

Annex 4

Proposed acquisition of land at Sandy Bay Porthcawl. **Additional information.** **Land Division March 2022**

Background

Land Division (aims and objectives)

Welsh Government established Land Division to provide a pipeline of land to progress delivery of affordable housing and associated social gain. Land Division has an agreed budget of £20m in 22/23 to deliver against its stated remit. This paper sets out how the proposed acquisition sits within the strategic context of WG policy for affordable homes; the specific remit of LD and the extensive work that has been undertaken over recent months to ensure that appropriate due diligence has been undertaken to protect the interests and reputation of Welsh Ministers.

Strategic Intervention - policy context

Currently Wales has c9,000 people in temporary accommodation, of which approximately c2,400 are children and young people. These figures are increasing month on month and there is an urgent need to build more social and affordable homes to accommodate them.

House building generally is currently facing a number of significant issues namely, price inflation, supply chains problems, phosphates, and flooding.

Ministers have made clear that delivery of affordable, high quality, low carbon homes is a primary objective within Programme for Government. While the Co-operation Agreement commits the Welsh Government to “establish ‘Unnos’, a national construction company, to support councils and social landlords to improve the supply of social and affordable housing”.

The latest figures for dwellings starting construction show that between October and December 2022, there are 25% less than during the same quarter of 2019 and 24% less than the previous quarter (July to September 2022). [New house building: October to December 2022 | GOV.WALES](#)

Extracts from Savills Q4 2022 bulletin on Residential Development land:

- *Transactions in the land market have slowed significantly over the last quarter. The current economic uncertainty, increased costs and slower sales rates have led many parties to pause land buying.*
- *Over the last quarter, there has been noticeably less competition for many sites as parties adopt a much more cautious approach to land buying. The number of bids per site in Q4 2022 has continued to decrease in comparison to previous quarters.*

- *Parties also continue to be increasingly selective about their requirements for land, prioritising sites within their normal size criteria and core markets. As a result, there is reduced appetite for sites in secondary and tertiary locations in many regional markets as players seek oven-ready sites with capacity for 100-300 units in primary locations where they are more confident about future sales rates.*
- *The recent slowdown of new build sales rates has considerably impacted sentiment in the land market. Accompanying the recent house price falls in the wider market, activity has reduced, driven by higher interest rates and stretched mortgage affordability. Mortgage approvals fell by 28.6% in November compared to the 2018-2019 November average, according to the Bank of England.*
- *In the short term, we expect the major housebuilders to be much more selective or pause their land buying activity whilst they wait for sales rates on their existing sites to pick up. We therefore expect a slower transaction market and less competition for land.*

In previous times of similar economic conditions (house price stagnation/reduction, interest rates rising, economic uncertainty) we have seen a pattern of market build rates being slowed to maintain demand and prices, this has a knock-on impact on delivery of affordable stock under s106 (usually the last homes to be completed on sites) and increased tendency for developers to seek to renegotiate 106 agreements to reduce delivery.

Using public, particularly WG owned land enables us to circumvent/mitigate some of these challenges.

Ministers, and the sector, recognise the importance of land supply and in particular public sector land supply in delivery during these challenging economic times. Most recently this message has been reinforced by the MCC and First Minister on 8th March 2023 stating:

“It is crucial our focus on social housing remains. The social housing target for this term is more challenging, with a focus on homes being low carbon, kind to the climate, warm and affordable.

“the importance of land to deliver/unlocking major policy considerations”.
(2nd summit on the Challenges of Phosphorus Pollution in Wales).

Appendix 1 further outlines the strategic context in which this acquisition is being proposed. The acquisition of development sites by Land Division is a continuation of an already agreed and active WG strategic path. Welsh Government seeks to acquire land to address market failure and to unlock opportunities to bring about the most beneficial impact for the people of Wales.

Community Housing Cymru (Appendix 2) has projected the economic impact of building and maintaining social and affordable homes in Wales.

The acquisition must be seen in the context of the overall case outlined in the Porthcawl Waterfront Economic Impact Assessment (Appendix 3) which clearly demonstrates that regenerating the area would have a positive economic effect.

In some instances, there are benefits to be achieved from amalgamating sites which may include purchasing privately owned land. This strategic approach can achieve far greater housing and regeneration benefits than restricting our investment to publicly owned sites. Where sites have stalled, there is a case for intervention due to market failure.

“The most effective way to accelerate housebuilding to meet this need is to look at those sites which are already allocated in Local Development Plans (LDPs), understand why they have stalled and take action to unlock the potential they offer”.

Strategic Case - Porthcawl Waterfront land acquisition

The WG’s policy objectives are to prevent homelessness and provide long-term and settled, high quality affordable homes for all. Some sites have additional potential to contribute to multiple objectives, including wider regeneration of areas – coastal and town centres having suffered to a greater degree of decline in physical and economic terms over recent years. Porthcawl seafront is a good example of both. This placemaking approach is at the heart of WG policy.

Bridgend County Borough Council (BBCB) are experiencing an acute housing shortage, and whilst they have made efforts to bring the site in question to development themselves since 2012, progress has been stalled for some years. This situation is not likely to change over the foreseeable future.

The latest management information for BCBC (for internal use only) shows [Redacted 1] people were accommodated in temporary accommodation at the end of December 2022. Of these, [Redacted 2] were dependant children under the age of 16. The number of people presenting at services every month in need of accommodation continues to be high, and the limited availability of move-on accommodation means the numbers in temporary accommodation continue to grow, whilst people are unable to move-on and remain in temporary accommodation for long periods of time.

The below graph shows the historical growth in the number of households in temporary accommodation in BCBC (note, the data table below is recorded in households rather than individuals).

Graph [Redaction 3]

Due to the lack of housing capacity, the cost of housing people experiencing homelessness in temporary accommodation such as hotels, B&Bs and Air BnBs has also risen considerably and is as follows:

Year	Cost	% Increase on previous year
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2018/19	[Redacted 4]	N/A
2019/20	[Redacted 4]	[Redacted 4]
2020/21	[Redacted 4]	[Redacted 4]
2021/22	[Redacted 4]	[Redacted 4]

Source. Bridgend County Council

The below table shows the number of properties available to rent on 13th February 2023 via a desktop search on “Zoopla”. The search identified no available properties within the Local Housing Allowance rate for any property size. This highlights the significant lack of private properties available to rent at an affordable rate for those reliant on the Local Housing Allowance.

No. of bedrooms	Average monthly rent	22/23 LHA rate	Difference	No. available properties	No. available properties at LHA
Shared room rate	£487.50	£254.28	-£233.22	2	0
1 bedroom	£625.00	£388.92	-£236.08	9	0
2 bedrooms	£728.94	£473.72	-£255.22	20	0
3 bedrooms	£952.92	£498.64	-£454.28	24	0
4 bedrooms	£1366.67	£673.14	-£693.53	3	0
5 bedrooms	£N/A	£673.14	£N/A	0	0

Source. Bridgend County Council

The disparity in the average rent and Local Housing Allowance rates in the Figure above is stark, giving an insight into the challenges households reliant on welfare benefits have when trying to find suitable and affordable accommodation in the private rent sector.

By 2033, the Local Housing Needs assessment (Appendix 4), indicates that BCBC will need 5,134 affordable housing units (comprising 2,839 social rented dwellings and 2,295 intermediate dwellings).

Whilst this proposed land purchase will not immediately alleviate pressures, without land to build on these pressures will further increase over time.

Acquisition of the land at Porthcawl Waterfront will enable progression of the place-making framework (Appendix 5 – Porthcawl Placemaking Strategy) over the short, medium and long term, with a specific emphasis on ensuring the delivery of homes for local people that would cater for:-

“stronger, long term communities” and to *“ensure new homes truly contribute towards meeting housing demand”*. Section 2.7 Appendix 5

The Placemaking strategy, already in place, draws upon an area’s potential to create high quality development and public spaces that promote people’s prosperity, health, happiness, and wellbeing in the widest sense. This adds social, economic, environmental and cultural value to development proposals resulting in benefits that

go beyond a physical development boundary. In this case the site acquisition will enable transformation of a run-down piecemeal waterfront area into one which will be an attractive place to live, work, visit and invest particularly for those individuals who require good quality social and affordable homes.

Without WG intervention the current position will prevail, and most likely deteriorate over the longer term.

The subject site has a realistic potential to deliver at least 900 of the 1000 LDP requirement for homes in Porthcawl (Appendix 6 - Porthcawl Placemaking Strategy - Capacity Study Report). This includes 300 on the Coney Beach site, the development of which will unlock the delivery of circa 600 homes within the BCBC owned Sandy Bay part of the wider site. In acquiring the site, WG can ensure that at least 50% (450) of the total will be affordable homes. Without our acquisition the maximum % of affordable would be at LDP levels (30% or 270 homes). This figure would be the maximum a developer would build, but the reality would likely be considerably lower as developers would attempt to renegotiate the affordable contribution down. See following hyperlink [Developers asked to pay £21m to community schemes in Cardiff gave just £3.75m - Wales Online](#). By acquiring this site LD can achieve at least 180 additional units of affordable housing above the LDP value. If the % was negotiated to 10%, which is not unusual, this figure would be 360 additional affordable homes delivered by LD over the private sector.

In addition, to the Coney Beach and Sandy Bay residential site, the Salt Lake site has been allocated in the LDP for the delivery of circa 200 homes alongside new public realm, commercial space and leisure facilities (potential for a new hotel). By acquiring the Coney Beach site, WG can: -

- a) accelerate development of both sites and
- b) ensure that the master planning of the entire waterfront site achieves the maximum possible benefits for housing and regeneration of Porthcawl. This approach is far more advantageous than a piecemeal approach.

BCBC have been attempting to unlock the waterfront since at least 2007, without making any measurable progress. A Cabinet paper (March 2022) on the latest developments is attached as Appendix 7 - Porthcawl Waterfront Regeneration: Placemaking strategy and programme update.

Land Division began discussions on this site in Summer of 2022, informing the Minister for Climate Change of their plans to acquire the site in November. BCBC cabinet are also supporting the acquisition and the proposal for WG to master-plan the entire site. They do not have the resources to do this themselves.

A strategic approach with BCBC, will achieve additional benefits over a piecemeal development including:

- Accelerating of a stalled development.
- Bring about significant improvements to a run-down coastal town, linking the town centre to the waterfront.
- Providing an additional 450 high quality affordable homes on the Sandy Bay and Coney Beach Sites.

- Providing an additional 34 high quality affordable units on the Salt Lake site.
- Improving the quality of the current seaside destination offer.

The master-planning will be undertaken in partnership with BCBC. Once this has been completed, a disposal strategy will be developed to ensure that the benefits identified during the process will be achieved.

Economic and Community Benefits from a strategic approach

The Economic Impact Assessment prepared by external experts Lichfields (Appendix 8) shows the expected benefits of both the Coney Beach / Sandy Bay scheme and the wider scheme with Slat Lake included, summarised as follows:

[Redacted 5]

The case for WG purchase

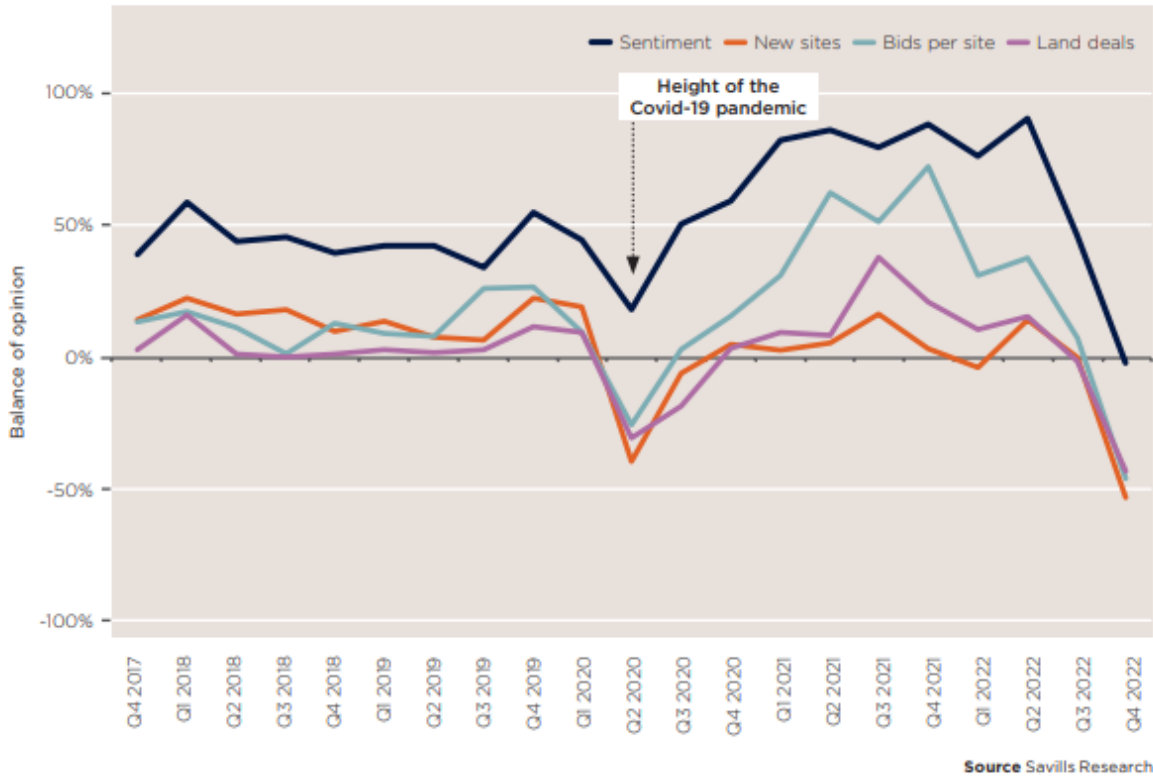
Ministers have committed to deliver 20,000 additional homes for rent in the social sector this term. These will provide more affordable and secure long-term tenancies for the people living in Wales.

These are significant Ministerial objectives however, the Home Builders Federation has already warned that the number of new properties completed this year and in the coming years is likely to drop due to the current economic context of increased building costs and high interest rates. [House building set to slump in England, warns trade body | Financial Times \(ft.com\)](#)

Whilst this warning was for England, the challenges facing Wales are the same as indicated at [New house building: October to December 2022 | GOV.WALES](#).

Residential development experts Savills are also predicting a slowdown in the land transaction market (Source. Residential Development Land Q4 2022 Savills). The figure below refers.

Current sentiment more subdued than during the height of the Covid-19 pandemic



Land supply is the foundation of the housing supply market. Without land no new homes can be built. Land that is stalled (for whatever reason) is likely to remain stalled when markets are suppressed.

The adoption of a strategic approach by LD to purchase the private land at Sandy Bay will ensure that the momentum to regenerate the area and supply much needed homes is maintained.

BCBC have been unable to progress the development themselves. Although master-planning of the waterfront site as a whole could be procured from consultants, and BCBC have taken steps to protect their ability to acquire the private land through CPO procedures, they have insufficient resources to take this forward.

This “do nothing” option will therefore result in no progress in improving the environment and housing situation in Porthcawl.

In the absence of WG intervention to acquire the sites and undertake master-planning, the current environmental and housing provision will prevail.

Options to purchase

LD have considered other options for the site. These are listed below.

- Direct sale to volume house builder
 - Placemaking and regeneration objectives would not be delivered in any measurable way,

- WDQR housing standards would not apply to the majority of homes as these do not apply to market homes,
- Affordable housing would likely be below the LDP level as developers would negotiate down based on financial viability grounds.
- Supply chain, education, training benefits are unlikely to be delivered,
- Biodiversity and carbon agenda would be at the minimum required by building regulations and other statutory requirements.
- JV between RSL and private sector
 - The market has failed to deliver on this site for over 10 years. BCBC work diligently with its RSL partners who are very alert to the site and its potential, yet they have been unable to proceed with a development.
 - Any JV between the private sector and an RSL would see the site developed in a way that would see the frontage being market led homes with the affordable set to the rear of the development. This is contrary to best practice place making guidance.
 - With WG control and influence an appropriate delivery strategy will be created and rolled out. As this is a strategic site it is likely the delivery strategy will be phased. It is therefore appropriate the strategy for each phase be considered in the context of the economic conditions prevalent at that point in time.
- Imposing additional planning conditions i.e. deliver more social homes
 - The market has failed to deliver at 30% affordable. Applying a greater percentage will not accelerate delivery. It will in fact stifle the opportunity further. The only way planning policy would deliver the site would be if the conditions were relaxed i.e. deliver less affordable/social homes, more density, less green space, less carbon efficiency measures. Indeed, it would need to deliver very little in terms of additionality/value for money for the private sector to take this land forward. (See embedded hyper link above).
- BCBC to purchase the land itself.
 - BCBC would need to finance the debt resulting in a conflict between best outcome and best financial return.
- WG grant aid BCBC to buy the land.
 - This would have the same capital cost to the WG as buying the site itself, but it would reduce WG influence and the extent to which we could be assured the site would progress and drive additionality against ministers' policy objectives.

[Redacted 6]

Finance/Value for Money

Land Division has the budget to fund the proposed acquisition and proposed associated master-planning and site preparation work. The acquisition is in accordance with WG policy for acquiring property assets and is supported by independent valuation in accordance with the RICS Red Book (Appendix 10).

The acquisition price is based upon open market value, which reflects the current planning requirements in the LDP, including 30% affordable housing.

The acquisition by WG will enable more recent and ambitious policy aims, such as implementation of WDQR standards, low carbon housing, enhanced biodiversity standards/outcomes to be included in the masterplan for the Waterfront. Procurement of developers once the master-planning has been concluded will also enable benefits to be achieved through the procurement process in excess of BCBC planning policy.

The final value of the sites will be dependent upon the outcome of the master-planning process, but those additional elements that can be identified at this stage, and set out in this paper, are sufficiently significant in policy terms to demonstrate additionality and value for money.

Land Division is tasked with and resourced to deliver sites where RSLs and local councils have failed. Key to being able to do this is securing appropriate control by land assembly, adding value, removing constraints, and establishing the most appropriate delivery strategy given the site, its characteristics, the market and the prevailing policy context at the time.

As stated, upon acquisition the detailed masterplanning of the site will begin together with the development of delivery options. At this stage it is reasonable to assume that existing public funding at normal intervention rates for normal purposes would be available, particularly having regard its demonstrable socioeconomic regeneration credentials. There may be the option on disposal to take a reduced land value resulting in a lower Social Housing grant contribution. But there will also be the option to drive further value and additionality through its delivery strategy and, where appropriate may use its “land value” to leverage additional public value and acceleration of WG policy delivery e.g. moving further towards Net Zero Carbon in operation, biodiversity targets and the like. It is also the case that the scope of this development may open up different and innovative funding options. But all of these options cannot be considered unless Welsh Government is in control of the land.

Land Division Proposals

Land Division is resourced to acquire land, manage sites and procure development. It has established governance, policy and process, appropriate to support the strategic objectives. The Housing and Regeneration department exists to manage the release of grant funding through an established governance system.

The scope of Land Division’s actions following acquisition would be as follows:-

1. *“Site assembly” (The current phase) In this phase we secure an appropriate (freehold) interest, control and influence – c6 months duration.*
2. *Master planning – c2 year duration*
3. *Delivery strategy (c10 years duration) to be agreed in the context of prevailing economic conditions and political objectives at the time.*

Land Division will make best use of [Redacted 7] to ensure that robust business plans underpin the development, management and maintenance of high quality, low carbon affordable homes.

Working in partnership with development partners will lever the best possible outcomes from the procurement process.

The master-planning process will enable the best delivery solution to be identified and used for the respective parts of the site. This will be given greatest impact by controlling the sites through ownership.

Risks

[Redacted 8]

A site due diligence report has been commissioned by independent experts and their report is included in Appendix 11. Officials are satisfied that the risk of [Redacted 9] is negligible and manageable.

WG are purchasing the Coney Beach site. The funfair will continue to operate under a lease until possession of the site is required. Officials have worked with Geldards LLP to mitigate the risks associated with fun fair continuing to operate on the land and the funfair use will cease in three years' time. The operator will be responsible for all aspects of the fun fair operation and will indemnify the WG against all risks and the [Redacted 10].

Leasing assets as an interim use whilst WG do not need possession is common practice, as evidenced by other assets in Land Division and across WG.

Conclusion

The proposal is to step in where the market has failed to develop sites allocated for redevelopment in the LDP for Porthcawl, specifically to:

1. acquire the Coney Beach site,
2. develop masterplan to maximise the housing and regeneration outcomes and ensure the seafront is linked to the town centre. Development would otherwise be restricted to LDP requirements,
3. manage the land during this process, which includes allowing the funfair to continue to use the Coney Beach site for a maximum of three years,
4. develop a disposal strategy to ensure that the sale and procurement of developers maximise the public value benefits from the site, and
5. dispose of the site to achieve the strategic aims for which it was purchased.

BCBC documents attached at Appendix 3,4,5,6,7,8 and 9 clearly demonstrate the need and opportunities that can be achieved through this proposal.

List of appendices

Appendix 1

The ***Wellbeing of Future Generations Act (Wales) 2015*** shapes our way of working through a long-term focus and five ‘ways of working’. It includes that government decision-making should be more holistic, taking a broader perspective and recognising the interdependencies that exist; the importance of working together to maximise value for money; and the impact of corporate decision making.

Programme for Government 2021-2026 sets out how the Welsh Government will deliver on commitments to tackle the challenges we face and improve the lives of people across Wales. It is founded on the values of community, equality and social justices and emphasises the importance of collaboration when acting to maximise fairness for all. It outlines how we will work in social partnership to create new jobs in the industries of the future, and to transform our economy into one which is greener and fairer. The Programme shows how we will act decisively to tackle the climate and nature emergency. It shows how we will continue to address the systemic causes of inequality in all its forms.

Specifically the Division will assist in delivering 20,000 new low carbon homes for social rent.

Co-operation Agreement 2021

The Co-operation Agreement commits the Welsh Government to “establish ‘Unnos’, a national construction company, to support councils and social landlords to improve the supply of social and affordable housing”.

The Division will take a lead role in developing and delivering this commitment within the agreement.

Programme for Government: Well-being Statement sets out how we have set our 10 well-being objectives in line with our statutory duty under the Well-being of Future Generations (Wales) Act 2015 (the Act). Our well-being objectives consider how we can best use the broader levers at our disposal to help achieve the seven well-being goals. They focus on the key enablers which allow people and communities to prosper and thrive both now and in the future, as well as ensuring we preserve and restore Wales’ natural environment and resources for future generations. Our well-being objectives will focus on the areas where action is needed to respond and recover from the impact of the coronavirus pandemic, whilst also laying out a stable foundation for the future. They will enable us to make a difference for everyone, at every stage of their lives, irrespective of where they live, their background or circumstances.

The ***Independent Review of Affordable Housing Supply 2019*** report and the Welsh Government’s delivery of its recommendations directly affects the work of the Division. Particular attention will be given to construction standards, construction methods, and work with Local Authorities and other Public Sector Partners to deliver good quality homes at pace.

Appendix 2

Community Housing Cymru – Economic impact of the provision of affordable housing in Wales



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Appendix 3

Porthcawl Waterfront Regeneration Economic Impact Assessment

[Redacted 5]

Appendix 4

BCBC local housing needs assessment



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Appendix 5

Porthcawl Placemaking Strategy



Porthcawl
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Appendix 6

Porthcawl Placemaking Strategy - Capacity Study Report



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Placemaking Strateg

Appendix 7

Porthcawl Waterfront Regeneration: Placemaking strategy and programme update



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Appendix 8

Economic Impact Assessment

[Redacted 5]

Appendix 9

Porthcawl Waterfront Regeneration Community Benefits Report



Porthcawl
Community Benefits

Appendix 10

Land Valuation

[Redacted 11]

Appendix 11

Site Due Diligence report

[Redacted 9]