

MIDDLESBROUGH COUNCIL



Report of:	<p>Kevin Parkes, Executive Director of Growth and Place.</p> <p>James Bromiley, Strategic Director of Finance, Governance and Support.</p> <p>Ashley Waters, Executive Member for Regeneration.</p> <p>Chris Hobson, Executive Member for Finance and Governance.</p>
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Submitted to:	Executive, 27 th August 2019.
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Subject:	Long-term Lease of Gresham Housing Site to Thirteen Housing Group.
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Summary

Proposed decision(s)
That Executive approves the disposal of the Gresham Housing Site to Thirteen Housing Group on a 999 year lease.

Report for:	Key decision:	Confidential:	Is the report urgent? ¹
Decision.	Yes.	No	No.

Contribution to delivery of the 2018-22 Strategic Plan		
Business Imperatives	Physical Regeneration	Social Regeneration
The proposed development of 179 new Band A homes will potentially generate over £235k per year from Council Tax and a New Homes Bonus payment of over £940k to support the Council's Medium Term Financial Plan.	Investing in Middlesbrough to provide new housing on a key town centre site, which will support the regeneration of the town centre and help create an attractive place to live, work and visit.	Assist in delivering the Council's Social Regeneration agenda by providing a steady supply of affordable housing to meet the needs of its emerging and aspiring population.

Ward(s) affected
Newport Ward.

What is the purpose of this report?

1. The purpose of the report is to consider the proposed disposal of the Council's land in the Gresham Regeneration Area to Thirteen Housing Group on a 999 year lease.

Why does this report require a Member decision?

2. The proposal relates to the long-term lease of land with an Asset Valuation of in excess of £150k.

Report Background

Vision

3. The Elected Mayor of Middlesbrough has an ambition to attract an additional four thousand people to live in the town centre in the next ten years.
4. The Mayor's ambition accords with the priorities for physical regeneration, set out in the Council's Strategic Plan 2018-22, which states:
 - a) we will build 2,300 new homes to meet the needs and ambitions of a growing population; and,
 - b) more affordable housing will be created, to develop balanced, sustainable communities where people want to live.
5. The Housing Local Plan 2014 identifies a priority of developing new housing to meet aspirational needs and create a sustainable and balanced mix of housing in order to deliver successful regeneration on brownfield sites such as Gresham.
6. In addition, the Council's Housing Strategy (2017-20) refers to the Strategic Housing Market Assessment (2016), which identifies a need for an additional 200 affordable homes per annum over the period 2016-34.
7. The establishment of a viable and vibrant city centre living concept will give confidence to occupiers, developers and investors that the town centre is a safe, comfortable and well managed place in which to enjoy living, learning/working and leisure time.
8. The establishment of a thriving urban living market is therefore key to diversifying the town centre economy and will lead to the development of new commercial, leisure, cultural and food and beverage offers.
9. Major house builders make development decisions based upon market demand, which in Middlesbrough is largely driven by a desire to live in a family house with good amenities and facilities. In contrast, development in the town centre is perceived to be higher risk with high development costs and lower sales values. In these circumstances there is a need to kick-start a market which is commercially challenging, which can best be achieved by the Council working with partners who have both the resources and the track record to develop new homes.

Gresham

10. The vision for Gresham is to provide a new gateway into the town and to create a place where people will wish to live, study and visit, enhancing the physical, social and environmental fabric of the area.
11. The Council has been acquiring properties in the Gresham area for over 10 years and the redevelopment of the area is a key priority, as it is a highly visible site on a main thoroughfare into the town.
12. In recent years the Council has taken huge strides towards securing the comprehensive redevelopment of the site. In August 2018, 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 will enable the Council to complete the acquisition of the seven remaining private properties and achieve a fully cleared site.

Strategic Partnership and Due Diligence

13. The Council is seeking to enter into a Strategic Partnership with Thirteen Housing Group and North Star Housing Group, so that the parties can work together in a cohesive way to bring sites forward, primarily in urban locations but potentially throughout the town, to facilitate its housing development programme.
14. As Registered Providers, Thirteen and North Star already have a stake in the future of Middlesbrough, as they own and successfully manage a large number of affordable homes in the town, including the Newport and Gresham area. This, coupled with both organisations' ability to access Homes England grant funding, means that a Strategic Partnership presents an opportunity to achieve shared outcomes.
15. The long-term lease of part of the Gresham site to Thirteen Group for housing development would accord with the Council's approved masterplan.
16. As part of the Council's due diligence procedures to assess potential risk, a financial credit check has been undertaken, which has confirmed that Thirteen Housing Group have sufficient resources to undertake a development such as that proposed below.

Specific Objectives for the Site

17. The Gresham housing site is approximately 7.5 acres and is shown on the plan attached as Appendix 1. There is only one dwelling left to acquire in this area of the site, although the CPO ensures that the Council can complete the purchase. It is anticipated that the site will be cleared by April 2020, but the existing roads and services will remain.
18. Market research undertaken by Thirteen has identified that there is demand for high quality affordable homes close to the amenities in the town centre. The Thirteen proposal for Gresham is to create a mix of 179 homes comprising mews houses, apartments and some bungalows based on the needs of local residents to create a modern housing offer for the community. It is proposed that the development will be built at a rate of around 50 units per year.

19. The proposed new homes developed at Gresham will:
- a) exceed Nationally Described Space Standards (NDSS);
 - b) comply with Building Regulations Part M and achieve Lifetime Homes Standards, with ground floor homes to have level access and first floor homes to have space for stairlifts; and,
 - c) be easily adaptable to allow fitting of assistive technology.

Land Value

20. Thirteen have submitted a development appraisal based on a 179 unit scheme of family homes and apartments. A development appraisal typically sets out the cost of building the homes (including abnormal costs), the income that will be realised from sales or rent and the developer's profit, and generates a residual land value that can be paid whilst maintaining a viable scheme.
21. As part of its due diligence requirements, the Council has commissioned independent chartered surveyors, Lambert Smith Hampton (LSH), to carry out a Red Book valuation of the land, based on Thirteen's development appraisal. The Royal Institute of Chartered Surveyors (RICS) Valuation – Professional Standards (the 'Red Book') contains mandatory rules and best practice guidance for all surveyors to ensure that the valuation produced is as accurate as possible and contains all the information required.
22. An Asset Valuation undertaken by Kier values the site at £280k per acre, based upon comparable sites that exist within the general area, giving a gross value of £2.1m. The Kier valuation assumes an estimated allowance for abnormal costs of £140k per acre, for the removal of services, foundations and roads to prepare the site for development, which gives a net value of £1.050m. An Asset Disposal Business Case is attached as Appendix 2 to this report.
23. In summary terms, the valuation appraisal undertaken by LSH has confirmed that the proposal presented by Thirteen will not generate a capital receipt payable to the Council. A combination of fundamental appraisal factors have combined to drive the residual down and generate a negative out-turn land value, which in fact reaffirms the view of the partners that the scheme is not viable in pure market terms and is only deliverable via a partnership vehicle similar to that currently being proposed:
- a) Income – the market value that has been applied to the sale and rent of the affordable housing units proposed is not capable of generating the level of income required to cover the cost of delivering the development scheme that has been presented by Thirteen;
 - b) Development costs – the high build costs that have been incorporated within the appraisal reflect the complexities of developing a brownfield site, in such a challenging town centre location;
24. From a valuation perspective, and with consideration of the factors set out in Paragraph 23 above, the proposal to dispose of the land for £NIL consideration is justified. As a result, the residual land value becomes negative – making the development of the site not feasible in pure market terms.
25. Further to the valuation evidence presented in Paragraphs 23 and 24 above - and also the fact that no other significant third party interest has been shown in this parcel of

land over a period of 24 months prior to the presentation of this report, the buyers proposal to enter into a private treaty transaction is deemed to accord with Council's asset disposal protocol.

26. The site has been subject to little or no interest from market house builders due to market forces, and the potentially onerous cost of development in this town centre location makes it an unattractive development opportunity. As a result, there is a need to approach development of the site from the perspective of a partnership that can work together in order to mitigate the effect of lower sales values and the costs of development if the site is to be brought forward in a viable form. It is recognised that this can best be achieved by the Council working with partners who have both the resources and the track record to develop new homes on such a site.
27. This report will, therefore, seek approval to dispose of the site to Thirteen on a 999 year lease. From the Council's perspective, a long-term lease is preferable to a freehold disposal for the reason that it will provide the Council with a greater level of control over the development of the site in the long term.
28. Whilst the site has not been actively marketed for housing development, there has, nevertheless, been no significant interest from private developers. The LSH appraisal has also confirmed that the build costs associated with a development of the quality proposed by Thirteen, and the limited rental income, as a consequence of social housing constraints, would not generate a capital receipt for the Council.
29. However, the proposed development of 179 units of affordable housing by Thirteen on this part of the Gresham site is:
 - a. compliant with the masterplan approved by Executive on the 1st August 2018; and,
 - b. in accordance with the position that was presented at the Compulsory Purchase Order (CPO) Public Inquiry in April 2019.
30. For the reasons set out in the previous paragraph, alternative uses of the site, such as commercial or retail, would not be in line with the approved masterplan and, in respect of the CPO process, may leave the Council at risk of potential Judicial Review.
31. Furthermore, from a valuation perspective, the land values that might be generated by these alternative site uses would not exceed that of the residential use being proposed.
32. As the development progresses towards delivery, it may be possible to extend the boundaries of the site to accommodate further units within the overall cleared land at Gresham. If deliverable, this would be accommodated in line with the valuations and conditions stated above.

Wider Socio-Economic Benefits

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

34. The lease of the site to Thirteen, given their Strategic Partner status with Homes England, would potentially deliver the benefits set out below.
- a) The opportunity to kick start the Mayor's Urban Living agenda.
 - b) The redevelopment of a key gateway site.
 - c) The development of 179 units of affordable housing.
 - d) A higher than average build rate of around 50 units per year.
 - e) The generation of over £235k per year from Council Tax, based on Band A.
 - f) A payment of New Homes Bonus totalling over £940k, based on Band A, assuming four years payment.
 - g) A 2014 study by the Centre for Economics and Business Research shows that for every pound invested in affordable house building, a further £1.42 is generated in the wider economy.

Area Based Interventions

35. The Newport Ward is experiencing increased levels of crime and anti-social behaviour. It would be naïve to believe that new housing development would be successful in the absence of measures to address these issues. The Mayor is therefore spearheading a joint intervention in the Newport Ward that will assist and complement the physical redevelopment of the area.
36. The Council has recently consulted on a proposal to implement a Public Spaces Protection Order (PSPO) for the central TS1 area. The Order would give greater powers to tackle a range of issues in a specific area such as begging, cycling on pavements and other forms of disorder. The measures will build on the recent boost to the number of Street Wardens equipped with body-worn cameras, and an increase in the number of fixed penalty notices (FPNs) issued for a range of offences. Implementing the Order would make the area a safer and better place for residents, visitors to businesses and workers.
37. In addition, a Selective Landlord Licensing scheme came into effect in Newport on the 13th June 2019. Selective licensing aims to improve the standards of property management in the private rental sector. Under the scheme all private landlords operating within the designated area are required to obtain a licence from the Council for each property which is rented out. The conditions of the licence ensure that the property is managed effectively, and licence holders will have to demonstrate their compliance.
38. When applying, proposed licence holders and managers will be required to prove that they are 'fit and proper persons' to hold a licence, and that they have satisfactory management arrangements in place, including for dealing with anti-social behaviour. A licence is valid for a maximum of 5 years. Failing to apply for a licence could lead to prosecution and an unlimited fine.
39. The selective licensing scheme has the following benefits to the community, landlords, tenants, and owners.
- a) Improving the management and condition of privately rented accommodation.
 - b) Support for landlords dealing with anti-social tenants.

- c) Reduced levels of anti-social behaviour.
- d) Educating tenants about their responsibilities and the impact of their behaviour on their community and neighbours.
- e) Encouraging tenants to recognise when properties are of a sub-standard condition and what options are available to them.
- f) Improving the image and desirability of the area.
- g) Protecting investment in the area.
- h) Encouraging landlords not to take tenants with a poor reference.
- i) Free Tenancy Referencing Service.
- j) Free advertising of empty properties.
- k) Landlord and tenant support from the Tenancy Relations Officer.

40. In addition to these measures, Executive will be asked to approve a locality based working trial in October within the TS1 that will result in other key community services being based and operated from within the TS1 area.

Delivery Timescales

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

What decision(s) are being asked for?

42. That Executive approves the disposal of the Gresham housing site to Thirteen Housing Group on a 999 year lease.

Why is this being recommended?

43. The Elected Mayor of Middlesbrough has 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) refers to the Strategic Housing Market Assessment (2016), which identifies a need for an additional 200 affordable homes per annum over the period 2016-34.

44. The development of Gresham would make a major contribution to Middlesbrough's regeneration ambitions. These include:

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

Impact(s) of recommended decision(s)

Legal

45. The Council has justification to use appropriate powers of disposal under Section 123 of the Local Government Act 1972 and the General Consent under Circular 06/03, and the transaction will be documented in accordance with required legal procedure. The Council has a statutory duty to dispose of land for the best consideration that can be reasonably obtained.
46. In considering the offer received, the Council can also consider matters other than purely financial benefits. It may also consider the wider regeneration benefits it provides within the wider Housing Growth Programme in an assessment of best value against strategic aims.
47. The Council will shortly serve the General Vesting Declaration and, after a three month period, the remaining properties and unregistered land will transfer to the Council's ownership. The land will subsequently be disposed of on a 999 year lease, in accordance with Asset Disposal Policy.
48. As part of the proposed long leasehold disposal mechanism, the Council will seek to incorporate a buy back clause in relation to the delivery of the scheme.

Financial

49. As part of the Council's due diligence processes to assess potential risk, a financial credit check has been undertaken, which has confirmed that Thirteen Housing Group have sufficient resources to undertake the proposed development.
50. An Asset Valuation report produced by Kier values the land at £1.050m, based on comparable sites that exist within the general area. However, a Red Book appraisal undertaken by independent chartered surveyors, LSH, has confirmed that the build costs associated with a development of the quality proposed by Thirteen, and the limited rental income, as a consequence of social housing constraints, would not generate a capital receipt for the Council.
51. The proposal from Thirteen will, however, potentially generate over £235k per year from Council Tax in perpetuity (based on Council Tax Band A). A similar annual sum will be generated through New Homes Bonus for the first four years, which equates to a further £940k. New Homes Bonus only applies to the first four years of any new build property.
52. The site is on the capital receipts schedule, capital financing assumptions within the MTFP will be affected by not receiving a receipt.
53. The table below summarises the overall estimated financial position and identifies that the proposed development would deliver a financial gain in the long-term.

	Negative	Positive	Notes
Financial			
New Homes Bonus		£940,000	Over four year period, assuming all properties are Band A.
Council Tax		£940,000	Over four year period, assuming all properties are Band A.
Capital Receipt	-£1,050,000		Loss at current asset valuation.
	-£1,050,000	£1,880,000	
Other			
Development of affordable homes		179	Total number of planned units.
		50	Units per annum – based on higher than average build rates.

Policy Framework

54. The decision would not affect the Council's policy framework. The decision is aligned with the Mayor's vision to attract an additional four thousand people to live in the town centre in the next ten years.
55. The decision is also aligned to the Medium Term Financial Plan as the proposed housing development will generate income from New Homes Bonus and Council Tax.

Equality and Diversity

56. The Impact Assessment, attached as Appendix 3, has concluded that the decision would not have any disproportionately negative impacts.

Risk

57. The following high level risks, which are identified in the Strategic and Directorate Risk Registers, will be reduced if Thirteen build out the Gresham site at the proposed rate.
- O1-005 - If poor economic growth occurs, then this will reduce public and private sector investment in the town, including town centre retail, housing development and business.
- O1-004 - If the New Homes Bonus funding is reduced, due to a change in the funding regime or the Council failing to build new homes at the targeted rate then Council Tax receipts will not be maximised, impacting upon the Council's MTFP.
- O1-045 - If delivery of the new housing programme does not meet the projected targets then this can have a negative impact on the assumptions within the MTFP.
58. The following risks are directly associated with the proposed lease of the land to Thirteen.
- Price: The Council has not marketed the site, so there is a risk that best consideration is not being achieved. The LSH appraisal has, however, confirmed that a proposal of the quality and nature proposed by Thirteen would not generate a land value. In addition from a valuation perspective, the land values that might be generated by alternative uses would not exceed that of the residential use being proposed.
 - Quality: The quality of the development will be controlled via the statutory planning process and the mechanism provided by the long leasehold disposal proposed.

- c) Delivery timescales: The Council cannot directly control the build out rate, but the legal documentation will include appropriate terms regarding the timescales for planning consent, the start of development, and, a buy back option.

Actions to be taken to implement the decision(s)

59. Subject to Executive approval, the Council will commence the preparation and completion of legal documents relating to the lease of the Gresham housing site to Thirteen.

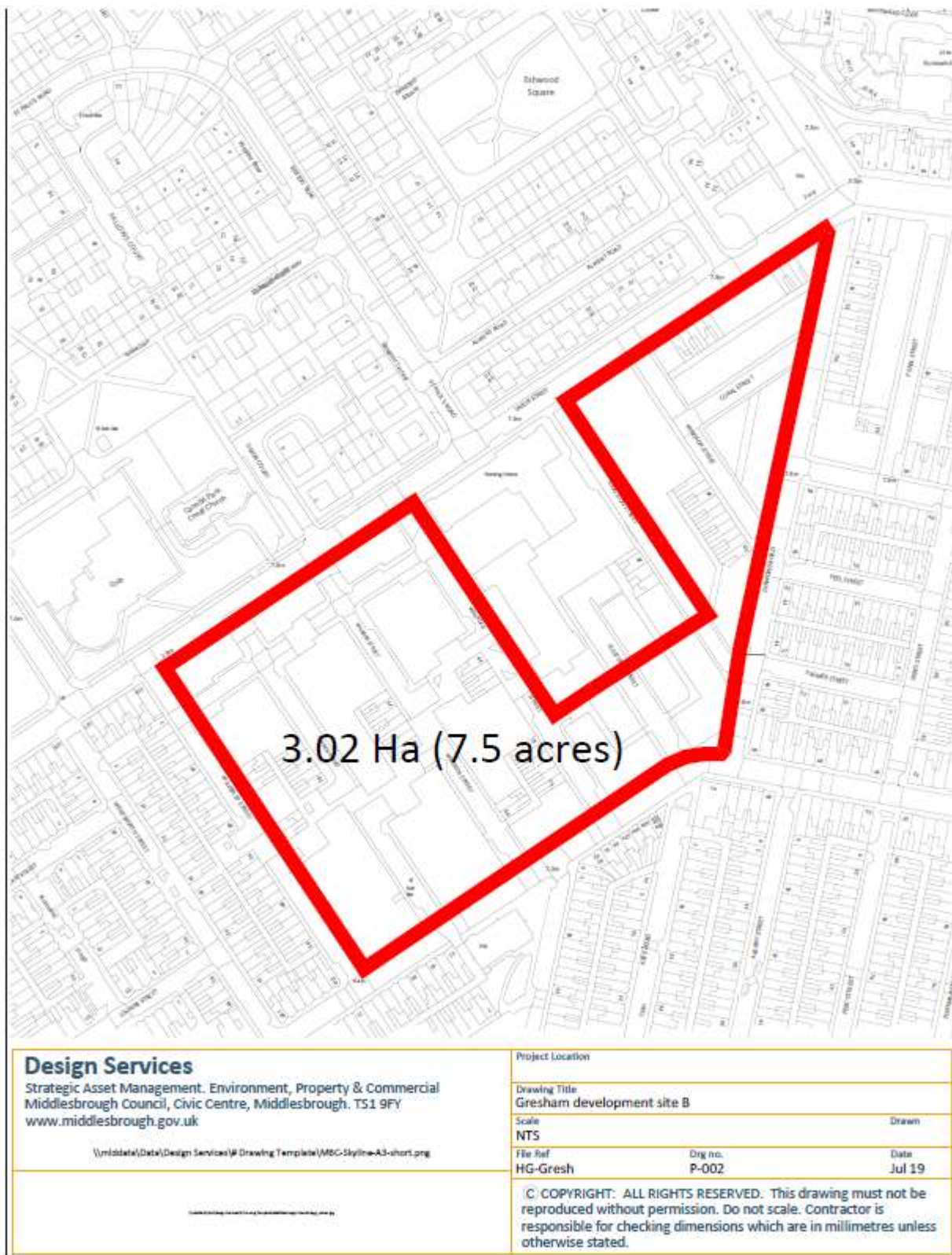
Background papers

Body	Report title	Date

Appendices

- Appendix 1: Site Plan
Appendix 2: Asset Disposal Business Case
Appendix 3: Impact Assessment Level 1: Initial Screening Assessment

Appendix 1 – Site Plan



Asset Disposal Business Case

Name of Asset:	Gresham Housing Site (7.5 acres) – see attached plan.
Asset Register Number:	12029/509 – HDV Gresham Phase 1 Land. 12029/509 – Gresham Phase 1.
Current Use:	Partially cleared brownfield development site – the property was 'Not In Use' by the Council as at the date of valuation.
Valuation at Current Use (Asset Register) £:	<p>The Housing Site consists of land included in both of the above Asset Valuation Reports but excludes an area that is to be sold to facilitate the extension of the Parkville Care Home.</p> <p>Both Asset Valuation reports value the cleared land at £280k per acre and assume abnormals at 50% for the removal of roads and underground structures and services.</p> <p>The Housing Site shown on the attached plan is approximately 7.5 acres. The site value is therefore:</p> <p style="text-align: right;"> 7.5 acres @ £280,000 per acre = £2,100,000 Less 50% for abnormal costs = <u>£1,050,000</u> Total value: <u>£1,050,000</u> </p>
Reason for Disposal:	<p>On 1st August 2018, the Executive approved a revised masterplan for Gresham that designated part of the subject site for the development of housing.</p> <p>The Council has agreed terms with the Prestige Group for the sale of land to facilitate the extension of the Parkville Care Home. The Head of Financial Planning and Support approved an ADBC to dispose of the site, and the matter has subsequently progressed to legals. For the avoidance of doubt, this ADBC therefore excludes the area that is to be sold to the care home.</p> <p>The Council is in discussion with Thirteen regarding the comprehensive development of housing on the site, which will support the Mayor's vision to house an additional 4000 people in the town centre of the next ten years.</p>
Latest Valuation (Proposed Disposal) £:	£1,050,000 – subject to a Red Book Valuation appraisal of the proposed scheme by an independent third party valuer, to assess all applicable development and abnormal scheme costs and confirm the net residual land value payable.

Asset Disposal Stream (Please Select):

Generate Capital Receipt	v [03]
Stimulate Economic Activity	v [01]
Support Communities	v [02]

(In the event of more than one stream being relevant please rank in order of importance (1), (2), (3))

Officer requesting Disposal (Responsible Service Manager):

Name:	Andrew Carr
Position:	Development Services manager

Could the asset be disposed of for an alternative use that may give a higher capital receipt to the Council?

(To be completed by Valuation and Estates): (Tick)

Yes		No	v
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If yes please outline potential use:

N/A

Estimated Value at Alternative Use:	£ N/A
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Key factors to be considered when assessing potential disposals:

1.	This proposal fits with the wider Gresham masterplan and Investment Prospectus.
2.	Maintains a vibrant town centre community.
3.	Investment provides addition benefits by way of Council Tax and New Homes Bonus.
4.	Contributes towards the Mayor's agenda to increase Urban Living.

Any additional financial factors to be considered other than immediate capital receipt:

Middlesbrough Council is currently in the process of entering into a Strategic Partnership with the Thirteen Group, and North Star Housing to assist in the delivery of its housing ambitions.

The subject parcel of land [measuring @ 7.5 Acres] has been identified by the partnership as an opportunity on which to bring forward housing development in an urban setting located close to the centre of Middlesbrough. Delivery of the site via this partnership vehicle would help facilitate delivery of the Council's housing development programme and bring the site into far more beneficial future use.

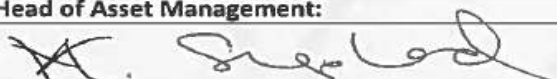
The site has been subject to little or no interest from market house builders due to market forces, and the potentially onerous cost of development in this town centre location. As a result, there is a need to approach development of the site from the perspective of a partnership that can work

together in order to mitigate the effect of lower sales values and the costs of development if the site is to be brought forward in a viable form. It is recognised that this can best be achieved by the Council working with partners who have both the resources and the track record to develop new homes on such a site.

The site is held on the Council's Asset register at a sum of £1,050,000 – with the figure stated reflecting the value of the land for market housing development and adjusted with an allowance for as yet unknown abnormal costs. A Red Book Valuation appraisal of the proposed development scheme will be undertaken by an independent third party valuer in order to assess the applicable development and abnormal scheme costs, and confirm the net residual land value payable.

The land value will therefore be subject to further adjustment pending the outcome of that valuation exercise, and the subsequent agreement of the same with the buyer. In addition to any capital receipt payable, disposal of the land for residential development purposes will generate New Homes Bonus income and bolster the Authority's Council Tax revenue going forward in perpetuity.

Asset Not Needed by the Council - Approved to proceed:

Head of Asset Management:	(Yes) Tick	No (Tick)	Date:
	<input checked="" type="checkbox"/>	<input type="checkbox"/>	30/7/19

Preferred Method of Marketing (to be completed by Valuation & Estates): (Tick)

Formal / Informal Offers	
Private Treaty	
Auction	
Community Asset Transfer Process	

Method for Final Approval (before proceeding with preferred method of marketing) :

Estimated Value:	Approval Required:	Authorised:	Date:
Less than £50,000	Head of Financial Planning and Support		
Between £50,000 and £150,000	Strategic Director of Finance, Governance and Support		
More than £150,000	Executive Property Sub Committee or Executive		

V3 7 December 2017

Appendix 3 - Impact Assessment Level 1: Initial screening assessment

Subject of assessment:	Long-term lease of the Gresham Housing Site to Thirteen Housing Group			
Coverage:	Service specific.			
This is a decision relating to:	<input type="checkbox"/> Strategy	<input type="checkbox"/> Policy	<input type="checkbox"/> Service	<input type="checkbox"/> Function
	<input type="checkbox"/> Process/procedure	<input type="checkbox"/> Programme	<input type="checkbox"/> Project	<input type="checkbox"/> Review
	<input type="checkbox"/> Organisational change	<input checked="" type="checkbox"/> Other (please state) Asset management		
It is a:	New approach:	<input type="checkbox"/>	Revision of an existing approach:	<input checked="" type="checkbox"/>
It is driven by:	Legislation:	<input type="checkbox"/>	Local or corporate requirements:	<input checked="" type="checkbox"/>
Description:	<p>Key aims, objectives and activities To assess the impact of the proposal to dispose of Council land on a long lease.</p> <p>Statutory drivers (set out exact reference) The Local Government Act 1972 Section 123, as amended by the Local Government Planning and Land Act 1980 Section 118 Schedule 23 Part V.</p> <p>Key stakeholders and intended beneficiaries (internal and external as appropriate) The Council, Thirteen Housing Group, and the local community.</p> <p>Intended outcomes The proposed disposal of the subject site would deliver the following outcomes:</p> <ul style="list-style-type: none"> • Establish a viable and vibrant city centre living concept, which will give confidence to occupiers, developers and investors that the town centre is a safe, comfortable and well managed place in which to enjoy living, learning/working and leisure time. • The redevelopment of a key gateway site. • The development of 179 units of affordable housing. • 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. 			
Live date:	27 th August 2019			
Lifespan:	Not applicable			
Date of next review:	Not applicable			

Screening questions	Response			Evidence
	No	Yes	Uncertain	
Human Rights Could the decision impact negatively on individual Human Rights as enshrined in UK legislation?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<p>It is considered that the disposal of the subject land on a long lease will not impact negatively on individual human rights as the proposal represents a significant and positive enhancement for the local and wider area, which outweighs the loss of the parcel of land. This assessment has been made taking into account:</p> <ul style="list-style-type: none"> the fact that the land is a former housing market renewal site that has been assembled since 2006; the development of 179 new affordable homes that the disposal will facilitate; and, the establishment of a thriving urban living market, which will diversify the town centre economy.
Equality Could the decision result in adverse differential impacts on groups or individuals with characteristics protected in UK equality law? Could the decision impact differently on other commonly disadvantaged groups?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<p>The Council has a duty to consider the impact of the proposed decision on relevant protected characteristics, to ensure it has due regard to the public sector equality duty. Therefore, in the process of taking decisions, the duty requires the Council to have due regard to the need to:</p> <ul style="list-style-type: none"> (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act; (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it, and (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it. <p>It is considered that the proposal to facilitate the development of affordable housing will not have a disproportionate adverse impact on a group, or individuals, because they hold a protected characteristic. Evidence used to inform this assessment includes engagement to date with relevant Council departmental teams and Thirteen, together with analysis of the terms and conditions that will be incorporated within the proposed sale.</p>

* Consult the Impact Assessment further guidance appendix for details on the issues covered by each of these broad questions prior to completion.

Screening questions	Response			Evidence
Community cohesion Could the decision impact negatively on relationships between different groups, communities of interest or neighbourhoods within the town?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	There are no concerns that the proposal could have an adverse impact on community cohesion. The decision to dispose of the land on a long lease to facilitate the development of affordable housing will not impact negatively on relationships between different groups. The decision would assist the Council's Social Regeneration agenda, ensuring a steady supply of affordable housing to meet the needs of its emerging and aspiring population.
The Mayor's Vision For Middlesbrough Could the decision impact negatively on the achievement of the vision for Middlesbrough?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The disposal of this land on a long lease is aligned to the Mayor's Vision for a Fairer Middlesbrough as it will assist with the provision of fair access to high-quality homes. The decision will also contribute towards the priority to strengthen our city through bold and innovative regeneration and help create a Stronger Middlesbrough This assessment has been made taking into account the new affordable homes that will be created in the town centre.
Organisational management / Change Programme Could the decision impact negatively on organisational management or the transformation of the Council's services as set out in its Change Programme?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The decision would not have any negative implications for the Council's transformation programme. The Housing Strategic Partnership will generate Council Tax and New Homes Bonus, which support the Council's Medium Term Financial Plan.
Next steps: ➡ If the answer to all of the above screening questions is No then the process is completed. ➡ If the answer of any of the questions is Yes or Uncertain, then a Level 2 Full Impact Assessment must be completed.				

Assessment completed by:	Andrew Carr	Head of Service:	Steve Fletcher
Date:	30/07/19	Date:	30/07/19

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 MHomes, 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 MHomes 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.