

**Manchester City Council
Report for Resolution**

Report to: Executive – 16 March 2022

Subject: Lease to Great Places Housing Association, land at Downley Drive, New Islington

Report of: Strategic Director (Growth & Development)

Summary

This report seeks approval for a new development lease to Great Places Housing Association of land at Downley Drive, New Islington/Ancoats to facilitate the delivery of a mixed tenure affordable housing scheme supported by Homes England funding.

The development will comprise a new wholly affordable residential scheme comprised of 68 units with a mixture of social rented and shared ownership tenures. 23 houses would be for shared ownership whilst all 45 apartments would be for social rent. The development will be low carbon and highly sustainable employing the latest in energy efficiency measures in the fabric and construction.

The proposed lease is for a term of 999 years at a premium of £1,500,000 which is less than the best consideration that can reasonably be obtained on the basis of an unrestricted disposal.

Recommendations

The Executive is recommended to:

1. Approve the basis of the land transaction as set out in section 3 of this report
 2. Authorise the Strategic Director (Growth & Development) to finalise the terms of the transaction as set out in this report.
 3. Authorise the City Solicitor to enter into and complete all documents and agreements necessary to give effect to the recommendations.
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Wards Affected – Ancoats and Beswick

Environmental Impact Assessment - the impact of the decisions proposed in this report on achieving the zero-carbon target for the city
The proposed lease will facilitate the redevelopment of the site for a new wholly affordable residential scheme comprised of 68 units comprising a mixture of social rented and shared ownership tenures.
The development will be low carbon and highly sustainable employing the latest in

energy efficiency measures in the fabric and construction. There will be a travel plan and 100% cycle provision. The development will balance car parking provision with active travel and encourage public transport use. All houses will be fitted with an electric car charging point together with 20% of the spaces available for the apartments.

There are no unduly harmful impacts on local air quality. New planting, trees and bird and bat boxes will improve biodiversity. A drainage scheme includes sustainable principles and minimises any impact on the adjacent canal. Waste management would prioritise recycling to minimise the amount of waste going to landfill.

Our Manchester Strategy outcomes	Contribution to the strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	The redevelopment of the site for much needed affordable homes will make a significant contribution to supporting a diverse and distinctive economy. The provision of new family homes on the site will also support the diversification of the growing population in an area primarily identified for medium to high density development.
A highly skilled city: world class and home-grown talent sustaining the city's economic success	Jobs would be created during the construction process. The provision of new homes at the site would support the growing population in an area primarily identified for medium to high density development. The site is also within proximity of the city centre thereby helping to support Manchester's local economy.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	A local labour agreement will ensure that Manchester residents are prioritised for construction jobs. The provision of high-quality affordable homes is vital to support a growing population. A range of tenures would ensure all homes needs are catered for including social rent and shared ownership in line with local housing needs.
A liveable and low carbon city: a destination of choice to live, visit, work	The development would be low carbon and highly sustainable using up to date energy efficiency measures in the fabric and construction. There would be a travel plan and 100% cycle provision. Trees and planting are proposed.

A connected city: world class infrastructure and connectivity to drive growth	The development would balance car parking provision with active travel and encourage public transport use. All homes would be fitted with an electric car charging point together with 20% of the spaces available for the apartments.
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Full details are in the body of the report, along with any implications for

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

The grant of a long lease to the Great Places will avoid any ongoing maintenance costs associated with the site. Parts of the site have a history of attracting anti-social behaviour which in part has led to an encroachment issue, with the resident of 17 Kingham Drive fencing around part of the Council owned site adjoining his property. Terms for a disposal of the land to the resident have provisionally been agreed to rectify the encroachment. The site is currently non-income producing and so there is no loss of revenue to MCC at the present time.

Financial Consequences – Capital

The grant of a long lease to Great Places offers an opportunity for major third-party capital investment in the site for wholly affordable housing whilst securing a substantial capital receipt for MCC. The offer price for the site from Great Places is reflective of the wholly affordable tenure mix (which Great Places have altered from the original planning consent to maximise their offer price) and the low carbon design of the scheme. A sale of the site on the open market would likely yield a higher capital receipt however, the affordable and low carbon elements would not be delivered to the same degree. Both remain key targets for the City Council.

The subject site was historically sold as part of a PFI (Private Finance Initiative) arrangement but was then subsequently purchased back by MCC in July 2015. An aggregate price of £1.7m was paid for this and two other nearby sites. The price paid for the subject site can be analysed to show an apportioned price of c. £0.78m (assuming a gross site area of c. 1.7 acres).

Contact Officers:

Name: Lee Watts
Position: Development Surveyor
Telephone: 07788 978717
E-mail: lee.watts@manchester.gov.uk

Name: David Norbury
Position: Development Manager
Telephone: 07733 125597
E-mail: David.norbury@manchester.gov.uk

Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

- Land ownership plan

1.0 Introduction

- 1.1 This report seeks approval for a new development lease to Great Places Housing Association of land at Downley Drive, New Islington/Ancoats to facilitate the delivery of a mixed tenure affordable housing scheme supported by Homes England funding.
- 1.2 The development will comprise a new wholly affordable residential scheme which will be of low carbon design and construction.
- 1.3 The proposed lease is for a term of 999 years at a premium of £1.5m which is less than the best consideration that can reasonably be obtained on the basis of an unrestricted disposal.

2.0 Background

- 2.1 Downley Drive is a brownfield site, previously developed for housing which has subsequently been demolished. The site is a long-standing regeneration opportunity having been identified in successive regeneration strategies for this part of New Islington.
- 2.2 The project sits alongside other developments which together comprise a co-ordinated phase of redevelopment of the Back of Ancoats and New Islington, this will continue the area's transformation into a neighbourhood of choice that sits within proximity of Manchester City Centre.
- 2.3 A central element to the neighbourhood's success has been a strong vision for regeneration, embedded within the Ancoats and New Islington Neighbourhood Development Framework originally prepared by Manchester City Council in 2012 and updated in 2016 and 2020.
- 2.4 The proposal for the subject site is for 68 affordable homes within a mixture of tenures. 23 houses would be for shared ownership whilst all 45 apartments would be for social rent.

3.0 The Proposed Lease

- 3.1 Terms have provisionally been agreed with Great Places Housing Association to dispose of the site on the basis of a lease premium of £1.5m. Heads of terms have yet to be finalised but in the meantime, Great Places are seeking to agree the level of premium payment in order to progress various matters associated with the development.
- 3.2 Notwithstanding, principal lease terms have been agreed which are on the basis of a 999-year full repairing lease. The grant of the lease is subject to the usual pre-development conditions which will be documented by way of an agreement for lease. There will be development milestones within the lease and the user clause is restricted to that of affordable housing in accordance with the planning consent.

3.3 The Lease will contain an option for Great Places to draw down the Freehold of the Property upon Practical Completion of the Development. A Restrictive Covenant will be included requiring the freeholder to maintain the site for affordable housing use at all times in line with the Local Authority's definition of Affordable Housing.

4.0 Valuation Issues

4.1 The site has been independently valued by the Manchester office of a national consultancy as at 15 February 2022 who have provided the following Valuation advice:

- Market Value of the site assuming it is developed in accordance with the existing planning permission for 68 affordable homes and reflecting the revised tenure mix: £1.5m
- Market Value of the site assuming it is developed for a 'low carbon', policy compliant residential scheme, i.e., with a 20% affordable housing requirement but no other Section 106 contributions, using unit construction costs provided by Rowlinson: £2.1m

4.2 The report states that a higher value of £2.85m would be applicable where it is assumed that the site is developed for a traditional, policy-compliant residential scheme but adopting a more standard, non-low carbon, specification. Having regard to the Council's current stance and aspirations around sustainable development and its challenge of carbon reduction measures to achieve a zero-carbon city by 2038, we have assumed that this would not be applicable to the site. We have also had regard to the existing consented scheme which reflects a low-carbon design.

4.3 The independent valuation therefore supports the land offer assuming a wholly affordable, low carbon scheme is developed on the site as proposed by Great Places. The Great Places offer letter specifies that grant funding of some £3.42m will be applied to the social rented (45 units) element to make it viable. This grant funding will be sourced from Homes England and, the valuers have assumed, that this could be also be sourced by other Registered Providers within the marketplace.

4.4 However, a higher value may be achieved assuming a disposal on the open market to an alternative purchaser where a more standard, policy compliant (20% affordable) scheme is assumed for a low-carbon development. The differential in land value between this (£2.1m) and the Great Places land offer (£1.5m) is therefore £600,000.

4.5 The proposed scheme comprises 68 units and so the differential may be considered as MCC providing a financial contribution equivalent to c. £8,825 per unit for the benefit of a wholly affordable scheme being delivered.

5.0 Contributing to a Zero-Carbon City

- 5.1 The development will be low carbon and highly sustainable using up to date energy efficiency measures in the fabric and construction. There would be a travel plan and 100% cycle provision. The development will balance car parking provision with active travel and encourage public transport use. All houses will be fitted with an electric car charging point together with 20% of the spaces available for the apartments.
- 5.2 There are no unduly harmful impacts on local air quality. New planting, trees and bird and bat boxes will improve biodiversity. A drainage scheme includes sustainable principles and minimises any impact on the adjacent canal. Waste management would prioritise recycling to minimise the amount of waste going to landfill.

6.0 Contributing to the Our Manchester Strategy

(a) A thriving and sustainable city

- 6.1 The redevelopment of the site for much needed affordable homes will make a significant contribution to supporting a diverse and distinctive economy. The provision of new homes at the site would also support the growing population in an area identified for medium to high density development.

(b) A highly skilled city

- 6.2 Jobs would be created during the construction process. The provision of new homes at the site would support the growing population in an area identified for medium to high density development. The site is also within proximity of the city centre thereby helping to support Manchester's local economy.

(c) A progressive and equitable city

- 6.3 A local labour agreement will ensure that Manchester residents are prioritised for construction jobs. The provision of high-quality affordable homes is vital to support a growing population. A range of tenures would ensure all homes needs are catered for including social rent and shared ownership in line with local housing needs.

(d) A liveable and low carbon city

- 6.4 The development would be low carbon and highly sustainable using up to date energy efficiency measures in the fabric and construction. There would be a travel plan and 100% cycle provision. Trees and planting are proposed.

(e) A connected city

- 6.5 The development would balance car parking provision with active travel and encourage public transport use. All homes would be fitted with an electric car charging point together with 20% of the spaces available for the apartments.

7. Key Policies and Considerations

(a) Equal Opportunities

- 7.1 The properties within the development will be available to all people regardless of their age, race, religion, gender or other characteristics.

(b) Risk Management

- 7.2 The lease to be granted to Great Places is for a long period but it will contain a number of covenants and restrictions that mean that the Council will have control over the property's future use etc and a right for the Council to forfeit the lease if the covenants are not observed and performed.
- 7.3 The Lease will contain an option to draw down the Freehold of the Property upon Practical Completion of the Development. A Restrictive Covenant will be included requiring the freeholder to maintain the site for affordable housing use at all times in line with the Local Authority's definition of Affordable Housing.

(c) Legal Considerations

- 7.4 The land is held for Housing purposes and therefore any disposal is dealt with under the provision of s32 of the Housing Act 1985 (Part II Housing Land).
- 7.5 Disposal of housing land is subject to the consent of the Secretary of State unless a general consent under the General Housing Consents 2013 applies. The principal consent, Consent A, permits a disposal at market value.
- 7.5 The General Consents under s25 of the Local Government Act 1988 (Local Authority assistance for privately let Housing) 2010 and in particular Consent A, allows a Local Authority (LA) to provide a Registered Provider (RP) with financial assistance or a gratuitous benefit consisting of the disposal to the RP of land for the development of housing accommodation. This consent is subject to conditions which include the following:
- Completion of the disposal is by transfer of freehold or grant of a lease of 99 years or more;
 - Any housing should be completed within 3 years of completion of the disposal, but provision can be made for this date to varied in the event of circumstances beyond the RPs control;
 - The terms of the disposal provide that any housing accommodation to be developed shall be (1) let by the RP as social housing or on a shared

ownership lease; or (2) used as a hostel; or (3) occupied by those receiving support from a local social services authority; and

- The LA are not under any agreement or other arrangement which entitles them to manage the accommodation developed on the land; and
- The aggregate value of the financial assistance provided for this disposal and any financial assistance provided for previously in the same financial year under this consent does not exceed £10m. This must be certified by an appropriate officer which could be the chief executive, chief financial officer, or a qualified Valuer.

7.6 Provided these conditions are met specific consent will not be required for the proposed disposal at an undervalue.

8. Concluding Remarks

8.1 It is considered that the land disposal to Great Places offers good value for the city on the basis that it will enable the delivery of 68 affordable residential units of a low carbon design. This is a brownfield site, previously developed for housing which has subsequently been demolished. The site is a long-standing regeneration opportunity having been identified in successive regeneration strategies for this part of New Islington.

8.2 The agreement to the proposed level of lease premium at £1.5m is on the basis that the affordable use is maintained so that the site will continue to offer affordable housing units in the future.