

CABINET MEETING – 9 FEBRUARY 2021

EXECUTIVE SUMMARY SHEET – PART I

Title of Report:

Disposal of two potential development sites at Emsworth Road, Sunderland

Author(s):

Executive Director of City Development

Purpose of Report:

To seek approval to dispose of the freehold interest in the former Carley Hill School site (Property 1) and Land Adjacent to Emsworth Road (Property 2) (collectively “the Properties”) for the development of new affordable homes

Description of Decision:

Cabinet is recommended to:

- i) Approve the disposal of Property 1
- ii) Grant an option to purchase Property 2

to Gentoo Group Limited ‘Gentoo’ at a price which represents best consideration and on terms to be agreed by the Executive Director of City Development in consultation with the Chief Executive, Executive Director of Corporate Services and Leader of the Council.

Is the decision consistent with the Budget/Policy Framework? *Yes

If not, Council approval is required to change the Budget/Policy Framework

Suggested reason(s) for Decision:

The sites are currently surplus to Council requirements and due to the ground conditions associated with the former land use, have been assessed as being unviable for development without significant capital investment.

The sale of the sites to Gentoo will enable it to secure third party grant funding to unlock the development of up to 225 new affordable homes without the need for capital investment by the Council.

As Gentoo currently owns land adjacent to Property 2 which is required for its development, has an established track record of delivering affordable housing schemes and has a significant stock holding in the area, it is best placed to effectively deliver and manage homes on the sites.

Alternative options to be considered and recommended to be rejected:

The alternative options are: -

(i) Retain the Properties or dispose later:

The Properties are no longer required for operational purposes and retention would not facilitate the strategic aims of the City Plan to provide more and better housing for Sunderland residents.

Delaying the sale would not create any additional benefits but would delay the regeneration of two vacant sites, defer employment opportunities that would be created during the construction phase, and increase the Council's ongoing holding costs of the properties.

(ii) Sell the Properties to another interested party:

Site investigation and appraisal has demonstrated that the Properties are unviable for development without significant grant funding and would therefore not be attractive to private developers.

Whilst other registered housing providers would be able to secure grant support through the Homes England Affordable Homes Programme, initial market engagement has suggested that an additional capital contribution would be sought from the Council.

Third party ability to develop Property 2 is also restricted by Gentoo's adjacent land ownership which is required to create access to the development site.

These options have been considered and are recommended to be rejected.

Impacts analysed;

Equality ☐ Privacy ☐ Sustainability ☐ Crime and Disorder ☐

Is the Decision consistent with the Council's co-operative values? Yes

Is this a "Key Decision" as defined in the Constitution? No

Is it included in the 28 day Notice of Decisions? No

CABINET – 9 FEBRUARY 2021

DISPOSAL OF TWO POTENTIAL DEVELOPMENT SITES AT EMSWORTH ROAD, SUNDERLAND

Report of the Executive Director of City Development

1. Purpose of the Report

- 1.1 To seek approval to dispose of the freehold interest in the former Carley Hill School site (Property 1) and Land Adjacent to Emsworth Road (Property 2) (collectively “the Properties”) for the development of new affordable homes

2. Description of Decision

- 2.1 Cabinet is recommended to:

- i) Approve the disposal of Property 1 (shown edged bold on Plan 1)
- ii) Grant an option to purchase Property 2 (shown edged bold on Plan 2)

to Gentoo Group Limited ‘Gentoo’ at a price which represents best consideration and on terms to be agreed by the Executive Director of City Development in consultation with the Chief Executive, Executive Director of Corporate Services and Leader of the Council.

3. Introduction/Background

- 3.1 The Council owns the freehold of two sites on Emsworth Road in Sunderland.
- 3.2 Property 1 (as indicated on the attached plan) is the site of the former Carley Hill School which was closed in 2004 and Property 2 (as indicated on the attached plan) is an area of open space adjacent to Fullwell Quarry.
- 3.3 Both sites have been identified as being surplus to the Council’s operational requirements and potentially suitable for residential development.
- 3.4 Feasibility appraisals, including intrusive ground investigation work carried out on the sites, has demonstrated that that both sites have significant engineering constraints and adverse ground conditions associated with former land use.
- 3.5 Large volumes of made ground and disturbed strata from quarrying activities dictate a need for extensive remediation works and non-standard foundation construction which will significantly increase construction costs and will make development unviable without significant grant support.
- 3.6 Gentoo currently owns land adjacent to Property 2 which is needed to provide efficient access to Property 2 and maximise development potential.

4. Current Position

- 4.1 Gentoo has embarked on an affordable homes development programme which aims to deliver approximately 900 new affordable homes in the city by 2024. Development will comprise a variety of tenures including affordable rent and shared ownership.
- 4.2 Gentoo has recently obtained planning permission for six affordable housing developments in the city that will deliver the first 170 new affordable homes in its programme.
- 4.3 Gentoo has produced development proposals for both properties that could result in the delivery of up to 225 new affordable homes and has approached the Council with a request to purchase the sites.
- 4.4 The proposed developments will provide high quality affordable new homes, incorporating modern methods of construction and low carbon technology in keeping with the Council's objective to deliver more and better housing.
- 4.5 Gentoo would directly develop, own and manage the schemes as part of its development and affordable homes portfolio in the area and the wider City.
- 4.6 Gentoo is currently preparing to submit planning applications for both developments and the Council is assisting with the identification of potential third-party grant funding sources.
- 4.7 Property 1
 - 4.7.1 Gentoo is confident it can secure grant via the Homes England Affordable Homes Programme to deliver 115 new affordable homes at Property 1 which would allow early acquisition of the site and construction of this scheme.
 - 4.7.2 Provisional terms have been agreed for the disposal of this property subject to Gentoo obtaining a satisfactory planning permission and securing appropriate grant funding.
 - 4.7.3 The extensive abnormal costs associated with the remediation of the site, and delivery of an appropriate engineering solution, result in a negative residual land value. It is therefore proposed that a sale price of £1 would reflect market value which has been confirmed by a third-party valuation.
- 4.8 Property 2
 - 4.8.1 Gentoo has indicated that as a result of the proximity of Property 2 to Property 1, its preference would be to defer the development of 110 affordable homes at Property 2 to reduce the impact on the local community and ensure a staggered supply of new affordable homes in the area.
 - 4.8.2 There is also a requirement to secure additional grant funding support over and above Gentoo's existing Affordable Homes Programme allocation, to overcome the additional abnormal development costs associated with this scheme.

- 4.8.3 Gentoo has therefore requested that the Council enters into an Option Agreement which would allow it to secure an interest in the site but defer completion of the sale until the necessary funds are in place and the development at Property 1 has been significantly progressed.
- 4.8.4 Provisional terms have been agreed for an Option Agreement with a duration of 42 months which allows Gentoo to purchase the land once they have obtained planning permission and secured the grant funding required to make the scheme viable.
- 4.8.5 The extensive abnormal costs associated with the remediation of the site and delivery of an appropriate engineering solution result in a negative residual land value. It is therefore proposed that a sale price of £1 would reflect market value which has been confirmed by a third-party valuation.

5. Reasons for the Decision

- 5.1 The sites are currently surplus to Council requirements and due to the ground conditions associated with the former land use have been assessed as being unviable for development without significant capital investment.
- 5.2 The sale of the sites to Gentoo will enable it to secure third party grant funding to unlock the development of up to 225 new affordable homes without the need for a capital investment by the Council.
- 5.3 As Gentoo currently owns land adjacent to Property 2 which is required for its development, has an established track record of delivering affordable housing schemes and has a significant stock holding in the city, it is best placed to effectively deliver and manage homes on the sites.

6. Alternative Options

- 6.1 The alternative options are: -

- (i) Retain the Properties or dispose later;

The Properties are no longer required for operational purposes and retention would not facilitate the strategic aims of the City Plan to provide more and better housing for Sunderland residents.

Delaying the sale would not create any additional outputs but would delay the regeneration of two vacant sites, defer employment opportunities that would be created during the construction phase, and increase the Council's ongoing holding costs of the properties.

- (ii) Sell the Properties to another interested party;

Site investigation and appraisal has demonstrated that the properties are unviable for development without significant grant funding and would therefore not be attractive to private developers.

Whilst other registered housing providers would be able to secure grant support through the Homes England Affordable Homes Programme, initial market engagement has suggested that an additional capital contribution would be sought from the Council.

Third party ability to develop Property 2 is also restricted by Gentoo's adjacent land ownership which is required to create access to development site.

6.2 These options have been considered and are recommended to be rejected.

7. Impact Analysis

- a) **Equalities** – Potential impacts of the decision have been analysed, concluding that there is no adverse impact on any specific group and the public sector equality duty (PSED) has been complied with.
- b) **Privacy Impact Assessment (PIA)** – PIA has been considered and concluded that the decision has no impact on privacy
- c) **Sustainability** - The development will conform to all the statutory requirements in terms of sustainability for new homes

8. Other Relevant Considerations / Consultations

8.1 Financial Implications

- 8.1.1 There are no direct financial implications arising from the report. The disposals will however remove any holding costs that the Council has in relation to the Properties.

8.2 Legal Implications

- 8.2.1 The general power granted to local authorities to dispose of land is contained in Section 123 of the Local Government Act 1972. This provision provides that a local authority shall not dispose of land unless the disposal is by way of lease for seven years or for a consideration less than the best that can be reasonably obtained.
- 8.2.2 Both internal and third-party valuations have been undertaken which confirms that a price which is the best reasonably obtainable is being achieved for the disposal of the land in accordance with Section 123 of the Local Government Act 1972
- 8.2.3 Both sites are open space and accordingly the intended disposals will be advertised and any objections to disposal considered, also in accordance with the requirements of Section 123 of the Local Government Act 1972.

8.3 Property Implications

- 8.3.1 The disposal of the sites or surplus to operation requirements and are currently a maintenance liability

9. Background Papers

None