

## BOROUGH OF KETTERING

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<b>Report Originator</b>	Lisa Hyde – Executive Director	<i>Fwd Plan Ref No:</i> A18/007	
<b>Wards Affected</b>	St Giles & Loatland - Desborough	11 July 2018	
<b>Title</b>	<b>UPDATE - FORMER LAWRENCES SITE - DESBOROUGH</b>		

### 1. PURPOSE OF REPORT

To update members on the recent and varied level of interest in the site and to determine members' preferences for the options being proposed.

### 2. BACKGROUND

- 2.1 As members will be aware, the Council acquired this 2-acre site in 2004/5 upon receipt of a grant, with the purpose of it being an employment area.
- 2.2 After several attempts to progress a redevelopment scheme for the site, to which the market did not respond, and then the ultimately abortive plan to develop the site for a large supermarket, it remains derelict.
- 2.3 Throughout this period, there has been a local campaign to retain and put back into use the old factory building, which is extremely dilapidated, led by the Desborough Community Development Trust (DCDT).
- 2.4 At the time that the supermarket proposal fell through, and a subsequent remarketing exercise had drawn a blank, Executive Committee agreed to pause any further work to give DCDT time to develop a proposal for the factory building and/or the wider site.
- 2.5 In 2016, DCDT commissioned consultants to undertake a high-level options appraisal for the future development of the former Lawrence's factory building; that work was completed in February 2017
- 2.6 During this period, the Council examined the feasibility of developing the adjacent site, based on residential (ideally for 'specialist') housing need.
- 2.7 In June 2017, the Executive agreed: -
  - a. in principle, to begin discussions with DCDT and Desborough Town Council about transferring the factory building on a long term lease at a nominal rent, provided that they convert and manage the building and independently raise the necessary funds to do so, and
  - b. to continue to develop a proposal to redevelop the rest of the site for specialist housing provision, undertaking the necessary negotiations

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with partners, as well as the necessary consultation with local stakeholders, so that the Council would be in a position to sign off the proposal should the necessary government funding support be forthcoming.

- 2.8 It is important to remind members that the site was purchased with a grant of £2.3 million from government, with the following conditions set at that time: -
- a. the Council shall not dispose of the site for a freehold or long leasehold interest and that, if it did, the Council shall repay the value of the investment plus 5.88% of the enhanced value of the site and,
  - b. to create 1,678 sq. metres of employment space.
- 2.9 In addition, there is a covenant on the land; this restricts use as a supermarket as it prevents the sale of alcohol tobacco, household, garden, electrical and all grocery items.
- 2.10 The site sits within a designated conservation area.

### 3. UPDATE

#### 3.1 **Desborough Community Development Trust (DCDT)**

- 3.1.1 As members will be aware, DCDT have been working over a considerable amount of time to raise funds to secure the factory site to develop a “community hub” type resource.
- 3.1.2 As stated in paragraph 2.7 the Executive resolved in principle, that they would transfer the factory building on a long-term lease to DCDT at a nominal rent, on the basis that they convert and manage the building and independently raise the necessary funds to do so.
- 3.1.3 Subsequently DCDT confirmed to officers that the initial feasibility work that they had undertaken made it clear that the development of the factory on its own would not provide a viable project, and that DCDT would be requesting KBC to consider a proposal for the whole of the Lawrence’s site.
- 3.1.4 In that proposal, DCDT are seeking to take a long-term lease from KBC at a peppercorn rent for the whole site. They would then work with a developer to develop the site for a 100% rented housing scheme, managed by a Housing Association, retaining the factory for future development; it’s planned that would provide small retail units, community space, nursery, business units and a small café, along with the necessary parking. The initial estimated costs for the housing development only are around £3.2 million pounds.

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- 3.1.5 The proposal states that the developer would then transfer the development profit to DCDT as a contribution towards refurbishment of the factory building, for which they would seek further external funding. DCDT's original options appraisal study undertaken in February 2017 for the conversion of the factory indicated a capital investment requirement of around £2.6 million.
- 3.1.6 At this stage, in order to secure any external funding DCDT would require the Council to enter into an appropriate form of legal agreement to give funders the security that DCDT held a long-term interest in the site.
- 3.1.7 Therefore, the total estimated project costs for the DCDT proposal amounts to just under £6 million. This is a significant undertaking for an organisation of that size, with no track record of project delivery.
- 3.1.8 In addition, the development of the site would need to be sequenced so that any housing development would need to be built, let and occupied prior to the investment being realised for the factory conversion, highlighting the risk of a significant time gap between the two parts of the proposal.

### **3.2 Homes England – Accelerated Housing Scheme**

- 3.2.1 In line with the Executive agreement outlined in paragraph 2.7 of this report, the Council also continued to explore and develop other options for housing on the rest of the Lawrence's site. During early 2017, the Council submitted a proposal to the then Housing & Communities Agencies (HCA), now known as Homes England, to the Accelerated Construction Programme. This programme encouraged Local Authorities to identify and submit bids for brownfield sites suitable for private sector housing, to increase the supply of new homes at a faster pace
- 3.2.2 The HCA approved the Lawrence's site as fitting the above criteria and undertook a development appraisal of the site. They concluded that the viability of the site for housing would require the whole site and the demolition of the factory unit to provide a viable proposal. The development appraisal shows that there is marginal viability for a housing scheme across the whole site for around 60 – 65 units.
- 3.2.3 The HCA, since completing the technical assessment and due diligence reports for the site, have yet to present a proposal for funding; this is not particular to this site, our understanding is that this is the case for all bids to the Accelerated Construction Scheme; as such no funding offer has yet materialised.
- 3.2.4 This council is currently developing its Corporate Plan and key priority areas for the next two years. Within that plan is a commitment "to undertake an ambitious programme of Council house building across the Borough". As this Council has

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a limited amount of sites in its ownership, then the Lawrence's site could be considered as a serious possibility for fulfilling this priority objective.

### 3.3 Other interest

3.3.1 In the last 6 months, there has also been a considerable amount of renewed interest in the site. Other than the more detailed submission from DCDDT, outlined above, other organisations have only expressed an interest in the site at this stage and no detailed or formal proposals have been submitted. Expressions of interest have been received from: -

- Two housing associations – one for new build housing across the whole site and one new build housing and conversion of factory to housing units;
- Two supermarkets – both indicate they may require the whole of the site and demolition of the factory and that they can address the covenant issues satisfactorily
- One private developer – no specific detail

Again, other than DCDDT, they may not all be necessarily aware of the full set of restrictions and complexities surrounding the site.

3.3.2 What has been very clear from all the expressions of interest is that, during any preparatory work that they have undertaken, they all conclude that splitting the site is not a viable option, either with or without the retention of the factory.

## 4. KEY PRINCIPLES

4.1 As the interest expressed in the site is particularly diverse, this report sets out to determine a set of key principles that members might use to identify a preference for the site.

4.2 As previously stated in Section 2, the site is complex and, as such, it has been extremely difficult to determine a solution that meets all of the criteria as set out in paragraphs 2.8 to 2.10 and ensure that the proposal is viable. In addition, the site and the factory have now stood derelict and in KBC ownership for over 13 years and there is a requirement to develop an agreed solution as soon as possible.

4.3 Therefore, the following key principles are proposed to ensure that, moving forward, there is a realistic possibility of delivery, and a good understanding of the risks, funding sources and timeframes. The key principles proposed are: -

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- a) **Affordability** - Confirmation that the proposal does not require payback of grant. What is the rate of return for any investment by KBC?
- b) **Viability** –
  - a) Does the business case show that the proposal is sustainable in the short and medium term?
  - b) What are the risks?
  - c) what are the impacts of other external factors or market conditions?
- c) **Deliverability** – Can the proposal be delivered within a realistic timeframe? Ideally within the next 18 months to two years.
- d) **Community Benefit** – What are the benefits to the local community?

### 5. **SUMMARY**

- 5.1 In summary, there is a pressing need to determine the future of the site and the factory building. There is now a plethora of interests, which are difficult to easily compare. There is, however, consensus that the site cannot be sensibly divided into two development schemes as originally considered.
- 5.2 Should members consider that the four key principles outlined in 4.3 above are appropriate, a more detailed assessment of their preferred options against the key criteria can be undertaken.

### 6. **CONSULTATION AND CUSTOMER IMPACT**

At this stage, members are being asked to express a preference for the development of the site based on the level of interest and feedback to the interested parties. If, and when, proposals are worked up, appropriate local consultation will be undertaken.

### 7. **POLICY IMPLICATIONS**

Delivery of a solution for the site is now part of the Council's likely corporate plan 2018-2020

### 8. **FINANCIAL RESOURCE IMPLICATIONS**

There are no financial implications relating to the decision within this report at this stage. However, in developing a preference for the future of the site, Members will need to consider the balance between those proposals that could provide an ongoing

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revenue stream against the potential cost to the Housing Revenue Account (HRA) and the delivery of its objective to provide new Council housing.

## **9. HUMAN RESOURCE IMPLICATIONS**

None

## **10. LEGAL IMPLICATIONS**

At this point, members are being asked to note the updated position and express a preference for the future of this site. Future development and proposals will be subject to any necessary procurement processes to identify development partners, if required.

## **11. RECOMMENDATION**

Members are requested: -

- To note the updated position
- Confirm agreement with the key principles outlined in paragraph 4.3 and,
- Confirm any preferences to the development of future proposals for the Lawrence's site to be assessed against those key principles

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Background Papers:

Title

Date

Contact Officer

Previous Minutes/Reports:

Ref:

Date: