

AGENDA ITEM: 9 Pages 32 – 43

Meeting	Cabinet Resources Committee
Date	17 June 2010
Subject	Granville Road Estate Regeneration
Report of	Cabinet Member for Planning, Housing and Regeneration
Summary	To consider the business case for Phase 2 of the wider regeneration of the Granville Road Estate and approve the formal procurement route to select a development partner to take forward the estate improvement opportunity.

Officer Contributors	Stewart Murray – Director of Planning, Housing and Regeneration Colin Ross – Head of Regeneration Nicola Bird – Regeneration and Development Manager
Status (public or exempt)	Public (with separate exempt report)
Wards affected	Childs Hill
Enclosures	None
For decision by	Cabinet Resources Committee
Function of	Executive
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

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1. RECOMMENDATIONS

- 1.1 That having regard to the business case for Phase 2 of the regeneration of the Granville Road estate:**
- i. That the Director of Planning Housing and Regeneration be authorised to seek a development partner through a competitive tender to enter into a joint venture to take forward Phase 2 of the regeneration of the Granville Road Estate;**
 - ii. That the Director of Planning, Housing and Regeneration be authorised to approve through delegated powers, the appointment of any further external consultants, in accordance with the Council's contract procurement procedures to support the tender and contractual arrangements for the establishment of a joint venture agreement / local delivery vehicle for Granville Road; and**
 - iii. To authorise spend up to a maximum of £500,000 towards legal and consultancy services to support the tender arrangements required for the establishment of a joint venture agreement or other delivery vehicle for Granville Road.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1** Cabinet Resources Committee, 31 October 2007 (Decision Item 11) – approved in principle the sale of the specified lands on Granville Road estate for residential development to fund works required to the tower blocks subject to marketing and tendering.
- 2.2** Cabinet, 23 January 2008 (Decision Item 7) – approved the Planning Brief for the Granville Road Estate which included retention of the three taller tower blocks for major refurbishment and improvement assisted by unlocking new build potential on adjoining under-used land to provide new homes as part of a wider Estate regeneration scheme.
- 2.3** Cabinet Resources Committee, 5 March 2009 (Decision Item 10) – approved the demolition of Garth House and connected buildings following a fire in 2008.
- 2.4** Cabinet Resources Committee, 23 April 2009 (Decision Item 6) – approved an initial allocation of £1 million of Growth Area Funding if necessary, to assist the financial business case for the refurbishment of the three tower blocks and the wider regeneration on the Granville Road Estate.
- 2.5** Cabinet Housing and Regeneration Committee, 27 May 2009 (Decision Item 7) – Informed members on Local Asset Backed Vehicles (LABV) model and how this may assist the Council in providing innovative funding solutions to delivering housing regeneration at locations such as Granville Road Estate.
- 2.6** Cabinet Resources Committee, 30 July 2009 (Decision item 18) – approved the formal acceptance of the award of funding of £7.011 million from the London Development Agency allocated from the London Mayor's Targeted Funding Stream to improve the three tower blocks and upgrade 179 homes on the Granville Road Estate and to undertake a parallel process for the wider estate regeneration and related procurement process.
- 2.7** Cabinet, 21 October 2009 (Decision item 10) – approved
- (i) that officers invite expressions of interest on the options for progression of the regeneration;**
 - (ii) the commencement of a formal procurement and market testing of the options;**

- (iii) officers procure the production of a masterplan to guide the development and regeneration of the wider estate; and
- (iv) that officers report back to Cabinet or Cabinet Resources Committee to commence phase 2 of the wider regeneration in accordance with the chosen financial and procurement model.

- 2.8 Cabinet, 21 October 2009 (Decision item 8) – approved the plans for implementing the Future Shape programme which sets out three key priorities being a new relationship with citizens, a one public sector approach and a relentless drive for efficiency whilst seeking to deliver new innovative models of funding and service delivery.
- 2.9 Cabinet Resources Committee, 23 February 2010 (Decision item 14) – approved
- (i) the commencement of the process to develop a Local Asset Backed Vehicle;
 - (ii) a formal LABV Board be constituted with Officers tasked with reporting back to CRC on the detail of the forming and operating of such a vehicle;
 - (iii) to undertake soft market testing with the potential to refine the LABV concept to a Barnet specific product; and
 - (iv) procure appropriate professional advisers to assist the Council in this process.
- 2.10 Cabinet, 12 April 2010 (Decision item 9) – approved the Barnet Housing Strategy and
- (i) to explore the Private Rented Sector Initiative, in 2010/11 linked to Future Shape;
 - (ii) following such exploration, to develop further the Business Case for establishing a Barnet Private Rented Sector Initiative vehicle for future presentation to Cabinet; and
 - (iii) to appoint relevant external advisors to advise on the Private Rented Sector Initiative and the Council's proposed participation in such a vehicle, and authority be given to the relevant Cabinet Member, through Delegated Powers, to approve external advisors.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The Corporate Plan 2010-13 commits the Council to the following three priorities which are all relevant in terms of the Granville Road Estate regeneration proposals:
- Better services with less money;
 - Sharing opportunities, sharing responsibilities; and
 - A successful London suburb.

Through the 2010/2013 corporate priority, 'A successful London suburb', the regeneration of the Granville Road Estate will include the upgrading of the tower blocks to bring them above the Government's Decent Homes standard in parallel with a wider regeneration scheme to provide a mixed tenure community consisting of a range of different tenures to enhance choice and the "housing journey" to deliver an improved estate integrated into the surrounding community.

- 3.2 Through the Future Shape initiative, the Council is committed to developing a new relationship with its citizens, a one public sector approach and relentless drive for efficiency. The development of innovative partnerships with the private sector is intended to maximise the value of the Council's assets whilst ensuring the delivery of a high quality suburban environment which will limit the requirement for substantial intervention from the public sector in the future. The LABV model potentially provides for an innovative funding solution to unlock the value of assets to support regeneration and housing renewal at locations like Granville Road where future public funding may be extremely limited.

4. RISK MANAGEMENT ISSUES

- 4.1 There is a risk due to the ongoing uncertainties and challenging economic conditions in the property market that partners and developers will not show sufficient investment interest in acquiring sites for residential development purposes for the foreseeable future thereby delaying the Council's regeneration and housing ambitions. However, soft market testing with a selection of developers has shown that there is strong interest in the acquiring and developing these sites through a joint venture partnership. The recommended procurement and financial approach is to explore through competitive dialogue the benefits of deferred and guaranteed minimum land payments together with the possibility of putting the Council's land in as equity (subject to value for money tests). In addition, the Council can explore the potential for retaining intermediate units instead of a cash payment with the objective of reversing these assets into the Borough-wide Local Asset Backed Vehicle contract (LABV) when this is established. In order to achieve these outcomes it will be necessary to produce a carefully drawn brief setting out what the Council requires and inviting interested developers to put forward proposals setting out how they would meet the Borough's objectives.
- 4.2 There is a risk of any Joint Venture collapsing or a partner getting into financial difficulties resulting in nil or a reduced profit share leaving the Council to contract to complete the development. Any partnership arrangements would have to mitigate against this risk.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 The Council is committed to improving the quality of life and wider participation for all the economic, educational, cultural, and social and community life in the Borough. This is achieved by pursuing successful regeneration of the Borough's housing estates and where financially necessary to assist this by bringing sites to the market for residential use. This will benefit all sections of society and the Borough's diverse communities who are seeking housing and contribute to addressing the shortage of housing in the Borough across all tenures.
- 5.2 Specifically for the regeneration of Granville Road estate, Phase 1 involves significant upgrades to the three tower blocks and therefore improve the housing conditions and quality of life of 179 households. This Phase 2 proposal will potentially enhance the mix of tenure and quality of the housing offer with 108-158 additional homes in other tenures thereby widening choice and access to housing for existing and future residents.
- 5.3 Wider area consultation will in due course be undertaken for the development of the sites and wider estate regeneration and will be targeted to ensure that the needs and views of different communities are heard and understood.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

- 6.1 The wider regeneration and site development options will be marketed and tendered in accordance with European Procurement Rules and the Council's competitive procurement requirements and any proposals received will be considered in the light of the Council's obligation to obtain the best consideration that can reasonably be obtained, pursuant to Section 123 of the Local Government Act 1972. Competitive submissions and proposals will be considered on their merit.

- 6.2 The options for procurement include innovative financial and partnership models. The Council is keen to adopt the most appropriate type of finance and partnership structure and model to deliver key aims of achieving best consideration for the Council and of securing successful, early regeneration for the Estate that unlocks its development potential and provides significant improvements to the quality of resident's lives.
- 6.3 The suggested procurement and delivery models, would involve the Council putting vacant and underused land into a joint venture which would then undertake Phase 2 of the regeneration of the Granville Road Estate. When the new homes are completed and sold, the Council will receive a receipt for the land asset and also a share in any surplus profits secured on the development. Once the details of the joint venture have been established, the detailed structural and profit share arrangements will be reported to a future meeting of the Cabinet Resources Committee.
- 6.4 The financial analysis has to date demonstrated that the returns the Council is likely to receive are more advantageous under a deferred return rather than an upfront payment. Further details of the value of these models compared to other disposal models are outlined in the accompanying exempt report.
- 6.5 The selection of a partner and the establishment of a joint venture agreement will require expenditure on set-up costs, including specialist support from legal consultants, procurement and marketing consultants. Legal consultants have already been appointed to provide legal advice and assistance to the Council in respect of a LABV.
- 6.6 Technical information will also need to be provided as part of the tender documentation to make the opportunity more attractive to potential developer partners by de-risking the project. This specialist support will ensure the robustness of the contractual arrangements and that the Council is not placed into a position of unreasonable risk. It will ensure that the Council is achieving best consideration from its assets and land where disposal and redevelopment are planned.
- 6.7 In addition, costs may be incurred in buying out the leaseholders at one of the blocks on the estate Beech Court and also the payment of home loss and disturbance payments for residents needing to move from Beech Court whatever the procurement option. These costs are outlined in the accompanying exempt report.
- 6.8 If the Council elects to pursue a Local Asset Backed Vehicle, additional costs will be incurred in developing the prospectus of opportunities and in establishing the vehicle. However, these alternative approaches can give the Council greater ability to influence the quality of the regeneration and will ensure the potential to maximise receipts.
- 6.9 All Council costs will repaid through the development. They will be paid initially from money made available through the Housing Revenue Account then will be recovered from the returns received from the joint venture. The tendering costs and any further costs associated with the establishment of the joint venture or LABV will be reimbursed from the revenue streams generated by the development. The business case for a LABV would need to justify any additional expenditure on this approach by demonstrating a higher income generation and procurement cost savings.

7. LEGAL ISSUES

The legal issues, set out below, are those of the in-house legal team and the external Solicitors, Trowers and Hamlins, appointed to advise and assist the council in respect of the establishment of a Barnet Local Asset Backed Vehicle.

7.1 Land Sale

- 7.1.1 The Council has a general power to dispose of its land under Section 123 of the Local Government Act 1972. Pursuant to Section 123(2), save for the circumstances identified therein, the Council must not dispose of its land for less than the best consideration reasonably obtainable without the consent of the Secretary of State.
- 7.1.2 Section 32 of the Housing Act 1985 provides the Council with the power to dispose of housing land.
- 7.1.3 The Secretary of State has set out general disposal consents for the disposal of housing land and this may or may not cover the disposal of the land contemplated in this report. The Council will, in due course, need to consider whether there is need for specific consent from the Secretary of State under Section 34 of the Housing Act.
- 7.1.4 If the land to be disposed of is to be appropriated to 'planning purpose' pursuant to powers to appropriate land under the provisions of section 122 of the Local Government Act 1972, the Council will require specific consent from the Secretary of State under the power to appropriate Housing land which is contained in section 19 of the Housing Act 1985. Further consent would be required to dispose of the land appropriated to planning pursuant to section 232 of the Town and Country Planning Act 1990.

7.2 Development/Joint Venture Agreement

- 7.2.1 The issues stated in paragraphs 7.1.1 to 7.1.4 (Land Sale – above) are, also, relevant to this option.
- 7.2.2 The Council will require consent from the Secretary of State in the event that it is providing financial assistance for the purpose of, amongst other things, the acquisition and construction of accommodation which is intended to be privately let as housing accommodation.
- 7.2.3 Other legal issues, with respect to a Development/Joint Venture model will be considered once the details of any proposed scheme are agreed.

7.3 Local Delivery Vehicle

- 7.3.1 A number of Local Authorities are considering the creation of LABVs. The Council has statutory powers either by using its land acquisition and disposal powers to do so under the Local Government Act 1972, Housing Act powers, the "Well Being" power under Section 2 of the Local Government Act 2000 providing it exercises those Well Being powers having regard to its Sustainable Community Strategy. This in practice means that this project must be consistent with and be referred to in that strategy. The Council has other "investment function" powers under the Local Government Act 2003 which may be relevant and may in certain circumstances wish to rely upon section 111 of the Local Government Act 1972 to support this project. A "vires audit" needs to be carried out in due course by our legal advisors as well as an analysis of the appropriate form of structure for the joint venture taking into account the best structure for delivery purposes, tax efficiency and transparency, as well as the social and commercial objectives which the Council wish to achieve.

- 7.3.2 Further advice will be needed in connection with regard to the CBRE analysis of the appropriate structure referred to in paragraph 9.7.3. It will also be necessary to ensure that if the Council wish to reverse the joint venture structure whether it be a development agreement or a LABV type vehicle for Granville Road into a Borough-wide LABV, that the procurement scope and description of the project for the purpose of the Granville Road project, is sufficiently wide and detailed to allow that to happen and the Council will have to take a commercial decision as to whether it wishes to direct that (i.e. the "reverse") as an option, and ensure there is clarity in the procurement documents to at least reserve the right to require it to happen in due course.
- 7.3.3 The Council may be in receipt of grant funding and in due course checks will need to be made that the appropriate joint venture structure which is proposed here is consistent with any grant funding conditions.
- 7.3.4 Whether the Council decide to proceed with the Granville Road project by way of a development agreement or indeed in setting up a LABV, or similar joint venture structure, it will need to be subject to a form of procurement process i.e., OJEU under European and UK procurement regulations as stated elsewhere in this report. It is likely that the Council may wish to use the competitive dialogue process for this project but in any event will have to comply with the Public Contracts Regulations 2006.
- 7.3.5 In considering a joint venture proposal, the Council will also need in due course further advice on the following matters:
- (i) The governance of the joint venture proposal and amendments to be made to the Council's governance e.g., standing orders/financial regulations and possibly planning decision making processes. This is because the Council will wish to ensure that its position as local planning authority is not in any way prejudiced or appears to be prejudiced by virtue of its equity investment in a proposed joint venture. Protocols and a review of the governance relating to the administration of the appropriate planning applications/decisions which would be involved in this project, will be necessary in due course.
 - (ii) Consideration will also have to be given to the form of the equity investment the Council takes in the joint venture, the structure of the contractual basis for the joint venture, an analysis of whether the joint venture is a share company or LLP, and the evaluation criteria and evaluation methodology by which interested parties, i.e., bidders, will be evaluated having regard to the fact that this is an investment partnership and not just a site specific development proposal.
 - (iii) A project approval process linked to the achievement of best consideration, i.e., section 123 of the Local Government Act 1972 will be needed and the structure of the joint venture will have to comply with ensuring that the "Well Being" powers (assuming they are used) are consistently applied to ensure that the use of those powers demonstrate that this proposal is truly in the interest of the economic, social and environmental wellbeing of the Council's area.
 - (iv) Other issues which will in due course have to be looked at and reviewed (which has happened elsewhere in other LABV proposals) are "Accounting Treatment", Development Management Service Agreements, various administrative agreements to back up the joint venture proposal, i.e., company secretarial/working capital arrangements. The Council will need also to consider the basis of how consents are given within the joint venture to proposals within the regeneration project and whether the use of compulsory purchase powers are relevant and how they will be structured, given particularly that the Council would be the statutory authority promoting any possible use of those powers, and also an equity investor in the joint venture. Again, protocols and steps can be taken to ensure that this does not cause a conflict of interest or difficulty at the material time.

7.3.6 It is anticipated that the above matters will be further investigated with the appointed external legal advisors in conjunction with the in-house legal team from the Council and further reports will be made and advice taken before the procurement processes are formally engaged.

8. CONSTITUTIONAL POWERS

8.1 The Council's constitution in Part 3, Responsibilities for Functions, paragraph 3.6 states the functions delegated to the Cabinet Resources Committee including all matters relating to buildings owned, rented or proposed to be acquired or disposed of by the Council.

9. BACKGROUND INFORMATION

9.1 The Granville Road Estate is situated at the southern end of the Borough within Childs Hill Ward. This 1960s social housing estate is typical of its type and time resulting from clearance of traditional terraced streets within an area which is characterised by low rise suburban housing. It consists of three tall tower blocks, Templewood Point, Harpenmead Point and Granville Point, as well as three lower rise blocks Nant Court, Mountfield and Beech Court. Garth House, a sheltered housing block on the estate was severely damaged by fire on 5 October 2008 and has now been demolished. The estate is overwhelmingly single tenure social housing. The three tower blocks contain 179 properties with 44 owned by leaseholders. The quality of the tower blocks and the estate generally is poor; reflective of the problems of 1960s council estate developments and subsequent need for upgrade and improved long term management. The majority of the improvements required to the tower blocks were not covered by the Council's Decent Homes Programme.

9.2 In October 2007, the Cabinet Resources Committee approved the regeneration of the estate in principle by upgrading the existing tower blocks, including over-cladding to improve their thermal performance and appearance as well as the sale of surplus land on the estate for development to contribute to the regeneration. Also, the public amenity space in the resulting development would be improved.

9.3 In July 2008, a bid was made to the Mayor of London for funding towards the refurbishment of the tower blocks. The bid was based on re-cladding the blocks, installing new double glazed windows throughout and other works to significantly improve the insulation of the flats. In April 2009, the Council received confirmation from the London Development Agency (LDA) that the bid was successful and funding of £7,013,000 was awarded for 2010/11. In order to comply with the funding criteria, it was necessary to commence with the over-cladding contract in 2010/11 under the Mayor of London ,s Targeted Funding Stream. Therefore, it was agreed to progress the regeneration in two phases as reported and approved by Cabinet Resources Committee in July 2009 to accept the funding and proceed with the procurement of the tower block improvement works.

9.4 A further report was approved by Cabinet Resources Committee in October 2009 to progress Phase 2 of the estate regeneration. It was agreed that the Council would procure a masterplanning study to assess the regeneration potential of the estate and to facilitate the development of a business case. It was also agreed to undertake market testing to see which delivery mechanisms would unlock early delivery.

9.5 Progress of Phase 1

9.5.1 Through a successful EU procurement process, Barnet Homes has selected Apollo to take forward the improvement works and are now finalising a pre- construction agreement to enable the designs to proceed for consultation and planning permission. The costs of the refurbishment to the tower blocks have come in within the funded budget which includes contributions from the decent homes programme, GAF as well as the LDA grant..The refurbishment works are likely to start on site in the autumn and will take up to 18 months to complete. A project group has been established and is led by Barnet Homes. The group will focus on the internal and external refurbishment of the tower blocks. The Council is ensuring that the quality and external design of the improvements to the existing tower blocks is closely aligned with the emerging wider estates regeneration masterplan and the new build homes.

9.6 Development Potential on Phase 2

9.6.1 Progress on Phase 2 of the estate regeneration has involved an assessment of the opportunities to improve the quality of the public amenity space and to provide additional homes with improved tenure choice on the estate. Although some of the landscaping is of reasonable quality, the estate includes large areas of under-utilised and unstructured land including garage courts, undefined parking, unused amenity space, pram sheds and vacant land as a result of the afore-mentioned demolition of Garth House and Community Hall. In addition, the estate does not offer a range of housing types or tenure options. It is not well integrated into the surrounding neighbourhood, and does little to enhance Childs Hill as an attractive residential location. However, there is potential to radically improve the estate and transform it into a desirable residential location for all tenures.

9.6.2 The vision and underlying objectives for the estate regeneration includes the following:

- to create a cohesive sense of place;
- promotion of the supply of market, intermediate and affordable housing;
- achieve an integrated balanced community;
- deliver high quality design employing sustainable construction techniques;
- bring improvements to the public amenity space;
- enhance the local economy;
- reinforce local identity;
- meet local demand for housing; and
- create alternatives to the traditional developer/RSL led estate regeneration.

9.6.3 In December 2009, Peter Barber Architects were appointed to develop options for the wider vision for the estate regeneration. This masterplan options study provides guidance to potential developers as to what can be achieved on the estate to de-risk the scheme. In order to ensure maximum commercially viability and delivery the final masterplan will be developed by the selected private sector development partner in partnership with the Council and in consultation and engagement with the local community.

9.6.4 Peter Barber Architects have designed three development options for consideration with new houses and houses with apartments. These are summarised in the table below:

Option 1 (Terraced and Courtyard Houses	Option 2 (Terraced and Courtyard houses 81 with 46 apartment buildings)	Option 3 (117 Apartment buildings with 36 Courtyard houses)
108 units (362 habitable rooms)	127 units (389 habitable rooms)	153 units (373 habitable rooms)

9.6.5 Importantly all options recreate a traditional street design to the estate integrating and re-connecting with the existing suburban context. The central street would be clearly defined running through the centre of the development. The masterplan options study suggests a double crescent of terraced homes each overlooking a tree lined community garden “square”. The study suggests that the streetscape should be overlooked by terraces and bay windows to provide additional animation to the public realm and to improve security. The buildings have front doors that face the street. Each of the remaining tower blocks have their own private, landscaped garden area for its residents. The additional homes have their own gardens or good sized outside space with every home having a street number. The parking is reorganised to give 100% provision in well overlooked areas and designed to ensure that car parking does not dominate the public amenity space to the exclusion of uses by residents and families.

9.7 Delivery Options for Phase 2

9.7.1 In addition to work undertaken by Peter Barber Architects, CB Richard Ellis (CBRE) have been advising the Council on options for ensuring delivery of development whilst maximising the realisation of the Council’s land assets for the benefit of regeneration. In 2007, the strategy suggested involved the sale of the development land on the open market. CBRE advise that the intervening economic crisis in the financial markets and the resultant recession have resulted in a decline in achievable land values. As a consequence, they have examined alternative approaches which could ensure a high quality regeneration and maximise the Council’s return for its assets.

9.7.2 The conceptual schemes produced by Peter Barber Architects have formed the basis for viability testing as well as investigation in relation to the financial impact of treating the Council’s land value on different bases.

9.7.3 The accompanying exempt report sets out sensitivity analysis indicating the impact of the three schemes put forward and alternative treatment of the Council’s land value. The principle bases are summarised below:

- **Land Sale** – traditional disposal involving minimal controls outside of planning over the eventual form of the development. The value achieved would be reflective of the current market, the developers risk and upfront costs including land purchase.
- **Development/Joint Venture Agreement** – a contractual agreement whereby the development partner will build to agreed plans and specifications. Various financial arrangements are possible including combinations of a fixed land payments, deferred payment and overage. Deferred payments will improve the developer’s cash flow and exposure to risk returning a higher land value to the Council.
- **Local Delivery Vehicle (LDV)** – this would involve the Council more directly in the development of the Granville Road Estate surplus lands and could encompass using this land as equity. The partnership terms will be captured in various legal documents, and the vehicle could be a Special Purpose Vehicle in which the Council would have a financial interest. The Council would have shares in the vehicle which will be subject to negotiation with the other shareholder and would also seek to agree a minimum return for the land. Any further profits/surplus would be held by the vehicle.

9.7.4 CBRE has modelled the potential financial returns of these development options against the development proposals put forward by Peter Barber Architects. The highest returns are likely to be achieved by moving away from the traditional land sale option where the Council sells the land on the open market to the highest bidder and receives a receipt at the point of sale.

- 9.7.5 CBRE has advised that to progress with a different kind of partnership either through a Development/Joint Venture Agreement or a LDV, the projected return to the Council is likely to receive will be significantly higher through a deferred land payment and a share in any up lift in values than through a traditional land sale. Although the costs of setting up such partnerships are likely to be higher the returns that can be achieved as a result justify the increased up front costs, furthermore, there is also greater ability for the Council to influence the outcomes.
- 9.7.6 CBRE has taken into account the Council's aspirations to create a Borough-wide LABV and is of the view that including Granville Road in the LABV at this stage would delay its development due to the longer procurement times required for this more complex vehicle. CBRE's report has considered how a LDV may be structured to make it suitable for incorporation into a LABV at a later date given that the principles would have already been set by Granville Road.
- 9.7.7 There is also potential to develop a number of private rental units at Granville Road. These units could be developed under the Private Rental Sector Initiative (PRSi) which Cabinet on 12 April 2010 authorised Officers to explore. This approach would provide a further tenure options on the estate and could generate enhanced returns on apartment units.
- 9.8 **Market Testing**
- 9.8.1 A market sounding process with a selection of organisations has been undertaken, and many were very positive about the possibility of working with the Council on the Granville Road. The market perceptions included:
- strong interest from all organisations contacted;
 - the location is seen as potentially very attractive;
 - treatment of the tower blocks is key;
 - improving housing market;
 - still major issues concerning securing development finance, particularly for smaller developers; and
 - deferred land payments seen as attractive.
- 9.8.2 Organisations contacted suggested that they could be flexible around Joint Venture approaches with the Council and would be prepared to explore that further in a Competitive Dialogue situation. However, they also confirmed to varying degrees that a LDV approach and structure, whilst effective, would require the identification of a defined pipeline of projects/sites in addition to Granville Road in order to justify the additional establishment costs. Ideally with a pipeline of 500 units has been suggested. This option could provide procurement savings in the future.
- 9.9 **Next Steps**
- 9.9.1 In order to progress Granville Road Phase 2 alongside Phase 1 and also to capture the market interest in this opportunity and maintain momentum, it is proposed to go out to tender to seek a partner to take forward the regeneration of the estate. The Council's aim is to concentrate on achieving the optimum solution for Granville Road, its residents and the Council. An iterative and flexible selection process most likely EU Competitive Dialogue can be adopted and a final decision on the regeneration vehicle does not need to be made by the Council until the bidders proposals have been submitted and evaluated. The tender exercise will allow the exploration of alternative relationships and vehicle structures including the benefits of deferring land payments and joint venture partnership options.

9.9.2 The outcome of the tender process, the form the partnership structure will take and the financial returns will be reported to a future Cabinet Resources Committee for approval.

10. LIST OF BACKGROUND PAPERS

10.1 None.

Legal – SS
CFO – JM