

| <b>MAYOR AND CABINET</b> |   |                    |
|--------------------------|---|--------------------|
| <b>Report Title</b>      | Church Grove Community Led Housing Development  |                    |
| <b>Key Decision</b>      | Yes   | Item No.           |
| <b>Ward</b>              | Lewisham Central  |                    |
| <b>Contributors</b>      | Executive Director of Customer Services, Executive Director for Resources and Regeneration, Head of Law |                    |
| <b>Class</b>             | Part 1  | Date: 4 March 2015 |

## **1 Summary**

- 1.1 The New Homes, Better Places programme has been created by the Council to respond to the on-going housing crisis in London and Lewisham by rapidly increasing the rate of new housing development in the borough. The programme is developing new Council homes across a range of Council-owned sites, with a target of 500 new homes by 2018, and is also facilitating a wide range of housing partners to contribute to the delivery of the new homes the borough needs.
- 1.2 One aspect of this wider role in supporting partners to develop new homes, is a focus on enabling groups of residents to come together and commission or build new homes themselves. To that end, on 24 October 2012, Mayor and Cabinet agreed that officers should explore the proposals for a community led 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.
- 1.3 A report to Housing Select Committee on 03 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 undertaken. 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 affordable housing and an innovative and community-led housing development.
- 1.4 A report to Housing Select Committee on 11 November 2014 set out how, in principle, such a development could work, ahead of a final recommendation to Mayor and Cabinet. The Committee highlighted the importance of affordable housing, and ensuring it remains affordable in

the future. This report, which is two parts, now sets out for Mayor and Cabinet a proposal to take the potential development forward, enabling the selection of a community organisation alone or in consortium to act as the development lead and partner to the Council for the site, bringing together and organising residents to develop a range of housing types on the site.

- 1.5 Officers have undertaken detailed due diligence into the range of options for bringing the site forward and have concluded that the most effective route is to undertake an EU compliant competitive dialogue process.
- 1.6 The proposed delivery route is a standard procurement route which will be adjusted specifically to reflect the unique nature of this project. It is essential that the Council balances the opportunity of an innovative and exciting community-led development, against the potential risks to the Council. The proposed approach recognises that the partner community group will need to be able to raise development finance against the value of the land, while the Council will need to maintain some form of control to mitigate its risks.
- 1.7 The risks to the Council principally arise as a result of the value of the land, and the need to ensure that new housing supply is delivered to help address the housing crisis. In order to mitigate those risks it is essential firstly that there is a competitive process to select the most able community group to lead the development, and secondly that the nature of the land transaction enables the Council to retain some control until completion of the project.
- 1.8 Part one of this report sets out the background to the project and the outline parameters of the proposed delivery route. Part two of the report contains the commercial and financial background to the project which underpins the rationale for the proposed delivery route.

## **2 Recommendations**

The Mayor is recommended to:

- 2.1 Note the work that has been carried out on the Church Grove site to engage with residents and community groups and to establish the site constraints and value.
- 2.2 Note the potential routes for the self-build project to be taken forward, including their property and financial implications.
- 2.3 Agree to initiate an EU-compliant competitive dialogue process to select a not-for-profit community led consortium or organisation to act as an enabling development partner to deliver community-led self build or custom build housing on the Church Grove site, as detailed in this report.

- 2.4 Formally declare the Church Grove site as shown on the plan at appendix A surplus to the Council's requirements.

### **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 often better designs which suit 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 would 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 a 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 delivering a community self-build scheme to Housing Select Committee on 03 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 03 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 Site specific development options

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 provided useful baseline information, for any scheme taken forward on the site.

5.2 The study identified development constraints for the site which include flood risk and ground contamination due to it's former use as a metal foundry, and more information in this regard can be found in part two of the report. The study also explored planning policy and other technical constraints to establish the site capacity. The study was 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 have informed an independent valuation, by GVA, to estimate residual land values for various development scenarios.

5.3 Based on the work that has been carried out in this study, and on the work that is on-going to bring forward housing development on a range of sites using a range of delivery models, officers have concluded that there are three broad options for taking the site forward. These are set out in the table below, which is intended to illustrate the range of options available rather than the final specifics of what a scheme might deliver.

|                            | 1. Outright land sale                        | 2. Council-led housing development                               | 3. Community-led housing development                              |
|----------------------------|--|--|---|
| Scale of development       | c. 10 homes                                  | c.28 homes   | c.28 homes  |
| Estimated tenure breakdown | 10 private sale homes<br>No affordable homes | c. 5 private sale homes (20%)<br>c. 23 social rented homes (80%) | No outright sale homes<br>28 affordable homes of a range of types |

|  | 1. Outright land sale   | 2. Council-led housing development   | 3. Community-led housing development   |
|--|---|--|--|
| Scale of Council control/certainty of delivery | The Council would release control at the point of sale, other than through the planning process | Maximum level of control. Lewisham Homes would lead the development in the same manner as is the case for the mainstream New Homes programme | Control may be maintained through the scope of the brief provided for the site, and through a development agreement which would be negotiated with the chosen partner. This would set required outcomes but would delegate control of delivering those to the partner.   |
| Scope of community involvement                 | Only through the planning process   | Some potential for residents to be involved in design and final fit out, but construction would be led by a standard main contractor         | Maximum level of involvement. The lead partner would organise residents to submit their ideas in response to the brief in the first instance, and then to decide how best to deliver the Council's requirements for the site. This route also enables the maximum scope for residents to be involved in the development process. |

5.4 To summarise the options available to the Council on this site, open market sale will provide the greatest capital receipt but the fewest benefits from either the supply of affordable housing or community engagement in the development. A community led development would be at the other end of the scale: it would provide the greatest scope for a resident led development and the greatest scope for innovation in meeting the Council's objectives. A Council-led development would be a hybrid of the two, enabling some resident engagement while maintaining control.

5.5 Part two of this report expands the table above to include further commercial and financial information. Given the potential additional benefits that would accrue from a community led-development, the fact that there is already a programme of Council house building of

considerable scale underway and as such there is no immediate imperative for this site to form part of that programme, and given the further financial and commercial information contained in part 2 of this report, the Mayor is recommended to agree that the community-led option should be pursued on this site.

## **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, 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.
- 6.3 The Council could retain some influence over the scheme by placing covenants on a long leasehold sale, through the planning process, and general goodwill. A development agreement (contract) would provide 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 EU compliant procurement processes. This could be carried out to continue to achieve the ambitions of the project.
- 6.5 The EU '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 would 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 would also highlight the importance of securing affordability in the long term, as highlighted by HSC, through for example a Community Land Trust.

- 6.7 To ensure a community-led project, the Expressions of Interest (Eoi) for the EU procurement would 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) would also be prepared in a way that is relevant to community organisations.
- 6.8 The procurement documentation will 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 will assess each bidder’s approach to financing and delivery, where credible approaches which manage risk effectively will 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 If Mayor and Cabinet agree the recommended approach, officers would be in a position to commence the EU procurement process in April 2015.
- 7.2 Officers have identified a number of local and London based community organisations, which have suitable property experience, who could be alerted to the OJEU advert. Officers would 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 is expected to last around 9 months. A summary of shortlisted proposals would be presented to Mayor and Cabinet at the end of this period, with a recommendation to enter into development agreement with a preferred bidder in early 2016.
- 7.4 The Council would 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 would 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 This report is intended to update Mayor & Cabinet on progress to date in respect of exploring the potential routes for a self-build project to be taken forward in Church Grove.

- 8.2 In addition it seeks approval to initiate an EU-compliant competitive dialogue process to select a not-for-profit community led consortium or organisation to act as an enabling development partner.
- 8.3 There will be project costs associated with supporting the development to the next stage and initiating the procurement exercise. These are currently assessed at £125k and the Mayor is asked to agree these costs. It is expected that a capital receipt will be generated on completion of this project, which can be used to off-set any costs incurred.
- 8.4 A full scheme financial appraisal, including the consideration of using Council land for this development, will be presented to members at the time a formal recommendation is made.

## **9 Legal Implications**

- 9.1 The Equality Act 2010 (the Act) introduced a new public sector equality duty (the equality duty or the duty). It covers the following nine protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
- 9.2 In summary, the Council must, in the exercise of its functions, have due regard to the need to:
- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
  - advance equality of opportunity between people who share a protected characteristic and those who do not.
  - foster good relations between people who share a protected characteristic and those who do not.
- 9.3 The duty continues to be a “have regard duty”, and the weight to be attached to it is a matter for the Mayor, bearing in mind the issues of relevance and proportionality. It is not an absolute requirement to eliminate unlawful discrimination, advance equality of opportunity or foster good relations.
- 9.4 The Equality and Human Rights Commission has recently issued Technical Guidance on the Public Sector Equality Duty and statutory guidance entitled “Equality Act 2010 Services, Public Functions & Associations Statutory Code of Practice”. The Council must have regard to the statutory code in so far as it relates to the duty and attention is drawn to Chapter 11 which deals particularly with the equality duty. The Technical Guidance also covers what public authorities should do to meet the duty. This includes steps that are legally required, as well as recommended actions. The guidance does not have statutory force but nonetheless regard should be had to it, as failure to do so without compelling reason would be of evidential value.

The statutory code and the technical guidance can be found at: <http://www.equalityhumanrights.com/legal-and-policy/equality-act/equality-act-codes-of-practice-and-technical-guidance/>

- 9.5 The Equality and Human Rights Commission (EHRC) has previously issued five guides for public authorities in England giving advice on the equality duty:
1. The essential guide to the public sector equality duty
  2. Meeting the equality duty in policy and decision-making
  3. Engagement and the equality duty
  4. Equality objectives and the equality duty
  5. Equality information and the equality duty
- 9.6 The essential guide provides an overview of the equality duty requirements including the general equality duty, the specific duties and who they apply to. It covers what public authorities should do to meet the duty including steps that are legally required, as well as recommended actions. The other four documents provide more detailed guidance on key areas and advice on good practice. Further information and resources are available at: <http://www.equalityhumanrights.com/advice-and-guidance/public-sector-equality-duty/guidance-on-the-equality-duty/>
- 9.7 Other legal implications are contained in the Part 2 report.

## **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 Lewisham is a diverse borough made up of many different groups and individuals. There are many forms of discrimination affecting people's lives. Some groups of people generally experience more discrimination than others.
- 11.2 The emphasis on affordable housing in this project should address inequalities in access to housing. Officers will encourage nominations through the Council's Choice Based Lettings System, where the equalities criteria can be monitored through the Allocations Scheme. However there is a recognition that further criteria for involvement may be proposed by enabling partners, related to the self-build nature of the project, which may demand a time input from residents, and take time to build. Although the opportunity to become a self-build resident should be widely advertised, it may not be well suited to for those in the most

desperate housing need as the housing will not be immediately available.

11.3 Age, Disability: The physical aspect of self-build construction work may impact these groups. Officers would expect enabling partners to consider these groups as part of their proposals for taking the project forward, how they can be included in the process, and what different roles they could play, as part of a self-build group.

11.4 Gender, Ethnicity, Religion, Sexual Orientation: It is not expected that the project will impact these groups disproportionately. However certain potential development partners may place an emphasis on addressing inequalities for certain groups. The selection process for development partners will seek clarification from bidders about the make-up and operation of their community membership, and any equalities considerations that are in place within these organisations.

## **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 are set out in the 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 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.