

Decision Maker: **Executive**

**For Pre-Decision Scrutiny by the Renewal and Recreation PDS
Committee on:**

Date: **20th September 2016**

Decision Type: Non-Urgent Executive Non-Key

Title: **CHIPPERFIELD ROAD ST PAUL'S CRAY – DEVELOPMENT PROPOSALS**

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Chief Officer: Colin Brand, Assistant Director of Leisure and Culture

Ward: Cray Valley West

1. REASON FOR REPORT

This report advises Members of options for the future development of land to the east and west of Chipperfield Road, St Paul's Cray, to provide circa 65 residential units which would release funds for:

1. A new Linear Park.
2. A new Gymnastics Facility.
3. A new Library and Community Resource Centre

2. RECOMMENDATIONS

2.1 Members of the Renewal and Recreation Policy Development and Scrutiny Committee are requested to consider the contents of this report and to advise the Executive of their views and

2.2 The Executive is recommended to agree:

2.2.1 That Officers instruct Cushman and Wakefield to ascertain an optimal residential Scheme, as detailed in 3.32, which will include an element of social housing and subject to the agreement of the Portfolio Holder, to prepare and submit an Outline Planning Application.

- 2.2.2 That Officers instruct Cushman & Wakefield to market the scheme in accordance with the Programme detailed at 3.34 and to report to the Executive as the outcome of the selection of a development partner.**
- 2.2.3 Agree that the £105k be funded from capital receipts and that the scheme be added to the capital programme**

Corporate Policy

1. Policy Status: Existing Policy:
 2. BBB Priority: Quality Environment: Excellent Council
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Financial

1. Cost of proposal: £105k
 2. Ongoing costs: N/A
 3. Budget head/performance centre: Capital programme
 4. Total current budget for this head: N/A
 5. Source of funding: Capital Receipts
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Staff

1. Number of staff (current and additional): N/A
 2. If from existing staff resources, number of staff hours: N/A
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Legal

1. Legal Requirement: S123 of the 1972 Local Government Act
 2. Call-in: Applicable:
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected):

Current usage:

Bromley Valley Gymnastics Centre	715per week.
St Pauls Cray Library	35,992 visits p.a.
Cotmandene Community Resource Centre	19,989 visits p.a.

Ward Councillor Views

1. Have Ward Councillors been asked for comments? Yes
2. Summary of Ward Councillors comments: As detailed within the report.

COMMENTARY

Site Description

- 3.1 The Council owns the areas of land adjoining Chipperfield Road in St Paul's Cray. The area to the west of Chipperfield Road was retained following the closure of Walsingham School in 1990, when the school's playing field was sold for residential development. As part of the residential scheme a 3.5 acre linear park was provided, the ownership and management of which was retained by the Council. The Council also retained the school's gymnasium and halls, with two floors of accommodation above. The halls and gymnasium were let to the Bromley Valley Gym Club (BVGC) on a 28 year lease from November 1991. This enabled the amalgamation of a number of local gymnastics clubs to form a club that was able to provide a higher level of training to encourage elite gymnasts and to offer access to the wider community. The BVGC adjoins the St Paul's Cray library. To the east of Chipperfield Road, the Council owns the public car park. This operates as a free car park, but is considered to be under-used. It is also the location for a bank of recycling containers. Attached at Appendix 1 is an aerial photograph/site plan of the location
- 3.2 The Council is responsible for external and structural repairs to the gymnastics centre. Part of the building is two storey and the upper floors are now vacant and no other Council use has been identified for the accommodation. The building requires considerable maintenance and does not provide ideal facilities for a gymnastics club. The options open to the Council in respect of the gymnastics facility have, therefore, been considered.

The Opportunity

- 3.3 The Council owns the freehold of the site. The Council are considering to re-develop the site to deliver a new residential development and an enhanced Gymnasium, Library and Community facilities, maximising the sites uses and potential.

Feasibility Studies

- 3.4 In 2014 TP Bennett was instructed to examine the feasibility of providing a new home for the Bromley Valley Gymnastics Centre, St Paul Cray Library and Cotmandene Community Resource Centre as well as enabling residential development.
- 3.5 A number of scheme options were considered focussing on flat led developments with a small proportion of housing. From that report, Option 1B was identified as being viable at around 201 – 213 residential units, with the re-provision of the Gymnasium and community facilities and a reconfigured landscape park. The scheme was considered viable on the basis that it could be justified that it would deliver nil affordable housing.
- 3.6 The Council has promoted the site to the draft Local Plan. A number of objections were received around scale and density of development, loss of open space and car parking and impact on community facilities.
- 3.7 TP Bennett received a further instruction in January 2016, to revisit the preferred option 1B with a view to refine the scheme and intensify the use to maximise potential returns to the Council, provide the existing facilities and maximise housing supply to meet housing needs. This led to a revised report issued in April 2016.

3.8 In the revised report TP Bennett has considered a further 3 options:

Expanded Option 1 – 272 units

Expanded Option 2 – 308 units

Expanded Option 3 – 272 units with a reconfigured layout.

3.9 Expanded Option 3 was selected as the preferred Option. It was considered that the reconfiguration of the layout provided an ‘improved urban design solution’ and the separation of the Gym and community facilities into a standalone building provided a more cost effective solution.

Expanded Option 3 provides a total of 272 units as follows:

41 x 1 bed flats

197 x 2 bed flats

17 x 3 bed houses

17 x 4 bed houses

3.10 Heights within the design proposal vary according to topography, with 2 storey housing, 3, 4 and 5 storey blocks of flats and an 8 storey mid-rise tower.

3.11 TP Bennett also appointed a firm of cost consultants, Synergy, who provided a detailed cost plan for the construction of the scheme. BNP Paribas has then undertaken an appraisal to ascertain the feasibility of the development scenario.

3.12 The TP Bennett report concluded that:

a 100% private residential scheme would provide a replacement BVGC together with a capital receipt of approximately £1.66m to the Council, but would not be policy compliant in relation to the provision of affordable housing.

If affordable housing were provided in line with Local Plan policy (35%) the expanded scheme option could not viably provide a replacement BVGC; if affordable housing tenure were only shared ownership, then developer profit of £10.1m would still be offset by a negative land value of £4.7m

It is likely that the Council would need to accept affordable housing provision which falls short of the policy requirement

The expanded scheme would exceed the London Plan Housing Density guideline and would therefore need to be fully justified in terms of design, transport impacts, policy-compliance in relation to affordable housing and the re-provision of community uses”.

3.13 The appraisal of the scheme with a policy compliant level of affordable housing and the cost of the re-provision of the Gym and Community facilities produces a negative residual of some - £11.9m.

Comments on TP Bennett Proposals

3.14 Cushman & Wakefield, as the Council’s preferred partner for Property advice as per the TFM Amey Contract, have reviewed the TP Bennett work. The TP Bennett proposals focus on the

predominant delivery of flats, probably as a result of the instructions to *'intensify the use to maximise potential returns to the Council, provide the existing facilities and maximise housing supply'*. However the local area predominantly offers family housing accommodation.

- 3.15 The site is not situated in a town centre location. Large scale flatted development is more traditionally provided within more central areas with better transport links. It is questionable whether there would be the appetite and demand in the market for the units created in this development scenario (predominantly 2 bedroom flats) and/or whether developers would consider the scheme to be 'market facing' such that they would be confident to deliver. Concerns over the mix of units were also raised in the response to the pre-application discussions by the planners.
- 3.16 Cushman & Wakefield believe that the location could be better characterised as being a family housing location, possibly with a smaller proportion of flatted development to cater for a broader market audience, as well as meeting housing needs for the affordable housing element.

Summary of Cushman and Wakefield review of the TP Bennett Scheme

- 3.17 The height of the proposed blocks is also a concern. Development of 4/5 storey and above can lead to framed forms of construction which have a higher proportional cost of construction.
- 3.18 The value parameters in the area are such that the viability of flatted development, as opposed to housing, starts to become more marginal.
- 3.19 Where height is added it adds further pressure to the cost /value dynamic and means that development of flats becomes even more marginal. With values in the region of £425 per sq ft and construction costs circa £234 per sq ft (in accordance with the Synergy cost plan), the construction costs of the residential alone represent more than 50% of the scheme GDV. This puts pressure on the viability of the scheme once other costs are factored in (fees, finance, Section 106 etc) and diminishes the ability to return a profit to the developer and a land price to the landowner. It should also be noted that this analysis is before the cost of the re-provision of the existing community facilities is taken in to account as well.
- 3.20 These comments are aligned to some of the objections raised to the allocation within the draft Local Plan. The comments also accord with a number of the concerns raised in the response to the pre-application meeting, dated 20 June 2016 which have also been raised by Ward Members. Concern over scale and density were highlighted as well as mix. An increase in the delivery of housing on site (as opposed to flats) therefore might assist to both address a number of concerns raised above, but might also help to de-risk the planning as well, and could deliver a better financial return given the better balance between cost and value per unit.
- 3.21 It appears that the residential within the development scenario itself, with a policy compliant level of affordable housing, is unviable. The cost of delivering flats on the site (particularly with the additional height) is simply too great, against the values, to generate a positive return, once allowing for the cross subsidy that would be needed by the affordable housing.

Cushman & Wakefield Scheme

- 3.22 Having established that the residential within the development scenario itself is unviable and considering this against the concern that the area could be more readily characterised as providing family housing; Cushman and Wakefield have undertaken a high level review of a housing led scheme to ascertain whether the viability improves.

- 3.23 When considering the housing led scheme, it has been assumed that re-provision of the existing facilities would continue to be in a standalone block on the land to the east of Chipperfield Road. On the land to the west of Chipperfield Road the re-provision of the linear park, as set out in the TP Bennet proposal, together with the mature trees on the site boundary to Scadbury Gardens and Athelstan Way would remain. In preserving these areas a net developable area of circa 3.9 acres remains.
- 3.24 This suggests a development in the order of 65 units. Assuming an average size of 1,100 to represent a mix of 2, 3 and 4 bedroom houses this would indicate a scheme of circa 71,500 sq ft.
- 65% Private – 46,475 sq ft – 42 units
35% affordable – 25025 sq ft – 23 units.
- 3.25 An appraisal of this base residential scheme again adopting a revenue of £425 per sq ft for the private and £175 per sq ft for the affordable. Assumed build costs at £150 per sq ft with an additional 5% contingency and 10% professional fees. Allowances for Mayoral CIL and £5,000 per unit Section 106 have been made.
- 3.26 The appraisal of this high level scheme produces a residual of £5.1m.
- 3.27 This compares against the negative residual for the residential element in the Expanded Option 3 scenario of -£3.8m. It therefore appears that a lower density housing led proposal could provide a scheme with an improved underlying financial viability against which to consider the re-provision of the existing facilities and a return to the Council.
- 3.28 Adding in the cost of the re-provision of the Gym, Library and Community Centre (£5.8m) the residual decreases to -£700,000. Whilst this is still a negative residual, it is a much smaller negative than the -£9 to -£11.9m, of the TP Bennet Option. Given the small negative residual, it would only require a relatively small decrease in the quantum of affordable housing or adjustment to the mix of tenures to become viable (land residual greater than nil).
- 3.29 If one were to deliver the scheme as 100% private residential, then based on the high level assumptions and appraisals set out above, the scheme could deliver the re-provision of the existing facilities and a financial receipt to the Council of c £3.79m.
- 3.30 The Bromley Gymnastics Centre Site offers a unique and attractive development proposition in a location that will appeal to developers in the current market.
- 3.31 The development proposals prepared by TP Bennett to date articulate a significant development option, focussed on flats, seeking to maximise housing supply and intensify the development on site, in accordance with their instructions. However, Cushman & Wakefield consider that there may be an alternative route that might better match market demand and address some of the concerns and objections raised to the allocation in the draft Local Plan and in the Pre-Application response.
- 3.32 This should help to de-risk the planning further, provide clearer guidance to the developer market, but most importantly, optimise the returns to the Council both in terms of the re-provision of the community facilities and also the residual financial receipt.

Cushman & Wakefield Fee Proposal

- 3.31 It therefore appears that a lower density housing led proposal could provide a scheme with an improved underlying financial viability against which to consider the re-provision of the existing

facilities and a return to the Council, however it is likely that the Council would need to accept affordable housing provision which falls short of the policy requirement and in order to assess this further work to the development potential and viability of the scheme needs to be undertaken together with the preparation of an Outline Planning Consent to assist the marketing and selection of a development partner.

3.32 Clarification of development potential and viability - £45k

To include:

- A revised masterplan concept as a proving exercise to optimise development potential
- Viability review of revised development solutions to shape and optimise development potential and returns and to ensure the ability to deliver the new Gymnasium and community facilities
- Setting a development/planning brief to articulate the development potential of the site and then submitting an application to obtain an Outline Planning Consent prior to marketing.

3.33 Marketing - £60k

Assumes:

- Open market, Restricted OJEU or DPP disposal process. Should it be necessary to seek specialist procurement advice this will be charged in addition to the above fee.
- Not necessary to follow a Competitive Dialogue process
- C&W to be appointed on a Sole Agency basis with Sole Selling Rights.
- Cost of additional technical studies and/or marketing not included in the above. Such further costs would be agreed with the Council prior to being incurred.
- Fees to be payable 50% on exchange and 50% on completion

3.34 Programme

Task	Target Dates
Clarification of site development Potential and Planning	October 2016 – January 2017
Submit Outline Planning Application	January 2017 – March 2017
Agree Marketing Strategy	January 2107
Preparation of Marketing Details	February 2017 – March 2017
Commence Marketing (OJEU)	April 2017
Receipt of Tenders (subject to procurement route followed)	June 2017
Clarification and Analysis of Tenders Report and recommendation of Preferred Developer	July/August 2017
Agree Heads of Terms with Preferred Developer	September 2017
Exchange of Contracts	October 2017
Completion	November 2017
	Subject to the terms of the selected tender, estimate 9 months to achieve full planning Summer/Autumn 2018

4. POLICY IMPLICATIONS

4.1 The Council's aims include being an authority which manages its assets well.

5. FINANCIAL IMPLICATIONS

5.1 A housing led proposal would provide a scheme with financial viability against which to consider the re-provision of the existing facilities and to potentially provide a return to the Council however the details need to be ascertained along with the need to identify the appropriate social housing provision.

5.2 New housing will attract additional Council Tax income and New Homes bonus payments however further details would be required in order to calculate what the actual financial impact would be.

5.3 Approval is sought to meet the estimated cost of the clarification and marketing of £105k from capital receipts and to add the scheme to the capital programme.

6. LEGAL IMPLICATIONS

6.1 Section 123 of the 1974 Local Government Act requires a local authority to secure the best consideration reasonably obtainable when disposing of land (other than on a lease of 7 years or less) unless it has the benefit of an express or general consent of the Secretary of State. Marketing of the development opportunity would ensure compliance with this requirement.

6.2 If Members decide that they wish to procure the development of a new community hub on part of the site it will be necessary to comply with EU procurement regulations.

7. PERSONNEL IMPLICATIONS

7.1 None

8. IMPACT ON CHILDREN & YOUNG PEOPLE

8.1 It is considered that there would be a Net Positive impact as the new provision of facilities which would incorporate the library, resources centre and gymnasium would be improved and enable further access to this group.

Non-Applicable Sections:	
Background Documents: (Access via Contact Officer)	