

THE EXECUTIVE

A meeting of the Executive was held on 27 August 2019 at 1:00 p.m. in Mandela Room, Town Hall, Middlesbrough.

PRESENT: Councillors A Waters (Chair), B Cooper, D Davison, C Hobson, D McCabe and M Smiles.

PRESENT AS OBSERVERS: Councillors C Cooke, T Furness, J Hobson, B Hubbard, J Rathmell and M Storey.

INVITEES: Councillor J Thompson.

OFFICIALS: J Bromiley, A Hoy, A Humble, E Kunonga, K Parkes, S Reynolds and I Wright.

APOLOGIES FOR ABSENCE: Mayor A Preston and Councillor A High.

DECLARATIONS OF INTERESTS

There were no Declarations of Interest made by Members at this point in the meeting.

19/17 **MINUTES OF THE EXECUTIVE MEETING HELD ON 11 JULY 2019**

The minutes of the Executive meeting, held on 11 July 2019, were submitted and approved as a correct record.

19/18 **EXECUTIVE SUB-COMMITTEE FOR PROPERTY**

The Mayor had indicated that he wished to disband the Executive Sub-Committee for Property and, in future, all issues dealt with by the Executive Sub-Committee would be considered by the Executive.

ORDERED

- **That delegation, for property-related transactions, be withdrawn from the Executive Sub-Committee for Property; and**
- **That property-related transactions be submitted for consideration to future meetings of the Executive.**

19/19 **LONG-TERM LEASE OF GRESHAM HOUSING SITE TO THIRTEEN HOUSING GROUP**

The Executive Member for Regeneration, the Executive Member for Finance and Governance, the Executive Director of Growth and Place and the Strategic Director of Finance, Governance and Support submitted a report for the Executive's consideration. The purpose of the report was to consider the proposed disposal of the Council's land in the Gresham regeneration area to Thirteen Housing Group on a 999 year lease.

The Elected Mayor of Middlesbrough had an ambition to attract an additional four thousand people to live in the town centre in the next ten years.

The Mayor's ambition accorded with the priorities for physical regeneration, set out in the Council's Strategic Plan 2018-22.

Development in the town centre was perceived to be higher risk with high development costs and lower sales values. In those circumstances there was a need to kick-start a market which was commercially challenging, which could have been best achieved by the Council working with partners who had both the resources and the track record to develop new homes.

The Council had been acquiring properties in the Gresham area for over 10 years and the redevelopment of the area was a key priority, as it was a highly visible site on a main thoroughfare into the town.

In recent years the Council had taken huge strides towards securing the comprehensive redevelopment of the site. In August 2018, the Executive approved a high-level masterplan for Gresham, and the sale of part of the site to Teesside University to facilitate the development of a Student Village. More recently, in May 2019, the Planning Inspectorate confirmed a Compulsory Purchase Order (CPO), which planned to enable the Council to complete the acquisition of the seven remaining private properties and achieve a fully cleared site.

The Gresham housing site was approximately 7.5 acres. The site plan was attached at Appendix 1 of the submitted report.

Market research undertaken by Thirteen had identified that there was a demand for high-quality affordable homes close to the amenities in the town centre. The Thirteen proposal for Gresham was to create a mix of homes comprising mews houses, apartments and some bungalows, based on the needs of local residents, to create a modern housing offer for the community.

From a valuation perspective, and with consideration of the factors set out in paragraph 23 of the submitted report, the proposal to dispose of the land for £NIL consideration was justified. As a result, the residual land value became negative - making the development of the site not feasible in pure market terms. Further financial information was detailed at paragraphs 49 to 53 of the submitted report.

The absence of a capital receipt could not have been considered in isolation. The wider socio-economic benefits to the town also had to be considered. Thirteen had recently been awarded Strategic Partner status by Homes England and had secured additional grant funding to significantly increase the development of affordable homes.

The lease of the site to Thirteen, given their Strategic Partner status with Homes England, planned to deliver the following benefits:

- The opportunity to kick start the Mayor's Urban Living agenda.
- The redevelopment of a key gateway site.
- The development of 179 units of affordable housing.
- A higher than average build rate of around 50 units per year.
- The generation of over £235k per year from Council Tax, based on Band A.
- A payment of New Homes Bonus totalling over £940k, based on Band A, assuming four years payment.
- A 2014 study by the Centre for Economics and Business Research showed that for every pound invested in affordable house building, a further £1.42 was generated in the wider economy.

It was anticipated that a planning application would have been submitted in October/November 2019, with work commencing on site in April 2020. The proposed build out rate, of around 50 units a year, would have seen the site completed within three to four years.

In response to an enquiry regarding the length of the lease, it was explained to Members that a 999 year lease would grant Thirteen the same terms as a freehold arrangement. This would enable Thirteen to obtain the necessary capital to undertake the development work.

OPTIONS

There were no alternative options outlined in the report.

ORDERED

That the disposal of the Gresham housing site, to Thirteen Housing Group, on a 999 year lease, be approved.

REASONS

The Elected Mayor of Middlesbrough had an ambition to attract an additional four

thousand people to live in the town centre in the next ten years. In addition, the Council's Housing Strategy (2017-20) referred to the Strategic Housing Market Assessment (2016), which identified a need for an additional 200 affordable homes per annum over the period 2016-34.

The development of Gresham planned to make a major contribution to Middlesbrough's regeneration ambitions. Those included:

- Increasing developer confidence, acting as a catalyst to stimulate the Urban Living market;
- Enhancing the visual appeal of the town centre, which planned to contribute to an attractive place to live, work and visit; and,
- Improving the vitality of the town centre, increasing occupancy and creating additional footfall as a result of additional people living in the town centre.

19/20

HOUSING STRATEGIC PARTNERSHIP

The Executive Member for Regeneration, the Executive Member for Finance and Governance, the Executive Director of Growth and Place and the Strategic Director of Finance, Governance and Support submitted a report for the Executive's consideration. The purpose of the report was to consider the establishment of a Strategic Partnership with Thirteen Housing Group and North Star Housing Group to assist in the delivery of the Council's housing ambitions.

It was proposed that the Council entered into a Strategic Partnership with Thirteen and North Star. As Registered Providers, Thirteen and North Star already had a stake in the future of Middlesbrough, as they owned and successfully managed a large number of affordable homes in the town. That, coupled with each organisation's ability to access Homes England grant funding, meant that a Strategic Partnership presented an opportunity to achieve the following shared outcomes:

- A trusted long-term partnership, enabling all parties to invest confidently in the development of proposals to meet housing needs.
- Minimise any procurement requirements.
- The ability to forward plan the programme, so resources were aligned.
- Maximise Homes England grant to exceed expenditure targets.
- The ability to change the tenure of each scheme according to the changing demands of the market.
- The ability to vary grant rates to consider less viable schemes alongside the larger programme.
- The opportunity to develop innovative accommodation to meet specialist needs and provide real choice for families and individuals.
- The potential to reinvest surplus into other housing projects within Middlesbrough.

In the first instance, it was planned that the Strategic Partnership would bring forward housing development on sites in the urban centre to contribute to the Mayor's vision for town centre living. The Council had assembled brownfield sites in Newport / Gresham and Middlehaven. Thirteen and North Star planned to liaise very closely with the Council when deciding the final mix and appropriate tenure on each site. Developing the sites out together planned to bring economies of scale and ensure a quicker development timescale.

The establishment of a viable and vibrant city centre living concept planned to give confidence to occupiers, developers and investors that the town centre was a safe, comfortable and well-managed place in which to enjoy living, learning/working and leisure time.

The governance arrangements, in respect of the Strategic Partnership, were outlined at paragraphs 22 to 25 of the submitted report.

In response to an enquiry regarding MHome's, Members were advised that Thirteen and North Star were, as registered providers, in a position to deliver more homes at a quicker pace because they could access Homes England funding. Thirteen was currently the largest

social housing provider in Middlesbrough and North Star the second largest. It was indicated that there would be the option to use MHome in the future at other development sites.

OPTIONS

There were no alternative options outlined in the report.

ORDERED

That the establishment of a Strategic Partnership with Thirteen and North Star, to assist in the delivery of the Council's housing vision, be approved.

REASONS

The Elected Mayor of Middlesbrough had an ambition to attract an additional four thousand people to live in the town centre in the next ten years. In addition, the Council's Housing Strategy (2017-20) referred to the Strategic Housing Market Assessment (2016), which identified a need for an additional 200 affordable homes per annum over the period 2016-34.

The establishment of a Strategic Partnership with Thirteen and North Star planned to provide a framework for a long-term programme that would enable the partners to build homes within an agreed timescale.

The decision(s) will come into force after five working days following the day the decision(s) was published unless the decision becomes subject to the call in procedures.