



Classification:
Open

Decision Type:
Key

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| Report to: | Cabinet | Date: 19 October 2022 |
| Subject: | Update on the disposal of Brownfield land at School Street, Seedfield (former school site) and Green Street (Part A) | |
| Report of | Leader and Cabinet Member for Strategic Growth and Skills | |

PART A

Summary

1. This report provides an update on the disposal of three council owned sites on Brownfield land. These include, Seedfields school site, School Street and Green Street in Radcliffe.
2. The latter two sites are part of the Radcliffe Strategic Regeneration Framework (SRF), complimenting the councils' interventions and improvements in the town centre.
3. External funding from GMCA has been expended on the School Street site which is now development ready, whilst Brownfield Housing funding from GMCA has been allocated to the Seedfields site and requires draw down before March 2023.
4. This paper confirms the land value receipts for each site, which have been recently verified with Red Book Valuations undertaken by chartered RICS surveyors.
5. The proposed developments are all planning policy compliant and will deliver affordable homes and recreational contributions via S.106 agreements and enable the council to deliver the aspirations of the Radcliffe SRF and the Councils Let's Do It Housing strategy.
6. The commercial terms for contracting with Hive Homes on the School St and Seedfield sites have been confirmed via independent Red Book valuations and the offer received from Watson Homes at Green St has also been verified by the same method.
7. Proposed control mechanisms within the land sale agreements have been proposed to ensure that the proposals are developed and will ensure the Council retains control if progress is not made.
8. The proposals will deliver much needed homes (309 new homes including 142 Affordable homes).

9. The off-market solution offered by Hive Homes and Watson Homes offer best value and accelerate housing delivery programmes, with the benefit of Brownfield Housing Funding on the School Street and Seedfield sites helping to unlock this brownfield site for the benefit of families, including those on lower incomes.

Recommendation(s)

That Cabinet:

1. Approve the updated financial offer by the preferred developer of Hive Homes to enable disposal of land at School Street and Seedfields for housing development.
2. Note the imminent exchange of Green Street in Radcliffe with Watson Homes, approved for disposal in October 2021.
3. Approve the commercial terms of the disposals of School Street and Seedfields as set out in this report.
4. Delegate the finalised terms of the land sale agreements to the Executive Director of Place in consultation with the Cabinet Member for Finance, S151 Officer and Monitoring Officer.

Reasons for recommendation(s)

1. The revised offers on School St and Seedfield sites enables the acceleration of key Brownfield sites helping to deliver Bury's Housing Strategy 2021, the Council's Strategic Regeneration Framework for Radcliffe
2. Retain GMCA BHF grant on the School Street site and secure GMCA BHF grant monies allocated to the Seedfield site.
3. Facilitate the Council's Brownfield first approach to housing delivery.
4. Delivery of much needed homes with affordable tenures and typologies to reflect the modern demands of housing needed in Bury and Radcliffe townships
5. Generate capital receipts upon the successful disposal of the sites and allow up to 4% to be retained in the land and property service to cover costs incurred thereby enabling future sites to come forward.
6. Reduce revenue cost to the council of holding, maintaining and securing long term cleared sites.

7. Generation of additional council tax income and business rates on the Green Street site.

Alternative options considered and rejected

- Previous CBRE best value reports though useful have been considered previously but in order to ensure the council is achieving the maximum market value, officers recommended red book on all three sites in September 2022 to provide an extra level of assurance and ensure capital receipts reflect current market valuations. Therefore relying on the original CBRE best value reports was discounted in favour of independent red book valuations which provide a thorough approach to valuation.
- The alternative traditional approach would be to return the sites to market but this was discounted as it would incur a delay of approximately 18 months and jeopardise the GMCA Brownfield Housing Funding for both School Street and Seedfields. Furthermore, all three sites are on the Accelerated Land Disposal Programme (ALDP) approved by Cabinet in November 2020 with projected capital receipts expected during 2023 and therefore a traditional procurement exercise could not accommodate the ALDP objectives and incur further cost so was rejected.

The approved off market solution mitigates the risk of 1) repaying the grant on School St (£882k) and 2) GMCA reallocating funding assigned to Seedfield's (£995k) to another district or returned to government, incurring reputational damage.

For these reasons alternative options, including the option to return the sites to open market or rely on CBRE best value reports were discounted and the preferred option of validating the offers through red book valuation is recommended.

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1. Background

- 1.1 In October 2021 and November 2021, Cabinet approved the disposal of land at School St and Green St in Radcliffe and Seedfield in Bury. The terms of those deals were outlined in Part B.

- 1.2 Since that time having explored potential of Homes England grants on the School St and Seedfields sites, the planning requirements have dictated a change in approach in relation to the affordable homes requirements on both sites.
- 1.3 As the original offers approved by Cabinet in October 2021 and November 2021 were predicated on Homes England subsidy, the offers on both sites required restructuring by the preferred developer (Hive Homes).
- 1.4 Updated offers were received in August 2022 which have subsequently been verified via an independent red book valuation on both sites. Notwithstanding the absence of Homes England grant, the offers in their entirety are in line with or above current market value. These are outlined in Part B of this report.
- 1.5 In line with the recommended approach taken on the above sites and given changes in the market since 2021, a red book valuation was also sought on the Green St site. However, it should be noted that the commercial terms remain unaltered since Cabinet October 21 (unlike School St and Seedfields), and is not subject to any funding constraints. Therefore Cabinet are only being asked to note the agreed financial receipt compared to the Red Book Valuation.
- 1.6 As outlined in the previous Cabinet reports, GMCA are an active stakeholder in the School St and Seedfield sites and require a start on site date of March 2023 on the Seedfield site. A start on site date no later than March 2025 is required on the School St site.
- 1.7 In the case of Seedfields, in order to remain compliant with the Brownfield Housing grant terms, an exchange of contracts and planning application is required in October 2022, otherwise GMCA will need to reallocate the grant elsewhere or risk the returning of grant to government.
- 1.8 The School St site funding will be subject to clawback should the scheme stall and start date not be achieved by March 2025.
- 1.9 Contracts have been preliminary drafted and ready to exchange on School Street and Seedfields sites pending Cabinet approval of the outlined offers.

2. Accelerated Land Disposal Programme

- 2.1 Bury Council is embarking on a medium-term strategy of divesting itself of its large land estate with a view to a) raising capital through receipts b) unlocking economic potential of housing and employment sites and c) leveraging private investment on brownfield sites. Given the financial challenges of the council, accelerating land disposal is key to delivering

several objectives. Opportunities were seen to do so on all three sites with the advantage of securing Brownfield housing funding helping to accelerate delivery on two of the three sites.

- 2.2 As a result of the disposal programme, the land and property service are able to recover costs associated with the disposal of land assets, limited to 4% of the overall capital receipt. As such estimated capital receipts from land sales are shown as net of these costs. This approach ensures full recovery of the council's costs and overheads associated with the sales themselves.
- 2.3 School Street, Seedfields and Green Street are included within the ALDP and consent was given by cabinet to dispose of them in March 2021.
- 2.4 A traditional approach to disposing of surplus property assets would be to appoint an agent (i), market the site (ii) and agree terms (iii) and dispose subject to contract (iv)
 - i. Procurement currently taking 3-6 months using frameworks
 - ii. 3 months marketing period to ascertain best bids
 - iii. 3 months legal negotiations and due diligence on purchaser
 - iv. Subject to planning consent contract may require 12 months(Total period 12 – 24 months from commencement)
- 2.5 Were an OJEU disposal process be followed, this may also delay the procurement and disposal of the asset by another 24-36 months.
- 2.6 Team capacity constraints within the BGI directorate are such that there is a requirement to prioritize easily deliverable land disposals, accelerate the payment of cash receipts and accelerate the development of the land through such methods.
- 2.7 Furthermore, given the grant conditions attached to Tranche 1 GMCA projects at the time, 'oven ready' schemes which could deliver by March 2023 were required and thus in order to comply with the funders requirements the only viable option was to seek off market solution, approved by GMCA and an approach used by other authorities for expediency.

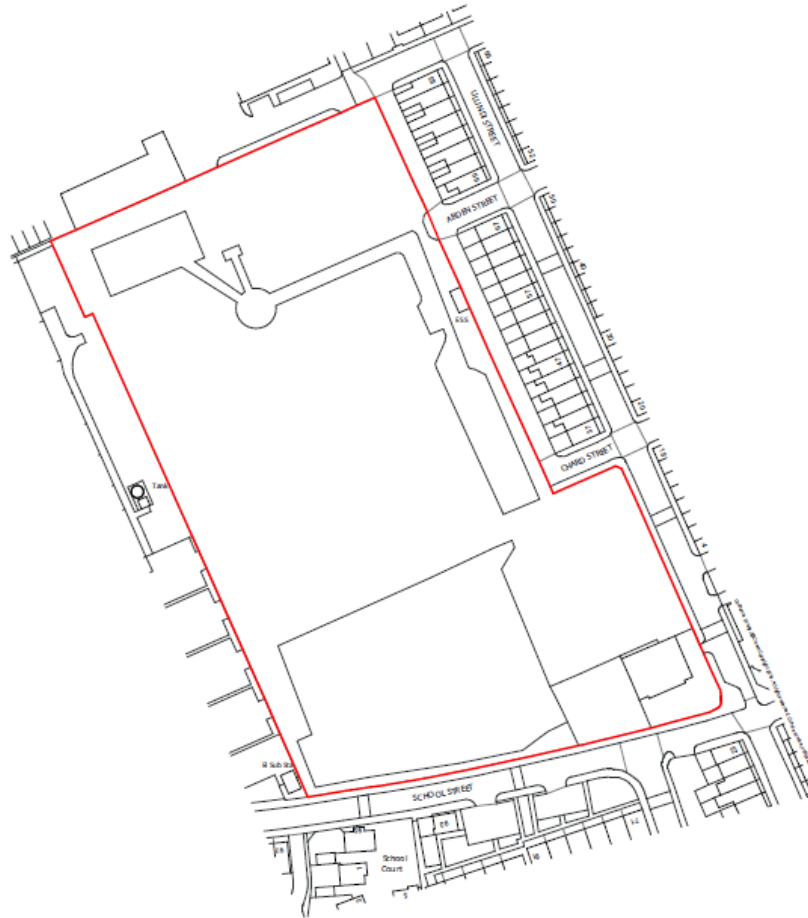
3. Housing Demand

- 3.1 Bury District is a large metropolitan borough of equivalent size to a small city, with all of the associated economic imperatives of delivering a

proportionate supply of quality, affordable new homes to match levels of demand.

- 3.2 Greater Manchester is rapidly growing (twice the UK average) at 2.2% per annum, equating to the need to accommodate 61,000 additional people per year. Consequently, house price inflation is rapidly constraining affordability to average household incomes.
- 3.3 The Housing Strategy informed by Housing Needs Assessments reveal a need for 448 additional affordable homes per annum. The three schemes will make a contribution of 142 affordable homes.
- 3.4 Bury's emerging Local Plan recognizes the need for housing growth and proposes an increase of 6800 new dwellings (net) to 2029. For this to be achieved this requires the delivery of an average of 400 new dwellings per annum.

4. School Street Radcliffe M26 3AN



Background

- 4.1 School Street in Radcliffe is a long-term brownfield site and the former home of the now demolished Grammar School. The site has been a source of anti-social behaviour.
- 4.2 The council is currently working with a preferred developer – Hive Homes to bring forward the site.
- 4.3 Hive Homes are a 'profit for purpose' entity and operate in a Joint Venture with GMCA and 10 Housing Associations in Greater Manchester. They were approached on the basis of being a trusted partner and available to deliver an off-market solution within the parameters of BHF funding timescales. Hive Homes were deemed an appropriate vehicle to deliver GMCA's requirements of 'oven ready' schemes. All the site preparations are complete and should their offer be approved are able to mobilise on site in November 2022 (subject to planning permission).
- 4.4 The Council entered into the funding agreement to fund the remediation works. This has now been completed. Under the terms of the agreement the grant of £882,000 is repayable, should the housing outputs not be delivered by March 2025.

4.5 Development proposal

4.6 In line with the aspirations of the Radcliffe SRF, family housing plays a key part in the regeneration of the town. Family friendly high-quality housing at accessible prices to average household incomes will be attractive to both the people of Radcliffe and new entrants to the town.

4.7 New homes delivery will assist with the town centre regeneration programme by increasing customer catchment and drive footfall.

4.8 The development is proposed to be 91 homes in total with a planning compliant 25% affordable homes (23). It is anticipated that these homes will be designed for the needs of families and will be a mix of 3 and 4 bedroom houses.



4.9 The overall proposal includes a policy compliant affordable housing provision equating to 23 new family homes. 17 of the homes will be sold on an affordable capital value basis to a Registered Provider on an affordable tenure to be agreed.

4.10 In addition to a cash payment for the land, the council would be gifted six 2 and 3-bedroom homes for affordable use (tenure to be agreed). The Councils housing development team will explore Registered Provider (RP) delivery options using the new RP Provider Framework.

4.11 The commercial benefits of the council being gifted homes are included in Part B of this report.

4.12 Delivery programme

- Exchange contracts – October 2022
- Planning submission – October 2022
- Planning approval – forecasted February 2023
- Completion of land sale – March 23
- Start on site– March 2023
- First homes delivered – November 2023
- Practical completion – September 2025

5. **Green Street Radcliffe M26 3AP**



5.1 Background

Green Lane is the site which housed Radcliffe Swimming Pool until its roof was damaged beyond repair in 2013 and subsequently demolished in 2016.

5.2 The site is identified as part of the 2020 Radcliffe SRF as a key placemaking component of the town centre master planning – suitable for a gateway development of medium scale, up to 6 storeys in height, residential and provide a bookend the high street in Radcliffe.

5.3 The preferred developer is a local SME developer with a track record of delivery of mixed tenure residential led developments across GM.

- 5.4 An offer has been received on the site which has now been validated by an independent red book valuation. The details of which can be found in part b of this report.
- 5.5 The legal land sale has been prepared and contracts are ready to be exchanged, delivering a land sale receipt in this financial year.
- 5.6 Development proposal
- 5.7 The development proposal is for 132 homes and 13,000 sqft commercial space. 97 will be of an affordable tenure. This equates to an on plot affordable homes provision of 77% (25% is planning policy compliant). The developer will work with a local registered provider to deliver the affordable housing.
- 5.8 The development is proposed to be a mix of 1 and 2-bedroom apartments that are designed around the needs of smaller households not currently served by the surrounding marketplace.



- 5.9 The remaining 35 homes will be delivered as one unbroken private rented sector (PRS) investment and let out on an individual basis at market rent.
- 5.10 The 13,000 sqft commercial space will be anchored by an office which will relocate the developers head office, providing new employment in the heart of Radcliffe along with ground floor retail / food & beverage units.
- 5.11 New homes delivery will assist with the town centre regeneration programme by increasing customer catchment and drive footfall. The development proposal also includes relocating an existing business, creating new employment opportunities in the heart of Radcliffe.

5.12. Delivery programme

- Exchange contracts –September 2022
- Planning submission –September 2022
- Planning approval – January 2023
- Completion of land sale – March 23
- Start on site –March / April 2023
- First homes delivered –Winter 2024
- Practical completion – August 2025

6. Seedfields (former school site), BL9 6NY

6.1 Background

6.2 The brownfield element of the Seedfield site was originally built as a secondary school and has had a variety of interim uses over the last 30+ years. The site is currently semi derelict, a source of antisocial behaviour and is an operational and revenue burden on the Council.

6.3 Seedfield was approved for disposal as part of the Accelerated Land Disposal Programme at Cabinet in March 2021.

6.4 The Council applied for Greater Manchester Combined Authority (GMCA) Brownfield Housing Fund to demolish the school site and remediate the land.

6.5 The Council is liaising with Seedfield Football Club, to ensure safe decanting of equipment from the school building, prior to the commencement of demolition works, provide interim parking on site and ensure considerate construction methods to minimise disruption to the club's activities on the adjacent pitch site.

6.6 This report seeks approval for the revised offer on the former school site at Seedfields, which has been independently validated via a red book valuation of the land.

6.7 The disposal of this Council-owned Brownfield site in Bury will deliver much needed housing and will generate an appropriate capital receipt.

6.8 Development proposal

6.9 The proposed developer, Hive Homes, will deliver a planning compliant scheme of 86 family homes including 22 affordable homes, 11 of which will be gifted to the council (tenure to be agreed) with the remaining 11 sold to Registered Provider.

7.10 Funding

7.11 Bury Council was successful in being assigned £995k of Brownfield Housing funding from GMCA towards unlocking this site for development of housing. This funding is due to be allocated to Hive Homes (the preferred developer), upon sale completion and will be responsible for the terms and conditions of the grant. However, this is dependent on the below milestones being achieved and GMCA being confident that disposal can be achieved within the below timeframe, which they are currently reviewing.

7.12 Delivery Programme

- Exchange contracts – October 2022
- Planning submission – October 22
- Planning approval – forecasted February 2023
- Completion of land sale – March 23
- Start on site – March 2023
- First homes delivered – November 23 (*inc. Demolition and Site Prep 3-4 months, 6 Months to build first Plots to completion*)
- Practical completion – Sept 25

8. Commercial proposals

8.1 Full details of the commercial terms for the acquisition of the land on School St, Green St and Seedfields is on a subject to planning basis and contained within Part B of this report

8.2 The proposed disposals will generate significant capital receipts.

8.3 The cash offers are in line with Red Book Valuations undertaken in September 2022.

8.4 Benefits of gifted homes on School St and Seedfields

- Likely capital appreciation of the 'Gifted' homes over and above standard inflation, as demonstrated through historical trends
- 'Gifted' homes can be disposed of to a 3rd party in future to realise increased asset value
- Income from 'Gifted' homes can be utilised to maximise cash generation for the council and address an affordable housing shortage through directly providing affordable housing
- Ability to raise additional development finance utilising the 'Gifted' homes as Security
- 'Gifted' homes can be withdrawn from the Right To Buy through Management Sub-lease arrangement
- The council can retain control of the land upon which the 'Gifted' homes are acquired

- Potential to generate positive PR from directly delivering affordable housing to mitigate conurbation wide shortage

Hive Homes have agreed to market the gifted homes on behalf of the council by their inhouse marketing team and included in the deal outlined.

9. Affordable Homes Policy compliant

9.1 The development proposal is fully planning policy compliant, delivers much needed affordable homes and enables the council to accelerate the delivery of new homes to come to market.

10. Legal control mechanism

In line with external advice received, the Council shall ensure that a mechanism for taking back control of the land is included in the event that the developer fails to secure planning within 12 months, commence works within 6 months of planning consent and an ultimate long stop of 36 months.

- a. The delivery of this will be subject to contract drafting but is likely to be the term of the contract on a phased milestone basis.
- b. The Council commissioned independent red book valuations to conduct an external third party assessment of the land valuation at School Street, Seedfields and Green Street. Details of this are contained with Part B of the report.

Links with the Corporate Priorities:

This proposal contributes towards meeting the Council's priorities across a range of policy areas including increasing the supply of affordable housing to meet housing needs.

It sets out plans for the delivery of a diverse housing development on brownfield land and an opportunity to create successful and inclusive neighbourhoods in conjunction with the Bury 2030 Let's do it Strategy.

School St and Green St sites are key deliverables of the Radcliffe Strategic Regeneration Framework and the wider regeneration programme.

Equality Impact and Considerations:

This proposal promotes equality of access to housing and demonstrates a positive impact on people with protected characteristics. It seeks to ensure that there is a mix of tenures and house types across the site to meet the needs of all residents and, recognises the specific housing needs of different client groups

including low-income households, people who are homeless or at risk of homelessness and older people.

Whilst there are no direct equality issues, the development of this site will result in the regeneration of a run-down area which will improve the local environment by reducing opportunity for anti-social behaviour including fly-tipping. The development will also provide much need affordable homes for residents of the Borough.

Environmental Impact and Considerations:

The new homes are expected to be built to Future Homes Standard, in line with updated building regulations and necessitate exploring the installation of energy efficiency measures to reduce fuel bills and cut carbon emissions.

Nesting bricks to side elevations in shaded areas will encourage wildlife and provide nesting opportunities.

Both developments will include naturally planted habitats within the landscaping and public realm. Through the planning process, applicants are encouraged to explore inclusion of sustainable drainage systems.

Assessment and Mitigation of Risk:

| Risk / opportunity | Mitigation |
|--|--|
| The Council has failed to achieve best value in accordance with Section 123 of the Local Government Act 1972 | The proposed deals are verified by independent red book valuations The development proposals are all planning policy compliant. |
| The developers fail to deliver on the proposals submitted. Land is not disposed of and lays dormant. | The Council will include sequential milestone longstops which time out the contract, allowing the Council to take control of the land. |

Legal Implications:

Local Authorities have powers pursuant to s 123 of the Local Government Act 1972 to dispose of land. The Council can dispose of land in a manner it wishes provided it achieves the best value that can reasonably be obtained. The report sets out that independent red book valuations (over and above an opinion) and legally recognised as the most reliable method of valuing assets.

Financial Implications:

The red book valuations on the disposals demonstrate that the proposals offer the best financial approach to securing the required values. The overall consideration must also include the existing liabilities of maintaining the buildings/sites particularly in relation to Seedfields.

The proposed land disposals have the potential to generate significant capital receipts to the council. Breakdown of the total capital receipt is contained within Part B.

Through negotiation the Council has been able to transfer grant repayment to the purchaser of School Street. This will save the Council £882,000. Should the grant of £995k be retained on the Seedfields site, the current offer will exceed the Red Book valuation and demolition costs will not need to be taken off the offer price.

Disposal of land usually necessitates the expenditure of fees to support technical due diligence, property agency, marketing costs and legal fees. As these proposals will be direct transactions, cost savings can be assumed with the exception of inhouse legal fees.

The development proposals when complete will generate additional council tax revenue to the Council, in addition to business rate income on the Green Street site.

On the basis of compliance with the government's programme and dependent upon the wider delivery of housing supply, the development proposals have the potential to also generate New Homes Bonus payments. However, this is reliant upon the Council achieving the minimum threshold for new housing developments which it hasn't done for a number of years.

Background papers:

The Radcliffe SRF and further information relating to it can be found on www.bury.gov.uk/radclifferegeneration.

Please include a glossary of terms, abbreviations and acronyms used in this report.

| Term | Meaning |
|------|---------------------------------------|
| GMCA | Greater Manchester Combined Authority |
| SRF | Strategic Regeneration Framework |
| PRS | Private Rented Sector |
| BHF | Brownfield Housing Funding |