

Manchester City Council Report for Resolution

Report to: Executive – 15 February 2023

Subject: Disposal of Land at the former Chorlton Leisure Centre, Manchester Road, Manchester, M21 9PQ (Part A)

Report of: Strategic Director (Growth and Development)

Summary

This report seeks approval to dispose of the above property, to Mosscares St Vincent (herein MSV), on a long leasehold basis to facilitate the delivery of an affordable tenure residential development targeted towards the over-55s.

The development will comprise a new residential scheme of 50 apartments (with additional flexible ground floor space for wider community uses). The tenure will be split, with 40 units available for affordable rent, seven units available for shared ownership and three units let to the City Council's Adult Social Care team for use as Neighbourhood Apartments.

The scheme will be built to HAPPI design principles and will be low carbon and sustainable.

The proposed lease is for a term of 999 years at a premium which is less than the best consideration that could reasonably be obtained on the basis of an unrestricted disposal. Further comment herein.

Please note that a Part B report is available containing full detail on financials. Removed here due to commercial sensitivity.

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 in accordance with the commercial terms set out in Part B of this report.
 2. Delegate authority to the Strategic Director for Growth and Development to complete the finalisation of terms of the transaction as set out in this report.
 3. Delegate authority to 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 – Chorlton

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. The scheme is to be built to HAPPI design principles, one of which being 'energy efficiency and sustainable design'.

Sustainable features will include Mechanical Vent Heat Recovery Systems (MVHR), electric vehicle charging, use of electric heating only and efficient appliances/systems. The building design itself will aim to maximise the capture and use of daylight and passive solar energy, whilst avoiding excessive solar gain in summer.

Our Manchester Strategy outcomes	Contribution to the strategy
<p>A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities</p>	<p>The redevelopment of the site for much needed affordable homes will make a significant contribution to supporting a diverse and distinctive economy.</p> <p>The completed units will be made available for over-55s. This will encourage 'rightsizing', with new residents having vacated family homes. These vacated homes can thereafter be made available to families.</p>
<p>A highly skilled city: world class and home-grown talent sustaining the city's economic success</p>	<p>There will be jobs created during the construction process.</p> <p>The development will support wider growth in the city, adding to the housing stock/mix whilst encouraging 'rightsizing'.</p>
<p>A progressive and equitable city: making a positive contribution by unlocking the potential of our communities</p>	<p>The creation of high quality, HAPPI design apartments at affordable tenures and in a highly desirable residential location is a positive contribution to the local area and will encourage diversity.</p> <p>The newly created homes will make a significant contribution to the City Council's affordable housing targets.</p>
<p>A liveable and low carbon city: a destination of choice to live, visit, work</p>	<p>A travel plan for the development will encourage active travel options. Bike storage will be available together with EV charging.</p> <p>This is alongside to Chorlton's excellent public transport connections to the city centre.</p>

<p>A connected city: world class infrastructure and connectivity to drive growth</p>	<p>The scheme is well-connected in terms of public transport, with bus and tram links to the city centre. A travel plan will be in place encouraging use of public transport.</p> <p>The site is advantageously located, close to Chorlton's retail/leisure centre. It's foreseen that most residents could live comfortably without requirement for a personal vehicle.</p>
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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

Given the property has been queued for disposal (with demolition to follow) for some time, ongoing revenue costs are limited. There have, however, been repeated incidents of squatting at the property resulting in costs to the City Council of removal, remediation, and security.

Once the disposal has completed, the City Council will be relieved of the above costs.

Financial Consequences – Capital

MSV were selected as preferred developer following a tender process in 2021. At the time their proposal was for 40 apartments (all affordable rent) with a premium payable to the City Council. Due to the impact of cost inflation and protracted negotiations with an adjacent landowner, MSV have had to submit a reduced premium offer proportionate to increased construction costs alongside a higher density scheme to better drive viability.

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 affordable tenures and specialist accommodation would not be delivered, and the high standard of design/build may not be achieved.

An external valuation of the site was instructed via the City Council's Property Services Framework. The valuer provided an opinion of value on the assumption that the site was sold on the open market without restriction (i.e., the Open Market Value). The proposed disposal price represents a discount from Open Market Value and is therefore considered less than best consideration.

In the context of market volatility and cost inflation, the ability to ensure this project's viability is considered a positive result and the financial compromise acceptable.

Contact Officers:

Name: David Lynch
Position: Director of Strategic Housing & Development
E-mail: david.lynch@manchester.gov.uk

Name: Joe Martin
Position: Senior Development Surveyor
Telephone: 0781 555 0161
E-mail: joe.martin@manchester.gov.uk

Name: Mike Robertson
Position: Principal Development Surveyor
Telephone: 07747 488 286
E-mail: mike.robertson@manchester.gov.uk

Name: Nick Cole
Position: Strategic Lead Housing Policy & Strategy
E-mail: nicholas.cole@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.

- Site plan

1.0 Introduction

- 1.1 This report seeks approval to dispose of the above property on a long leasehold basis to facilitate the delivery of an affordable tenure residential development targeted towards the over-55s. The redevelopment of Chorlton Baths is set to deliver 50 much needed new affordable homes including 40 for Affordable Rent (capped at the LHA rate), 7 Older Persons Shared Ownership and 3 Neighbourhood Apartments.
- 1.2 The proposed scheme will be the first new affordable homes delivered in Chorlton since April 2015. Over this period, average open market sales prices have risen by 6.5% annually. Similarly, average private rents have increased by 5.2% (annually since 2015) with the average 2bed rent currently £1,040 per month (£392 above the Local Housing Allowance Rate). The redevelopment of Chorlton Baths will therefore increase housing options for residents on lower incomes and help to address demand from households currently on the Housing Register.
- 1.3 The Affordable Rent and Shared Ownership homes will be targeted at over 55s. In the period to 2030, it is expected that the number of residents over 55 living in Chorlton will increase by 2.2% per annum (compared to 0.8% annual fall in 18-34s and 1.1% annual growth of 35–54 year-olds over the same period). Accordingly, the scheme has been designed to HAPPI principles and by delivering Older Persons Shared Ownership, residents will be able to purchase up to 75% of the property meaning MSV retain an important management stake and can ensure the scheme houses over 55s in perpetuity.
- 1.4 It is expected that by targeting over 55s, the scheme will free up family housing in South Manchester by encouraging residents out of under occupied homes in M16 (Whalley Range) and M21 (Chorlton & Chorlton Park). MSV has a rightsizing officer who will work closely with MCC's Housing Options for Older People (HOOP) officers. Following identification of suitable residents, any further apartments for affordable rent would be available to those on the Housing Register.
- 1.5 The three Neighbourhood Apartments will be made available to residents who are able to leave hospital looking for more suitable accommodation, alleviating pressure on hospital beds. Neighbourhood Apartments can also reduce pressure on services by providing an independent living option for residents whilst adaptations are made to their existing home, therefore preventing moves into residential care.
- 1.6 There will also be flexible community space on the ground floor for use by the wider community.
- 1.7 The proposed lease is for a term of 999 years at a premium that is less than the best consideration that could reasonably be obtained on the basis of an unrestricted disposal that would not reflect the high standard of development or level of affordable tenures.

2.0 Background

- 2.1 The subject property is a the City Council freehold brownfield site and the location of a former leisure centre that ceased operation in 2012. The buildings remain on site in poor condition and will be demolished to make way for the new development.
- 2.3 A competitive tender process took place in 2021, with MSV being chosen as the successful bidder following appropriate due diligence which assessed the bid as legitimate and realistic. Since then, negotiations have been ongoing with adjacent landowners and external factors have significantly impacted the viability of the original development proposal along with the commercial terms for acquiring the land.
- 2.4 Market conditions since 2021 have significantly worsened and build costs have risen sharply due to inflation. The result being that a reduced premium (relative to MSV's original bid) has now been agreed.

3.0 The Proposed Lease

- 3.1 Terms have been agreed with MSV to grant a new long lease of the site.
- 3.2 In line with Homes England grant requirements, the Council will grant a 999-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 shared ownership, affordable rent and neighbourhood apartments.
- 3.3 The lease will be drafted to ensure the community space is protected and available for use by the wider community indefinitely.
- 3.4 The completed development will be retained and managed by MSV.

4.0 Valuation

- 4.1 The site has been independently valued by the Manchester office of Savills (UK) Ltd as at February 2023.
- 4.2 Savills' 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 affordable tenure stock than open market stock.
- 4.3 As set out above, a premium at less than Open Market Value has been agreed with MSV, as they will be delivering affordable tenures and the lease will be restricted to this effect. This represents a discount to best consideration which might be achieved in an unrestricted disposal.
- 4.5 The proposed degree of undervalue is considered to represent value for money given the City Council will be securing 50 new homes, 47 of which will

be affordable tenures whilst the remaining three will be for use by the City Council as assisted living neighbourhood apartments. All of the development will be delivered to high design standards, incorporating low carbon building technology that will reduce the occupant's energy costs. The completed development contributes to the City Council's wider affordable housing targets whilst helping to deliver a more inclusive sustainable city.

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 and designed to reduce end user electricity costs.
- 5.2 The scheme is to be built to HAPPI design principles, one of which being 'energy efficiency and sustainable design'.
- 5.3 Sustainable features will include Mechanical Vent Heat Recovery Systems (MVHR), electric vehicle charging, use of electric heating only and efficient appliances/systems. The building design itself will aim to maximise the capture and use of daylight and passive solar energy, whilst avoiding excessive solar gain in summer.
- 5.4 The completed development will incorporate secure cycle storage, be located adjacent to the newly constructed Chorlton Cycleway and a high frequency bus corridor along with a short walk to two Metrolink stations. This will encourage active and public transport.

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 tenure 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 The completed units will be made available for over-55s. This will encourage 'rightsizing', with new residents having vacated family homes. These vacated homes can thereafter be made available to families.
- 6.3 The development will deliver new homes in the middle of a designated District Centre with the potential to assist with the post Covid economic recovery of the nearby high street with more residents that drive footfall and local spend.

(b) A highly skilled city

- 6.3 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 to the City Centre, and southern district centres with their associated job opportunities.

(c) A progressive and equitable city

- 6.3 The development will deliver affordable homes that are accessible to those on average household incomes in the local area and offers housing products for both sale and rent that match demand.
- 6.4 The creation of high quality, HAPPI design apartments at affordable tenures and in a highly desirable residential location is a positive contribution to the local area and will encourage diversity.
- 6.5 The provision of high quality, sustainable homes of affordable tenures, aimed at the over-55s is crucial in supporting a growing and diverse population.

(d) A liveable and low carbon city

- 6.6 A travel plan for the development will encourage active travel options. Bike storage will be available together with EV charging.
- 6.7 Chorlton is well connected in terms of public transport with tram/bus links into the city centre and beyond.

(e) A connected city

- 6.8 The scheme is well-connected in terms of public transport, with bus and tram links to the City Centre. A travel plan will be in place encouraging use of public transport and make best use of the adjacent Chorlton Cycleway.
- 6.9 The site is advantageously located, close to Chorlton's retail/leisure centre. It's foreseen that most residents can live comfortably without requirement for a personal vehicle.

7. Key Policies and Considerations

(a) Equal Opportunities

- 7.1 The properties within the development will be available to all over-55s regardless of their race, religion, gender or other characteristics.

(b) Risk Management

- 7.2 The lease to be granted to MSV 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, ownership 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.

8.0 Concluding Remarks

8.1 This development will further promote Chorlton as a designation of housing choice, promoting accessible affordable housing products that will match local demand whilst also redeveloping a long vacant site in the District Centre.

8.2 Affordable homes delivered as part of the redevelopment will contribute to the City Council's housing strategy target whilst promoting sustainable low carbon homes.

8.3 The proposed grant of a lease to MSV represents a discount to best consideration which might be achieved in an open market, unrestricted disposal however ensured development viability and in doing so safeguards the delivery of affordable housing by a reputable registered provider.

8.3 The agreement to the proposed premium is on the basis that the affordable tenures are maintained and the site will continue to offer affordable tenures in the future.

8.5 The total reduction in sales price (undervalue) is considered an acceptable compromise.