

Report to the Cabinet

Report reference: C-049-2021/22

Date of meeting: 7th March 2022



**Epping Forest
District Council**

Portfolio: Finance, Qualis Client and Economic Development – Cllr J. Philip

Subject: Proposed Site Disposals to Qualis for Redevelopment

Responsible Officer: Andrew Small (07548 145665).

Democratic Services: Adrian Hendry (01992 564246).

Recommendations/Decisions Required:

- (1) Agree to the disposals of Pyrles Lane to Qualis for £900,000 and;
- (2) Agree to dispose of Units 50, 51-52, 60 and Unit 10 Cartersfield Road, Waltham Abbey to Qualis for £2,930,000.

1. Executive Summary

- 1.1. Qualis was created by the Council primarily to act as the Council's development arm for regeneration and other schemes within the district. By using Qualis the Council expects to bring forward redevelopments more quickly, have a greater influence over the form of development and to benefit indirectly from the developer profits.
- 1.2. Officers have been working with Qualis to evaluate redevelopment opportunities that exist within its land and property portfolio ahead of consideration as to whether the Council might wish to transfer all of its non-operational assets to Qualis. Initially two opportunities have been identified that would benefit from immediate disposal to Qualis at book value.
- 1.3. This report presents the two proposals put forward by Qualis for Cabinet consideration and decision.

2. Pyrles Lane, Loughton

- 2.1. This site is the former Council plant nurseery in Pyrles Lane, Loughton. It was identified as a potential development site and an option for transfer to Qualis for housing redevelopment at the time the Council created Qualis.
- 2.2. The site has a number of conditions that make this harder to develop, principally the topography but also limited access to the site. It had previously been offered to the market and sale terms agreed but the potential buyer had withdrawn their interest because of the difficulty in developing this site.

- 2.3. Frustration with the market for not flexing their profit requirements nor for taking on more challenging opportunities was one of the reasons that the Council created Qualis.
- 2.4. Subject to agreement on price, this has always been a site that it was envisaged Qualis could redevelop. It appears in their 4 approved year Business Plan as a proposed housing development.
- 2.5. Qualis presented development ideas to Overview and Scrutiny Committee on 8th June 2021. The number of issues were raised around, design options, ownership and transport links, all of which will be taken into account in the submission of a Planning application if Cabinet agrees to the sale of the site.
- 2.6. The proposed development is for residential housing that will meet sustainability guidance and include provision for affordable housing. The exact detail of the proposed development will be the subject of a planning permission once ownership is obtained.
- 2.7. Qualis has prepared a financial development assessment for consideration by their Board. This is essentially a viability assessment which arrives at a residual value for the site of £881,865. Qualis has also offered an overage clause which will share any additional development profit 50:50 with the Council once their developer return of 15% profit on cost has been achieved.
- 2.8. The Qualis viability test is provided in the table below;

Gross Development Value	£17,392,400
Costs	£13,934,441
Costs including finance	£15,123,823
Residual land value	£881,865
Profit on Cost	15%

- 2.9. The Council is bound by the requirements of Section 123 of the Local Government Act 1972 which states that the Council cannot dispose of land or building for less than Fair Value (Market Value). An independent valuation of the site has been commissioned to see if the price proposed by Qualis meets the criteria laid down in the Act.
- 2.10. The independent valuation puts a value on the Pyrles Lane site at £900,000 and to conform with the requirement of the Section 123 Qualis has agreed to match the valuation price for the site.
- 2.11. The land is mainly General Fund but there are elements which belong to the HRA. The capital receipt will be allocated in accordance with the valuation report.

3. Units 50, 51-52, 60 and Unit 10 Cartersfield Road, Waltham Abbey

- 3.1. The second site proposed for sale to Qualis is one that the Council had previously identified for redevelopment amongst its commercial property holdings.
- 3.2. Units 50, 51-52, 60 and Unit 10 are industrial warehouse units located at Brooker Road Industrial Estate, Waltham Abbey. They form part of the long-term commercial property investment holdings of the Council.
- 3.3. The Council's Asset Management Team had previously identified an opportunity for redevelopment following a substantial fire in March 2018, a subsequent demolition and the forthcoming expiry of a number of the commercial lease agreements.
- 3.4. A market appraisal at the time confirmed that there is opportunity to demolish the remainder of the site, re-develop into modern industrial units and thereby improve the regeneration of the area, the employment prospects and the rental income and capital value of EFDCs property holdings.
- 3.5. In September 2020 planning consent was granted for a scheme of light industrial units.
- 3.6. Cabinet received a report on 11 February 2021 proposing that provision of £2.511 million be made in the Capital Programme for the redevelopment of this site and the provision was made and agreed by Council as part of budget setting.
- 3.7. Since Council gave the scheme approval little progress has been made. As part of its review of the Council's holdings Qualis has identified this as a potential development site which they could bring forward at speed.
- 3.8. Qualis have provided the summary viability assessment considered by their Board. This is presented in the table below and arrives at a Land Value of £2,888,131.

Gross Development Value	£9,998,123
Costs	£6,065,000
Costs including finance	£8,694,020
Residual land value	£2,888,131
Profit on Cost	15%

- 3.9. The paper considered by Cabinet in February 2021 valued the development at a lower sum than that assessed by Qualis. Thereby, disposal to Qualis will return a higher value for the Council than had been assumed.
- 3.10. As set out in 2.9 above, the Council is required to obtain Fair Value for any disposal of land or assets. The Cartersfield site was given a book value of £2,930,000 by Carter Jonas as at March 2021 for the purposes of preparing the Council's Accounts. Even though this is higher than their assessed value for the site Qualis will match it in order to meet the requirements of S123 of the Local Government Act 1972.

- 3.11. Disposal will mean the Council will receive a capital receipt of £2.93 million, the site will be redeveloped faster and it will avoid the need to borrow £2.5 million (as provided for within the capital programme) to fund the redevelopment.
- 3.12. It is recommended that the site be sold to Qualis for £2,930,000.

4. Resource Implications

- 4.1. As part of its agreement of the 4 year Business Plan the Council agreed to lend Qualis a further £35 million in order that it could acquire and progress redevelopment opportunities within the District. The site at Pyrles Lane was identified as one of the potential opportunities which would be funded from this sum. The Cartersfield site is a new acquisition but has planning permission and meets the Council's ambition of Qualis bringing forward stalled redevelopments and capturing the developer profits associated with it.
- 4.2. As the lender, the Council gains from the interest on the loan to Qualis for the acquisition of these sites and this more than offsets the current rental income derived from the Cartersfield site.

5. Legal and Governance Implications

- 5.1. Contained within the body of this report.

6. Safer, Cleaner and Greener Implications

- 6.1. None.

7. Consultation Undertaken

- 7.1. None

Background Papers