



Decision Report

ISLE OF WIGHT COUNCIL

DECISION UNDER DELEGATED POWERS

DECISION CANNOT BE TAKEN BEFORE 27 MARCH 2024

Title

ACQUISITION OF LAND AT PYLE STREET, NEWPORT

Report of

**DEPUTY LEADER AND CABINET MEMBER FOR HOUSING AND
FINANCE**

Executive Summary

1. This report seeks approval to purchase a circa 0.5 acre brownfield site on the corner of Pyle Street and South Street, Newport, from current owner Homes England who bought it in 2016 as a regeneration opportunity. It has been vacant ever since due to viability issues.
2. The Council has applied for £409,360 of grant funding from the Brownfield Land Release Fund (BLRF) to enable the site for redevelopment, which is conditional on the Council completing the purchase by 31 March 2024.
3. The site is a gateway to the Island's County town and, if not secured by the Council, is likely to be sold on the open market by Homes England and bought by an opportunistic developer for a use or uses which may not enhance this key location or deliver housing. A purchase by the Council will enable a use appropriate to the Corporate Strategy.

Recommendation

4. To approve the acquisition of the Pyle Street site from Homes England based on the terms set out in this report at exempt Appendix 1, and to delegate approval of the final terms of the sale to the Deputy Leader and Cabinet Member for Housing and Finance.

Confidential / Exempt Items

- The agreed heads of terms are attached as exempt Appendix 1. The appendix is deemed to be exempt from publication by virtue of paragraph 3 of part 1 of the schedule 12A of the Local Government Act 1972 (as amended) as it "relates to the financial and business affairs of any particular person" (including the authority holding that information). Once bid detail is publicly available new, "spoiler" bids could be submitted which the vendor must consider under best consideration legislation, and if bids are continually made public in this way a bidding war takes place which may result in an unsuccessful outcome. Accordingly, the public interest in maintaining the exemption outweighs the public interest in disclosing it.

Background

- The property comprises a cleared vacant site close to Coppins Bridge roundabout on the corner of Pyle Street and South Street in Newport town centre. The site extends to approximately 0.22 hectares (0.55 acres), and is shown below edged red:



- Previous buildings on the site have been demolished, with some floor slabs and foundations left in place. The site is now overgrown and hazardous materials,

potentially including Japanese knotweed may be present, which, if found, will need to be treated and/or removed.

8. Neither a previous (pre-Homes England ownership) planning consent for a 5/6-storey scheme of 69 flats, nor a subsequent proposal to reduce the number to 42 flats were viable and so neither were progressed.
9. The site sits in a high-profile location and so the Council is keen to see it acquired and redeveloped, but the viability issue has prevented this. Accordingly, the Council has applied for £409,360 of BLRF grant to assist with the viability issues and enable the site to come forward for development (predominantly housing).
10. A feasibility study by the Council in February 2024 show capacity for 40 x 1 and 2-bed homes, a ground floor community or commercial unit, on-site parking and Electric Vehicle charging points. This would provide 14 policy compliant affordable homes and would require BLRF funding for enabling works including clearance, levelling, and removing deleterious materials. The site sits within flood Zones 2 and 3, which will affect development, but the local Planning Authority indicated support for the previously proposed 42 unit scheme considering its location and surrounding development.
11. If the Council is successful in securing the BLRF grant, the site could be prepared for development and a registered housing provider or developer may then be willing to purchase the site for housing. Alternatively, the Council could choose to build out the units instead, and retain them long term, as it is also now a registered housing provider. If the council cannot sell the site for housing and did not wish to build it out itself, however, there are also other potential uses for the site which would benefit from its key location.
12. If the BLRF grant is not secured and the Council has purchased the site, there are a variety of other potential uses for the site. These have not been investigated or costed, but as this high profile site has sat derelict for so long, it is considered important that the Council purchases the site, to be able to control its future use. Costs associated with the purchase and ownership of the site are explained under the Financial/Budget Implications below.
13. The terms for the proposed acquisition are attached as Appendix 1, which is exempt from publication. A Red Book Valuation exercise was undertaken and the price agreed does not exceed the figure stated in this valuation.
14. Meanwhile uses such as pop-up retail or farmers markets are unlikely to generate sufficient income to offset the cost of facilitating, making safe and managing the site for such uses while planning permission is sought. Local community groups would be consulted following a purchase to investigate this and other ideas safely and at nil cost to the Council.

Corporate Priorities and Strategic Context

Corporate Plan

15. A key priority of the Council Corporate Plan (2021-2025) is to deliver more affordable homes on brownfield land to meet the increasing housing demands, particularly for

affordable homes for Islanders. Page 31, Aspiration Number 31 links to Brownfield site opportunities such as Pyle Street.

16. The Corporate Plan at Page 7 states, "Having good premises and a strong local skills pool are also key factors in helping realise our regeneration ambitions. Our investments with partners in the provision of high- quality business accommodation, which reflects the new more flexible requirements of a post pandemic world, further supports the Island's 'offer.' The Pyle Street site offers the council the opportunity to deliver regeneration in line with Corporate Plan aims, in addition to its potential for affordable housing.

Provision of Affordable Housing for Island Residents

17. The proposed Pyle Street development could bring an additional 40 homes to the market, of which 14 would be affordable (35%), and the Newport market indicates that pricing would be more affordable than other areas of the Island impacted by second homes and tourist accommodation.
18. The number one priority of the Housing Strategy (2020-25) is to ensure the right supply and mix of new homes and increasing affordable housing through the efficient use of land and it aligns with the Regeneration Strategy in aiming to ensure new homes foster and create cohesive communities which integrate with existing communities.
19. The strategy also identifies that far more homes need to be delivered on brownfield sites. Pyle Street directly contributes to these objectives
20. Page 55, Number 5 makes specific reference to Brownfield opportunities in Newport, LRF/BLRF is specifically referenced as a priority on page 59, and policy statement No.27 states *"Our aim is to ensure that all new homes and extensions to communities will be in sustainable locations, close to amenities and public transport and on brownfield sites wherever possible."*

Responding to climate change and enhancing the biosphere

21. A climate and sustainable development impact assessment has been undertaken and is detailed below. This demonstrates the impacts of the proposed decision to the environmental and socio-economic conditions of the Island. The wheel is made up of two different distinct sections. The outer wheel focuses on socio-economic factors, which could impact communities across the Island. The inner wheel focuses on the delivery of net zero emissions to meet the councils 2030 target. There are 17 outer socio-economic segments and 6 inner environmental segments, and these are scored from 1 (long-lasting or severe negative impact) to 5 (long-lasting or extensive positive impact). Overall, the assessment demonstrates no long-lasting or severe negative impacts if the proposed option is approved.



Economic Recovery and Reducing Poverty

22. The Council's strong aspiration to develop the site for housing without needing to realise a specific profit from this, rather than a private developer's choice of development based on a need to maximise profit, offers the best chance of economic recovery and sustainable economic growth for this site.

Economic and Regeneration Strategies

23. The IW Economic Strategy (2019) and COVID Economic Recovery Plan also set out the importance of delivering new sustainable homes in contributing to the Island's economic growth. The Institute for Fiscal Studies (IFS) reported in 2020 that, alongside Torbay, the Isle of Wight was seen as the least resilient area of the country in being able to respond the challenges presented by COVID.

24. Pyle Street contributes towards both of these strategies and plans as it is bringing forward a long derelict site for regeneration and housing use.

25. The Isle of Wight Regeneration Strategy (2019 -2030) sets out six key priorities including the delivery of new homes as a key driver of the local economy, supporting the local construction industry, jobs and apprenticeships, with housebuilding vital to inward investment.

26. The Pyle Street site is a major 'gateway' site into Newport, the County Town, and the site has been derelict for many years. The unlocking of this highly visible site for the proposed, or some form of, development would directly and positively contribute towards the Island's regeneration aspirations.

Impact on Young People and Future Generations

27. Young people need homes that it is possible to afford to buy and rent and this proposal will deliver that. In addition, redeveloping the site and the long term

management and maintenance of the development will all create jobs, apprenticeships and training opportunities for the Island's young people.

Corporate Aims

28. The recommendation satisfies the Corporate Plan aspirations and priorities to work together openly with our communities, to support and sustain our economy, environment and people.

Consultation and Engagement

29. All Newport elected members have been consulted on this proposal and no objections have been received. All responses were supportive.

Financial / Budget Implications

30. The terms for the proposed acquisition are attached as Appendix 1, which is exempt from publication. A Red Book Valuation exercise was undertaken and the price agreed does not exceed the figure stated in this valuation.

31. A development viability appraisal prepared for the Council by its consultant, Simon Matthews Associates, shows a (£484,569) negative viability for the proposed 40-unit scheme. Other options which increase density or add height show a worse viability owing to disproportionately increased costs. Consequently, the proposed 40-unit option is seen as the optimum mix of units that is both viable and would achieve planning permission.

32. Accordingly, the £409,360 BLRF grant or other subsidy is key to ensuring that a housing scheme is delivered on this site to deal with the viability issue which has prevented the site from being redeveloped in recent years.

33. Purchase and holding costs are estimated as follows:

- Site price: noted in Confidential Appendix 1.
- Stamp Duty Land Tax: zero (agreed price is below the threshold).
- VAT on site price: confirmation is awaited from Homes England.
- Legal fees: £14,000.
- Business Rates: zero as vacant land is not rated.
- Security: zero as the site is already securely fenced and will be managed by existing staff.
- Insurance: zero as the site will be added to the Council's current block policy.
- Annual site clearance: quote received for £680 per annum.

Holding costs will be funded from existing budgets. It is not expected that funding these costs from existing budgets will impact other projects.

34. Schemes that maximise regeneration opportunities are unlikely to be viable. An example residential scheme for 40 units has been modelled, as described in this report, but it will require subsidy to make viable and BLRF funding has been applied for.

Legal Implications

35. The proposal is to acquire the freehold interest in the land. The Council can acquire property by agreement using its powers under Section 120 of the Local Government Act 1972 for any of their functions or for the benefit, improvement or development of their area and any other enabling powers, and also use its powers under section 111 of the Local Government Act 1972.

Equality and Diversity

36. The provision of housing to help meet the Council's 2,500-strong housing list will include a proportion of people within the nine protected characteristics. The option to work with a Housing Association to develop the site would further enhance the ability to directly meet the needs of those within the nine protected characteristics through their direct experience in social housing.
37. The site is within Newport East ward which is classed as being within the most deprived 40% in the country under the 2019 Indices of Multiple Deprivation (IMD). The Isle of Wight is ranked 80th most deprived out of 317 Local Authorities.
38. The proposed design has allowed additional space within the communal and access areas that would be advantageous for people with mobility issues such as being in a wheelchair.
39. An Equality Impact Assessment (EIA) has been undertaken a copy of which can be found at Appendix 2. No adverse issues were identified and the EIA will be reviewed throughout the project.

Property Implications

40. This is a cleared vacant development with no Landlord and Tenant implications. Property implications are around its future development as a key site at the gateway to Newport town centre.
41. Homes England, via their surveyors, have reported that a number of former buildings on the site were demolished to floor slab level and the remaining material is likely to require removal. As a brownfield site, which has historically been used for a combination of commercial and residential uses, a risk of contamination is present and ground investigations will be undertaken.
42. Meanwhile uses such as pop-up retail or farmers markets are unlikely to generate sufficient income to offset the cost of facilitating, making safe and managing the site for such uses while planning permission is sought for the preferred permanent development. Local community groups would be consulted following a purchase to investigate this and other ideas safely and at nil cost to the Council. The holding costs of the site can be managed from existing budgets without looking for further income.

Section 17 Crime and Disorder Act 1998

43. There will be Crime & Disorder benefits to selling this site for redevelopment because at present the site is a vacant and derelict, secured by temporary Heras fencing, which

could easily attract vandalism. By re-using the site and enabling it for redevelopment, the potential for vandalism will be greatly reduced.

Options

44. Option 1: To approve the acquisition of the Pyle Street site from Homes England based on the terms set out in this report at exempt Appendix 1 and to delegate approval of the final terms of the sale to the Deputy Leader and Cabinet Member for Housing and Finance.
45. Option 2: To not acquire the site.

Risk Management

46. If the Council buys the site and fails to secure grant funding to subsidise its development, the Council may need to subsidise its future use itself or leave the site undeveloped until a viable use can be identified.
47. The purchase price and holding costs of this site are sufficiently low that acquiring it now and taking time to bring the right development forward would be preferable to risking someone else acquiring it, mitigating both of these risks.
48. Should the Council not acquire this site, it will be acquired by someone else and the Council will have limited or no influence over what might happen to it and the site could remain derelict or put to an undesirable use. These risks will be difficult to mitigate.
49. A further risk under Option 2 is that the opportunity for the Council to be awarded £409,360 of grant will be lost, along with the possibility of delivering housing on the site.

Evaluation

50. This site is an important, high-profile site at the entrance to the Island's County town of Newport. It has been derelict for many years as viability issues have prevented its development and the Council has an opportunity to access £409,360 of grant to overcome this. If the Council is successful in being awarded the grant, this site could be redeveloped to provide desperately needed housing, including affordable housing, which would meet a number of key corporate priorities.
51. The importance of the Council being in control of this site combined with the low purchase price and holding costs means that even if the Council is not awarded the grant, it is more important that the Council simply purchase the site so that it has control over its future.

Confidential Appendices Attached

52. Appendix 1 – Agreed heads of terms – EXEMPT FROM PUBLICATION
53. Appendix 2 – Equality Impact Assessment

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