

Key Decision Required:	No	In the Forward Plan:	No
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PORTFOLIO HOLDER FOR HOUSING

20th July 2021

A.1 INITIATION OF THE PROPERTY DEALING PROCEDURE: ENGAGEMENT WITH AN INVESTOR IN RESPECT OF A POTENTIAL DEVELOPMENT IN CLACTON

(Report prepared by Peter Russell)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To consider whether to initiate the Council's Property Dealing Process in respect of continued engagement with a developer/investor seeking to partner with the Council over the delivery of new homes for rent on a site in Clacton.

EXECUTIVE SUMMARY

As part of ongoing work around the Council's ambition set out in the Housing Strategy 2020 – 25 to add to its housing stock, officers have been exploring various opportunities.

The Council has been approached by a developer on behalf of a large investment organisation offering an opportunity to enter into a leaseback arrangement to deliver a large number of homes for rent on a site in Clacton.

In order to fully explore this option the property dealing procedure must be initiated.

RECOMMENDATION(S)

That the Portfolio Holder initiates the property dealing process, in order to allow continued engagement with the developer, including signing a Letter of Intent to confirm the Council's intention to further explore the offer, including valuation, examinations, and negotiations in accordance with the Council's Property Dealing Policy, as set out in the Constitution.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

Our priorities include providing decent affordable housing and ensuring all our residents live in high quality housing which meets local needs.

To manage public money effectively meaning value for money principles are embedded in the delivery of all our services

FINANCE, OTHER RESOURCES AND RISK

Finance and other resources

This proposal involves the Council entering into a lease agreement with an investor via a special purpose vehicle. The Council would take on leases of a least 40 years with the option to purchase the homes at that point. During the lease term the Council would let the properties on secure tenancies and a rent would be paid to the developer/investor after management and maintenance costs have been deducted. The Council would be liable for void costs.

It is likely that a joint bid would be made with the developer/investor for funding from Homes England via the Affordable Homes Programme.

Risk

Officers will be exploring various risks as part of the ongoing discussions and due diligence exercise.

LEGAL

In coming to decisions in relation to the management or procurement of assets, the Council must act in accordance with its statutory duties and responsibilities. Under case law following Section 120 of Local Government Act 1972, the Council is obliged to ensure that the management of its assets are for the benefit of the District.

Section 17 of the Housing Act 1985 provides the principal power for the acquisition of land for housing purposes, including land as a site for the erection of houses; this includes the power to acquire land for the purposes of disposing of the land to a person who intends to provide housing accommodation on it.

OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.

Area or Ward Affected

Clacton-on-Sea

PART 3 – SUPPORTING INFORMATION

BACKGROUND

The Council has an aspiration to add additional homes to its housing stock that is set out in the Housing Strategy 2020 – 25. These additional homes can be delivery via a variety of means.

A developer has approached the Council about a potential leaseback arrangement involving a large investment bank. Whilst initial discussions have taken place it is necessary to initiate the Council's Property Dealing Procedure before discussions are taken any further and before a Letter of Intent is signed. The letter of intent simply confirms that the Council would like to explore the option further and only if acceptable terms can be agreed will the arrangement progress further. A Cabinet decision will be required to progress with the scheme.

BACKGROUND PAPERS FOR THE DECISION

None

APPENDICES

None