housing scheme, and depending on the timing of the sale, it could enable the continued provision of a communal facility.
24. On the downside the work required is complex and will require the council to find budget for the construction works (estimated at £1.7 million on the current scheme) before any return from the sale is forthcoming. As the scheme is progressed, the risk elements will either be firmed up or eliminated. Furthermore, the detailed design process will include value management processes to ensure that the Council achieves value for money.
25. There is currently £800k in the budget for this project so the council would need to consider a short term loan of approximately £1m to progress this option. The intention is for the loan to be repaid in full once the house is sold. This is

dependent on the council achieving the current estimated sale price of £1.1m for the house.

26. There is sufficient HRA Headroom available to progress the project. The available headroom as at the 1 April 2018 is £3.125m.
27. Whilst there is no certainty that profits under Option 2 will be any greater than those assumed under the JV venture model, Option 2 is the preferred option as it gives the council more control and poses less risk than a complex JV model.
28. Subject to Members decision to progress with the re-development of Walden Place and the preferred mechanism for undertaking this, the project is ready to progress. Tenants have been relocated from the part of the building where the separation works will be made and the last remaining tenant in the Georgian House will be relocated in January.

Risk Analysis

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Risk	Likelihood	Impact	Mitigating actions
Insufficient budget to take forward the scheme	2 - there are sufficient identified resources and borrowing headroom in the HRA to meet the estimated cost of redevelopment	3 – significant risk to project	A detailed design/development/disposal strategy will include value management processes to ensure that the Council achieves value for money
Not achieving planning permission	1 Planners supportive	4 separation of house and development not possible	Pre-planning discussions with planners

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.