

Executive Decision Report

SALE OF LAND AT FORMER SAFFRON VELODROME, SAFFRON LANE, LEICESTER

Decision to be taken by: **City Mayor**

Decision to be taken on: **28 November 2012**

Lead director: **John Stevens**



City Mayor

Useful information

- Ward(s) affected: **Freemen**
- Report author: [REDACTED]
- Author contact details: **29** [REDACTED]
- Report version number: **001**

1. Summary

Terms have been agreed with ASRA / Leicester Housing Association for the development of the former Velodrome on the basis of them developing a first phase of affordable housing, with a second phase to be to be marketed by the Council for market housing in due course.

This report seeks the necessary approvals as set out in the recommendations below, to enable the development to proceed.

A sale to Leicester Housing Association will facilitate:-

- Early development of affordable housing.
- The provision of a new signalised junction off Saffron for which Growing Places Funding has been secured.
- Active development during current economic downturn.
- A total of £4.8m investment in the city.

2. Recommendation

Approval is requested to:

- a) The freehold sale of approximately 1.18 ha of land (indicated as phase 1 on the attached plan) at the former Saffron Velodrome to Leicester Housing Association Ltd. for £1 subject to planning consent being obtained.
- b) The Council reimbursing the relevant proportion of infrastructure costs incurred by Leicester Housing Association Ltd. which also benefit the Councils second phase, this to be paid on sale of the second phase or within 5 years, whichever is the sooner.

3. Supporting information including options considered:

- 3.1 Proposals for the Velodrome site have progressed and Leicester Housing Association (LHA) have submitted a planning application for the development of 45 affordable housing units on the first phase of the site. The application also seeks to establish an outline consent for the second phase of housing for market housing. At the Planning and Development Control meeting of 17/10/12 the application was approved in principle with the final details of the decision to be delegated to the Director, Planning Transportation and Economic Development.

- 3.2 Although the proportion of affordable housing strictly required in planning terms for this site is 20%, the proposals would mean approx. 46% of the units would be affordable. As this will mean a smaller second phase area to market for private housing, the eventual capital receipt will be reduced. A sale to LHA at £1 is in itself a sale at less than best consideration. However this initiative will kick start development in a dormant residential market, as well as providing much needed affordable housing units comprising:-
- 45 residential properties for rent.
 - 10 of these will be cluster accommodation for Independent Living (supported accommodation).
 - 5 of the properties will be wheelchair compliant with the rest built to Lifetime Homes standards.
- 3.3 As well as providing the benefits set out in the summary and 3.2 above, a sale to LHA on a one to one basis (as opposed to marketing) will lever in Homes and Community Agency funding of £1m which they have been allocated. Also LHA have secured Growth Point Funding (GPF) of £500k for provision of a junction, and the whole development will be a £4.8m investment in the city.
- 3.4 At the time of LHA obtaining GPF approval their need for at least 40% of the units to make their proposals viable was set out. Since then the overall scheme layout and number of units has evolved to ensure that any possible future proposals for the adjacent Sports Centre can be accommodated.
- 3.5 The Council will be required to reimburse LHA the appropriate proportion of the junction and other costs incurred by them which also benefit the second phase. These costs include for various environmental and other surveys required for planning, together with Architects and planning application fees. There are also Section 106 and other planning costs.
- 3.6 This approach of sharing development costs has previously been agreed on sites at Manor Farm and Bendbow Rise where affordable housing has similarly been provided as a first phase of development. The approach is reasonable in that a comprehensive development is assured and the basis of the proportion is the affordable housing/ market housing split, i.e. 46% / 54%. Also the costs claimed will need to be evidenced.
- 3.7 The estimated amount the Council will be expected to reimburse is in the region of £[REDACTED]. As with the previous agreements on the other two sites, a netting off of any development and Section 106 costs required at phase two will be sought. Reimbursement does not include any proportion of actual house construction costs but rather infrastructure work which benefits the Councils second phase together with costs of planning, design, surveys and fencing. The early provision of infrastructure will make phase two more readily developable. There will be a requirement for the Council to reimburse these costs when phase 2 of the land has been sold or within 5 years whichever is the earlier. At the time of writing this report, the question of whether any Section 106 Education costs arise from the planning application and if so, how they are split, has not been decided. This might affect the amount to be reimbursed by the Council.

- 3.8 As set out in the Financial Implications, the likely capital receipt is in the region of £■■■■■ to £■■■■■m. It is known that developers are currently not offering to buy land up front, but will only pay on a drip basis as their house sales progress which could have cash flow implication.
- 3.9 Depending on the outcome of proposals for leisure facilities at the adjacent Sports Centre, additional land might also be included in phase 2.
- 3.10 The new junction will provide potential for access into Council owned land on the opposite side of Saffron Lane. (Proposals for this former St. Mary's allotment site are at an early stage and any progress will also need to take account of ecology and open space requirements).
- 3.11 Although the planning application by LHA is a separate issue, any consent granted is likely to include the need for any section 106 costs to be secured through the land sale documentation (as the Council owns the site it is difficult to enter into a section 106 agreement). In order to satisfy the Environment Agency there may also be a need to agree to the purchasers and subsequent occupiers having the right of access and egress through the adjacent Athletics Stadium in the event of extreme flooding; this right to last for the lifetime of the development.
- 3.12 The options considered have been:-
- Option 1 – Proceed with discussions and proposed development as set out in 3.1 to 3.12 above with the benefit of the following:-
- Early delivery of much needed affordable housing including an Independent Living Scheme.
 - Early provision of new signalised junction.
 - Active development stimulated during current economic downturn.
 - £4.8m investment in the city.
- Option 2 – Hold the site until improvement in residential housing market. However, this option is likely to see the site remain a vacant eyesore for some considerable time with no early regeneration.

4. Details of Scrutiny

None.

5. Financial, legal and other implications

5.1 Financial implications

The value of the whole site if the minimum 20% affordable housing was required is currently estimated at £■■■■■m gross less £■■■■■k needed for infrastructure making a net figure of approximately £■■■■■k. These values however reflect the current depressed market, which hopefully will improve though there is no guarantee that it will do so. If the market was to improve though, based again on the minimum 20% affordable housing requirement, it would give an estimated gross receipt of £■■■■■ million or a net figure of £■■■■■m after deducting infrastructure costs.

If, as proposed in the report, 46% of the site is sold for £1 for affordable housing leaving the balance of 54% to be sold later for market housing, this would result in an estimated gross receipt of £[REDACTED] under current conditions or £[REDACTED]m if the market improved. Infrastructure costs of £[REDACTED] would have to be paid when the market housing is sold or after 5 years, which would leave a net receipt of an estimated receipt between £[REDACTED] depending upon market conditions.

The net result of selling the higher proportion of the site for affordable housing is therefore likely to be a reduction in net receipts estimated between £[REDACTED] to £[REDACTED]. The Council would also be obliged to repay infrastructure costs of £[REDACTED] if the rest of the site is not sold within 5 years.

The construction of 45 new affordable houses would also result in additional new homes bonus of approximately £[REDACTED] p.a. for 6 years after completion. The sale of the land for affordable housing will bring forward this revenue source.

[REDACTED]
Principal Accountant
ext [REDACTED]

5.2 Legal implications

5.2.1. The Council is required to dispose of land for the best consideration that is reasonably obtainable in the circumstances under s.123 of the Local Government Act 1972. The Council is permitted to dispose of land for less than best consideration in certain circumstances under the 2003 General Disposal Consent for land and property ("GDC"), where the Council thinks that the disposal must be one which will secure the economic, social or environmental well-being of the area in question.

5.2.2 The intention to dispose of the property at best consideration on the basis of a one to one transaction without open marketing for purposes set out in this report will need to be in accordance with the Property Disposal Policy Framework agreed by Cabinet in July 2003 referred to earlier. The Executive will need to be satisfied that the disposal accords with the relevant provisions of the Framework relating to exemptions for 1-1 disposals. Without open marketing there is the potential risk that a higher value could have been achieved through exposure to the market.

5.2.3 Given that any disposal at less than best consideration will have a financial implication for the Council, the Executive will also need to ensure that the Council's general fiduciary duty is complied with in disposing of assets in accordance with the GDC or the Disposals Framework. Any sale documentation will need to contain provisions which will secure the achievement of the benefits set out in this report or the terms subsequently agreed.

5.2.4 As mentioned in the body of the report, the purchaser will be carrying out infrastructure works in order to facilitate the future comprehensive redevelopment of the larger site. There is the potential for these works to be considered a public works contract and potentially contrary to EU public procurement rules if these are carried out for the public benefit under contract in the context of a 1-1 disposal. However the potential for this situation arising can be minimised if the infrastructure provisions are required in accordance with planning conditions.

██████████ Legal Services, Ext. 29 - ██████████

5.3 Climate Change and Carbon Reduction implications

The housing development will add to the total carbon emissions in the city. However the carbon emissions of the development will be addressed through the planning application using Planning policy Core Strategy Addressing Climate Change and Flood Risk and retained Policy BE16.

██████████ Environment Manager x ██████████

5.4 Equality Impact Assessment

An equality impact assessment has not been done. The proposed development would provide accommodation for a variety of housing needs.

5.5 Other Implications (You will need to have considered other implications in preparing this report. Please indicate which ones apply?)

-

6. Background information and other papers:

None.

7. Summary of appendices:

Plans 1 and 2 attached.

8. Is this a private report (If so, please indicated the reasons and state why it is not in the public interest to be dealt with publicly)?

Yes

This report is marked "Not for Publication" because it contains exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the local Government Act 1972 as amended: i.e. "Information relating to the financial or business affairs of any particular person (including the Authority holding that information)".

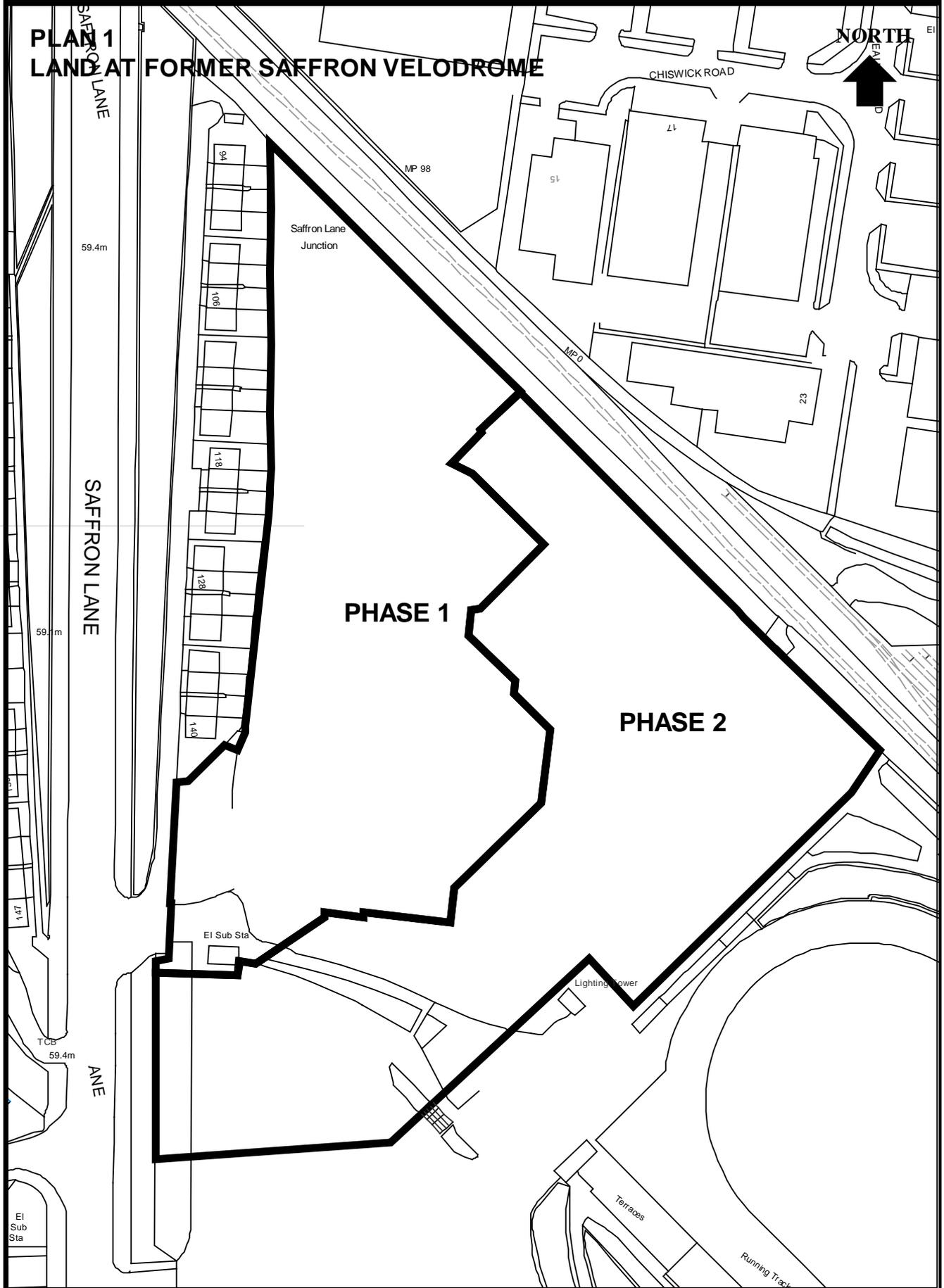
3. Information relating to the financial or business affairs of any particular person (including the authority holding that information).

9. Is this a “key decision”?

No.

**PLAN 1
LAND AT FORMER SAFFRON VELODROME**

NORTH

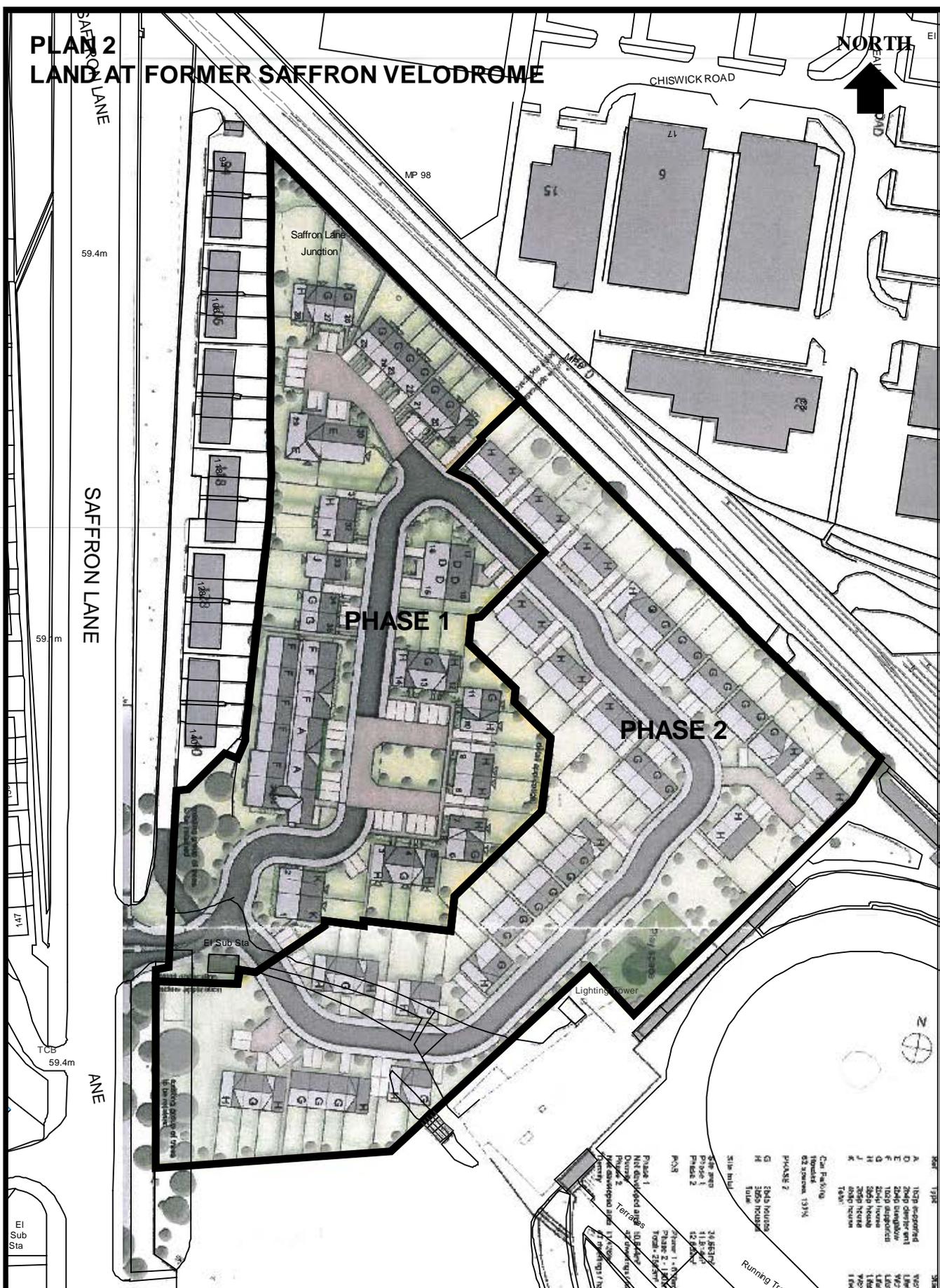


BASED UPON THE ORDNANCE SURVEY MAP WITH THE SANCTION OF THE CONTROLLER OF H.M. STATIONERY OFFICE. CROWN COPYRIGHT RESERVED. LICENCE No. 100019264

DRAWN BYL.T..... PLAN NoCtee 207
 CHECKED BYNOE DATE 09/11/2012 NOT TO SCALE

DIRECTOR OF PROPERTY
 LEICESTER CITY COUNCIL

**PLAN 2
LAND AT FORMER SAFFRON VELODROME**



PHASE 1

PHASE 2



Site area	24,853sqm
Phase 1	11,875sqm
Phase 2	12,978sqm
Total	24,853sqm
Phase 1	11,875sqm
Phase 2	12,978sqm
Total	24,853sqm
Phase 1	11,875sqm
Phase 2	12,978sqm
Total	24,853sqm

BASED UPON THE ORDNANCE SURVEY MAP WITH THE SANCTION OF THE CONTROLLER OF H.M. STATIONERY OFFICE. CROWN COPYRIGHT RESERVED. LICENCE No. 100019264

DRAWN BYLT..... PLAN NoCttee 208 NOT TO CHECKED BYNOE..... DATE09/11/2012 SCALE

DIRECTOR OF PROPERTY
LEICESTER CITY COUNCIL