

REPORT FROM: HOUSING, HEALTH AND ECONOMIC DEVELOPMENT
SERVICES MANAGER

TO: EXECUTIVE

DATE: 28th MAY, 2015

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CLITHEROE ROAD SITE, BRIERFIELD

PURPOSE OF REPORT

To report on progress with the preparatory work in pursuant of a residential development on the Clitheroe Road site in Brierfield and to seek the approval of the Council's Executive to revised land disposal terms, subject to PEARL2's approval of the same matter.

RECOMMENDATIONS

(1) To note the progress so far

(2) It is recommended that:

The Executive gives approval to the disposal of the freehold interest in the Clitheroe Road site for the total price of £424,000 to PEARL2, in 2 phases (as shown in Appendix1) and on the terms set out in paragraph 5 of the report.

REASONS FOR RECOMMENDATIONS

(1) To keep Members informed of progress

(2) To dispose of the site in the most beneficial way

ISSUE

1. The Council's Executive at its meeting on 25th March 2014 agreed to the disposal of the Clitheroe Road site to PEARL2 at the negotiated sale price of £424,000 and the site's development through a Development Agreement, subject to PEARL2 agreeing to the disposal terms. The Executive also gave approval to proposed Heads of Terms to form the basis of the Development Agreement between PEARL2 and the Council and gave delegated authority to the Director (Services), the equivalence of which is now the Corporate Director to agree the final Development Agreement.

2. The PEARL2 Board subsequently agreed on 25th April 2014 to acquire the site for the agreed sale price of £424,000, subject to planning consent, the development agreement being in place and the scheme meeting the 8% net profit threshold.
3. PEARL2 has since progressed the scheme design comprising a mix of 46 residential units to planning approval stage. Full planning permission for 36 residential units and an outline planning consent for the canal side land (with an indicative 10 residential units) was granted on 1st April 2015. Prior to submitting the scheme for planning permission, a public consultation exercise attended by over 130 residents took place on 8th January, at which there was significant support for the scheme design, the layout and mix of house types.
4. The 46 unit scheme comprises:
 - Eight (3 bed) semi-detached dormer bungalows
 - Six 3 bed semi-detached bungalows
 - Ten (2 bed) semi-detached bungalows
 - Twelve semi-detached (3 bed) houses
 - Ten (3 bed) canal side houses (on the canalside land forming Phase 2)

Land disposal and payment

5. A detailed costing exercise on the build costs by Barnfield Construction and a major value engineering exercise have been carried out in liaison with PEARL's independent cost consultants, Donald Lomax and Partners (DLP) over the last few months. In the light of this financial assessment, it is now being proposed that the land be disposed of to PEARL2 in two phases. The agreed sale of the site for a total of £424,000 is based on the following land payment and terms:

Phase 1: £342,462 subject to:-

 - a. The grant of detailed planning permission;
 - b. Completion of a Development Agreement with PEARL;
 - c. A detailed appraisal of Phase1 showing that the anticipated 'net development profit on cost' meets the threshold of 8%;
 - d. evidence of ability to finance Phase1 of the development

Phase 2: £81,538 subject to:-

 - a. The grant of detailed planning permission;
 - b. A detailed appraisal of the cumulative scheme (Phase1 and Phase2) showing that the anticipated 'net development profit on cost' meets the viability threshold of 8%;
 - c. evidence of ability to finance Phase 2 of the development
6. This phased purchase by PEARL will assist with cash flowing the scheme and help with reducing its borrowing costs.
7. The revised terms of a phased disposal is a departure from the terms originally agreed by the Council and PEARL, whereby the whole of the entire site was to be disposed of in one transaction for the agreed total purchase price. The Executive is therefore requested to agree revised disposal terms (above) subject to the PEARL Board similarly agreeing to this approach.
8. The financial arrangements that were previously agreed in March 2014 by the Council and by PEARL in April 2014 in terms of the 'overage' and the financing of the development remain the same. The agreed finance arrangement involves a contribution to PEARL2 in the form of a commercial loan of £200k from the Council, a contribution from Barnfield Investment Properties of £466k and the residual finance being met from main stream bank funding.

9. The overage arrangement that has been agreed whereby any profit above 8% (i.e. if the sales values are higher than predicted) involves Pendle receiving up to a further £376k (ultimately achieving the land value of £600k attributed to the site based on a desk top valuation by Liberata) and including repayment of the loan referred to above.

Financial

10. PEARL has carried out a detailed financial appraisal for each phase and the overall scheme taking into consideration the apportionment of the land value, developments costs, professional fees and likely sales. Pearl's cost consultants will carry out a detailed independent assessment into the appraisal and costs, to assess value for money and viability. The scheme going forward will be subject to completion of the Development Agreement and on the basis that Phase1 meets the 8 % 'net development profit on costs' threshold and DLP's independent verification report on value for money.

Development Agreement

11. Subject to the Council's Executive and PEARL's approval to the site being disposed of in two phases as shown in Appendix 1, PEARL2 will undertake the development under a Development Agreement with the Council. The Heads of Terms of a Development Agreement, have previously been agreed by both the Council and PEARL2, and subject to approval of this revised term of phased land purchase, it will be incorporated into the Development Agreement. PEARL's Solicitors have been appointed and the draft legal agreements are in preparation.

Timescales

12. Subject to the Council's and PEARL's approvals being in place and allowing for the Development Agreement becoming unconditional in August 2015, the intention would be for the work to start on site in September 2015.
13. The scheme will build on the momentum that has already been achieved by PEARL2 on the other sites at Holden Road and Quaker Heights. It will also help create investor confidence within this priority growth area and help complement PEARL2's flagship development project of Brierfield Mill where construction work on site is aimed to also start in September 2015. This will help support economic growth and the disposal of the site will provide capital receipts for the Borough.

IMPLICATIONS

Policy: None directly arising from this report

Financial: The financial implications are as given in the report. The sale of the site will produce a land receipt for Pendle, with an upfront capital receipt of £342,462 for Phase1 (although of this amount, £200k will be loaned to PEARL2 as means of providing cash flow to the Company to facilitate the Scheme); and a receipt of £81,538 for Phase2 when the phase 2 land is transferred.

A desktop valuation of the whole site land indicates a value of £600,000, which as indicated in the report, an overage arrangement has previously been agreed where the Council could receive up to this amount albeit in the form a deferred capital receipt payable if the net profit of the scheme exceeds 8% as the development progresses (and subject to achieving higher sales values than predicted).

The building of new homes will also assist with increasing the level of New Homes Bonus brought into the Borough.

Legal: A development agreement is being produced between Pendle and PEARL2

Risk Management: None directly arising from this report

Health and Safety: None directly arising from this report

Sustainability: None directly arising from this report

Community Safety: None directly arising from this report

Equality and Diversity: None directly arising from this report

APPENDICES

1 – Site Plan: Phase 1 and Phase 2

LIST OF BACKGROUND PAPERS

Council's Executive - 25th March 2014: Disposal of Housing Sites - Update

APPENDIX 1 – SITE PLAN OF CLITHEROE ROAD: Phase 1 and Phase 2



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Description

CLITHEROE ROAD SITE, BRIERFIELD

PHASE 1 EDGED RED - APPROX. 1.09ha.

PHASE 2 EDGED GREEN - APPROX. 0.23 ha.

Scale

1:1250

Drawing No.

BR/CL PHASES

Drawn By

L.G.

Date

DEC. 2014

CAD Reference



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