

LONDON BOROUGH OF CAMDEN	WARDS: Frognal & Fitzjohns
REPORT TITLE Redevelopment of 31 Daleham Gardens NW3 5BU (SC/2020/89)	
REPORT OF Cabinet Member for Investing in Communities and an Inclusive Economy	
FOR SUBMISSION TO Housing Scrutiny Committee Cabinet	DATE 15 th September 2020 16 th September 2020
STRATEGIC CONTEXT <p>Camden 2025 is our communities' vision for Camden. The redevelopment of 31 Daleham Gardens would provide well-designed homes including genuinely affordable new housing supporting the Camden 2025 principle that 'nobody gets left behind'. The new development would be highly environmentally sustainable creating a 'clean, vibrant and sustainable place'. The new homes would be for local people allowing them to live near their work, school and network and live 'healthy, independent lives'. Community-led housing strengthens local connections and supports 'safe, strong and open communities'.</p> <p>Our Camden Plan is the council's response to Camden 2025. The redevelopment of 31 Daleham Gardens would create new homes which will be accessible and flexible to meet a range local people's needs, from young families to older people. As such, it specifically supports the Camden 2025 ambition that 'we will focus on building communities that are mixed, with well-designed homes and infrastructure that encourage integration, cohesion and active lifestyles'.</p> <p>The redevelopment of Daleham Gardens could be delivered by a community-led housing developer, and as such, would specifically support the Camden 2025 ambition to 'work with citizens and partners to build on the strengths of local people and grow the capability of communities to achieve their ambitions'.</p>	
SUMMARY OF REPORT <p>This report outlines a regeneration strategy for the site at 31 Daleham Gardens, which contains a vacant building that requires demolition following significant fire damage in 2017.</p> <p>This is a follow-up cabinet report to a previous decision made in September 2018. The project plan in this report outlines options for the site, delivering approximately 14 new homes, high levels of affordable housing and significant social value through consideration of Option 2 - disposal to a local Community Land Trust (CLT).</p>	

The report also seeks Cabinet approval to exercise compulsory purchase powers required for possession of one remaining leasehold interest following extensive negotiations.

Local Government Act 1972 – Access to Information

The following document(s) has been used in the preparation of this report:
No documents that require listing were used in the preparation of this report.

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RECOMMENDATIONS

The Housing Scrutiny Committee is recommended to consider the report and make any recommendations to Cabinet

It is recommended that Cabinet having due regard to the needs set out in section 149 of the Equality Act 2010:

1. Agrees the Project Plan for the regeneration of 31 Daleham Gardens set out in Section 2 of this report.
2. Delegates authority (subject to compliance with all statutory requirements) to the Executive Director Supporting Communities in consultation with the Cabinet Member for Investing in Communities, the Cabinet Member for Finance and Transformation, and the Cabinet Member for Better Homes with the Executive Director Corporate Services and the Borough Solicitor to carry out all actions reasonably required to implement the Project Plan for the regeneration of 31 Daleham Gardens set out in Section 2 of this report.
Actions to include:
 - Seeking a CPO to purchase the remaining leasehold interest, if an agreement to acquire voluntarily cannot not be reached;
 - Demolition of the existing building on site on the grounds of health and safety;
 - Redevelopment of 31 Daleham Gardens subject to approval by Non-Key Executive Decision of a detailed business case and delivery strategy

Signed: The final report must be signed by an Exec Director or Director

Date:

1. CONTEXT AND BACKGROUND.

- 1.1. This report considers options for the redevelopment of the 700m² Council-owned, housing site at 31 Daleham Gardens, NW3 5BU which is part of the Housing Revenue Account (HRA). In November 2017, a fire caused significant damage to the building, which has been uninhabitable since. Tragically, one person lost their life. The building contained 13 small bedsit homes of which three were rented to council tenants, eight were owned by leaseholders and two were void. The void properties were small rooms and were not suitable for letting due to their size and layout.
- 1.2. The building is now structurally unsound and must be demolished.
- 1.3. The purpose of the report is to agree next steps for this site. The Council's objectives are to bring the site back into use to help meet local housing need and maximise the number of genuinely affordable homes. Any new development should seek to recover costs incurred to the Council to date, have no loss of social rented floor space and deliver a significant increase in overall affordable housing.
- 1.4. In September 2017 Cabinet confirmed the Council's preference is to allow direct Council delivery of new projects, but that the Council would take a flexible approach and would consider the option of sharing risk or accessing specialist expertise on a scheme-by-scheme basis.
- 1.5. A locally-based community-led developer, such as a Community Land Trust (CLT), with a strong local knowledge and community roots, non-profit status and focus on high quality affordable homes could be well-placed to deliver significant affordable housing on this site with high levels of social and community value, while providing a return to the Council to offset borrowing incurred.
- 1.6. The redevelopment approach suggested in section two recognises the sensitive nature of this site given the history of the fire. Community-led housing is an emerging delivery model with the potential to address local concerns about development while offering opportunities for genuine participation in the house-building process.
- 1.7. Disposing of 31 Daleham Gardens to a CLT would enable the authority to test this emerging housing delivery model on a smaller site.

2. PROPOSAL AND REASONS

Project Plan for the Regeneration of 31 Daleham Gardens

- 2.1. The following describes the Council's Project Plan to deliver the regeneration of 31 Daleham Gardens;

Demolition

- 2.2. The building has been found to be structurally unsound and any reinstatement or redevelopment would require demolition, therefore Cabinet approval is sought to demolish in the public interest because of the risk to health and safety. A planning application for demolition has been lodged and

was registered by the Planning Authority on 27th May 2020, and the application will go to planning committee for decision in due course.

- 2.3. Retrofitting and refurbishment cannot be achieved because of the extensive fire damage however, in line with London Plan requirements, demolition waste will largely be diverted from landfill through reuse, recycle and recovery of materials.
- 2.4. Reinstating the building like-for-like would not achieve any of the benefits such as increased affordable housing, better size and quality of accommodation and improved environmental performance which would be achieved through a newly designed building built to meet or exceed current regulations, so redevelopment is recommended.

Compulsary Purchase Order (CPO)

- 2.5. In order to redevelop the site, the outstanding leasehold interest must be acquired so that Vacant Possession is secured, and the existing building must be demolished to allow a new building to be built in its place.
- 2.6. In September 2018, a Cabinet decision was made to buy back units from the leaseholders, in order to achieve Vacant Possession. Agreement has been reached with seven leaseholders and there remains one outstanding who has refused a number of offers made to date. Negotiations are ongoing, however, if an agreement cannot be reached that is reasonable with regards to the value of the original property and the situation, then a CPO will be required as a remedy of last resort, to enable redevelopment of the site and halt ongoing costs being incurred to the Council.

Costs incurred to date

- 2.7. The Council expects to incur net costs of around £2.8M to buy back leasehold interests, cover professional fees and pay for the building demolition. Costs are being incurred on an ongoing basis to pay for the scaffolding and security costs at the site, and to cover rental payments for the outstanding leaseholder. The proposals in this report seek to offset the costs already incurred as well as delivering new homes.

Redevelopment

- 2.8. The Council's objective is to enable the sensitive redevelopment of the site, delivering high levels affordable housing as well as significant social and community value. This is particularly important in this area of the borough, since NW3 has lower numbers of genuinely affordable homes and limited opportunities to provide new affordable housing. Section 3 sets out several different options for delivery, with the preferred option of disposal and redevelopment of the site by a CLT being one way of delivering high levels of affordable housing and social value while growing the capability of the community to achieve their ambitions.

Community-Led Housing

- 2.9. Community-led housing is supported at regional level by the Greater London Authority (GLA) with Policy GG4 of the London Plan *Delivering the homes that Londoners need* aims "to create a housing market that works better for all Londoners". The GLA is supporting community-led housing to diversify the

housebuilding sector and make a significant and distinctive contribution to increasing the supply of genuinely affordable housing in London. The GLA has set up the Community Led Housing London advice hub to promote this model of delivery and are supporting both Local Authorities and community organisations with additional funding to support this type of development.

- 2.10. A GLA grant of £284k has been awarded to the Council for the redevelopment of this site, contingent on the disposal of this site to a community-led housing organisation. This would partially offset costs incurred to date. This fund is to encourage small, publicly-owned sites to be brought forward for housing development and invigorate new and emerging sources of supply including community-led housing groups.
- 2.11. CLTs are a legal entity set up and run by local people to develop and/or manage homes. Homes are covenanted to remain affordable for future occupiers. Homes can be for sale or rent and can be developed in partnership with Registered Providers (RP's). CLTs will often reinvest the developer profit surplus into the scheme, delivering more affordable housing and/or higher quality homes compared to a private developer.
- 2.12. CLTs involve residents in addressing housing need, providing a way for local people to achieve their aspirations for an area and bring forward tricky sites that are often not suitable for development via the open market. CLTs can be a helpful way for local authorities to engage with and empower local communities, particularly in areas resistant to new development, and can help sustain local economies through skills development and job creation. Key principles include -
 - there must be meaningful community engagement throughout the development process;
 - the community owns, manages or stewards the homes;
 - the benefits of the scheme to the local area are clearly defined and legally protected in perpetuity (through an asset lock).
- 2.13. CLT developments are often for local people priced out of the housing market and in housing need and can add to the range of affordable housing options in an area, broadening the spectrum available to residents beyond the statutory social and intermediate housing offer. There can be health and wellbeing benefits through community-led development, for instance through reduced loneliness.
- 2.14. Disposing of 31 Daleham Gardens to a CLT would enable the authority to test this emerging housing delivery model on a smaller site while also securing a capital receipt to recoup costs incurred to date. This is considered especially appropriate given the history of the fire.
- 2.15. Further information is required about the design and additional affordable housing that could be delivered through redevelopment of the site in order to make firm recommendations about the preferred redevelopment approach. It is also essential to test the potential for a local CLT to deliver a viable scheme. Therefore, the proposed next steps are to work with the GLA's London Community-led Housing hub to identify local CLT groups of sufficient

organisational capacity with the aim of seeking a community developer who can best meet the council's objectives. Scheme design and financial negotiations would then need to be progressed sufficiently to enable a detailed business case and delivery strategy to be reported for further consideration by the Council.

- 2.16. It is recommended that the decisions to support redevelopment of this site are delegated to the Executive Director, Supporting Communities.
- 2.17. Through this approach the Council will seek to deliver the following minimum benefits:
 - 50% affordable housing;
 - Recovery of costs incurred to date;
 - Council nomination rights in perpetuity on replacement social rent homes;
 - The affordability of the intermediate homes provided to be legally protected in perpetuity so they remain affordable for future generations;
 - High levels of sustainability, so the building is energy efficient, comfortable and fit-for-purpose as set out in the the Climate Action Plan 2020-2025;
- 2.18. In order to progress the terms of sale to a CLT, further due diligence and evaluation would be required to assess:
 - Business case and financial offer including access to funding;
 - Proposed tenure mix and allocations policy;
 - Organisational governance including proposed project team;
 - Housing management approach / Registered Provider partners
- 2.19. On completion of sale, the land would be held by a CLT, which is a legal entity which ensures that benefits to the community (e.g. the affordable housing) are protected in perpetuity.
- 2.20. The final land price and conditions attached to the sale would be professionally assessed to ensure it meets the Council's legal requirements for best consideration in sale of land. A minimum threshold for the amount of affordable housing to be provided would be set in the conditions of the sale, which would be determined by capacity and viability.
- 2.21. The Council will have nomination rights for the Social Rent homes. The allocations policy for other affordable flats will be agreed with the CLT and developed on the basis of a comprehensive Equalities Impact Assessment, and will prioritise local people in housing need.

3. OPTIONS APPRAISAL

- 3.1. This section compares the community-led housing approach to other delivery options. Planning pre-application advice has been sought for a notional redevelopment scheme for 14 new homes on the site based on expected capacity.
- 3.2. Options in the report have been modelled with different levels and tenures of affordable housing as this is the key variable in influencing the likely capital receipt and overall viability. This is shown below. Note that final home

numbers, tenures and viability could vary with design development following a planning process and are included for comparative purposes only.

Options Comparison – Affordable Housing Outputs, Model Scheme

Option	Social Rent	London Affordable Rent	Camden Living	Discount Market Sale	Market Sale	Overall Affordable %
Option 1 – Market Disposal	3	0	0	1	10	29%
Option 2 – CLT Disposal	3	3	0	4	4	71%
Option 3 – Direct Delivery	4	0	3	0	7	50%

3.3. Valuations of the disposal options 1 & 2 were carried out by an independent valuer to test a straight market disposal against disposal to a CLT using a residual valuation methodology. A further assessment was undertaken looking at direct delivery through the CIP.

3.4. Each comparative option tests the main benefits of each approach;

- **Option 1** - Straight Market Disposal aims to maximise the land receipt but does so with the minimum acceptable level of replacement affordable housing;
- **Option 2** - Disposal to a CLT aims to deliver a capital receipt which covers the Council's costs to date while delivering the highest achievable level of affordable housing;
- **Option 3** - Direct Delivery aims to maximise the numbers of genuinely affordable social rented and Camden Living homes while retaining the asset (but requires upfront investment and delivers less affordable housing overall than a CLT);

Open Market Sale

3.5. Unconditioned disposal of the Council-owned site has been considered, as this could be expected to deliver new housing on the site, while minimising risk to the council and generating the maximum capital receipt, over the shortest period of return. It is envisaged that an unfettered open market sale to a private developer would deliver the minimum amount of affordable housing that would be permissible in planning terms. Surplus on the scheme would be drawn out as profit and the Council's control on development quality would be limited to its role as Planning Authority unless conditions were imposed which would then impact price. The Council does not currently have any identified sites within the neighbourhood that could be used to build the additional affordable housing proposed for this site.

Sale to a CLT (preferred option)

3.6. A local non-profit community-led developer, such as a CLT, could deliver the Council's objectives for the redevelopment of this site, maximising levels of

affordable housing, while providing a return to the Council to offset borrowing incurred. The quality of the development, and the amount of affordable housing delivered could be controlled through conditions of the sale governed by clauses in the lease. Following a period of soft market testing, the land could be offered for sale to a community-led housing organisation, under terms requiring high levels of affordable housing, and sold either through direct negotiation with an identified CLT or via a bidding or expression of interest process.

Council Direct Delivery

- 3.7. Direct delivery of this site by the Council has been considered. This option would allow the Council complete control over the development of new housing on the site and retention of the asset (for social rented homes only). However, this approach may require borrowing to forward fund the development and a delay in capital sales receipts received (compared to an upfront capital receipt from disposal), potentially, increasing financing costs and pressure on other council delivery programmes. Through direct delivery, the Council would be exposed to additional construction and sales risk and would not have access to £284k in conditional grant funding secured from the GLA. Direct delivery is likely to be a suitable approach on other infill sites, with early feasibility work underway for the initial phase of a Small Site Programme.
- 3.8. This option appraisal shows benefits of the CLT approach to meet the Camden Plan objectives, subject to confirmation of the assumptions made about the affordable housing offer and capacity of a CLT to deliver an offer that meets best consideration and targets set out paragraph 2.17. above.

4. WHAT ARE THE KEY IMPACTS / RISKS? HOW WILL THEY BE ADDRESSED?

Macro-economic Risk

- 4.1. It is not yet clear how Brexit negotiations, and the global Covid pandemic will impact on project delivery costs and anticipated development return. Early indications are that Brexit may increase delivery costs through impact on material and labour supply and currency exchange rate. Changes to costs or sales values from Brexit or the pandemic may impact the financial offer or achievable affordable housing numbers. This will be evaluated prior to a disposal decision.

Organisational Inexperience

- 4.2. Community-led housing is an innovative delivery model and CLT's are likely to be novice development organisations with no direct experience of housing delivery. The GLA are providing financial support and expertise via the Community-led Housing London hub but delivery under this route will require further support and involvement from Camden officers than would be the case with a straight market disposal. The Council will undertake a comprehensive due diligence exercise prior to agreeing the sale, including identifying any skills gaps in organisational experience.

Development and Planning risk

- 4.3. The scale of development anticipated at 31 Daleham Gardens is small (circa 14 homes), and development risk would be passed on to the CLT as developer. The risk of homes being delayed, or not being delivered, for instance if the CLT collapses, will be mitigated through step-in rights in the lease arrangement. Development will be tied to an agreed programme and should the CLT fall away during the development process, or not meet target milestones for key decisions, the Council would be able to step-in and the site could be developed through one of the other approaches reviewed in this report.

Financial risk

- 4.4. Any delay in receiving the capital receipt for the land, for instance if the CPO takes longer than anticipated, or planning approval is delayed, would result in continuing financing costs to the Council. This risk must be factored in to the negotiations on sale price, so that risk of receipt being lower than costs incurred is minimised.

5. CONSULTATION/ENGAGEMENT

- 5.1. Cabinet members and local councillors were consulted about the proposed demolition on 11th May 2020.
- 5.2. The Cabinet Members for Investing in Communities, for Finance and Transformation, and for Better Homes were consulted about redevelopment proposals on 27th July 2020.
- 5.3. A full Equalities Impact Assessment will be undertaken with the CLT as part of due diligence prior to the sale.

6. LEGAL IMPLICATIONS

- 6.1. Legal comments are incorporated in the report.

7. RESOURCE IMPLICATIONS

- 7.1. The Market Disposal option maximises the gross capital receipt while delivering around 29% affordable housing. Delivery through the CIP capital programme results in 50% affordable housing with the advantage of an improved and retained asset on the Housing Revenue Account balance sheet. However, this option requires upfront investment and increased in-house resources. The preferred option of disposing to a CLT delivers the highest overall level of affordable housing (71%) and a reduced capital receipt (c. £745k less than market disposal). This option also allows the Council to draw on an additional £284k grant to cover demolition costs.
- 7.2. Disposal of the site via option 1 or 2 provides an upfront capital receipt, requires no further investment by the council and transfers most development risk to a third party. The limited development experience and financial capacity of a CLT presents a higher than usual project delivery risk compared to a straight market disposal. Officers will seek to address these risks during further negotiations and before agreeing the terms of the disposal. The Council will retain step-in rights to protect the land asset.

- 7.3. Future progress on this scheme will need to be taken on the basis of the authority's financial position at the time a formal decision is sought, as we continue to manage our budgets in light of the COVID-19 outbreak.
- 7.4. Additional comments of the Director of Finance are included in Part 2 of this report.

8. ENVIRONMENTAL IMPLICATIONS

- 8.1 The existing building at 31 Daleham Gardens and later extensions are old structures, built before current environmental performance regulations. The poor fabric efficiency would have contributed to higher energy use for residents to keep their homes warm. The new building will be built to meet current London Plan and Building Regulations standards for environmental performance as a minimum and will thereby greatly reduce in-use energy demand compared to the existing building.
- 8.2 Due to the substantial structural fire damage, it is not possible to retain and improve the existing building, however in line with London Plan policies construction and demolition waste will be diverted from landfill and reused/ recycled in the new building as far as is practical.
- 8.3 There may be a risk of dust / air pollution during any demolition of the existing building, and this will be mitigated through control on dust and emissions from plant and machinery during the demolition phase in line with the Mayor's 'The Control of Dust and Emissions during Construction and Demolition' Supplementary Planning Guidance.

9. ASSET STRATEGY AND VALUATIONS COMMENTS

- 9.1 The Head of Asset Strategy and Valuations can confirm that should the subject site be offered for sale to a CLT, the price for the subject site would be based on a specialist valuation; the basis for the valuation will be that development on the site will deliver at least 50% affordable housing units and other social/community benefits.
- 9.2 Therefore the sale price for the site would reflect best consideration reasonably obtainable on the valuation basis above.

10. TIMETABLE FOR IMPLEMENTATION

- 10.1. The tables in Appendix 2 set out the next steps for the redevelopment of the site if this report is approved. The first assumes an agreement is reached with the leaseholder through negotiation, and the second shows the timetable should an agreement not be reached and the CPO must be enacted in full.

11. APPENDICES

- Appendix 1- Table of benefits and risks of options considered
Appendix 2 – Timetables for redevelopment
Appendix 3 – Part 2 Report

REPORT ENDS

12. Appendix 1 – Table of benefits and risks of options considered

Options Considered:	Open Market Sale	Council Direct Delivery	Sale to CLT
Benefits	<p>Maximises capital receipt for the Council</p> <p>Quickest financial return on outlay</p> <p>No development/ construction risk to council</p>	<p>More affordable housing than market sale</p> <p>High levels of social + community value</p> <p>Full council control on development quality</p> <p>May be eligible for GLA affordable housing grant</p> <p>Retains asset within HRA</p>	<p>More affordable housing than market sale</p> <p>High levels of social + community value</p> <p>Appropriate for locally sensitive site</p> <p>Council control on development through leasing arrangement</p> <p>Subject to GLA Small Sites grant</p> <p>May be eligible for GLA affordable housing grant</p>
Risks/ Issues	<p>Less affordable housing</p> <p>Lower levels of social and community value</p> <p>No Council control on development quality – except through planning</p>	<p>No upfront capital receipt - May put additional financial pressure on the HRA funded CIP capital programme – some reprioritisation of the capital programmes may be required to offset impacts over the medium term</p> <p>Council exposure to construction and market risk</p>	<p>Reduced land value compared to “straight” market sale</p> <p>More officer time required compared to “straight” market sale</p> <p>Delay in capital receipt for land resulting in continuing financing costs (compared to Open Market sale)</p> <p>Potential financial risk to Council should CLT not be able to deliver the proposed development on budget or on time - risk could be mitigated by step in rights</p>

13. Appendix 2 – Timetables for redevelopment

13.1. The table below sets out indicative timetable for the next steps for the redevelopment of the site if the recommendations in this report are approved. This table assumes an agreement is reached with the leaseholder through negotiation.

Sept- Oct 2020	Continue to negotiate terms and purchase remaining leaseholder interest.
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September 2020	Commence CPO process in parallel - Council drafts the CPO, the CPO plan, schedule of interests and statement of reasons.
Sept-Oct 2020	Seek approval by planning committee for demolition of existing building
Sept 20- Dec 20	Liaise with GLA's London Community-led Housing Hub, negotiate terms of land sale with CLT, including completion of Equalities Impact Assessment
Sept 20- Dec 20	Prepare NKED report to confirm the business case for disposal to a CLT meets council objectives and seek approval to proceed
October 2020	Demolish existing building – on condition of approval
Sept 20- Apr 21	CLT to develop scheme design and submit planning application
Autumn 21	Once planning is secured, land sold to CLT– receipt to council
Spring 24	CLT complete homes and residents move in

13.2. Should an agreement not be reached and the CPO must be enacted in full, the timetable would be approximately as follows (with CPO stages highlighted in grey):

Sept- Oct 2020	Continue to negotiate terms of acquisition of interest with remaining leaseholder
September 2020	Commence CPO process in parallel - Council drafts the CPO, the CPO plan, schedule of interests and statement of reasons.
Sept-Oct 2020	Seek approval by planning committee for demolition of existing building
Sept 20- Dec 20	Liaise with GLA's London Community-led Housing Hub, negotiate terms of land sale with CLT, including completion of Equalities Impact Assessment
Sept 20- Dec 20	Prepare NKED report to confirm the business case for disposal to a CLT meets council objectives and seek approval to proceed
Sept 20- April 21	CLT to develop scheme design and submit planning application
October 2020	Council serves 'requisition for information' notices
October 2020	Demolish existing building – on condition of approval
November 2020	Council makes the CPO and serves notice of it on parties with “qualifying interests”
December 2020	Statutory period for objections
Jan-Oct 2021	Period for inquiry, site visit and inspectors report and Secretary of State decision if objections received to CPO
Autumn 21	Once CPO confirmed and implemented, and planning is secured, land sold to CLT – receipt to council
Spring 24	CLT complete homes and residents move in