

**Manchester City Council
Report for Resolution**

Report to: Executive – 22 July 2022

Subject: Disposal of Land at Greenwood Road and Gladeside Road,
Woodhouse Park, Wythenshawe, M22 9QB

Report of: Strategic Director (Growth and Development)

Summary

This report seeks approval to grant a new, overriding development lease to Wythenshawe Community Housing Group of land at Greenwood Road and Gladeside Road, Woodhouse Park, Wythenshawe to facilitate the delivery of a social tenure housing scheme supported by Homes England funding.

The development will comprise a new residential scheme of 40 apartments all of which are to be a social rent tenure. The scheme will be low carbon and sustainable, employing technologies such as heat pumps and solar panels (more comment below).

The proposed lease is for a term of 990 years at a premium of £310,000 which is less than the best consideration that could 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 at less than best consideration
 - (2) Authorise the Strategic Director for Growth and 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 – Woodhouse Park

Environmental Impact Assessment - the impact of the decisions proposed in this report on achieving the zero-carbon target for the city

The development will be low carbon and highly sustainable using up to date energy efficiency measures in the fabric and construction. Sustainable features will include air source heat pumps, solar/photovoltaic panels, LED lighting, controlled lighting in communal areas and a thermal envelope which goes beyond the requirements of Approved Document L.

Additionally, a travel plan will be in place alongside electric vehicle charging points and 100% cycle provision. The development will balance car parking provision with active travel and will encourage public transport use.

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 homes at the site would also support the growing population in an area identified for residential 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 the area. The site is also well-connected to the City Centre, Wythenshawe town centre, Manchester Airport and their associated job opportunities.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	The provision of high quality, sustainable homes of a social rent tenure is crucial in supporting a growing and diverse population. These 40x social rent homes will make a significant contribution to MCC's wider targets around affordable housing.
A liveable and low carbon city: a destination of choice to live, visit, work	The proposed scheme is of a high quality, in an established residential location with appropriate amenity and transport links to the City Centre, Wythenshawe town centre and Airport. As set out above, low carbon and sustainability will be built into the scheme both in terms of the construction and later operation.

A connected city: world class infrastructure and connectivity to drive growth	The scheme is well-connected in terms of public transport, with bus and tram links to the City Centre, Wythenshawe Town Centre and Manchester Airport. A travel plan will be in place encouraging use of public transport. The scheme will have a bike space per flat and there will be electric vehicle charging provision.
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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

There is presently a nominal ground rent receipt from the existing long leasehold interest. This income (£243 per annum) will be lost but is considered insignificant.

Financial Consequences – Capital

The grant of a new, overriding development lease to WCHG will facilitate major third-party capital investment into a site which has stood vacant for some time and may remain vacant without this lease being granted. WCHG will develop a scheme of 40x apartments all of which will be for social rent. The agreed premium is reflective of the tenure restriction. A sale of the site on the open market would likely yield a higher capital receipt however, the social rent tenure would not be delivered.

Despite the sale being at less than the best consideration which might be achieved in the open market, a premium of £310,000 will be received together with an overage provision in the circumstances where a tenant exercises their Right to Acquire or similar rights in the future should that be the case.

The total reduction in sales price is £125,000. We consider this an acceptable compromise and a good result given MCC will be securing 40x new homes, all for social rent.

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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.

- Site plan

1.0 Introduction

- 1.1 This report seeks approval to grant a new, overriding development lease to Wythenshawe Community Housing Group (WCHG) of land at Greenwood Road and Gladeside Road, Woodhouse Park, Wythenshawe to facilitate the delivery of a social tenure housing scheme supported by Homes England funding.
- 1.2 The development will comprise a new residential scheme which will be of low carbon design and construction.
- 1.3 All 40 homes will be for social rent.
- 1.4 The proposed lease is for a term of 990 years at a premium of £310,000 which is less than the best consideration that can reasonably be obtained on the basis of an unrestricted disposal. A disposal at this level will safeguard the site to ensure the provision affordable homes of a social rent tenure.

2.0 Background

- 2.1 The subject property is a brownfield site, previously having comprised a public house. This has been demolished and the site is cleared. The remainder of a long leasehold interest remains on the site with 32 years unexpired and with a restriction to use as a public house only. WCHG are acquiring this leasehold interest after which MCC will grant a new, overriding lease to facilitate the proposed development in exchange for the premium payment.
- 2.2 The site has been vacant for some years and has planning for the proposed scheme of 40 apartments.

3.0 The Proposed Lease

- 3.1 Terms have provisionally been agreed with WCHG to grant a new overriding lease of the site on the basis of a lease premium of £310,000.
- 3.2 The Council will grant a 990-year development lease containing specific development milestones to ensure the scheme is brought forward and completed within agreed timescales. The user clause within the lease will be restricted to social rent tenure and the completed development will be retained and managed by WCHG.
- 3.3 The lease will further allow for MCC to recoup a small amount of capital in scenarios where subtenants trigger their Right to Acquire or equivalent future alternative should that be the case. In such a scenario, MCC would receive the higher of a fixed capital receipt (£3,125) or 2.02% of the sale price.

4.0 Valuation Issues

- 4.1 The site has been independently valued by the Manchester office of Colliers International as at April 2022 who have provided the following Valuation advice:

- 4.2 Colliers' report states that a higher value would be achievable were the site sold to a private developer for open market sales. This is to be expected as returns are necessarily lower for social rent stock than open market stock. The difference is not as stark as we might expect due to the social rent valuation accounting for Homes England grant funding which bridges the gap to some extent.
- 4.3 As there is an existing lease in place, marriage valuations have been undertaken using the figures arrived at in the independent valuation. The result is a premium payable of £310,000 for the lease if restricted to social rent tenure only, or £435,000 if there is no restriction on tenure (assumed open market sales).
- 4.4 As set out above, a premium of £310,000 has been agreed with WCHG, as they will be delivering a social rent product and the lease will include restrictions to this tenure only. This represents a discount to best consideration which might be achieved in an unrestricted disposal (considered to be £435,000) of £125,000, or £3,125 per apartment.
- 4.5 A reduction of £125,000 is considered to represent excellent value for money given MCC will be securing 40x new homes, all for social rent. This is a significant contribution to MCC's wider ambitions to deliver 20% of new homes as affordable (this scheme being 100% social rent).

5.0 Contributing to a Zero-Carbon City

- 5.1 The development will be low carbon and sustainable using up to date energy efficiency measures in the fabric and construction. Sustainable features will include air source heat pumps, solar/photovoltaic panels, LED lighting, controlled lighting in communal areas and a thermal envelope which goes beyond the requirements of Approved Document L.
- 5.2 Additionally, a travel plan will be in place alongside electric vehicle charging points and 100% cycle provision. The development will balance car parking provision with active travel and encourage public transport use.

6.0 Contributing to the Our Manchester Strategy

(a) A thriving and sustainable city

- 6.1 The redevelopment of the site for much needed social 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 residential development.
- 6.2 Data provided to MCC by WCHG demonstrates that they are experiencing exceptional demand for both 1-bed and 2-bed properties in this location. The provision of 40x homes for social rent will go some way to meeting this demand.

(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 residential development. The site is also well-connected in to the City Centre, Wythenshawe town centre, Manchester Airport and their associated job opportunities.

(c) A progressive and equitable city

- 6.3 The provision of high quality, sustainable homes of a social rent tenure is crucial in supporting a growing and diverse population. These 40x social rent homes will make a significant contribution to MCC's wider targets around affordable housing.

(d) A liveable and low carbon city

- 6.4 The proposed scheme is of a high quality, in an established residential location with appropriate amenity and transport links to the City Centre, Wythenshawe Town Centre and Airport. As set out above, sustainability will be built into the scheme both in terms of the construction and later operation.

(e) A connected city

- 6.5 The scheme is well-connected in terms of public transport, with bus and tram links to the City Centre, Wythenshawe town centre and Manchester Airport. A travel plan will be in place encouraging use of public transport. The scheme will have a bike space per flat and there will be electric vehicle charging provision.

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 WCHG is for a long period but it will contain a number of covenants and restrictions ensuring 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.

(c) Legal Considerations

- 7.3 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 £10 million. This must be certified by an appropriate officer which could be the chief executive, chief financial officer, or a qualified Valuer.

7.4 It is not clear how the land is currently held, however no further consent of the Secretary of State to a disposal under the above consent is required by virtue of section 123(2) of the Local Government Act 1972 or sections 32(2) or 43 (1) of the Housing Act 1985 both of which provide that an LA cannot dispose of land for a consideration less than the best that can be reasonably obtained. without the specific consent of the Secretary of State.

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

8. Concluding Remarks

8.1 This is a brownfield site, having previously comprised a public house and ancillary areas.

8.2 The proposed grant of a new, overriding development lease to WCHG represents a discount to best consideration which might be achieved in an open market, unrestricted disposal. However, a disposal at this level safeguards the future of the site insofar as there will be a restriction on tenure to social rent only and the site will be developed by a trusted partner and Registered Provider.

8.3 The agreement to the proposed level of lease premium at £310,000 is on the basis that the social rent tenure is maintained so that the site will continue to offer social rent units in the future. Where subtenants trigger their Right to Acquire, MCC will received an overage payment.

8.4 The development will provide 40x social rent units, a significant contribution to MCC affordable homes targets.

8.5 The total reduction in sales price is £125,000. We consider this an acceptable compromise and a good result given MCC will be securing 40x new homes, all for social rent.