

Manchester City Council Report for Resolution

Report to: Executive – 22 March 2023

Subject: Disposal of Oakwood Community Resource Centre, Northenden, Manchester M22 4HY (PART A)

Report of: Strategic Director (Growth and Development)

Summary

This report seeks approval to dispose of the above property, to Wythenshawe Community Housing Group (herein WCHG), to facilitate the delivery of an affordable tenure residential development. The City Council will provide a development lease before transferring the freehold to WCHG at practical completion.

The development will comprise a new residential scheme of 20 houses. The tenure will be split, with 10 units available for social rent and 10 units to be shared ownership.

The scheme will be sustainable in design, employing low carbon technologies including air source heat pumps, whilst being off-gas entirely.

The agreed disposal price is considered to be less than the best consideration that could reasonably be obtained on the basis of an unrestricted disposal in the open market. Further comment herein.

Further commercial and financial details are set out in the accompanying Part B report.

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 – Northenden

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 sustainable using up to date energy efficiency systems in the fabric and construction. The exact specification is currently being drawn up but will include air source heat pumps. The development will be off-gas.

In addition to the above, a travel plan will be in place promoting active travel, public transport and car share opportunities.

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 a long vacant, brownfield site for much needed affordable homes is a positive result which will contribute to supporting a diverse and distinctive economy and MCC's wider affordable housing targets.
A highly skilled city: world class and home-grown talent sustaining the city's economic success	There will be jobs created during the construction process. The development will support wider growth in the city, adding to the housing stock/mix by providing mixed tenure affordable homes.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	The creation of affordable mixed tenure homes in a desirable residential location is a positive contribution to the local area and will encourage diversity. The newly created homes will make a contribution to the City Council's affordable housing targets.
A liveable and low carbon city: a destination of choice to live, visit, work	A travel plan for the development will encourage active travel options and use of public transport. As set out above, the development itself will employ low carbon/sustainable technologies in both the design/operation.
A connected city: world class infrastructure and connectivity to drive growth	The scheme is well-connected in terms of public transport, with bus links to the city centre, airport, Stockport, Altrincham and the wider region. A travel plan will be in place encouraging use of public transport.

Full details are in the body of the report, along with any implications for

- Equal Opportunities Policy

- Risk Management
 - Legal Considerations
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Financial Consequences – Revenue

The Council is currently liable for ongoing costs around security and maintenance. The costs are not significant and once the disposal has completed, the City Council will be relieved of said costs.

Financial Consequences – Capital

The proposed disposal of the site will realise a capital receipt, and due to the proposed restrictions in order to ensure a higher number of affordable properties the capital receipt is less than what would have been achieved on an unrestricted sale.

The City Council's Development team has undertaken internal valuations of the site on multiple bases and are satisfied that the disposal price is an appropriate discount to that which might be received in an open market, unrestricted disposal.

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

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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
- Proposed site plan as per current planning consent

1.0 Introduction

- 1.1 This report seeks approval to dispose of the above property on a long leasehold basis (with freehold transfer at project completion) to facilitate the delivery of an affordable tenure residential development.
- 1.2 The redevelopment of the site will deliver 20 much needed, new, affordable homes including 10 for Shared Ownership and 10 for Social Rent.
- 1.3 The transfer will be restricted to ensure only affordable tenure homes can be delivered on site.
- 1.4 The proposed scheme will provide much needed new affordable family housing in Northenden. Social rent is generally equivalent to around 60% of market rent which currently averages £870 per month (2bed) across the wider Northenden ward.
- 1.5 The inclusion of Shared Ownership (SO) homes responds to the various affordability challenges faced by residents in South Manchester (the current average house price in Northenden is £247,837). Shared ownership tenures provide an option for first time buyers, families, and those on lower incomes to own their own home by addressing many of the barriers (high prices, large deposits, high repayments linked to increasing interest rates, etc) which can constrain residents ability to access more conventional home ownership products.
- 1.6 The proposed disposal is 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 City Council freehold brownfield site and comprises a former adult services building that ceased operation in 2019. The buildings remain on site and will be demolished to make way for the new development, with the demolition costs being funded by WCHG as part of the development.
- 2.2 Discussions with WCHG have been ongoing around the site since 2019 when a different scheme, tenure mix, and financial consideration was proposed. Approval for the disposal was granted at Executive in 2019, however, there have since been changes to the tenure/financial consideration.
- 2.3 The latest proposal amounts to a development of 20 affordable homes, with a split tenure – 10 social rent and 10 shared ownership.
- 2.4 WCHG are the dominant registered provider in the area and are a trusted partner of the City Council with a track record of delivery and quality across Wythenshawe.

2.5 WCHG secured a planning consent for the proposed scheme (see proposed site plan appendix) under 133576/FO/2022 in October 2022.

3.0 The Proposed Disposal

3.1 The proposed disposal will be on the basis of a development lease, with the freehold transferred at practical completion of the development. To satisfy Homes England funding requirements, a 999yr lease would need to be granted so the retention of the freehold reversion is impractical in such circumstances. The completion of the scheme will be protected by the proposed legal structure.

3.2 The provision of affordable tenures (specifically 10 shared ownership and 10 social rent) will be a requirement of the agreed disposal.

3.3 This results in an undervalue of the land, which is in large part a result of the 10 social rent units. The social rent units are unviable in isolation and have a significant negative impact on land value. Notwithstanding the agreement of a reduced land premium, the provision of other tenures is required to support the delivery of the social rent units.

3.4 The Council are in dialogue with WCHG in respect of nomination rights and expect (as a minimum) to receive 100% nominations for first lets and then 50% thereafter.

3.5 The completed development will be retained and managed by WCHG, a trusted partner of the City Council.

4.0 Contributing to a Zero-Carbon City

4.1 The development will be low carbon and sustainable using up to date energy efficiency systems in the fabric and construction. The exact specification is currently being drawn up but will include air source heat pumps. The development will be off-gas.

4.2 In addition to the above, a travel plan will be in place promoting active travel, public transport and car share opportunities.

5.0 Contributing to the Our Manchester Strategy

(a) A thriving and sustainable city

5.1 The redevelopment of a long vacant, brownfield site for much needed affordable homes is a positive result which will contribute to supporting a diverse and distinctive economy and MCC's wider affordable housing targets.

(b) A highly skilled city

5.2 There will be jobs created during the construction process.

- 5.3 The development will support wider growth in the city, adding to the housing stock/mix by providing mixed tenure affordable homes.

(c) A progressive and equitable city

- 5.4 The creation of affordable mixed tenure homes in a desirable residential location is a positive contribution to the local area and will encourage diversity.
- 5.5 The newly created homes will make a significant contribution to the City Council's affordable housing targets.

(d) A liveable and low carbon city

- 5.6 A travel plan for the development will encourage active travel options and use of public transport.
- 5.7 As set out above, the development itself will employ low carbon/sustainable technologies in both the design/operation.

(e) A connected city

- 5.8 The scheme is well-connected in terms of public transport, with bus links to the city centre, airport, Stockport, Altrincham and the wider region.
- 5.9 A travel plan will be in place encouraging use of public transport.

6. Key Policies and Considerations

(a) Equal Opportunities

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

(b) Risk Management

- 6.2 The development lease will allow the Council to forfeit the lease if the covenants are not observed and development timescales/obligations not met.

(c) Legal Considerations

- 6.3 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.

6.4 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.

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

7. Concluding Remarks

7.1 This development will ensure 20 affordable homes are delivered and will contribute to the City Council's housing strategy target whilst promoting sustainable, good quality, family homes.

7.2 The disposal represents a discount to best consideration which might be achieved by an unrestricted disposal in the open market. However, the proposed transaction preserves viability and in particular the delivery of much needed social rent homes.

7.3 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. In a scenario where a social rent tenant triggers Right to Acquire, an additional premium may accrue to the Council to reflect the loss of property from the social housing stock.

7.4 The level of undervalue is considered an acceptable compromise to secure the affordable homes.