

<b>LONDON BOROUGH OF CAMDEN</b>	<b>WARDS:</b> Gospel Oak, Haverstock, St Pancras and Somers Town, Kentish Town
<b>REPORT TITLE</b> Community Investment Programme (CIP) – update on delivery strategy of future projects (SC/2017/48)	
<b>REPORT OF</b> Cabinet Member for Investing in Communities	
<b>FOR SUBMISSION TO</b> Housing Scrutiny Committee Resources and Corporate Performance Scrutiny Committee Cabinet	<b>DATE</b> 27 <sup>th</sup> November 2017 5 <sup>th</sup> December 2017 6 <sup>th</sup> December 2017
<p><b>SUMMARY OF REPORT</b></p> <p>The Community Investment Programme (CIP) is Camden’s pioneering and ambitious approach to delivering a range of community infrastructure including affordable housing, schools, community facilities and improved social housing. CIP is the Council’s key delivery vehicle for achieving the aims of the Camden plan – to work with our residents to realise their ambitions for their communities, to reduce inequality, share the benefits of economic growth and create vibrant and cohesive communities.</p> <p>This report outlines the Council’s approach to the development of options for Gospel Oak (incorporating West Kentish Town and Wendling estates), and the Council’s exploration of development of sites at Camley Street. Camley Street currently suffers from a poor quality and unwelcoming environment. Vibrant mixed-use regeneration could provide significant community benefit. This report sets out how Camley Street might provide a capital receipt to support delivery of comprehensive estate-led regeneration in Gospel Oak, and reduce the financial risk associated with a large and complex regeneration scheme of this scale.</p> <p>The report outlines next steps to work up more detailed options for Gospel Oak including a feasibility study to develop deliverable schemes in collaboration with residents. The report sets out how the Council will progress options for mixed-use development at Camley Street that would deliver new employment space, homes and improved amenities and public realm for the wider area.</p> <p>The report requests Cabinet approval to agree in principle the approach to use the Oseney Crescent (Greenwood Annexe) site for the provision of intermediate rented accommodation: converting empty sheltered accommodation into affordable homes for people who would otherwise not be able to afford to stay in the borough.</p> <p><b>Local Government Act 1972 – Access to Information</b> No documents that require listing were used in the preparation of the report.</p> <p><b>Contact Officers:</b></p>	

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## WHAT DECISIONS ARE BEING ASKED FOR?

### **Housing and Resources and Corporate Performance Scrutiny Committees**

The Housing and Resources and Corporate Performance Scrutiny Committees are asked to consider the report and forward any comments to the Cabinet.

### **The Cabinet**

The Cabinet is recommended to:

- Agree the approach to bring forward proposals for regeneration in Gospel Oak and Camley Street with a view to realising a capital receipt from Camley Street that would be reinvested in affordable housing elsewhere in the Borough, most importantly at Gospel Oak, as detailed in sections 3.1 – 3.14 of the report;
- Agree to proceed to developing a robust review of opportunities for CIP schemes at West Kentish Town and Wendling estates and associated smaller sites, as set out in section 3.5 – 3.8 of the report, and to delegate decisions regarding contract award for consultancy services to the Director of Development in consultation with the Cabinet Member for Investing in Communities;
- Note the proposals to undertake further feasibility work for Camley Street to develop options for a mixed use development, as set out in sections 3.9 - 3.14 of the report; and
- Agree the regeneration strategy for Oseney Crescent (Greenwood Annex) to refurbish the existing units for the provision of intermediate rented accommodation, including the submission of a planning application and the proposed disposal of the site to Camden Living, as set out in 3.15 – 3.19. And:
  - Agree that this project be implemented in accordance with the specific delegations approved as part of the July 2012 CIP Cabinet report (CENV/2012/25), which are included in Appendix 1, to the Executive Director Supporting Communities in consultation with the Executive Director Corporate Services.
  - Delegate to the Executive Director Corporate Services the authority to agree expenditure budgets for this scheme, subject to appropriate funding being identified. Delegate to the Executive Director Corporate Services the option to undertake prudential borrowing to support the capital funding requirements of the scheme if required.

Signed:



Neil Vokes, Director of Development

Date: 22 November 2017

## **1. WHAT IS THIS REPORT ABOUT**

- 1.1 The Community Investment Programme (CIP) is Camden's key vehicle for addressing inequality and maintaining our social, cultural and economic vibrancy as a Borough. The ambitions of CIP continue to remain relevant to the challenges that Camden will face between now and 2025.
- 1.2 Cabinet have previously approved CIP schemes representing over £1bn in investment across the Housing Revenue Account (HRA) and General Fund. The Council is self-funding CIP by building homes for sale and by making best use of our land and property portfolio. Every pound raised through these sales is reinvested back into Camden.
- 1.3 CIP has built 664 new mixed tenure homes (of which 308 are affordable), improved 48 schools and children's centres, and created new community facilities such as the St Pancras Community Centre, a new tenants hall at Bourne Estate and a residential training facility for homeless people at Mount Pleasant. CIP has enabled the Council to invest in high-quality new school facilities for children at a time when there has been no national funding available. For example CIP has built new school buildings for Netley and Kingsgate primary schools and will build improved science, sports and other accommodation for Parliament Hill, and new learning spaces for William Ellis schools, alongside a new purpose built sixth form centre. Work has also started to rebuild Edith Neville primary school in Somers Town.
- 1.4 In September 2017, Cabinet set out the Council's ambition to continue to build more homes and invest in communities through CIP and agreed that direct council delivery remains the preferred model for future schemes, subject to the availability of funding, risk profile and ability to resource.
- 1.5 The Council has identified Wendling and West Kentish Town Estates in Gospel Oak as an opportunity for CIP to both improve housing, the urban realm and community facilities for existing residents, and increase the number of homes including new affordable housing. Comprehensive regeneration would be the most effective approach to address ongoing disrepair and design issues, alongside provision of new homes and facilities. Camden has been engaging with residents in Wendling and West Kentish Town to discuss proposals for their estates, organising events and opportunities for residents to discuss concerns and contribute to the start of the process of developing an estate-led regeneration proposal for the area.
- 1.6 Camley Street in King's Cross is home to low density light industrial space and warehouses, with homes on the west side. The area suffers from a poor environment, fly tipping and abandoned vehicles. Council owned sites could be regenerated to provide a mix of uses including new and increased employment space, housing and amenities for local residents, and improve routes and link to other development proposals across the wider area. As well as providing community benefit the sites could generate significant capital receipts that would be used within the CIP programme to unlock and support the delivery of housing and community facilities in Camden.

## **2. WHY IS THIS REPORT NECESSARY**

- 2.1 This report set out the Council's approach to understanding the feasibility of regeneration in Gospel Oak and Camley Street as part of CIP. This includes how we will work with communities to develop estate-based regeneration plans, how we will understand the financial risks associated with each site and how we are seeking to address these risks.
- 2.2 The Council's preferred option across all sites is to act as developer. On sites of significant size this increases the Council's exposure to financial risk. The basis of CIP has always been to consider benefits that can be achieved at individual sites and across the collective portfolio, including how receipts from some sites might be used to mitigate financial risks on other sites.
- 2.3 Without mitigation, all of the elements of a potential Gospel Oak regeneration scheme are in financial deficit even if the development was restricted to the redevelopment and replacement of existing Council housing, and the provision of only market-rate new housing (no additional affordable housing). This approach would not be consistent with the Council's principles or ambition for the area. The Council believes that the use of a capital receipt from a scheme at the Camley Street site is one of the most effective ways to help enable comprehensive estate-led regeneration in Gospel Oak.
- 2.4 Camden has used this cross-subsidy approach elsewhere within the CIP scheme – for example the linked sites at Plender Street and Camden Street deliver new affordable housing, a new community centre, and a receipt from sale of private housing to help fund investment at other sites.
- 2.5 Alongside this cross-subsidy approach, the Council is seeking to engage with national government to make a formal request of the Department for Communities and Local Government (DCLG) to discuss a Camden-specific package of funding and flexibilities to mitigate the financial risk associated with the most ambitious CIP schemes – most importantly Gospel Oak. Camden is seeking to highlight its record of delivery, and its commitment to lead development both locally and nationally.
- 2.6 The Council is interested in negotiating on use of right-to-buy (RTB) receipts (including using RTB and grant funding for the same scheme), the HRA borrowing cap, future rent levels and the Council's decision-making powers in relation to these and other sources of funding to support house-building.
- 2.7 Camden is confident that it can demonstrate ambition, capacity and additionality, and will be discussing Gospel Oak and Camley Street as the most viable opportunities within the CIP to deliver significant volumes of affordable housing and a genuinely mixed-use scheme in the centre of London. Part of the demonstration of the Council's commitment and capacity to deliver will include outlining how the Council will utilise the resources available to deliver ourselves. This will include how schemes such as Camley Street can generate a capital receipt that can support the delivery of

affordable housing in Gospel Oak. The Council will report to Cabinet at appropriate times on the outcomes of these discussions.

### **3. OPTIONS**

#### **Gospel Oak**

- 3.1 Wendling Estate covers 2.6 hectares and comprises 241 properties of which 47 are leasehold. The Estate was built in 1972 with a variety of building types and heights that are now in various conditions of disrepair. Reactive repairs report problems with the heating and drainage system, with repeated flooding occurring in some properties.
- 3.2 West Kentish Town Estate covers an area of approximately 3.5 hectares and comprises 316 properties of which 52 are leasehold. Built in the early 1960s from a concrete prefabricated panel system, the structure is showing signs of deterioration. Drainage as well as bathroom, kitchen and electrics issues dominate reactive repairs. Engagement with 80% of households across 2016/17 identified a range of problems including poor noise insulation, damp and difficulty keeping homes warm.
- 3.3 West Kentish Town and Wendling estates have different risk profiles. At West Kentish Town it is possible to build new homes without needing to demolish or decant existing tenants, however this is not possible at Wendling. A phased approach across each site allows for the management of both financial risk and disruption to residents.
- 3.4 The scale of potential regeneration at Gospel Oak means that there is significant financial risk associated with a scheme consistent with the Council's ambitions to deliver improved social housing alongside new and affordable housing and community facilities. More detailed feasibility work is needed to develop costed options but the Council's initial high level assessment suggest that proposals for Gospel Oak could increase approved Council investment through CIP by two thirds.
- 3.5 Camden is seeking to work with residents and stakeholders (represented by the estate steering groups) in Gospel Oak to develop comprehensive regeneration options for the area that maximise different elements of community benefit. This would provide the basis on which Camden would understand the financial risks associated with the scheme, and develop effective mitigation measures for these.
- 3.6 The first step of feasibility work will be to engage design teams to work with residents on each estate to develop design options, taking into account the site constraints and construction logistics. Local decant strategies and building phasing across the area would be developed with residents. This will allow Camden to build on the best practice established with regards to the resident-led approach at the Bacton Low Rise where the Council empowered a proactive resident group who were a key part of the process and were involved at every stage from initial design options through to construction.

- 3.7 A phased, incremental approach will allow the Council to manage financial risk associated with the overarching scheme by creating packages of works, whilst at the same time seeking to prioritise community benefit at all stages and linking the phases to enabling CIP schemes. For example some of the new homes to be built at Maitland Park and Bacton could provide an opportunity for early decant.
- 3.8 The outcomes of feasibility work will be presented to Cabinet as part of a business case outlining a preferred approach to the regeneration of Gospel Oak. The Council aims to report on the initial outputs of feasibility work in September 2018 and will be seeking approval of further funding for more detailed feasibility work at this stage. In the interim the Council will continue to undertake focused engagement with residents.

### **Camley Street**

- 3.9 Camley Street in King's Cross sits at the heart of an area experiencing significant change with new developments at its southern end and other CIP regeneration schemes at Agar Grove and Maiden Lane Estates to the north and east. Ted Baker are proposing major redevelopment of their site on St Pancras Way and proposals for potential development of other sites such as St Pancras Hospital are starting to emerge.
- 3.10 The Council owns the freehold of sites at Cedar Way and 120-136 Camley Street comprising circa 8000sqm of light industrial units, mainly used for vehicle repairs, industrial and warehouse/storage activities. The Council also owns the freeholds of adjacent sites on Camley Street that have been sold on long leases and which have commercial sub-tenants.
- 3.11 Despite its proximity to King's Cross and Camden Town, Camley Street is yet to benefit from their regeneration and feels disconnected. The low density residential and employment uses mean the street is lacking activity and overlooking. Railway bridges at each end act as barriers to people friendly movement and the northern end sees issues with dumped cars, fly tipping and safety around the footbridge leading to Maiden Lane.
- 3.12 Council owned sites at Camley Street present an opportunity to anchor the wider regeneration of the area through improved pedestrian access and public spaces. There will be a significant investment in the area over the next decade, including through the use of Community Infrastructure Levy received as a result of development in the wider area, such as at the Ted Baker site.
- 3.13 The Local Plan identifies Camley Street as an area for regeneration with the priorities of creating a more vibrant, attractive place that enhances connectivity and public realm, and creates new public spaces and provides a genuine mix of uses including new housing and employment space. As well as supporting the Neighbourhood Forum to prepare a Neighbourhood Plan, the Council will prepare a planning vision for the wider area to support its priorities during 2018.

- 3.14 Development options will need to evolve in the context of the Council owned sites and adjacent sites. It is proposed to undertake further feasibility work to develop options and minimum requirements for ambitious mixed use development, including discussions with adjoining owners about possible collaboration. A proposal for the sites will be brought to Cabinet in 2018.

#### **Greenwood Annexe (Oseney Crescent)**

- 3.15 As part of the Council's Intermediate Housing Strategy approved in April 2016 the Cabinet approved the formation of Camden Living, a Council owned provider of affordable rented housing. Camden Living will let homes at significantly below market rent to people who are ineligible for Council housing but unable to afford the high costs of private rent or buying in Camden.
- 3.16 The Council's Intermediate Housing Register of Interest, launched as part of that strategy, and has so far generated 905 expressions of interest in intermediate rent. Of these, 408 work in the health and education sectors which are struggling to retain staff in central London in the face of rising living costs. Camden is now bringing forward 66 units of intermediate rented accommodation through schemes at Maiden Lane, the Bourne Estate and Chester Balmore. A further 65 intermediate homes are currently expected from approved schemes in the development pipeline.
- 3.17 An opportunity to deliver more Camden Living provision has been identified at a former sheltered housing block in Oseney Crescent known as the Greenwood Annexe. The site was previously considered as surplus by the Cabinet due to its accessibility issues for less mobile residents. The following options have been considered for the block based on valuation and development advice.
- **Demolition and redevelopment by the Council** - this would deliver additional affordable housing (both for Council and intermediate rent) but presents challenges of financial viability: involving significant up front financial outlay and risk.
  - **Disposal to generate a capital receipt** - sale of the block on an unrestricted basis would generate a capital receipt to reinvest elsewhere and is likely to generate an initial higher financial return than disposal to Camden Living. But it is likely to lead to minimal new affordable housing.
  - **Refurbishment for sale or private rent** - this would generate a higher financial return than disposal to Camden Living but would not create any new affordable housing.
  - **Refurbishment for disposal to Camden Living to be let as affordable housing (Recommended option)** - this option requires less upfront investment than full redevelopment. It would generate a smaller net capital receipt than an unrestricted disposal but would deliver 25 new homes to be let at below market rent to people that could not otherwise afford to live in the borough. The disposal would be at market value for this use.
- 3.18 The Council is considering a potential expansion of the accommodation by building over the existing structure upwards, which would provide an additional 6-8 units, however more feasibility and viability work is being undertaken to ascertain whether this option should be implemented.

- 3.19 This report is seeking Cabinet agreement to the principle of refurbishing of the Oseney Crescent (Greenwood Annex) block for the provision of intermediate rented accommodation, including the proposed disposal of the site to Camden Living, and delegate authority to the Executive Director Supporting Communities to give effect to the recommended approach.

#### **4. WHAT ARE THE REASONS FOR THE RECOMMENDED DECISIONS**

##### **Gospel Oak**

- 4.1 This report seeks Cabinet's agreement to continue to explore an estate-led regeneration scheme for Gospel Oak. Detailed feasibility work is needed to understand viability, identify funding gaps and to what extent they could be met through additional flexibilities from government and a capital receipt generated by a scheme at Camley Street. This work would allow the Council to proceed with confidence, and continue to engage transparently with residents about their vision for the Gospel Oak area with an understanding of the extent to which the Council can commit to delivering this.

- 4.2 A report will be brought back to Cabinet in September 2018 based on initial feasibility findings with a proposal for comprehensive regeneration based on a full feasibility study brought back to Cabinet in 2019. Following Cabinet approval in 2019 it could take until 2020/21 for planning consents to be granted and the first phase of work to commence, and this needs to be communicated to residents through ongoing community engagement.

##### **Camley Street**

- 4.3 The Council is seeking support to explore a scheme at Camley Street in line with the Local Plan, Neighbourhood Plan and community visions for the area. The Council is seeking to link the development of a scheme at Camley Street with plans for Gospel Oak, and be clear with residents and stakeholders that it may be necessary to consider both the benefits that may be achieved in the areas individually and what may be achieved across both.

##### **4.4 Oseney Crescent (Greenwood Annexe)**

This report seeks agreement to refurbish the site and sell it to Camden Living for the provision of below market rental accommodation for middle-income households in Camden at the market value for this use. Considering the options for this site, this is regarded as the best option both for returning a receipt to CIP, and to provide additional affordable homes for the Borough.

#### **5 WHAT ARE THE KEY IMPACTS / RISKS AND HOW WOULD THEY BE ADDRESSED?**

- 5.1 The scale of potential investment into homes, employment space and community facilities in Gospel Oak and Camley Street will entail significant financial risk. The Council is seeking to maximise the effective use of its resources in order to deliver the most community benefit whilst managing risk and ensuring the prudent use of public funds. The proposed approach is to



develop an ambitious community led-regeneration scheme, alongside the exploration of options for ensuring that this scheme is robust and viable.

- 5.2 Risk relating to proposals for Camley Street and Gospel Oak will need to be managed alongside those to the existing CIP programme. By directly delivering most CIP schemes the Council is exposed to full development risk as the programme is sensitive to market changes in terms of construction costs and house prices. If market conditions continue to worsen the structure of CIP and its projects may need to be reviewed.

## **6. WHAT ACTIONS WOULD BE TAKEN FOLLOWING THE DECISION AND HOW WOULD THIS BE MONITORED**

- 6.1 This report highlights where it will seek to return to Cabinet to provide updates and seek further agreement to the use of funds for furthermore detailed feasibility work. The Council will seek to report progress to Cabinet on Gospel Oak and Camley Street in 2018.

## **7. LINKS TO THE CAMDEN PLAN OBJECTIVES**

- 7.1 The proposals for Gospel Oak, Camley Street and the Greenwood Annexe would support delivery of Camden Plan objectives:
- **Creating the conditions for and harnessing the benefits of economic growth** – mixed use development at Camley Street would create local employment opportunities within the area. Camden will continue to secure apprenticeships and training opportunities for residents on CIP schemes.
  - **Developing new solutions with partners to reduce inequality** – Gospel Oak, Camley Street and Greenwood Annexe are all examples of the Council using its resources innovatively to deliver additional affordable housing, addressing the significant inequality associated with rising housing costs.
  - **Investing in our communities to ensure sustainable neighbourhoods** – creating a better physical infrastructure has a positive impact on communities, making them safer, more enjoyable places to live.
  - **Providing democratic and strategic leadership fit for changing times** – The proposed approach is to engage with residents to identify their priorities and develop a shared vision for regeneration. Consultation, collaboration and coproduction are key parts of all stages of a CIP scheme.

## **8 CONSULTATION**

- 8.1 The overarching strategy for Gospel Oak is based on the existing best practice engagement that has occurred within CIP and further robust collaboration with residents on the development of options for their specific estates. The approach will be bespoke and reflect the different communities at Wendling and West Kentish Town and how they would like to engage with proposals for redevelopment.
- 8.2 To support with developing partnerships with residents, steering groups are being established for Wendling and West Kentish Town chaired by local ward councillors. These seek to be representative of the communities living there

and support with communication among residents, and will help shape the process of engagement as well as inform the brief for the proposed design teams. Steering group members will have the opportunity to visit other regeneration schemes and see different approaches to urban design.

- 8.3 Once options have been developed and affordability tested, the proposals for each estate would be subject to statutory consultation, results of which would be reported to the Cabinet and inform the regeneration delivery plan.

## **9. LEGAL IMPLICATIONS**

- 9.1 The comments of the Borough Solicitor's department have been incorporated in the Report.

## **10. RESOURCE IMPLICATIONS**

- 10.1 The report sets out the Council's ambition to progress development options for Gospel Oak HRA estates as well as the Camley Street General Fund sites, as part of a second phase of the Community Investment Programme.
- 10.2 As set out in section 2.3, initial high level feasibility studies of the Gospel Oak estates suggest that redevelopment would require significant investment and is likely to require subsidy over and above contributions from the sale of a large volume of private units. However, it is anticipated the feasibility works proposed in this paper will go further to consider all options to meet council aspirations for the site with a design which incorporates cash flow constraints into the timelines/phasing of development to produce deliverable schemes. In order to minimise the council's exposure to risk and to manage within cost constraints, it is envisaged that the resulting programme will be split across multiple phases over a number of years and review possible designs and phasing/funding options. There is always a risk with feasibility work that it does not lead to a viable scheme and due to the scale of this development appraisal, substantial upfront investment will be required.
- 10.3 The report sets out in 2.3 and 4.3 the Council's preference to use General Fund (GF) capital receipts from development at Camley Street to help fund viability challenges at Gospel Oak HRA sites. This approach, if approved, would forego the opportunity to use the receipt on GF capital investment such as schools or community space. It would also reduce the possibility to increase revenue contributions from the newly developed sites, to help with future funding challenges in the GF. It is expected that any development plans for Camley Street sites will include provision to, at a minimum, retain current revenue levels to avoid adding to GF revenue pressures.
- 10.4 The report also requests approval to proceed with the option to refurbish Oseney Court ahead of disposal to Camden Living for use as intermediate housing. The report does not request a budget approval to be allocated; a separate paper outlining the full business case to the Executive Director of Corporate Services will be required in line with the delegations set out above.

## **Appendix 1 – CIP scheme of delegations agreed in July 2012 Cabinet report**

Note: These have been updated to reflect the Council's current management structure and Cabinet portfolios.

Cabinet approved the principle that every strategy report seeking overall cabinet approval for a CIP project will seek authority for the following framework of delegations to apply to that project (unless otherwise specified).

That the Cabinet delegates authority to the relevant Service Director in consultation with the Director of Finance to:

1. Agree the terms of and implement and complete acquisitions or disposals of property associated with a project in consultation with the relevant Cabinet Member, the Director of Development and the Borough Solicitor.
2. Agree terms for obtaining vacant possession of commercial and other non-residential properties affected by projects in consultation with the Cabinet Member for Finance and Transformation, the Director of Development and the Borough Solicitor.
3. Agree contract award strategies and contract awards for the implementation of a project in consultation with the relevant Cabinet Member, the Cabinet Member for Finance and Transformation, the Director of Development and the Borough Solicitor.
4. Make a compulsory purchase order for land required for a project in consultation with the relevant Cabinet Member and the Borough Solicitor.
5. Issue Initial Demolition Notices (and subsequently Final Notices if appropriate and legal requirements are met) on affected secure tenants in order to suspend the requirement for the Council to complete Right to Buy applications for as long as the Notices remain in force in consultation with the Borough Solicitor.
6. Appropriate existing Council land under relevant powers as necessary to enable the implementation of the scheme in consultation with the relevant Cabinet Member, the Director of Development and the Borough Solicitor.