

Manchester City Council Report for Information

Report to: Economy and Regeneration Scrutiny Committee – 18 July 2023

Subject: This City Programme Update

Report of: Strategic Director Growth & Development

Summary

In December 2021, the Executive approved a business case outlining the ambitions and intentions of This City, the Council's wholly owned housing delivery vehicle.

This report outlines the significant progress to date both in the formation, constitution and governance of the operational company but also in the spearheading of the construction of its maiden scheme, Rodney Street alongside the development of a long-term business plan.

Risk management is outlined throughout the report along with a matrix of future decision making requirements.

Recommendations

The Committee is recommended to consider and note the updates within the report.

Wards Affected: All

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

The delivery of sustainable homes is a key priority for This City. Homes that reduce the environmental footprint of residents and help combat energy poverty. Environmental impacts are core design considerations for all homes that will be delivered through the This City. Careful consideration is being given as to how the developments will make a positive contribution to the zero carbon agenda and support the Council with the achievement of zero carbon by 2038.

Equality, Diversity and Inclusion - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments

This City actively supports equality, diversity and inclusion in both its approach to development and creation of policies which will directly affect its customers. Examples of this include:

- Designing homes that meet the needs of our citizens- for example - all homes at the Rodney St. Development are designed to M4(2) standards, allowing flexibility if the needs of the residents change or if one of the tenants requires adaptations to be made prior to move in.

- Development of an inclusive approach to lettings through the This City Lettings Policy to ensure that homes are available to all.

Manchester Strategy outcomes	Summary of how this report aligns to the OMS/Contribution to the Strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	A successful economy must be supported by a vibrant and diverse housing market. The provision of a multi-tenure, high quality, low carbon range of housing options will assist the City to attract investment and provide a housing offer to those working on lower incomes in the city.
A highly skilled city: world class and home grown talent sustaining the city's economic success	A successful jobs and skills market has to be supported by a vibrant and diverse housing market. The provision of a multi-tenure, high quality, zero carbon range of housing options will assist the City to attract and retain talent.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	The scale of development envisaged will provide much needed accommodation in the city which will be delivered across a range of communities to meet the needs of the city.
A liveable and low carbon city: a destination of choice to live, visit, work	All homes being developed will be expected to contribute to our zero carbon targets through the sustainability measures that will be included within design specifications.
A connected city: world class infrastructure and connectivity to drive growth	Housing development makes a direct and influential impact on infrastructure and growth. By ensuring an accelerated delivery programme, it is anticipated that there will be a stimulus to investment and development.

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

Any revenue consequences are associated with the use of revenue funds from the Housing Investment Reserve to cover the costs of establishing This City and initially covered design team fees.

Financial Consequences – Capital

A capital budget funded by prudential borrowing was approved by Full Council and the Executive towards the construction costs to deliver the first scheme through the This City housing delivery vehicle.

Contact Officers:

Name: Becca Heron
Position: Strategic Director: Growth & Development
E-mail: rebecca.heron@manchester.gov.uk

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

Name: Jason Hingley
Position: Director of This City
E-mail: jason.hingley@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.

- Executive: Delivery of new affordable homes in Manchester – 25th March 2020
- Executive: A Housing Delivery Company – 3rd June 2020
- Executive: This City Housing Delivery Vehicle – 15th September 2021
- Executive: This City: Manchester's Housing Delivery Vehicle Business Case – 15th December 2021
- Economy Scrutiny: This City Progress Update – 23rd June 2022
- Executive: Capital Programme Monitoring Q3 2022/23 - 15th February 2023

1.0 Introduction

- 1.1 The purpose of the report is to provide Economy and Regeneration Scrutiny Committee with an update of the creation of This City, the Council's wholly owned housing delivery company. The report will outline progress to date, on both strategic and site specific activity, along with proposed future activities

2.0 Background

- 2.1 Further to the June 2022 Economy Scrutiny report and subsequent report to the Executive dated February 15, 2023, there has been continued concerted work undertaken to establish This City as a housing delivery vehicle.

- 2.2 In September 2021, the Executive approved the creation of This City based upon the following core principles:

- Viable proposition – to ensure that as a minimum the company can repay principal and interest finance costs back to the Council as well as managing and maintaining the property to a high-quality standard;
- Provision of an accessible tenure – that a proportion of each scheme, a minimum of 20%, is let at Manchester Living Rent, which is defined as at or below Local Housing Allowance levels;
- Sustainability – demonstrate that a high-quality housing product, meeting long term zero carbon aspirations and providing affordable homes is achievable;
- Retention of control – that the company will retain control of rent setting, management and lettings functions;
- Commercial with a conscience – the company is a trading entity with a key focus on maximising the number of Manchester Living Rent homes that can be delivered through cross subsidisation from the market rented units and ensuring that the delivery of Social Value is embedded through the companies policies and practices;
- Scalable and adaptable – flexibility in the structure and model of the company in order for delivery to be scaled up and provide a route in for investors, with the ability to deliver up to 500 new homes per year.

- 2.3 The Economy Scrutiny report presented in June 2022 provided progress updates on strategic activities that included the business plan, procurement strategy, management, maintenance and lettings, the This City Board and governance, investor memorandum and progress on the first two planned developments (Rodney St. And Postal St.).

3.0 This City – Progress Update

Company Formation and Initial Business Planning

- 3.1 In the summer of 2022 the This City Board appointment process was completed with four (4) non-executive directors appointed (Chair Adam White, Helen Robinson, Heath Thomas and Matthew Harrison) selected out of 90

applicants, along with three (3) Manchester City Council Officers (Becca Heron, Samantha McArdle and Shefali Kapoor) and one (1) Councillor (Cllr. Lynch). This brings together national and regional expertise in finance & investment, legal, house building and property management and their advice will be invaluable in the growth of the company. The inaugural Board meeting was held in June 2023 where the Shareholder's Agreement and company Articles were recommended and moved.

- 3.2 This City also operates under Council governance through monthly meetings with the Strategic Programme Board, chaired by the Executive Member for Housing & Development. The Strategic Programme Board continues to act as a consultative forum for activities and approaches which This City proposes to take.
- 3.3 Ernst and Young completed a business plan for This City in late summer 2022. This is now being reviewed and updated to reflect current construction cost inflation and increased financial borrowing rates. This will be completed by September 2023.

3.4 Phase 1 Developments

Rodney Street

- 3.5 This City's inaugural development at Rodney St. located within the Ancoats phase 3 development area received planning consent mid 2022 and a final construction budget confirmed in early 2023. Wates Construction was awarded to construction contract in June 2023 and site works have begun on site. Practical completion is on target for early 2025.
- 3.6 The Rodney St. scheme currently comprises 128 new homes; 118 x 1 and 2 bedroom apartments and 10 x 3 and 4 bed townhouses. The scheme will provide 70% (90) market rented homes and 30% (38) Manchester Living Wage homes, which would be let at or below Local Housing Allowance levels. The building is designed to Association for Environment Conscious Buildings (AECB) standards, which exceeds the Manchester Roadmap to Net Zero Carbon targets. The scheme significantly improves the local public realm and supports public access from Miles Platting to the Ancoats Mobility Hub and Green schemes.
- 3.7 The development at Rodney Street will contribute toward the wider regeneration of the Back of Ancoats area and will be situated adjacent to the newly reinvigorated Ancoats Green Park. Residents of the This City Rodney Street homes will have use of the Mobility Hub cycle, delivery and parking facilities.

Postal Street

- 3.8 Design development of proposals for the site at Postal Street have been progressed to RIBA stage 2 with a view to progressing as part of Phase 1 of This City. The This City Strategic Programme Board has now decided to

prioritise the delivery of this site within phase 2 as set out below. To expedite development the vacant garages located on the site will be demolished in July 2023.

3.9 Pipe of Development – Phase 2

3.10 Five (5) sites, listed in table 3.3.2, are identified as priorities for This City developments in phase 2. Early capacity studies were completed in 2022. The studies estimate that the sites can currently deliver in the region of 1189 to 1567 new homes, depending on density and approval through the planning process.

Site	Ward	Estimated New Homes
A	Piccadilly	115 to 145
B	Ardwick	99 to 145
C	Longsight	130 to 150
D	Ancoats & Beswick	181 to 246
E	Harpurhey	464 to 625
F	Piccadilly	200 to 256
Total		1189 to 1567

3.11 Given the sustained period of cost inflation, revised construction cost values will be sought from the market that will be inputted into financial viability assessments for the pipeline. The initial opinion is that the scale of potential new homes available combined with appealing locations that includes existing access to amenities, city centre locations, close proximity to district centres and existing metro lines accessing the city centre, along with ESG credentials it's believed this pipeline will appeal to the investor market and unlock capital to deliver the schemes.

3.12 Investment Partnership(s)

3.13 Manchester is an investable city. It is envisaged that there is an opportunity to kickstart and upscale the delivery of This City through partnership with an investor partner or partners.

3.14 To inform this process in terms of scale, financial and operational opportunity PwC were appointed to complete soft market testing that in turn would inform the contents of an investor memorandum that can be used to formally procure a partnership.

3.15 This market testing involved potential investor groups, developers and fund managers to evaluate appetite in the sector along with indications of possible Joint Venture structures and the working relationship between This City and investor partners.

3.16 PwC have been appointed to finalise the procurement process, preparing a final market facing investment memorandum along with a targeted

engagement strategy with market operators along with providing strategic advice in relation to the final selection criteria and process.

- 3.17 This work is scheduled for completion in November 2023 with a target for announcing the selected partner in Q1 2024. A report will be submitted to the Executive Committee with full details of the arrangement.

3.18 Recruitment

- 3.19 Operations to deliver This City are current resourced through MCC Strategic Housing, Capital Programmes Finance and Development. In line with previous approvals, the recruitment of the This City Director was completed in December 2023. Further internal resources are being brought to bear through the further recruitment of a This City Programme by September 2023.

4.0 Recommendations

- 4.1 The Committee is recommended to consider and note the progress outlined in the report.