

Cabinet

29 February 2012



**Disposal of Oversteads House and
Brandon House - Tender Evaluation**

Report of Corporate Management Team

**Ian Thompson, Corporate Director Regeneration and Economic
Development;**

Councillor Clive Robson, Cabinet Portfolio Holder for Housing

Purpose of the Report

1. This report details the outcome of a tender process for the disposal of two County Council owned sheltered housing schemes at Oversteads House, Ushaw Moor and Brandon House, Brandon and recommends their disposal at 'nil' value to the preferred developer, Vela Group.

Background

2. Built in the 1970's, these two sheltered schemes have struggled with high management and maintenance costs for many years. The Councils Older Persons Accommodation and Support Needs Strategy (2010) had identified the problem of over provision of this type of accommodation across the county. An opportunity arose to consider how best to remodel or redevelop these two schemes for the greater benefit of future residents.
3. Therefore, Cabinet received a report on 10 November 2010 which recommended the closure of the schemes and resolved that officers should seek to transfer both schemes to a suitable housing provider for development of affordable housing preferably for older persons.
4. The report outlined the outcomes of an Independent Options Appraisal of the two schemes carried out by Peter Fletcher Associates. This found that the two sheltered schemes had significant issues including:
 - Poor design standards, including flats that do not meet modern requirements, a large number of bedsits and some communal bathroom facilities;
 - Failure to meet the Government's Decent Homes Standard and minimum Disability Discrimination Act requirements;
 - A backlog of essential maintenance, particularly at Brandon House;

- High investment requirements to address these issues and bring the schemes up to minimum standards;
 - A likelihood that even after decent homes investment, some bedsit units would remain and poor access would continue to be a problem in many parts of both schemes;
 - Low levels of demand, which would only be partially addressed through conversion work to increase the size of flats.
5. Oversteads House was built in 1972 and comprises 18 Bedsits; eight 1 Bed flats; two 2 Bed flats and one 3 Bed Flat (all on two floors).

Originally there was an on site warden living in a 3 bedroom flat located within the scheme. The warden retired in January 2008 and was not replaced.

Brandon House was built in 1974 and is also a 2 storey block consisting of one 3 Bed flat; eight 1 Bed flats and 22 bedsits.

6. The report concluded that retention of the two schemes by the County Council would have represented very poor value for money. Even after Decent Homes investment, the schemes would have provided accommodation that barely met minimum standards and would have continued to be in low demand.
7. Given the poor design standards and the level of investment required Cabinet agreed:
- To close Oversteads House and Brandon House
 - To investigate further the possibility of one or other of the sites being transferred to another housing provider for development as affordable housing preferably for older people.

Rehousing Process

8. Following the decision to proceed with closure, Durham City Homes have successfully arranged the permanent rehousing of all residents from Brandon House. The warden remains at Brandon House and arrangements are in hand to rehouse her as well. All but two of the residents at Oversteads House have also been rehoused in suitable permanent alternative accommodation. The remaining two residents will be rehoused shortly.

Tender Process

9. In March 2011 adverts were placed to invite Expressions of Interest (EOI) from suitable developers in relation to the redevelopment/ refurbishment of the two schemes. The closing date for submitting EOIs was 26 April 2011.

10. EOI's were received by the due date from both private developers and Registered Providers. Shortlisting took place in May 2011 and five organisations were subsequently invited to tender.
11. Full tender documentation was prepared and issued on 5 October 2011 with a tender deadline of 25 November 2011.
12. During the course of the tender period three of the shortlisted companies withdrew from the tender process.
13. Tenders were received (based on the provision of new build schemes) from two Registered Providers (RP) (ie housing associations).

Tender Submission – Land Value

14. Prior to the tendering process commencing bids were made to the Homes and Communities Agency (HCA) by the prospective RP tenderers. This slightly delayed the tender process so that the outcome of the HCA Affordable Housing Programme (AHP) 2011-2015 bidding round was known.

The Spirit Development Partnership to which both bidders are partners successfully secured £1 282 000m to develop 38 units of affordable housing from the AHP.

15. Securing this funding from the HCA is on the condition that Durham County Council is willing to dispose of the 2 schemes at 'nil' value. This provides the HCA with sufficient confidence that the schemes are value for money and that their grant is not merely being used to cross subsidise land receipts for another public body.
16. This meant that the criteria contained within the Development Brief were based solely on the design quality and principles of sustainable development (and not on price).
17. If the sites were to have been placed on the open market for sale it is assumed that a development of market sale housing would have been more desirable to developers. Residential land values in the Brandon and Ushaw Moor areas are in the region of £300,000 per acre. With this in mind and taking into account, demolition costs of the existing buildings, it is likely that the Brandon House site which is approximately 1.22 acres, could achieve a sale price of around £220,000. The Oversteads House site, which has an area of approximately 0.78 acres, could achieve a sale price of around £65,000. However, it is suggested that the identified need for affordable housing on the sites outweighs the potential to gain a capital receipt.

Tender Submission – Quality Appraisal

18. In order to facilitate fair and accurate comparisons, the developer's proposals were structured according to the methodology derived from the Home and Communities Agency publication "**Quality Reviewer- Appraising the design quality of development proposals.**" The six criteria for assessment and scoring are set out below :
 - **Movement and Legibility**, both externally and internally including quality of entrances, corridors, circulation spaces and communal spaces
 - **Space and Enclosure** including landscape proposals, car parking and boundary treatments
 - **Mix Uses and Tenure** including the type and size. Tenure will be primarily affordable rented but preference will be given to schemes that have an element of intermediate or low cost market housing
 - **Adaptability and Resilience** including ideas on accommodating alternative uses
 - **Resources and efficiency** including details of services, spaces, plant rooms, refuge strategy and storage
 - **Architecture and townscape** including building form, elevations, detailing, components, materials and design of apartments.
19. The successful tenderer is expected to submit a detailed planning application on or before 31 March 2012 as well as submitting a Statement setting out the developers approach to targeted recruitment and training opportunities to support employment in the local area.
20. An assessment panel met on the 1 December 2011 to carry out an assessment of the two bids.
21. Both bids complied with the requirements of the Development Brief and were structured according to the methodology derived from the HCA Quality Reviewer and both included space for a communal lounge, a lift, electric buggy store and public open space for residents.
22. The outcome of the Panel assessment judged the Vela Group was the preferred bid to deliver 20 two bedroom apartments and 2 two bedroom bungalows on the Brandon House site and 16 two bedroom apartments on the Oversteads House site. Of the total, 7 will be offered for shared ownership.

23. Vela scored more highly because of
- Their commitment to developing both schemes to Level 4 of the Code for Sustainable Homes (whereas livin achieved Code level 3 only).
 - their willingness to seek to secure a greater proportion of shared ownership units on the schemes
 - their greater commitment to identify specific targets for compliance with Targeted Recruitment and Training
 - their more considered approach to the treatment of public and private open spaces within the curtilage of the schemes
 - a more imaginative approach to the built form.
- 24 . The outcome of this will be the provision of two high quality schemes specifically for older persons which will provide affordable housing (primarily for rent but with a shared ownership option) in popular locations within the county.
25. It exemplifies a strong working partnership between the authority, the homes and Communities agency and one of our partner housing associations.

Recommendations

Cabinet is recommended:

- (a) To accept the tender proposals from Vela Group
- (b) To agree under the General Disposal Consents Order 2003 to dispose of Oversteads and Brandon House to Vela Group for redevelopment.
- (c) To agree, subject to contract to the disposal of Oversteads House and Brandon House at nil value.

Contact: Glyn Hall Tel: 0191 383 5609

Appendix 1: Implications

Finance

Disposal at 'nil value' is assessed at representing a potential net capital loss of £285,000. However a commitment has already been made to retain the schemes as social housing and there is no substantive market value for such development sites.

Staffing

The developer will be adopting a targeted approach to local recruitment and training opportunities.

Risk

The disposal is subject to the developers securing planning consent and also the legal process being completed satisfactorily.

Equality and Diversity / Public Sector Equality Duty

There are no public sector or equality and diversity implications. The schemes will provide a positive contribution to meeting the needs of older persons who are disadvantaged in the housing market

Accommodation

There are no accommodation implications.

Crime and Disorder

There are no crime and disorder implications.

Human Rights

There are no human rights implications.

Consultation

As the development progresses consultation will take place with local residents, schools and local members.

Procurement

There are no procurement implications. The proposed schemes have been the product of a land disposal process that has not required a procurement process. The housing services for the two proposed schemes will be the responsibility of Vela Group to procure.

Disability issues

The future scheme will be built to mobility standards with wheelchair access to all units. Two units at Brandon house will be built to accommodate permanent wheelchair users.

Legal Implications

There will be a land disposal process to complete once Vela group have secured planning permission. This disposal would fall within the parameters of the general Disposal Order. There are no other legal implications.

Appendix 2

Brandon Elevation Illustration



Brandon Elevation illustration



Oversteads Elevation Illustration



Oversteads Elevation illustration

