
Report to: Cabinet **Date of Meeting:** 14th January 2016

Subject: Klondyke Phase 2 & 3 Site Disposal **Wards Affected:** Litherland;

Report of: Chief Executive

Is this a Key Decision? Yes **Is it included in the Forward Plan?** Yes

Exempt/Confidential No but Appendix 1 of the report is NOT FOR PUBLICATION by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972. The Public Interest Test has been applied and favours the information being treated as exempt

Purpose/Summary

To seek Cabinet approval to acquire the outstanding ownership from Adactus Housing in order to facilitate the onward disposal of the Klondyke Phase 2-3 site to Bellway Homes Limited for the construction of 142 new houses for sale, and approve the terms of that disposal.

Recommendation(s)

That Cabinet approve;

- (1) the acquisition of the ownership interests of Adactus Housing, based on the terms set out in Appendix 1, and delegate authority to the Cabinet Member Communities and Housing to finalise the terms.
- (2) the disposal of the Klondyke 2-3 site to Bellway Homes Limited on the terms set out in Appendix 1.
- (3) the granting of a Development Licence to Bellway Homes Limited for the Klondyke Phase 2-3 site in order to carry out the development of 142 houses for sale
- (4) the freehold disposal of the site to Bellway Homes Limited upon the successful completion of the scheme.
- (5) the Head of Regulation & Compliance be instructed to prepare and execute contracts to facilitate the approved arrangements.
- (6) The financing of the scheme to be met from resources within the existing HMRI Programme and the capital receipts from the disposal of the Z Blocks land.

How does the decision contribute to the Council's Corporate Objectives?

	<u>Corporate Objective</u>	<u>Positive Impact</u>	<u>Neutral Impact</u>	<u>Negative Impact</u>
1	Creating a Learning Community		X	
2	Jobs and Prosperity	X		
3	Environmental Sustainability	X		
4	Health and Well-Being	X		

5	Children and Young People		X	
6	Creating Safe Communities	X		
7	Creating Inclusive Communities	X		
8	Improving the Quality of Council Services and Strengthening Local Democracy		X	

Reasons for the Recommendation:

Officers do not have delegated authority to take the recommended actions. The scheme represents the next phase of the former Housing Market Renewal programme in the Klondyke, and will result in the completion of new build housing construction as part of that envisaged when the Transition Programme was approved by Cabinet in 2011.

What will it cost and how will it be financed?

(A) Revenue Costs

No additional revenue costs will arise as a result of proposals contained in this report.

(B) Capital Costs

There is a capital cost, shown in the confidential appendix, to acquire the outstanding ownership interests from Adactus Housing, which will be met from a compensation package, which includes the capital receipt due from Bellway Homes for their acquisition of the Klondyke 2-3 site, plus disposal of the Z Blocks land asset to Adactus, plus financial resources from within the existing HMRI Capital programme. Council Valuation officers have negotiated the value of the Council owned site with Adactus Housing, on the basis of a full open market value. The District Valuer has assisted in this process. Officers believe the value represents a fair, full market value.

Implications:

The following implications of this proposal have been considered and where there are specific implications, these are set out below:

Financial	
Legal Ownership of private interests in the Klondyke 2-3 site has been acquired by voluntary negotiations with former property owners. Unlike earlier phases of the Klondyke scheme, there has been no need to pursue any compulsory purchase [CPO]. The Council need to acquire Adactus ownership interests in order to complete ownership of the entire site.	
Human Resources None	
Equality	
1. No Equality Implication	<input checked="" type="checkbox"/>
2. Equality Implications identified and mitigated	<input type="checkbox"/>

3. Equality Implication identified and risk remains	
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Impact of the Proposals on Service Delivery:

Pursuing the course of action set out in this report, will allow the completion of housing redevelopment in the Klondyke area, and the construction of 142 new homes for sale on a brownfield site.

Are there any other options available for consideration?

The Council has been pursuing a phased regeneration scheme for the Klondyke area, which began under the Housing Market Renewal Programme. Previous phases/sites were compulsory purchased by the Council in order to redevelop with new housing.

There are no viable alternative options for the Klondyke Phase 2-3 site, other than to leave the site undeveloped, which would be contrary to the express purpose and aims of the Councils regeneration plan, begun under the former Housing Market Renewal Programme (HMR).

Bellway Homes Limited is the Council's appointed 'lead developer' partner for the HMR programme in the Klondyke area of Bootle. As such the Council has previously entered into an Overarching Development Agreement (ODA) with Bellway Homes Limited until 2018.

This agreement gives Bellway 'first call' on HMR development opportunities in the Klondyke area. Hence there is no alternative option or opportunity to dispose of the land by any other means, until after this date.

What consultations have taken place on the proposals and when?

The Chief Finance Officer (FD3945/15.) comments that the proposals contained in this report to acquire the Klondyke 2-3 site, at a cost shown in the confidential appendix, require the use of an equivalent value of capital receipts. Members are reminded that these resources would not then be available to support other potential new start capital schemes in 2016/17.

The Head of Regulation & Compliance (LD.3228/15) have been consulted and any comments have been incorporated into the report.

Implementation Date for the Decision

Following the expiry of the "call-in" period for the Minutes of the Cabinet Meeting

Contact Officer: Neil Davies

Tel: 0151 934 4837

Email: neil.davies@sefton.gov.uk

Background Papers:

There are No relevant papers available for inspection.

1. Introduction/Background

- 1.1 The Klondyke Phase 2-3 area forms part of the (former) Housing Market Renewal priority area in the Klondyke area of Bootle.
- 1.2 The Klondyke was identified as one of Sefton's priority areas for intervention in 2003, following extensive research and consultation with the local community. The area was selected to be part of the Housing Market Renewal programme primarily because of the extent of housing market failure and the poor residential offer provided by the existing housing.
- 1.3 In July 2004, members approved the adoption of Supplementary Planning Guidance detailing the adopted strategy for the area. This included the re-development of approximately 800 obsolete terrace houses in the Klondyke estate, in parallel with the development of under used and contaminated former industrial land adjacent to the Leeds Liverpool canal.
- 1.4 To date significant progress has been made to complete the masterplan strategy. Three canal side sites have been complete, together with the (majority of the) former Penpol industrial site and redevelopment of the Klondyke Phase 1 former housing area.
- 1.5 As a result of the withdrawal of Government funding for the HMR Programme, Cabinet approved a revised programme of activity in June 2011. It is fair to say that the revised HMR programme and budget (as stated in the Cabinet report) were based on an assessment of *the bare minimum requirement to meet contractual and existing commitments and to remove liabilities in order to bring the programme to a controlled end.* When the programme and budget were set in 2011, the priority activities were to rehouse remaining residents, complete the acquisition of houses and properties in the Klondyke estate, assemble ownership of sites, demolish the properties and provide sites for new housing development.

2. Acquisition of outstanding Adactus property ownership interests

- 2.1 In the Klondyke Phase 2/3 area the Council have acquired all private ownerships by agreement. In this area, Adactus HA own 214 homes (now plots, following demolition), which they acquired from Riverside HA. The Cabinet report in 2011, noted;

Adactus Housing Association acquired by agreement from Riverside Housing Association 214 units..... Their intention in doing so was to secure the units for re-development (to support the Council's regeneration plans). If the Council had acquired such interests, the Land Compensation Act requirement would have required purchase at full market value.

- 2.2 Adactus HA wish to recover the cost/investment they incurred when they purchased these properties, on disposal of their property ownership to the Council. If the Cabinet agree to meet this request, this will represent a saving of circa £9m-£10million, compared to the cost the Council would have incurred if it

had continued to purchase the properties at full market value from the former owners.

2.3 Since 2011, Cabinet approved the entering into an arrangement with Adactus, allowing the Council to demolish their properties. However, this does not overcome ownership, and would prohibit any new development proceeding until this was resolved. Demolition of the former properties in Klondyke Phase 2-3 area was completed in October 2015.

2.4 In order to acquire the outstanding ownership interests from Adactus Housing, it is proposed to provide a compensation package, which includes the capital receipt due from Bellway Homes for their acquisition of the Klondyke 2-3 site, plus disposal of the Z Blocks land asset to Adactus, plus financial resources from within the existing HMRI Capital programme. Council Valuation officers have negotiated the value of the Council owned site with Adactus Housing, on the basis of a full open market value. The District Valuer has assisted in this process. Officers believe the values represent a fair, full market value.

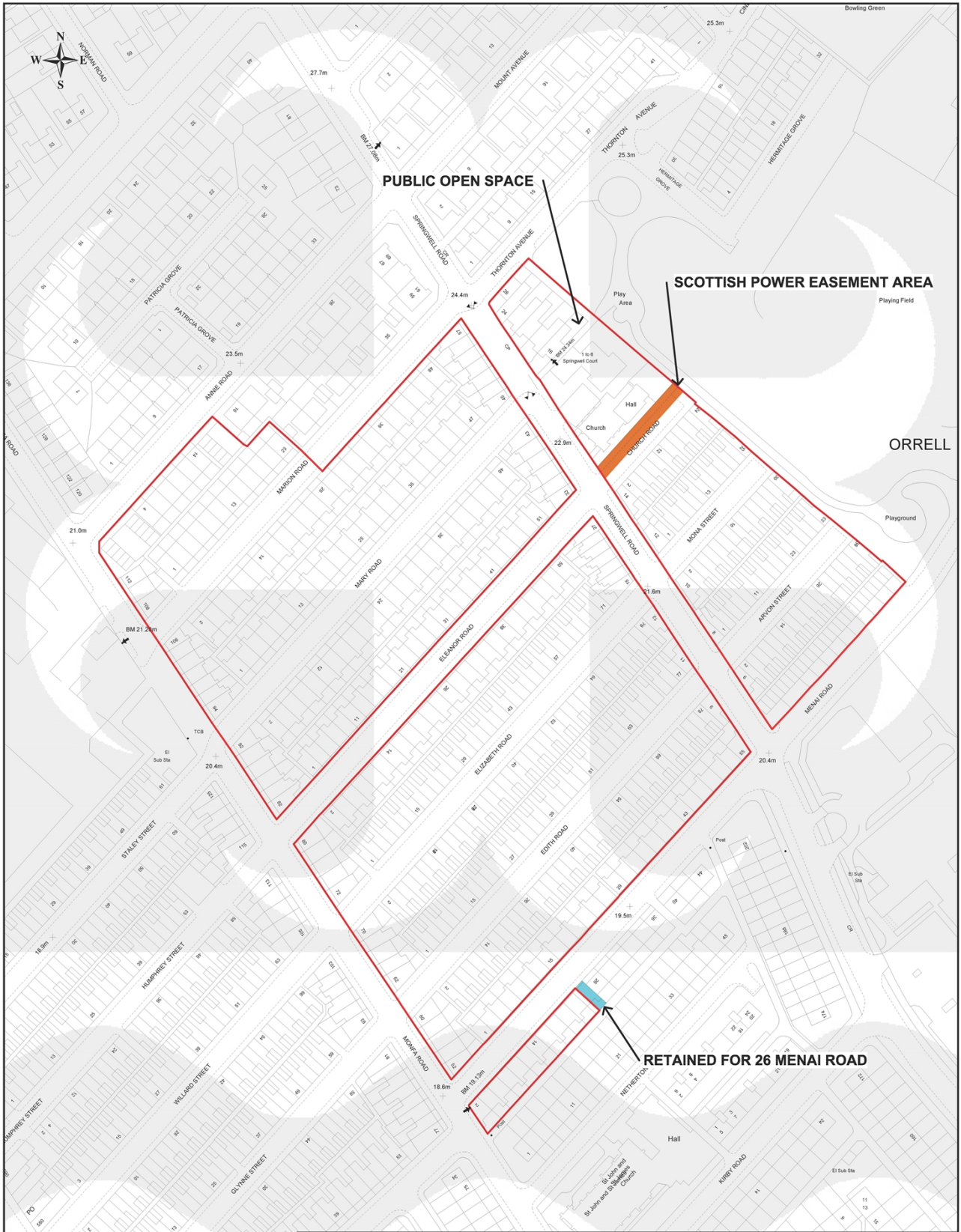
2.5 The total value of this package would meet the valuation request from Adactus.

3. Disposal of the Klondyke 2-3 site to Bellway Homes Limited

3.1 Disposal of the site to Bellway Homes can only occur once the Council has secured ownership of the whole site. The new housing scheme proposed by Bellway for the site will see 142 properties constructed, all for open market sale, together with the provision of new public open space. The scheme has planning approval. The Planning Application and Approval for the re-development of this area of the Klondyke is available for inspection on the Councils' Web Site (Planning Application Reference DC/2014/00642).

3.2 Under the terms of the Overarching Development Agreement with Bellway, any site disposed to Bellway uses a residual land value, calculated on an open book basis by assessing the scheme's estimated final value against the estimated cost of construction, including the developer return. As part of the disposal process the schemes value and cost are verified by the appropriate Council officers, in order to determine any land value. This is set out in Appendix 1. A further appraisal will be carried out at the end of the development to assess actual value and costs for the scheme. Under the terms of the ODA the Council will receive a share of any overage (additional profit due to lower than anticipated construction costs, or higher than anticipated values) generated by the scheme.

3.3 Below is a plan showing the site boundary.



METROPOLITAN BOROUGH OF SEFTON
 Department of Built Environment, Investment & Strategic Housing

ALAN LUNT LL.B. (Hons.), M.Sc.
 Director of Built Environment

Drawn by	Scale	Date
AAJ	1:1250	04/12/2015

Klondyke Phases 2&3
 Proposed Tand Transfer to Bellway Homes

Drawing No.
ISH/K Ph2&3/BHT/P01

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