

**CABINET MEETING: 19 DECEMBER 2019**

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**PACKAGE DEAL AT FORMER PADDLE STEAMER PUBLIC HOUSE, LOUDOUN SQUARE, BUTETOWN.**

**HOUSING AND COMMUNITIES (COUNCILLOR LYNDA THORNE)**

**AGENDA ITEM:8**

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**The Appendix to this report is not for publication as it contains exempt information of the description contained in paragraph 14 of Part 4 and paragraph 21 of Part 5 of Schedule 12A to the Local Government Act 1972**

**Reason for this Report**

1. To approve the Council entering into a package deal contract with Willowmead Holdings Ltd for the development of 31 new apartments for council rent at Loudoun Square, subject to the satisfactory completion of due diligence, financial viability and achieving a planning consent.

**Background**

2. The Council has a target of delivering 1,000 new council homes by March 2022 and this project will form part of this delivery strategy.
3. A Cabinet report outlining the strategy for delivering 1,000 new council homes was approved in May 2019. The report set out the approach to development and the routes being used to meet the target. This includes new build, buy-backs and package deals.
4. The Paddle Steamer site is located in the Butetown. The site is a flat and broadly rectangular parcel of land; approximately two-thirds of the site is taken up by the existing two-storey building with the remaining one-third taken up by a parking area. The existing building is estimated to date back to the 1960's; it is not listed and is of no architectural merit that would require its retention.
5. The area is well located in terms of access to the city centre and to nearby amenities in the local centre at Loudoun Square. Bus routes can be found along nearby Bute Street to the east of the site, with designated cycle routes along Lloyd George Avenue further east. The Cardiff Bay train station is also 0.5 miles away.

6. The Butetown area is identified as an area where there are high levels of housing need for both Council and Registered Social Landlord affordable rented properties. The apartments will provide much needed quality affordable council homes in a sustainable location close to amenities and public transport.
7. The proposed scheme will deliver 31 new FAMILY apartments; 2 x 1bed 2 person flats and 29 x 2bed 3 person flats. We have requested this specific mix on the basis of meeting housing need and in providing additional family accommodation in this area.
8. Pre-application planning advice has been sought by the contractor. This initial advice has led to the scheme being scaled back from the original proposal of 35 apartments (over 5 storeys). In-principal support has now been given to the 31 unit scheme (4 storeys). The immediate surrounding properties are between 3 and 4 storeys in height.
9. The properties will be designed to be fully compliant with Welsh Government's Design Quality Requirements (DQR). The Council's Design Guide and Specification will also be delivered as part of the package deal requirements.

## Issues

10. Costs – the scheme is being offered to the Council under a 'package deal' arrangement. 'Package deals' are where a contractor takes the lead in procuring the acquisition, design and construction of a project. This will be collaborative in the sense that Cardiff Council will sign off on the preferred design and in ensuring that Welsh Government's Design Quality Requirements are met however all risk for the project will rest with the contractor. The Council will enter into an appropriate form of contract and the costs once finalised will be independently verified by Chartered Quantity Surveyors on behalf of Cardiff Council.
11. The package deal is proposed on a 'turnkey' basis meaning that Cardiff Council will pay for the property once complete and at the point of practical completion.
12. The current estimated costs and site plans are detailed in Appendix 1.
13. Land Valuation – The council currently owns the freehold of the site, however a lease is in place with the existing leaseholders. Willowmead holdings Ltd have an option to purchase the leasehold in order to bring forward development of the site. The council entering into a package deal arrangement is conditional on a satisfactory valuation of the Leasehold.
14. **Conditions of the deal** – there are a number of conditions that will be covered in the legal agreement with the contractor. These are listed below:

- A satisfactory planning permission being granted for a 31 unit scheme including for any Section 106 Agreement;
  - The negotiation and agreement of a Development Agreement between the Council and the contractor, this will be appended to the conditional contract and entered into once satisfactory planning permission has been granted;
  - A satisfactory valuation of the existing land and leasehold interests;
  - A satisfactory valuation of the property once built; and,
  - The purchase by the contractor of the leasehold interest.
15. The planning application will be submitted within 3 months of the signing of Heads of Terms or approval of the scheme by Cabinet, whichever is the latter. Contracts are to be exchanged within 60 days of agreement of the Heads of Terms.
16. **VAT Recovery** – the Council’s finance team have advised that providing there is no intention for the Council to use these houses for anything other than to house council tenants, this would not cause an issue for the Council from a VAT recovery perspective. This assumes the only income the Council will receive from letting these houses will be from our own tenants.
17. **Financial Viability** – the total scheme is being offered to the Council on a ‘turn-key’ basis for a fixed sum which includes acquisition costs, works and all professional fees/charges. The only professional fees that the Council will need to include are those of a Clerk of Works and also the fees associated with the purchase.
18. The scheme viability has been assessed using the ProVal Viability Toolkit, with the baseline viability indicating that the scheme would achieve a payback of 33 years, with an allocation of subsidy. The amount of subsidy required represents the same as the rate (58%) a Registered Social Landlord (RSL) would use when applying to Welsh Government for funding.

#### **Local Member consultation**

19. The Local Ward Member has been consulted and is supportive of the scheme.
20. Councillor Thorne, Cabinet Member for Housing & Communities is fully supportive of the scheme.

#### **Reason for Recommendations**

21. To progress the acquisition of land/new development opportunities in order to meet the Council’s aspirations of delivering 1,000 new council homes in line with housing need by March 2022.

### **Financial Implications**

22. Further due diligence activity, including updating the financial appraisal , and undertaking the relevant valuations will be required before entering into the fixed price contract for this scheme. Confirmation of the financial viability of the scheme will also be required before proceeding. The scheme will be funded from the HRA Capital Programme including the additional costs- clerk of Works and Legal purchase fees – directly incurred by the Council.

### **Legal Implications**

23. The matters set out in paragraph 14 of this report will have to be satisfied in accordance with all relevant statutory planning, procurement and property regulations together with the Council's internal procedures before any unconditional legal commitment can be entered into by the Council

### **HR Implications**

24. There are no HR implications for this report.

## **RECOMMENDATIONS**

Cabinet is recommended to delegate authority to the Corporate Director for People & Communities, to enter into a fixed price contract (following due diligence set out in this report and an acceptable viability approval) with Willowmead Holdings Ltd for the development of 31 new apartments at the former Paddle Steamer public house site in Butetown.

<b>SENIOR RESPONSIBLE OFFICER</b>	<b>SARAH MCGILL</b> <b>Corporate Director People &amp; Communities</b>
	13 December 2019

*The following appendices are attached:*

Appendix 1 – breakdown of costs & site plans (confidential)