

Report to	Council Housebuilding Cabinet Committee
Date	14th January 2014

Subject	Development Proposals for Package Two
Author	Andy Gatrell, Georg Herrmann – East Thames Group

1.0	Executive Summary
1.1	<p>This report outlines the continuation of the Epping Forest Council Housebuilding Programme. Package 2 will consist of one scheme, the Burton Road scheme in Debden, which will deliver 25 units.</p> <p>The site is located within the town centre of Debden, 100 meters north of the train station. There are currently 43 garages on the site, and a long strip of green amenity space. More than 60 % of the garages are not in use.</p> <p>The merit of the proposal is to convert poorly used Local Authority land and assets to residential use and thus successfully improve pockets of land in the ownership of Epping Forest District Council (EFDC) and provide additional affordable housing to meet demand.</p> <p>Package Two achieves a loan repayment in Year 30. A subsidy of £1,025,000 is required to achieve this target.</p> <p>Rents are based on the Council's Affordable Rents Policy. A Rent Cap has been applied of £180 per week for all the 3 bed houses. Rents for one bed flats of £119.58 and for two bed flats of £165.58 are based on market rents of £650 and £900 per month respectively.</p>
2.0	Scheme Description
2.1	<p>The site in Burton Road consists of a long strip of land which is situated between housing to the rear and an access road directly in front which is a service road for a car park and storage facilities for the shops in Debden High Street. The site comprises 43 garages with hard-standing on its eastern side and a grassed area with trees on its western side. A footpath leads through the middle of the site (north to south) to Torrington Drive, a residential road to the rear. The eastern boundary is formed by the rear of a terrace of two storey houses with gardens. The site area is 0.43 hectares. The site was used as a Council depot for its Direct Labour Organisation since the 1970ies, and has been secured with a metal fence.</p>

2.2 The scheme will deliver 25 units, in detail, two small three storey blocks with 6 no one bed and 3 no two bed units each, and a small terrace of 7 no three bed houses.

The feasibility report in appendix 2 describes the proposal in greater detail with photographs of the current sites.

2.3 **Current Use**

There are currently 43 garages on this site and no additional informal parking at the front as this would restrict access to the garages. 24 garages are located in the fenced-off area of the former Council Depot and therefore cannot be used. 19 garages are remaining on the site out of which 2 garages are currently void. In total, 26 out of 43 garages are not in use which results in a void rate of 60.5%.

2.4 **Costs**

Total Scheme Costs for Package 2 is £4,108,287, comprising works costs for Package 2 of £3,584,838

The cost advice from Pellings LLP includes allowances for demolition, asbestos removal, abnormal costs, contractor's design fees and a 5% contingency. A build cost rate of £1,350 per m² for flats and 1,250 per m² for houses, excluding the aforementioned, is considered to be robust and appropriate, compared to projects of similar size and scope let within the last 12 months.

A detailed cost breakdown and copies of the financial appraisal modelling are to be found in the appendices.

2.5 **Design**

The schemes will be designed following local planning guidance and the Essex vernacular architectural tradition. They will use a mix of masonry and timber materials and blend well into and enrich the existing urban environment. The design brief includes sustainability criteria, and Code for Sustainable Homes Level 3 will be reached on all schemes.

Pellings have provided a feasibility report for this site which demonstrate the development potential outlined above. See appendix 2 for the report.

Once approval has been given, the detailed design will be progressed and planning applications will be prepared, in consultation with EFDC.

2.6 **Procurement**

It is proposed that the East Thames' EU-compliant contractors framework will be utilised for procuring a contractor to carry out these works. This report requests that authority shall be delegated to the Director of Housing to approve the use of the appropriate form of build contract.

3.0 **Scheme Status**

3.1 What stage is the scheme at? Feasibility stage

3.2 Planning Status? Following approval, detailed design will be undertaken

		with the target of submitting planning applications for Package 2 in 12 weeks' time.
3.3	Have the Build Costs been market tested?	Following granting of planning permission, package 2 will move onto the procurement stage.

4.0	Strategic Fit
4.1	<p>The scheme complies with the EFDC Draft Development Strategy, particularly as this will provide a large number of affordable family units.</p> <p>The land is owned by EFDC, and new housing for 83 residents on the Council's Housing Register will be provided.</p> <p>Rents are based on the Council's Affordable Rents Policy, and it has been necessary to apply the use of the proposed Rent Cap within the draft policy of £180 per week for all the 3 bed houses.</p>
4.2	The Council's Corporate Plan 2011-2015 sets out the aims and priorities of the Council for the four year period and addresses the challenges that the district faces. It's stated aim is "Making our district a great place to live, work, study and do business". This scheme shall contribute to this aim.

5.0	Design & Sustainability
5.1	All units will meet the Essex Housing Design Guide and will be built to Code for Sustainable Homes Level 3. It is our intention to deliver a scheme with 30% of family housing across all tenures and 10% wheelchair units. The numbers of units to be dual aspect will be maximised.

6.0	Mix of Units																																			
6.1	<p>The sites disaggregate as follows:-</p> <p>Burton Road, Debden</p> <table border="1"> <thead> <tr> <th>Beds</th> <th>Persons</th> <th>Tenure</th> <th>Size sqm</th> <th>Rent p/w</th> <th>Service costs p/w</th> <th>Nr. Units</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>2</td> <td>Affordable Rent</td> <td>50</td> <td>£119.58</td> <td>Incl</td> <td>12</td> </tr> <tr> <td>2</td> <td>4</td> <td>Affordable Rent</td> <td>70</td> <td>£165.58</td> <td>Incl</td> <td>6</td> </tr> <tr> <td>3</td> <td>5</td> <td>Affordable Rent</td> <td>93</td> <td>£180</td> <td>Incl</td> <td>7</td> </tr> <tr> <td colspan="6"><u>TOTAL AFFORDABLE UNITS</u></td> <td>25</td> </tr> </tbody> </table>	Beds	Persons	Tenure	Size sqm	Rent p/w	Service costs p/w	Nr. Units	1	2	Affordable Rent	50	£119.58	Incl	12	2	4	Affordable Rent	70	£165.58	Incl	6	3	5	Affordable Rent	93	£180	Incl	7	<u>TOTAL AFFORDABLE UNITS</u>						25
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7.0	Financial Information – Consolidated Package 2
7.1	<p>Summary:-</p> <p>Package 2 achieves the financial target of loan repayment in Year 30 with a subsidy of £1,025,00. Total Scheme Costs are £4.1 million, of which the Total Build Cost budget is £3.6 million.</p>

The Burton Road scheme provides a positive Net Present Value (NPV) of £1,200,439 over the appraisal period of 30 years.

7.2	Financial Measure	Value
7.3	Loan Repayment	In Year 30
7.4	Internal Rate of Return	5.32 %
7.5	Net Present Value	1,217,619
7.6	Total Scheme Cost	£4,108,287
7.7	Acquisition	£0
7.8	Works Cost	£3,584,838
7.9	Total on costs	£523,449
7.10	Total Loan Requirement	£3,083,287
7.11	First year surplus	£25,257
7.12	Subsidy	£1,025,000

8.0 Key Risks

8.1 Revenue Risks: The rents assumed in the financial appraisal prove to be too high.

Mitigation: EFDC approved the rent assumptions and the rents are within the Council's rent setting policy.

8.2 Capital Risks: Ground conditions and site surveys may identify additional un-budgeted costs. Tender returns may be higher than estimated.

Mitigation: If site surveys identify substantive costs additional approval may be required or the scheme may be discontinued or redesigned to reduce build budget.

Additionally a 5% contingency has been allowed for within the build cost estimate to hedge against this risk.

8.3 Reputational Risks: Delays to programme and change of use issues in respect of car parking may result in adverse publicity.

Mitigation: Consultation with local residents and EFDC. If Package Two is delayed we are able to substitute sites. The Council's off site parking programme will be very welcome in the communities affected and thus help our programme.

8.4 Quality Risks: Build quality does not meet specified standards.

Mitigation: We will monitor robustly the build process with our qualified staff and consultants. The use of East Thames' Employer's Requirements will ensure that schemes are delivered to high standards.

8.5	<p>Legal: Rights of Ways and Easements may be identified in the course of the due diligence process.</p> <p>Mitigation: East Thames and EFDC have formulated a robust due diligence process, and this process will be followed on each and every scheme.</p>
8.6	<p>Procurement: Going out to OJEU to procure Package 2 will lead to delays and additional costs.</p> <p>Mitigation: Use of the OJEU compliant East Thames Framework</p>

Recommendation	The Council Housebuilding Cabinet Committee is being asked to:
Details	<p>Approve, subject to the satisfactory completion of the due diligence process :-</p> <ul style="list-style-type: none"> • The scheme proposal presented herein (including the financial appraisal) to develop up to 25 units; • The submission of planning application for the Burton road scheme; • A total scheme budget of £4,1 million for Package 2 and the • Use of the East Thames Contractors Framework to procure building contractors for this project.

<p><u>Appendices</u></p> <p>1, Financial result</p> <p>2, Feasibility report</p>
