



AGENDA ITEM: 14
SUMMARY

Report for:	Cabinet
Date of meeting:	16th September 2014
PART:	1
If Part II, reason:	

Title of report:	Update on Garage Disposal Strategy
Contact:	Cllr Nicholas Tiley, Portfolio Holder for Finance and Resources Mike Evans, Group Manager (Commercial Assets and Property Development)
Purpose of report:	To inform Cabinet of the work undertaken to identify the garage sites that can be taken forward for planning applications and disposal for new housing and in doing provide an investment focus on the remaining garage portfolio with the objective of improved letting rates.
Recommendations:	<ol style="list-style-type: none"> 1. Cabinet approves the disposal of the 97 sites listed in Appendix 1 (Part 2) of this report. 2. Cabinet approves the strategy of procuring a development partner to assist in the delivery of the project. 3. Cabinet approves delegation of project matters to the Corporate Director (Finance and Operations) in consultation with the Portfolio Holder (Finance & Resources); including site disposal phasing strategy, number of development partners, the procurement of specialist consultancy support, such as land agents and legal advisors, fees for project partners and other operational matters 4. Cabinet recommends to Council the approval of a supplementary budget of £100k to fund the project costs associated with the disposal, and for this to be funded from a £100k drawn down from the Dacorum Development reserve.
Corporate objectives:	Regeneration: - Drive value from Council-owned assets

	<p>Safe and Clean Environment:</p> <ul style="list-style-type: none"> - Maintain a clean and safe environment - Protect our green spaces <p>Building Community Capacity:</p> <ul style="list-style-type: none"> - Empower local community action and delivery <p>Dacorum Delivers:</p> <ul style="list-style-type: none"> - Efficiencies - VFM - Performance excellence <p>Reputation and profile delivery</p>
<p>Implications:</p>	<p><u>Financial</u></p> <p>The garages were appropriated from the Housing Revenue Account to the General Fund, with Secretary of State consent, on 1 April 2007. Therefore, all associated income and expenditure is accounted for within the General Fund.</p> <p><u>Value for money</u></p> <p>The Council needs to ensure that a secure income stream is maintained from its garage portfolio. The sale of surplus garage sites will secure capital receipts which can then be used for targeted reinvestment in the more profitable remaining sites.</p> <p><u>Legal</u></p> <p>Due to the nature of the tenancy agreements, vacant possession of the garage sites can be obtained with relatively short notice.</p> <p><u>Procurement</u></p> <p>Given the scope of the work required to bring forward 97/98 sites and the resulting land value, the opportunity must be tendered in line with the Council's Procurement Standing Orders.</p> <p><u>Human Resources</u></p> <p>The development project will be managed by the Council's Group Manager (Commercial Assets and Property Development), with support from EC Harris, a consultancy company with relevant expertise.</p> <p><u>Land</u></p> <p>Subject to planning permission the type of development taking place from the garage portfolio will be residential. This should provide much needed housing and, subject to tenure, produce the optimum land value.</p>

Risk implications:	<p>The appointment of a development partner will increase the ability of securing outline planning consents at an appropriate pace and quality. The partner will also provide and procure the construction and units sale phases.</p> <p>A Risk Assessment has been completed and will be reviewed as the project moves forward. In addition the partner will produce project and site specific risk assessments.</p>
Equalities implications:	The planning application process will ensure all equality implications are considered.
Health and safety implications:	These will be managed during the project delivery phase.
Monitoring Officer/S.151 Officer comments:	<p><u>Monitoring Officer</u> No further comments to add.</p> <p><u>Deputy Section 151 Officer</u></p> <p>At this stage it is anticipated that all of those customers who currently rent a garage in a block earmarked for disposal will be offered an alternative garage in a neighbouring block. This means that the current £2.5m per annum garage income stream is likely to remain materially unaffected by the disposals recommended in this report.</p> <p>Reducing the garage stock whilst relocating affected customers will increase the occupancy rates within those blocks that remain. This will reduce the maintenance burden to the Council arising from blocks with high void levels, as well as enabling future investment to be targeted at those blocks that generate robust rental income.</p> <p>Further costs will be incurred by the Council for support with the marketing, management, and legal work associated with this project. At present costs are anticipated to be less than £100k in total. There is sufficient balance within the Dacorum Development reserve to fund these costs.</p>
Consultees:	<p>Cllr Nicholas Tiley, Portfolio Holder, (Finance and Resources) James Deane, Assistant Director (Finance and Resources) Martin Hone, Corporate Director (Finance and Operations) Andy Vincent, Group Manager (Tenants and Leaseholders)</p>

Introduction

1. The Council owns around 8,000 garages situated within 850 individual blocks throughout the Borough, all of which are either rented or are available to rent.

2. In March 2011, Cabinet approved the creation of an Officer Task Group to evaluate a range of options for the garage stock, and to prepare a strategy for the balanced disposal of specific sites.
3. In October 2011, Cabinet approved the appointment of Tibbalds to take forward planning applications for the sites identified for disposal in the strategy. Although this process resulted in the Council successfully securing five sites for new housing development, working to ensure that the planning applications were successful was time-consuming for the Council. The selection of a development partner, as recommended in this report, should assist in the speedier delivery of the new wave of sites.
4. This report sets out the strategy to select a development partner (or partners) who will take forward the proposed planning, construction and housing sales for the selected sites.

The Site Selection

5. Given the urban locations of the sites, the development of garage blocks is a sensitive issue and has required a robust site selection process undertaken jointly by EC Harris and Council Officers.
6. The following stages formed the site selection process:
 - a) Amalgamation of data from the Council's Assetnet (Estates) and Orchard (Housing) management systems to produce a comprehensive garage portfolio database. This includes data, by garage block, on void levels, demand for garages on the site, levels of anti-social behaviour, and the state of repair.
 - b) This database then formed the basis for evaluating each garage site to establish its potential for redevelopment. Evaluation criteria included the data types listed above, together with the practical development potential of the site, displacement options, and garage rental potential.
 - c) Officers from Housing and Estates worked closely with EC Harris to produce a final list of 97 sites that are suitable for redevelopment, with indicative site boundary plans and identification of additional adjoining sites that could be considered for development in the future.
7. The sites selected are within, or adjacent to, the garage sites listed in Appendix 1 to this report (Part 2).

Next steps

8. Subject to Cabinet approval, the Council will undertake a procurement exercise, supported by EC Harris, to identify a suitable development partner to take forward the planning, development and sales of the sites. The Council will offer the sites with vacant possession and receive a land receipt. The timing of the receipt will be determined through the next stage of the procurement process.
9. The following considerations will inform the procurement exercise:
 - a) In order to secure best consideration from the market, an agent should be appointed to provide commercial advice. The agent will ensure effective

promotion of the opportunity and the early closure of contracts with the preferred partner.

- b) In addition to the agent, it is recommended that consideration be given to the appointment of an external solicitor with expertise in drafting the terms for joint ventures. This investment will mitigate the risks to the long-term between the Council and the winning developer.
- c) It is envisaged that the sites will be developed in tranches, rather than simultaneously. Agents will advise on the most appropriate phasing and mix of the sites. This will guard against, the development partner taking the better sites in the early phases and thereby leaving more difficult sites for the latter stages.
- d) Consideration will be given to whether one or more development partner is selected. This advice is awaited from the agent, but there are pros and cons with either route. It is recommended that, once feedback has been received, the decision to appoint one or more development partners is delegated to the Corporate Director (Finance and Operations) in consultation with the Portfolio Holder (Finance & Resources).
- e) The appointment of the agent and legal advisor, together with the final fees for EC Harris are not yet established. It is recommended the approval of the terms of these contracts is delegated to the Corporate Director (Finance and Operations).

Programme for delivery

10. A detailed programme has been discussed with EC Harris and it is considered that the marketing particulars should be created in 2014 in readiness for marketing in early 2015. There is significant work required to present the opportunities in a way that inspires confidence in the market and optimises the value of the offers submitted.

11. An indicative programme to identify the preferred developer is shown below:

Marketing Period and receipt of offers	-	8 weeks
Initial Assessment by Technical Team	-	1 week
Clarification Period	-	2 weeks
Report to Dacorum BC	-	1 week
Second Round Bids	-	2 weeks
Bid Selection	-	2 weeks
Cabinet and Members Report on Bid Assessment	-	2 weeks
Heads of Terms and Instruct Legal	-	2 weeks
Negotiate Legal Documents	-	16 weeks
Exchange Contracts	-	2 weeks

12. With the marketing commencing in January 2015, it is anticipated that a report will come to Cabinet in mid-2015, identifying the preferred developer and the agreed terms of appointment. Legal documentation will be completed around October 2015.

Conclusion

13. The Council has a number of vacant garages and by careful site selection can accommodate the displaced cars into neighbouring garage blocks. The resultant release of development land creates an opportunity that the housing development market is keen to bid for. In return for making the land available, subject to planning consent, the Council will receive a substantial land receipt over the period of the venture. Details of the bids and terms of the contract with the preferred developer partner will be provided to Cabinet in mid-2015. These receipts can be used to improve the remaining stock with the objective of reducing voids and securing stronger income from the portfolio.