

Housing Select Committee		
Title	Church Grove self-build – progress and next steps	
Contributor	Head of Strategic Housing	Item 6
Class	Part 1(open)	11 November 2014

1 Summary

- 1.1 On 24 October 2012, Mayor and Cabinet agreed that officers should explore the proposals for a self-build scheme on the site of the former Watergate School off Church Grove, and that officers should work with Lewisham Homes on the selection of a local organisation or community group to work on the proposal.
- 1.2 A report to Housing Committee in February 2014 set out the key issues for consideration and differing approaches for a self-build scheme. Further work to understand site feasibility, capacity, and valuation has now been largely undertaken. While some information on site constraints is still awaited, officers consider that the procurement of a community-led consortium or organisation to act as ‘enabling’ developer would be the most appropriate way of balancing financial, delivery, and legal issues, with the opportunity to achieve an innovative and community-led self-build development.
- 1.3 The report therefore sets out how, in principle, such a development could work, for committee’s consideration, ahead of a final recommendation to Mayor and Cabinet in the new year.

2 Recommendations

- 2.1 The Committee is asked to:
- 2.2 Note the further work that has been carried out on the Church Grove site to establish site constraints and value.
- 2.3 Note the potential routes the self-build project could be taken forward, including their property and financial implications.
- 2.4 Provide comments on the proposed use of an OJEU competitive dialogue procurement process to select a non-profit community-led consortium or organisation to act as an enabling development partner to deliver self-build housing on the Church Grove site, as detailed in section 6 of this report.

3 Background to group self-build

- 3.1 Lewisham has a history of supporting group self-build projects. In its broadest sense self-build is a form of development that allows future residents to have a large degree of influence over the design and construction of their homes. Self-build and custom build are being advocated at a national level as a way to diversify the models of housing delivery and increase housing output. As a form of development group self-build (or collective custom-build) has particular benefits. Self-builders gain a sense of achievement and confidence. They can learn new skills, qualifications and improve their employment prospects. Self-builders may make savings by putting in time and effort into the project, and invest in higher quality homes compared to conventional models. Self-builders tend to adopt sustainable and better design which suits individual lifestyle and family preferences. The group self-build process often forms stronger communities. Cooperation during development means people meet before they move in. Making decisions collectively means neighbours form close bonds. Residents are likely to have a stronger commitment to the local area and a greater sense of ownership of the local environment and an inclination to take care of it. There are a range of approaches, discussed briefly below, which may achieve these benefits to a greater or lesser extent.
- 3.2 Trevenon Park in Cornwall provides an example of large scale individual self-build or custom-build, which is common in the Netherlands. An enabling developer builds the roads and infrastructure and subdivides the site into 'serviced plots'. Prospective residents buy individual plots, and have the freedom to commission their own bespoke design, or buy a customisable product from a range of 'home manufacturers'. The independent construction of homes tends to mean only suburban densities can be achieved, and the process is usually only accessible to households who can afford to take forward the construction of their homes themselves, often with a self-build mortgage.
- 3.3 Copper Lane in Hackney, or Springhill in Stroud, are examples of private group custom build, where a group of households get together to buy a larger site, and work together to build a number of units as a single project, and own individually at the end. Economies of scale can save money. Shared facilities such as a common room or garden can encourage interaction amongst residents. There are plenty of examples of groups of residents collectively building apartment blocks in Berlin and other German cities. Some group projects in London are being carried out in partnership with Housing Associations, who finance the site acquisition and construction of the scheme, and retain affordable rented units, and sell the rest to the self-builders at the end of the process.
- 3.4 LILAC in Leeds is a group custom build project which uses an innovative Mutual Home Ownership model, to cross subsidise different levels of savings and incomes within the group of households. Everyone pays back a proportion of the loan, which is set at around 35% of household income in order to be affordable.

- 3.5 'Assisted self-build' projects such as Beechmont Close in Downham are essentially conventional Housing Association projects, which bring self-builders on board to gain formal training by attending college and working alongside contractors. Self-builders tend to be young people on the housing waiting list, who benefit from the qualifications. The self-builders become tenants of the Housing Association and are not generally involved in the design and organisation of the project.
- 3.6 These examples show that many forms of self-build are 'enabled' by a housing association or developer, and that they can be for sub-market rent as well as private ownership.
- 3.7 The Fishponds Road project in Bristol is an example of a Community Land Trust (CLT) enabling 'self-finish' housing for sub-market ownership, where residents complete construction from shell stage. CLTs are essentially locally run housing associations which make particular efforts to ensure genuine affordability in the long term. CLTs often acquire or develop conventional housing, and neither self-build nor CLTs necessitate one and other, although they may be considered complementary in the role they give to residents and communities in the design, development, and management of housing. Bristol CLT was supported by Bristol City Council in the initial stages, through a discounted land sale and a general CLT support fund. It is intended the CLT will become a self-sustaining organisation, and go on to develop further projects.

4 Resident engagement programme and broad options

- 4.1 On 24 October 2012, Mayor and Cabinet agreed that officers should explore the proposals for custom build or self-build type scheme on the site of the former Watergate School, off Church Grove in Lewisham Central. This process was to be carried out jointly by the Council and Lewisham Homes, in its role as new homes delivery agent for the Council, working with the community to identify both potential self-builders and also local organisations or community groups that might support the development.
- 4.2 Officers launched a period of resident engagement in May 2013. More than 200 households expressed an interest, including a large number of residents on the Council's housing register. In September 2013 the social enterprise *Our London* was appointed to act as a facilitator and to assist in assessing the various ways in which the scheme might be developed. Residents attended a discussion day and further detailed sessions were held in October 2013.
- 4.3 Residents expressed overwhelming support for a self build group made up of a mixture of backgrounds and financial circumstances, although residents felt that the scheme should not be targeted at people who could otherwise afford to buy a home at full market value. While residents were not in a position to show a clear preference for any particular financial model, there was a commonly held desire for long term stability and a sense of 'ownership', for example transitioning from social rent to part-ownership in the same home, or through mutual or co-operative ownership. There was a strongly held desire for control

by residents of the design process, and in some cases, control over other parts of the development process, although their financial circumstances meant most of them didn't want to be exposed themselves. There was a broad desire for control over the long term management of the completed scheme. Discussions also covered topics such as decision making; skills and time input; training and qualifications; sustainability; site layout and access; common areas; and design of homes.

4.4 Officers presented two broad approaches to a community self-build scheme to Housing Select Committee in February 2014. These were:

- a) A mutual / community owned scheme, where the project would be delivered by a Community Land Trust or co-operative, and supported to a greater or lesser extent by the Council. A Housing Co-operative would be independent of the council and democratically controlled by its residents. A Community Land Trust (CLT) would be an independent legal trust with equal tripartite representation from the council, from residents, and from other independent interests on the board. In essence these models all have residents as part of the governance of the organisation which owns and manages the site. They may undertake housing development by borrowing money. However this could leave them exposed to construction and financial risks. Under certain circumstances, the Council could transfer the land at a discount, and lend at a low rate, or act as security for loans. This support would help reduce risks, and subsidy would go towards the development of affordable housing.
- b) An 'assisted self-build' approach delivered by Lewisham Homes working in partnership with a selected group of self-builders. The self-builders would establish their own governance processes, write a brief, and select architects and other consultants, acting as joint client to the design process. Lewisham Homes would set a typical construction budget, and would work with self-builders to decide how that budget would be prioritised, giving the self-builders influence over the design. Lewisham Homes would procure a main contractor. The construction contract would require the contractor to take on self-builders as apprentices or trainees. Once construction is complete, the self-builders could be offered standard Council tenancies at target rent levels. It may also be possible to offer shared ownership and other low cost ownership products through Lewisham Homes.

4.5 The February 2014 report was presented to the Committee as an update, and stated that further work would be required to make a recommendation on the most appropriate means of taking the project forward, balancing the financial and delivery risk, legal issues, and the opportunity to achieve an innovative and genuinely community-led approach to self-build development. The Committee noted the topics reported and encouraged that the ambition for a genuinely community-led project be maintained.

5 Feasibility study and site valuation

5.1 In July 2014 officers commissioned a multi-disciplinary team led by architects RCKa to carry out a feasibility study to better understand the risks and

constraints and planning context associated with the site. This technical study should provide useful baseline information, for any scheme taken forward on the site.

- 5.2 The study is approaching completion, and has identified development constraints for the site which include flood risk and ground contamination due to former use as a metal foundry. The flood mitigation works on the site have been identified by the Environment Agency and Lewisham Council as part of a cross borough River Ravensbourne Flood alleviation scheme. The full package of mitigation and remediation works are yet to be estimated, however these costs would have to be borne by any form of development on the site.
- 5.3 Depending on the scale of the costs and potential budget availability, it may be advisable for the Council to undertake enabling works to the site including decontamination and flood mitigation, in advance of selecting a development partner, to de-risk the site for development. However it should also be possible for a development partner to carry out these works, although there would be an associated reduction on land receipt offered to cover the additional borrowing and costs. The sequencing of this option would also result in a longer overall project programme.
- 5.4 The feasibility study also explores planning policy and other technical constraints to establish the site capacity. The study is not intended to prescribe designs for the site as it is expected that designs would be developed by future resident self-builders. The capacity studies will inform an independent valuation, which officers have commissioned, to estimate residual land values for various development scenarios including;
 - a “planning policy compliant” scheme (eg 15 affordable and 16 private units),
 - a “typical” open market scheme (eg 7 affordable and 24 private units),
 - a scheme in line with the Council / Lewisham Homes 80/20 split (eg 25 affordable and 6 private units).
- 5.5 The site valuations available will be available for consideration as part of the Mayor and Cabinet report once the costs of mitigating the flooding and contamination constraints have been established. However previous experience suggests open market sale tends to result in the highest land receipts and the lowest levels of affordable housing secured. As a council owned site, surrounded by high levels of private housing, the site provides an opportunity to provide higher levels of affordable housing. The site also provides an opportunity to pursue a group self-build approach for development and construction.
- 5.6 Pursuing a group self-build approach on the site may also have some implications for the site valuation. The feasibility study is unlikely to provide definitive self-build construction costs, because there are a variety of levels of self-builder involvement, and relatively few comparable schemes for quantity surveyors to base generalised assumptions on. However it is expected that the potential cost savings due to self-builders contributing labour on part of the construction work, could be offset by longer time on site, and increased

complications for a main contractor or site manager. The net balance of construction costs would depend on the way the self-build process is organised and the experience of the enabling development partners involved. The difference between self-build construction costs compared to conventional construction are likely to have a smaller impact on residual land value than the tenure mix scenarios described above.

- 5.7 The following section describes how the cost/savings implications of various self-build processes can be tested through a competitive process, asking the market of self-build 'enablers' to make financial proposals for the site. These can be compared against the conventional development options which would include open market disposal of the land and development as part of the New Homes, Better Places programme, alongside the benefits offered by the proposals including the nature of self-build and the level of affordable housing.

6 Proposed enabling developer procurement

- 6.1 As discussed in section 3, many group self-build schemes in the UK and Europe involve an enabling developer to coordinate the development finance and carry much of the development risk. There are a number of local and London based community organisations with property experience, as well as housing associations and private developers to work with, who could take on this role.
- 6.2 Community Asset Transfer has some precedent in Lewisham, and would involve selecting a community organisation to 'transfer' the site to, through a discounted land sale (eg for £1), without a binding development agreement. Whereas previous asset transfers have involved ready-to-operate assets, delivering a housing scheme is likely to require a larger investment and carry greater risks. These are amongst the greatest risks identified by officers in Appendix A.
- 6.3 The Council could retain some influence on the scheme by placing covenants on a long leasehold sale, through the planning process, and general goodwill. A development agreement would demonstrate a way of ensuring that the social benefits (eg self-build and affordable housing) will be delivered for the land receipt, and also provides a way for the council to take back the land if it is not built out by a long stop date, for example due to a lack of finance.
- 6.4 Entering into a development agreement (contract) where the development partner would be providing a service or carrying out works, takes on the character of procurement, and given the scale of the project would require OJEU compliant procurement processes. This could be carried out to continue to achieve the ambitions of the project.
- 6.5 The OJEU 'Competitive Dialogue' process allows the Council to set a mixture of precise criteria and broad objectives whilst remaining open to the exact manner in which these objectives are achieved. This gives the flexibility to consider a number of approaches to the project proposed by bidders,

developing appropriate solutions in dialogue with bidders, and then assessing these against the objectives of the project.

- 6.6 The broad objectives of the project set out in the past were to: address housing needs and challenges within the Borough; provide skills and training opportunities; meet high sustainability standards; and ensure a community-led project. These factors could form part of the selection criteria to assess bidder proposals. For example, delivering a high level of affordable housing, and a well-considered approach to self-build, would score more highly. The documentation could also highlight the importance of securing affordability in the long term through for example a Community Land Trust.
- 6.7 To ensure a community-led project the Expressions of Interest (Eoi) for the OJEU procurement could specifically seek “non-profit community-led consortia or organisations”, to act as development partner to enable the self-build project. The Pre-Qualification Questionnaire (PQQ) could also be prepared in a way that is relevant to community organisations.
- 6.8 The procurement documentation can encourage community organisations to partner with experienced developers and housing providers, to form consortia which include financing and development expertise, where necessary. This should further address the areas of risk identified earlier.
- 6.9 The procurement process can assess each bidder’s approach to financing and delivery, where credible approaches which manage risk effectively can be scored highly. The criteria can also assess the level of financial receipt offered to LB Lewisham, the risk associated with that financial receipt and when it might be received.

7 Next Steps and timetable

- 7.1 Following Committee consideration of this proposal and the final feasibility and valuation work, Mayor and Cabinet could be asked to agree the recommended approach, and officers could be in a position to commence an OJEU procurement process early in the New Year.
- 7.2 Officers have identified a number of local and London based community organisations, which have property experience, who could be alerted to the OJEU advert. Officers could also notify the National CLT Network, UK Cohousing Network, and National Self and Custom Build Association of the OJEU advert.
- 7.3 The procurement process could be expected to last around 9 months. A summary of shortlisted proposals could be presented to councillors, at the end of this period, with a recommendation to enter into development agreement with a preferred bidder in Autumn 2015.
- 7.4 The Council could enter into a development agreement with the selected development partner or consortium, contracted to enable the self build project and develop the site. It is envisaged that the development partner could be

permitted to draw down a long leasehold interest in the site in return for a payment, on completion of construction.

8 Financial implications

8.1 There are no specific financial implications

9 Legal Implications

9.1 There are no specific legal implications

10 Crime and disorder implications

10.1 There are no specific crime and disorder implications arising from this report. However it should be noted that community-led group self-build schemes in Britain have been shown to have lower level levels of crime and fear of crime than their surrounding areas.

11 Equalities implications

11.1 There are no specific equalities implications arising from this report.

12 Environmental implications

12.1 There are no specific environmental implications arising from this report. However officers can encourage proposals from potential development partners to achieve high standards for energy efficiency and carbon reduction, through the use of scored selection criteria.

12.2 Any development would need to anticipate and respond to the potential impacts of climate change in relation to extreme weather events or flooding. Details of flood risk and flood mitigation measures will be set out in the finalised feasibility study.

12.3 The Church Grove site is currently contaminated due to former use as a metal foundry. Any development would need to address the ground contamination. This can be done either by the council as part of an enabling works package or working with a selected development partner, as part of their development agreement.

13 Background documents and originator

13.1 If you would like any further information on this report please contact Jeff Endean, Housing Strategy and Programmes Manager on 020 8314 6213