

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL**CONFIDENTIAL EXECUTIVE MANAGEMENT TEAM'S REPORT TO THE
CABINET****Date 10 July 2019**

1. **REPORT TITLE** 20 Sidmouth Avenue
- Submitted by:** Chief Executive – Martin Hamilton
- Portfolio:** Planning & Growth
- Ward(s) affected:** May Bank

Purpose of the Report

To consider options for the future of this redundant property, and options for its redevelopment.

Recommendations

1. ***That the Chief Executive, in consultation with the Portfolio Holder be given delegated authority to:***
 - 1.1 ***secure Planning Consent for:***
 - 1.1.2 ***Demolition of the post 1950's building extensions, making good external walls, on the existing building;***
 - 1.1.3 ***Change of use of the existing building to residential;***
 - 1.1.4 ***Three substantial 4-5 bedroomed detached houses, each having integral garages.***
 - 1.2 ***Dispose of the retained building for refurbishment as a single 4-5 bedroomed detached dwelling or 2 Apartments, in a manner that protects the future use of the property.***
 - 1.3 ***Restrict future use of the dwellings to single family accommodation by way of covenant;***
 - 1.4 ***Dispose of the 3 plots with the benefit of planning permission, in a manner that protects the future use of the properties. i.e. single family accommodation.(option 2.9B)***
2. ***That the costs of demolishing the building extensions and making good external walls be added to the 2019-20 capital programme, to be replenished in 2020-21 from the net proceeds of disposal.***

Reasons

The recommended actions will result in the realisation of a regeneration opportunity and maximise value of this asset. The recommendations also ensure that the development contributes positively to the nature of this area, and does not become used for bedsits or Houses in Multiple Occupation.

1. **Background**

- 1.1 The extent of 20 Sidmouth Avenue, which the council has owned freehold since 1955 is shown heavily edged and hatched black on the attached plan. The original part of the building was constructed circa 1870 as a detached dwelling house comprising basement, ground & first floors with attic, being of brick elevations under a pitched tile roof.
- 1.2 The property was converted, in the mid 1950's to office use. It was extended in the 1960's to provide more office accommodation and further extended in the 1970's. The building is not listed, but occupies a prominent site in a Conservation Area.
- 1.3 The general condition of the property is fair (fairly good) but required significant modernisation and updating.
- 1.4 The building currently stands empty but was occupied, on lease, for many years by Staffordshire County Council Registrars & Trading Standards Services until these relocated to Castle House in autumn 2018.

2. **Issues & Options**

- 2.1 In September 2015 Council considered the future of 20 Sidmouth Ave, and resolved to dispose of the site, in its entirety, as a single lot.
- 2.2 Subsequently, in 2018, members directed that this decision be revisited, and requested officers to consider alternative options for the site which would enable the value of the site to be enhanced and, to exercise some degree of control over its subsequent development to avoid the existing building being developed as low quality House in Multiple Occupation or Bedsits.
- 2.3 Following a competitive procurement process local architects Tarpey Woodfine (TW) were engaged to provide alternative residential scheme layouts and surveyors Butters John Bee (BJB) were engaged to provide valuation advice in respect of these. Arising from this work a number of options have been evaluated, each of which is summarised below, with financial details included in the confidential appendix. The options all deal separately with the existing building and the residual site.

Options for Existing Building

- 2.4 As described above, the original building has been extended on a number of occasions, but these extensions are of relatively low quality and are not suitable for high quality redevelopment and will need to be demolished. Such demolition adds value to the overall site by releasing land for building plots as well as restricting the development of the existing house to that part which has the higher design quality and aesthetic. For each of the development options it is proposed that the Council secure planning consent to demolish the extensions, make good the point of connection to the original building, and erect a fence to delineate a new boundary, effectively subdividing the site. In addition, planning consent would be secured for change of use, from office to residential.
- 2.5 Demolition costs & making good will involve removal of asbestos, making good using matching bricks in keeping with the conservation area, and constructing a new retaining wall and back filling the cellar which lies under the extensions to be demolished. Cost estimate for this work is included in the confidential appendix.
- 2.6 The retained building is suitable for redevelopment either as a 4-5 bedroom family dwelling, or as two, self-contained apartments. Whichever option is realised, it is proposed that the Council retain a degree of control by disposing of the development on a long leasehold with a covenant

specifying that the house or apartments may only be utilised for single family units and not for houses in multiple occupation.

2.7 The options for realising the value of this portion of the site are:

- (A) Market and dispose of the building with the building with the benefit of planning permission for conversion to either (i) a 4-5 bed roomed detached house or (ii) two/three apartments, allowing a third party purchaser to undertake the refurbishment / conversion.
- (B) The council undertakes full refurbishment to create either (i) 4-5 bed roomed detached house or (ii) two apartments.

2.8 Given the projected capital receipts for A and B above are on a par (see confidential Appendix), and undertaking the refurbishment is a much higher risk option, it is proposed that Option A be selected and the risk be passed onto a private developer. The capital receipt, on either of these options, is significantly eroded by the demolition costs, but this work does release the larger part of the site for development, and as such releases that value.

Options for Residual Site

2.9 After implementing either of the proposals outlined for the main building, the Council would be left with a residual cleared area of land, for which options have been identified. Consideration has been given to various configurations as set out below. The financial projections for each are in the confidential appendix:

- (A) Secure Planning Consent for 3 large new build 4-5 bed detached house with integral garage. Build out the houses and sell.
- (B) Secure Planning Consent for 3 large new build 4-5 bed detached house with integral garage, and sell the individual sites with the benefit of planning consent as either Self Build or development opportunities.
- (C) Division of the land into 2x2 plots, and secure planning consent on each for a pair of 3 bed semi-detached (S-D) houses with an integral garage and build out the same. Build out the houses and sell.
- (D) Division of the land into 2x2 plots, and secure planning consent on each for a pair of 3 bed semi-detached (S-D) houses with an integral garage and sell the sites as Self Build or development opportunities.
- (E) Division of the land into 4 plots, each of which could be developed with a new build 4 bed detached house BUT having no garage. Build out the houses and sell.
- (F) Division of the land into 4 plots, each of which could be developed with a new build 4 bed detached house BUT having no garage, and sell the sites as self build or development opportunities. We are advised that these plots are likely to be more difficult to sell as the site would be very tight and difficult to construct if the plots were sold on an individual basis.

3. Timeline

3.1 In addition to the scale of capital receipt secured, a consideration in determining which option to progress will be the timing of such a receipt. Preparation of the Medium Term Financial Plan

indicates that the Council should seek to secure a receipt within the 2020-21 financial year. Modelling the process for securing approvals, procuring works, marketing and disposal are set out below:

Site Preparation

| | | |
|-------------------|--|---|
| July 2019 | | Cabinet decision to proceed |
| August 2019 | | Submit Planning Application Tender Asbestos removal Tender Demolition & Making Good |
| October 2019 | | Planning Consent Granted |
| November 2019 | | Commence Asbestos removal and Demolition |
| End February 2020 | | Removal of Asbestos complete |
| End June 2020 | | Demolition and Making Good Complete |
| | | |

Option involving Sale of Plots

| | | |
|---------------|--|--|
| May 2020 | | Commence marketing of Plots Commence marketing of retained building |
| August 2020 | | Review Offers |
| December 2020 | | Exchange Contracts on building plot and retained building |
| January 2021 | | Completion on building plot and retained building |

Option involving Build of Houses and Sale

| | | |
|----------------|--|---|
| May 2020 | | Commence marketing of retained building Commence marketing of new homes “off plan” |
| April 2020 | | Commence build properties |
| September 2020 | | Review offers |
| September 2020 | | Complete build |
| December 2020 | | Exchange contracts for sale on “off plan” sales and retained building |
| January 2021 | | Complete on retained building |
| | | |
| February 2021 | | Complete on sales |

These dates are provisional and do not allow for any slippage in the programme

4. Proposal

- 4.1 To maximise both the regeneration impact and the financial performance of this asset, it is proposed to:

- Secure planning consent to convert the existing building to residential use, including the demolition of the extensions to the building, and making good the resulting opening;
- Dispose, by auction, the retained building on a long leasehold, with covenants restricting use to non-HMO accommodation;
- Secure planning consent for three 4-5 bedroom detached properties with garages;
- Sell the three plots either as self-build or development opportunities.

5. **Reasons for Preferred Solution**

- 5.1 The preferred solution presents the best opportunity to balance risk, return, and timeliness of receipt in the Council's interest.

6. **Legal and Statutory Implications**

- 6.1 Legal advice has been obtained from Freeth's, solicitors concerning the Borough Council establishing or participating in a corporate legal structures for the purposes of property development activities. As this asset is currently owned by the Council and has a strong regeneration aspect as well as a core asset management purpose, the Council may progress to build and sell without the need to establish a Company.
- 6.2 In order to ensure that the site/plots continue to be used for the purpose of single dwelling houses and to prevent the possibility of the site being used as an HMO, commercial, or other similar use, it is recommended that any disposal of the site should contain specific restrictive covenants on use which should be registered with the land registry.

7. **Financial and Resource Implications**

- 7.1 The original decision to dispose of the Sidmouth Avenue site entailed the site being sold as a single lot. By investing in works to add value to the site by demolishing and making good the existing building the potential is created to increase the financial return to the council by around 25% whilst simultaneously exerting influence over the end use of the site, to avoid any negative impact on the character of this residential area
- 7.2 The cost of the works to demolish the 1950s office extension and make good external walls can be accommodated within the 2019-20 capital programme through a combination of reprofiling and utilisation of the £1m capital contingency. Capital programme resources will be replenished from the net capital receipt from disposal of the site in 2020-21.

8. **Major Risks**

Undertaking a project of this nature is not free of risk. The key risk will be that either the construction costs or the sale receipt achieved (or both) do not align with the pre-construction estimates, resulting in a reduced net receipt. This could arise from unforeseen costs arising (eg due to ground conditions) or through changes in the residential housing market depressing sale values.

If approved by Cabinet, a full risk register will be prepared for this project, and monitored and reported through the development process.

11. **Sustainability and Climate Change Implications**

The Proposal brings a redundant building back into use and will create additional housing of which the Borough has a shortage. This location is a sustainable one being close to amenities and travel networks.

12. **Key Decision Information**

This is a key decision.

13. **Earlier Cabinet/Committee Resolutions**

Council - 23rd September 2015

14. **List of Appendices**

Confidential Appendix

15. **Background Papers**