

Appendix 2

Summary of Development and Disposal Options

Disposal options considered when analysing the future development and disposal options for Garfield Road are set out as follows. These have been informed by valuation work by Jones Lang Lasalle.

Disposal Option 1: Direct Development by the Council

Advantages

- Council remains in control of the site and development;
- Council can ensure delivery at pace
- Council retains revenue income from operator

Disadvantages

- Council has to secure an operator (a pre-let), without which a development will not be possible
- Finding an operator, who wants to lease the space, has proven extremely difficult and is unlikely to be successful before the 'release' date of end March 2020.
- Council takes the risk of development, including securing planning permission and the construction cost borrowing risk
- The Council does not have the skills and capacity to deliver and sell residential units on the open market (as per a house builder)

Conclusion:

This is normally the preferred route for delivery, according to the Council's Transformation Strategy for Torbay's Town Centres, and it makes financial sense for the Council if this can be achieved. However, in practice it has not been possible to find a tenant / operator for any future development.

Disposal Option 2: Delivery by the Council's Housing Company

Advantages:

- Meets LRF criteria and release date
- Council Housing Co remains in control of the site and development;
- Council Housing Co can ensure delivery at pace

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- Council Housing Co retains income
- Council Housing Co can determine level of affordable housing to be provided (20% or above)
- Helps secure Registered Provider status for the Housing Co

Disadvantages:

- Likely small capital receipt for the Council
- Capacity of the Housing Company to deliver a development
- Housing Co takes on risk of development, including planning permission, construction cost, ability to sell units
- There are significant risks to the Housing Company in terms of attracting Homes England funding, ability to sell homes on the open market and provision of more affordable units than the market can sustain.

Conclusion:

This provides a good delivery option for the Council, in terms pace, momentum for town centre regeneration, retention of control of development and release of the site in LRF terms. But it is unlikely to secure a significant capital receipt for the Council. There are advantages for the Council's Housing Company, for example in relation to Registered Provider status, but also puts significant pressure on the Company in terms of resources and risks. The Council's Housing Company could in any event take on or deliver the affordable housing element of any scheme by working alongside a development partner.

Disposal Option 3: Public Private Partnership (Development Agreement)

Advantages:

- Maximises capital return to the Council
 - Achieves optimal Value for Money (VfM) in accordance with the principles set out in HM Treasury's Green Book.
 - Council can influence the scheme to be delivered, at pace
 - Benefits from optimum LRF funding.
 - The Council can enhance value of the site by offering to take the 20% affordable housing element.
- An open OJEU compliant procurement process will take around 4 months, allowing a contract to be signed before end March 2020 in accordance with LRF requirements.

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- The Council can include conditions in the agreement, covering for example pace of delivery, affordable housing mix and price per unit, affordable housing element to be offered first to the Council's Housing Company.

Disadvantages:

- A restricted OJEU compliant procurement process will take around 5 ½ months, which is unlikely to be completed within the timeframe required by LRF.
- The Council is reliant upon a 3rd party to sign a contract to satisfy LRF requirements.

Conclusion:

Delivers a reasonable financial return for the Council and fully meets the Council's strategic objectives and statutory requirements. The Council's Housing Company could still take on or deliver the affordable housing element of any scheme by working alongside a development partner. However, timeframe for delivery is tight.

Disposal Option 4: Freehold sale

Advantages:

- Straight forward and speedy disposal route.
- Complies with LRF funding.

Disadvantages:

- Reduced profitability.
- Loss of control over nature and design of final scheme
- Probable loss of control over pace of delivery

Conclusion:

Whilst a freehold sale might provide a faster, easier route and provide some good town centre regeneration benefits, it is unlikely to provide a sufficiently good financial return, even with a development brief in place. In addition, contract requirements on pace of delivery are likely to reduce the number of interested parties and the financial returns to the Council.

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Development Option 1: Student accommodation

Advantages

- Likely direct delivery by the Council, maximising revenue income
- Boost to the town centre
- Support for South Devon College's growth plans

Disadvantages

- No formal commitment yet (and likely delays) from South Devon College, so no operator sign up
- Would need commitment to a long site procurement process, that the Council may not win
- 120 student rooms would equate to 30 residential units, which may not be acceptable to MHCLG / OPE / LGA in terms of return on investment
- Long procurement process would extend well beyond the 'release' date of end March 2020, as defined by LRF funding.

Conclusion:

Student accommodation is an attractive option, and has been explored extensively with South Devon College, but a potentially long procurement period, the competitive nature of procurement and lack of commitment from SDC outweigh the benefits.

Development Option 2: Care home, sheltered accommodation, extra care

Jones Lang Lasalle have advised that 45 retirement flats, with vacant possession and cleared site, could generate a site value of £1.05m to £1.46m. However JLL have cautioned against this form of development as retirement operators are committed to other sites in Paignton. This was confirmed by a relatively low level of interest during soft market testing. But it does indicate the level of capital receipt should the Council chose to dispose of the site to a development partner that could deliver this form of development.

Advantages

- Likely direct delivery by the Council, maximising revenue income
- Boost to the town centre

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- Satisfy local demand for such accommodation

Disadvantages

- Council has to secure an operator (a pre-let), without which a development will not be possible
- Finding an operator, who wants to lease the space, has proven extremely difficult and is unlikely to be successful before the 'release' date of end March 2020.
- Council takes the risk of development, including securing planning permission and the construction cost borrowing risk

Conclusion:

This form of accommodation is an attractive option for the Council, and has been explored with partners, but there has been no formal commitment from partners / operators / tenants. The timescale for achieving this form of development, delivered by the Council, is highly likely to extend well beyond end March 2020. A development partner may well be able to deliver this form of development, thereby satisfying LRF requirements and delivering a good capital receipt for the Council.

Development Option 3: 15 town houses

Advantages

- Low key development that would fit, generally, with the style / nature of the immediate locality

Disadvantages

- Under-development of the site
- Low housing numbers in relation to meeting need generally and affordable housing specifically, and in relation to meeting 5 year land supply
- Lower financial return to Council
- May not secure planning permission for reasons given above
- Return (of 15 units) on investment (£900,000) may not be acceptable to MHCLG, OPE and LGA.

Conclusion:

This option has been tested in design terms, as a benchmark, but has no substantial benefits.

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Development Option 4: 70 – 100 apartments

Jones Lang Lasalle have advised that 100 apartments, with vacant possession and cleared site, could generate a value of £400,000 to £860,000. They have also advised that 100 apartments, with vacant possession, a cleared site and planning permission could generation a value of £650,000 to £1.15m. A Supplementary Planning Document will provide the equivalent of an outline planning permission.

Advantages

- Delivers a good number of units, on a brownfield site in the town centre
- Provides a good return on investment for MHCLG / OPE and LGA
- Likely to provide the Council with a greater capital receipt than other options
- Supports the Council's 5 year land supply, helps meet housing demand and affordable housing needs
- It is similar, in design terms, to the scale of building currently on the site

Disadvantages

- It may be more difficult to secure planning consent than other options (hence the production of a development brief to support a future planning application)
- Prospective purchasers of the site may be concerned about construction and sale of this number of units,

Conclusion:

This option has substantial benefits and, with input from the community on the development brief, should secure planning permission. It should also provide a good financial return to the Council and represents a good return on LRF investment.