Cabinet Report

Date: 30th March 2015

Lancaster Club, Broadway, Failsworth: Selection of Preferred Developer Partner the for residential development

Portfolio Holders: Councillor J McMahon – Lead Member for Regeneration and City Region Councillor D Hibbert – Lead Member for Housing, Planning and Transport

Report of: Darren Jones, Director of Economic Development

Report Authors:
Claire Nangle – Head of Strategic Regeneration and Development (Ext 4165)
Ben Hill – Principal Regeneration Officer (Ex 5261)

Purpose of Report

To report the outcome of the selection process for a developer partner for Lancaster Club site and recommend the selection of Bellway Homes as the preferred developer.

Executive Summary

This report provides information on the results of the EU compliant selection process for a development partner to develop the Lancaster Club site.

The redevelopment comprises the construction of 142 high quality aspirational new homes for private sale and the conversion of the retained listed Lancaster Cub building to residential use.

The plans include a range of 2 to 4 bedrooms homes with a predominance of 3 and 4 bedroom properties. 108 are detached and all homes will meet the 'Lifetime Homes' standard.

Construction is scheduled to start early 2016.

The land will be sold on a long leasehold basis, so that the council is able to impose a requirement for ground rents from the new homes. It is proposed that ground rents are paid as directed by the council with the intention that a proportion of ground rent receipts are paid to the land at Failsworth Lower Memorial Park (1924) Trust (registered no. 1136597).

Recommendations
It is recommended that Members agree:

1. Bellway Homes Ltd as the preferred bidder for the development of the Lancaster Club Site.

2. That the finalisation of the legal documentation be delegated to the Leader of the Council in consultation with the Director of Economic Development and the Borough Solicitor.

3. The site is sold on a 999 year lease basis.

4. That ground rents are paid as directed by the council and this decision on how these are used be delegated to the Leader of the Council in consultation with the Director of Economic Development and the Borough Solicitor.
Lancaster Club – Selection of Preferred Developer

1. Background

1.1 The Council completed the purchase of the Lancaster Club site from Oldham Lancaster Club Limited in December 2012. Outline Planning Permission was secured by the Council for a residential led mixed-use scheme in August 2012. The proposals included the development of up to 144 residential units, 5,000 ft² commercial/retail space, community and leisure uses to the ground floor of the Grade II listed Lancaster Club, a Soccer Centre and replacement allotment gardens.

1.2 In accordance with Oldham’s Residential Development Framework, approved by Cabinet in December 2013, the site has been identified as suitable for high quality aspirational homes. It was further agreed that the design should encourage Garden Suburb principles and developers should be encouraged to offer opportunities for Custom and Self Build Homes through the provision of serviced plots.

1.3 In order to impose positive development obligations, including higher levels of quality homes and to prevent land banking, the council has procured a developer partner by using European Union procurement legislation procedures.

1.4 As part of the outline planning permission secured on the site the allotment gardens and football pitches were required to be re-located off site and a Goals Soccer Centre constructed on the former allotment site. Work is already underway to relocate the allotment site and this is due for completion in April 2015. Appendix 1 shows the location of the Goals! Soccer Centre and Appendix 3 shows the detailed layout.

1.5 The Goals! Soccer Centre reserve matters planning application relating to the appearance, landscaping, layout, and scale of the new soccer centre approved in February 2014 has an expected start date of June 2015. All offers received from the residential developers include costs for the provision of 100 parking spaces, within the disposal site, for the Goals! Soccer Centre. The re-location of the existing football pitches to their new site in Limehurst is due to commence in July 2015 and be completed by autumn 2015.

2. Current position

2.1 The Pre-Qualification Questionnaire (PQQ) was published in August 2014. In addition to placing the advertisement in the European Journal, the opportunity was advertised in the Estates Gazette and companies registered on The Chest were also notified. A ring-round of companies was also undertaken.

2.2 The PQQ stage provides information on what the developer has done previously and shortlisting is based upon scoring that record, including specific questions around evidence of delivering similar schemes, capacity and community benefit.

2.3 60 companies/organisations viewed the opportunity on The Chest and a completed PQQ was returned by 7 companies.
2.4 After careful evaluation and consideration of the bids, officers from Strategic Regeneration and Procurement agreed that 6 companies should be invited to the Invitation to Tender (ITT) stage.

2.5 The ITT stage evaluates what the developer is offering for the specific opportunity. Given that there is a need to ensure the best possible price, whilst also having regard to the wider strategic aspirations of the council, it was agreed that price and quality be given equal weighting, with the quality element assessed using the criteria and sub-weightings as set out below:

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price/Commercial Offer</td>
<td>50%</td>
</tr>
<tr>
<td>Design and specification including sustainability</td>
<td>30%</td>
</tr>
<tr>
<td>Programme and marketing/letting/management strategy</td>
<td>10%</td>
</tr>
<tr>
<td>Local labour/apprenticeships/training</td>
<td>5%</td>
</tr>
<tr>
<td>Local intervention/community benefit</td>
<td>5%</td>
</tr>
</tbody>
</table>

2.6 By offering the land for sale on a leasehold basis, the council is able to impose a requirement for ground rents from the new homes. It is proposed that ground rents are paid as directed by the council; the intention is that a proportion of these rents will be paid into the Land At Failsworth Lower Memorial Park (1924) Trust (registered no. 1136597), along with caveats on how that money is spent and how local residents can be engaged in the decision making process.

2.7 The land at Failsworth Lower Memorial Park (1924) Trust was set up to provide and open and recreational space and seek to improve these for the benefit of the people of Failsworth.

2.8 A summary of their offers and design is provided below:

<table>
<thead>
<tr>
<th>Developer</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Design</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total number of homes</td>
<td>142</td>
<td>156 (inc 56 for private rent)</td>
<td>168</td>
<td>174</td>
</tr>
<tr>
<td>Mix</td>
<td>56 – 4 Beds</td>
<td>42 – 4 Beds</td>
<td>5 – 3 Beds</td>
<td>37 – 4 Beds</td>
</tr>
<tr>
<td></td>
<td>80 – 3 Beds</td>
<td>93 – 3 Beds</td>
<td>26 – 4 Beds</td>
<td>117 – 3 Beds</td>
</tr>
<tr>
<td></td>
<td>6 – 2 Beds</td>
<td>16 – 2 Beds</td>
<td>97 – 3 Beds</td>
<td>20 – 2 Beds</td>
</tr>
<tr>
<td>New Build</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>House types</td>
<td>34 Semi-det</td>
<td>84 Semi-det</td>
<td>4 bungalows</td>
<td>12 apartments</td>
</tr>
<tr>
<td></td>
<td>108 Detached</td>
<td>67 Detached</td>
<td>137 Semi-det</td>
<td>56 Detached</td>
</tr>
<tr>
<td>Listed Building</td>
<td>Conversion to residential apartments</td>
<td>No information offered.</td>
<td>Conversion to residential apartments</td>
<td>Conversion to residential apartments</td>
</tr>
<tr>
<td>Financial</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overage above projected sales values</td>
<td>50:50 split with the council</td>
<td>50:50 split with the council</td>
<td>50:50 split with the council</td>
<td>30:70 split (the council receives 30%)</td>
</tr>
<tr>
<td>Estimated</td>
<td>£239,009</td>
<td>£239,085</td>
<td>£235,523</td>
<td>£271,309</td>
</tr>
<tr>
<td>Developer</td>
<td>A</td>
<td>B</td>
<td>C</td>
<td>D</td>
</tr>
<tr>
<td>-----------</td>
<td>------</td>
<td>------</td>
<td>------</td>
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</tr>
<tr>
<td>Council Tax Revenue*</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Est. New Homes Bonus (Additional council tax received over 6 yrs)**</td>
<td>£1,314,000</td>
<td>£1,344,000</td>
<td>£1,344,000</td>
<td>£1,464,000</td>
</tr>
</tbody>
</table>

* This is an estimated maximum figure and the actual benefit to the Council will be less, please see financial implications, paragraph 6.4.3, for further detail

** This is an estimated figure, there are variables that may affect the funding received by the Council, please see financial implications, paragraph 6.4.4, for further detail

2.09 Officers have assessed that Bellway have provided the best response in terms of the provision of aspirational homes and incorporating the broad principles of a garden suburb. All homes also meet the ‘Life Time Homes’ standard which means that they are capable of being adapted in a more straightforward and cost effective way. The proposed scheme layout can be found at appendix 2.

2.10 Bellway have incorporated an element of self-build in their design which could be included although the offer price would be reduced accordingly. This would be up to 9 properties on the western edge of the site. In order to avoid any conflict including health and safety issues during construction, Bellway would offer plots back to the council only after they complete construction of the rest of the site. There are other suitable plots within Failsworth for promoting self-build and this would reduce the risk of non-development of plots at the Lancaster Club.

2.11 Bellway would pay the full payment upon legal completion of the Development Lease. As with all the offers, Bellways was conditional upon further site investigations and surveys. Bidders were asked to offer overage payments to ensure that the council benefits from uplift in sales values.

2.12 Bellway propose to work up a detailed planning application over the next 4 months. It is anticipated that start on site occurs shortly after the pitches are relocated in early 2016.

3. Options/ Alternatives

3.1 Option 1 – Appoint Bellway to develop the site under a 999 year lease.

Option 2 - Do not appoint. The site could be remarketed.

Option 3 – Do nothing.

4. Preferred Option

4.1 Option 1 is the preferred option.

5. Consultation

5.1 Briefings with Ward Members took place on:
   - 11 September 2014
   - 4 November 2014
   - 23 and 25 February 2015
Lead member briefings took place on:
- 11 July 2014
- 11 November 2014
- 3 February 2015

6 Financial Implications

6.1 Capital Costs

6.1.1 There are no direct capital costs as a result of this report.

Further comments are included in the Part B report.

7 Legal Services Comments

7.1 External legal advice has been obtained in respect of this proposed development and the external legal advisers have drafted the documentation and recommended the particular delivery route proposed in this report. Therefore the Council’s Corporate Legal Services team have no further comments to add. (Rebecca Coldicott)

Property
By virtue of section 123 of the Local Government Act 1972 the Council has the necessary statutory powers of disposal. On a disposal of its land the Council are under a statutory obligation to obtain the open market value and the best consideration that can reasonably be obtained and any other disposal of land at less than best consideration will require the approval of the Secretary of State.

By offering its land for sale by way of the procurement of a lead development partner to acquire and develop the site over a number of years the Council will ensure that the best consideration is being obtained. This method of disposal is appropriate for longer term regeneration projects as is the case in this matter. The Council must follow a full procurement procedure in accordance with EU legislation prior to procuring a development partner. It will however allow a master planning approach to be adopted to enable a comprehensive redevelopment of the site to take place and will allow for minimum specifications for all phases to be agreed at the outset to ensure that certain standards are applied across the whole of the development site.

The exemption from publication is justified on the category stated in the report. The Council’s Land and Property Protocols have been observed. (Peter Oliver)

8 Cooperative Agenda

8.1 The potential for the inclusion of a number of custom/self-build homes, likely to be through service plots, would contribute towards the boroughs co-operative objectives. (Ben Hill)

9 Human Resources Comments

None arising from this report.

10 Risk Assessments

Given that this transaction when it became public did attract some public comment there is a risk the sale of the site could attract further comment (Mark Stenson).
11 IT Implications

None arising from this report.

12 Property Implications

The project is supported by the Regeneration Team and meets the objectives set out in Oldham’s Residential Development Framework. (Bryn Cook)

13 Procurement Implications

The Procurement has been carried out in line with Oldham Council’s Contract Procedure Rules and EU Regulations. A 2 stage OJEU Restricted Process was chosen and managed via the Chest.

As part of the tender submission, bidders were asked to demonstrate how they would ensure social value in operation of the contract. The preferred bidder’s response to this question is summarised below:

- Create and employ 8 apprentices through the lifetime of the development.
- Target local subcontractors and material suppliers.
- 50% of local sub-contractors included on any tender list.
- Participate in the Oldham and Rochdale Construction Sector Networking Events.
- Promote the principles of Get Oldham Working (GOW) to its existing sub-contractor base and to cascade the principles through their supply chain.
- Incorporate as part of the tender analysis, a positive weighting for tender responses proposing to utilise labour from the local area.
- Source materials locally.
- Engage with local schools and hold educational talks.
- Arrange site visits for school pupils.
- Create competitions for school children to help enhance their engagement with the construction industry.
- Set aside a budget for local sponsorship/intervention,
- Advertise any available employment opportunities associated with the development locally. (Emily Molden)

14 Environmental and Health & Safety Implications

14.1 No direct implications arising from this report.

15 Equality, community cohesion and crime implications

15.1 All homes will meet Lifetime Homes standard which will ensure that homes are capable of being adapted in a more straightforward and cost effective manner. Secure by Design accreditation will also be achieved. (Claire Nangle)

16 Equality Impact Assessment Completed?

16.1 No
17  Key Decision

17.1  Yes

18  Forward Plan Reference

18.1  HPT-08-14

19  Background Papers

19.1  Cabinet Report – 22 April 2014
      Marketing and disposal of Strategic Regeneration Sites

20  Appendices

20.1  1.  Red line site plan including location of Goal! Soccer Centre.
      2.  Proposed scheme layout
      3.  Goals! Soccer Centre layout