

Report of:	Richard Horniman - Director of Regeneration and Culture Ian Wright - Director of Finance Councillor Ashley Waters - Executive Member for Regeneration Councillor Chris Hobson - Executive Member for Finance and Governance
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Submitted to:	Executive - 13 April 2021
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Subject:	Boho Residential Site - Marketing and Disposal
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Summary

Proposed decision(s)
That Executive approves: a) the commencement of a process to market and dispose of the Council’s freehold interest in land at Middlehaven, in order to facilitate the Boho Residential development; and, b) the principle to allocate grant funding of up to £2m from the Towns Fund, where an appraisal has confirmed that there is a funding gap that would otherwise make the scheme unviable, subject to confirmation of compliance with Subsidy Control rules.

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

Contribution to delivery of the 2020-23 Strategic Plan		
People	Place	Business
The development of housing, will contribute towards Middlesbrough’s Housing Growth Programme and increase the quality and quantity of homes available to residents.	Investing in Middlesbrough to provide new housing on a key site, which will support the regeneration of the town centre and help create an attractive place to live, work and visit.	The proposal to dispose of the subject parcel of land will generate Council Tax and Business Rates.

Ward(s) affected
Central Ward.

What is the purpose of this report?

1. The purpose of the report is to seek Executive approval for:
 - a) the commencement of a process to market and dispose of the Council's freehold interest in land at Middlehaven, in order to facilitate the Boho Residential development; and,
 - b) the principle to allocate grant funding of up to £2m from the Towns Fund, where an appraisal has confirmed that there is a funding gap that would otherwise make the scheme unviable, subject to confirmation of compliance with Subsidy Control rules.

Why does this report require a Member decision?

2. The proposal relates to the disposal of an asset deemed to be surplus, which is valued in excess of the £150,000 threshold.

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. The Mayor's ambition accords with the priorities for Place, set out in the Strategic Plan 2020-23, which states that the Council will:
 - a) develop Middlehaven as a residential, leisure and commercial centre of national significance; and,
 - b) build more town centre homes to boost businesses and increase vibrancy, while reducing the need to build on green space.
4. The Housing Local Plan 2014 also identifies a priority to develop 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 Middlehaven.
5. The establishment of a viable and vibrant Urban Living concept will also 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.
6. Major house builders make development decisions based upon market demand, which in Middlesbrough has historically been driven by a desire to live in a family house with good amenities and facilities. In contrast, development in the town centre has been perceived to be higher risk with high development costs and lower sales values. A major residential development in Middlehaven will help kick start a market, which is commercially challenging.

Boho Next Generation

7. In March 2020, the Executive approved the Boho Next Generation: Creating The DigitalCity report, which set out the plans for the Delivery of Boho X, which forms the first phase of a wider vision / master plan for the DigitalCity campus encompassing a much wider opportunity that could provide up to £250m of business and residential development.

8. The report outlined that Boho X scheme will form part of a much wider vision for the development of a wider DigitalCity campus, incorporating much of the former St Hilda's area. The total development value could amount to £250m of investment comprising of extensive new workspace, residential development and an urban farm. It will also include the renovation of the key heritage assets of the Old Town Hall and the former Captain Cook Public House, Middlesbrough's oldest intact pub. It was reported that, whilst the initial phase focused on the development of the business workspace, the master plan allowed for substantial residential opportunities.

Boho Residential Development

9. The Boho Residential site is approximately 1.25 acres and is shown on the plan attached as Appendix 1. The area comprises the eastern area of a Council owned car park, which is surrounded by a perimeter fence with gated access, and is adjacent to the site of Boho X.
10. The vision for the proposed scheme is to create an aesthetically pleasing development of up to 90 residential units. Marketing particulars will be produced, which will provide guidelines on the key layout principles, type and quality of development that the Council will be seeking to achieve on this site. Historic England have already identified that future development in this area should show greater regard for the historic grid iron pattern of the area.
11. As a consequence, schemes in this location will be expected to have a strong street frontage presence, with development being on the perimeter of development blocks giving a strong definition to streets and the grid iron street pattern. There should also be consistent and high quality public realm linking the various components of the area, bringing a uniformity to the street scape and urban form, which will be key to place making. Buildings will need to be designed with this in mind and should seek to integrate into this wider vision for the area.

Land Value and Grant Assistance

12. The land has been valued by Valuation and Estates at £220k per acre, giving a land value of £275k. An Asset Disposal Business Case is attached as Appendix 2 to this report.
13. The site has been subject to little interest from market house builders due to market forces, and the potentially onerous cost of development in this location makes it a relatively unattractive development opportunity. As a result there is a need to consider the proposal from a long-term perspective, where the Council works with a development partner to mitigate the effect of lower values in the short-term.
14. The Council has recently received an award of funding from the Towns Fund and, in recognition of the issues set out above, this report will recommend that grant funding of up to £2m will be made available to prospective developers on a per unit basis, where an appraisal can demonstrate that the scheme would otherwise be financially unviable.

15. If the recommendations of this report are approved, the details of the grant scheme will be developed, and compliance with Subsidy Control rules confirmed, prior to being issued to prospective bidders with the marketing particulars.

Wider Socio-Economic Benefits

16. The anticipated capital receipt from the sale of the site cannot be considered in isolation. The wider socio-economic benefits to the town must also be considered. The development will complement Boho X and will support the implementation of the DigitalCity masterplan by providing high quality homes for potential employees.
17. The disposal of the site will generate the following benefits:
- a) The opportunity to kick start the Mayor's Urban Living agenda.
 - b) The redevelopment of a key regeneration site.
 - c) The development of up to 90 high quality homes.
 - d) The generation of around £125k per year from Council Tax, based on 90 Band A homes.
 - e) A 2014 study by the Centre for Economics and Business Research shows that for every pound invested in house building, a further £1.42 is generated in the wider economy.

Timescales

18. An estimated timetable for the marketing process is set out below.
- a) Production of marketing particulars: May 2020
 - b) Site marketed via NEPO portal: June 2020
 - c) Preferred bidder identified: August 2020

What decision(s) are being asked for?

19. That Executive approves:
- a) the commencement of a process to market and dispose of the Council's freehold interest in land at Middlehaven, in order to facilitate the Boho Residential development; and,
 - b) the principle to allocate grant funding of up to £2m from the Towns Fund, where an appraisal has confirmed that there is a funding gap that would otherwise make the scheme unviable, subject to confirmation of compliance with Subsidy Control rules.

Why is this being recommended?

20. 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. The Mayor's ambition accords with the priorities for Place, set out in the Strategic Plan 2020-23, which states that the Council will:
- a) develop Middlehaven as a residential, leisure and commercial centre of national significance; and,

- b) build more town centre homes to boost businesses and increase vibrancy, while reducing the need to build on green space.
21. The establishment of a viable and vibrant Urban Living concept will also 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.
 22. The development will also complement Boho X and will support the implementation of the DigitalCity masterplan by providing high quality homes for employees.

Impact(s) of recommended decision(s)

Legal

23. 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.
24. In considering the offers 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 DigitalCity masterplan in an assessment of best value against strategic aims.
25. The property would be disposed of freehold with vacant possession in accordance with standing disposal protocol.
26. The details of the proposed grant scheme will be reviewed by Legal Services to ensure compliance with Subsidy Control rules.

Financial

27. The land has been valued by Valuation and Estates at £220k per acre, giving a land value of £275k.
28. Subject to the approval of the recommendations of this report, grant funding of up to £2m from the Towns Fund will be made available to prospective developers on a per unit basis, where an appraisal can demonstrate that the scheme would otherwise be financially unviable, subject to confirmation of compliance with Subsidy Control rules.
29. A development of 90 units would potentially generate around £125k per year from Council Tax in perpetuity (based on Council Tax Band A).

Policy Framework

30. Making Middlesbrough THE DigitalCity is a corporate priority and a key political pledge of the Elected Mayor.
31. Development of the digital and creative cluster is a key ambition within the Tees Valley

Strategic Economic Plan and contributes to the overall commitment to increase jobs and strengthen the local economy by 2025.

32. The decision is, furthermore, aligned with the Mayor's vision to attract an additional four thousand people to live in the town centre in the next ten years.
33. The decision is also aligned to the Medium Term Financial Plan as the proposed housing development will generate income from Council Tax.

Equality and Diversity

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

Risk

35. The following high level risks, which are identified in the Strategic and Directorate Risk Registers, will be reduced by the development of the Boho Residential scheme as proposed.

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.

O1-045 - 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.

36. The following risks are directly associated with the proposed disposal of the site.
- a) Quality: The quality of the development can only be controlled via the statutory planning process.
 - b) Delivery timescales: The Council cannot directly control the timescales of development, but the legal documentation will include appropriate terms regarding milestones for planning consent, the start of development, and, a buy back option.

Actions to be taken to implement the decision(s)

37. Subject to Executive approval, the Council will commence the development of marketing particulars.

Background papers

Body	Report title	Date
Executive	Boho Next Generation: Creating the DigitalCity	17 th March 2020

Appendices

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

Asset Disposal Business Case

Name of Asset:	Land at Middlehaven – Boho Residential Site.
Asset Register Number:	12004/127 – part only [of a large St Hilda’s title]
Current Use:	Vacant – undeveloped parcel of land, being held by the Council for the purpose of regeneration.
Valuation at Current Use (Asset Register)	£218,750 [1.25 acres @ £175,000 per acre]
Reason for Disposal:	<p>The Elected Mayor of Middlesbrough has a vision to house an additional 4000 people in the town centre in the next ten years and wishes to promote the concept of Urban Living.</p> <p>The Council wish to dispose of the site in order to bring forward an aesthetically pleasing residential scheme that will complement other developments in the area, including Boho X.</p> <p>The subject site measures approximately 1.25 acres, is rectangular in shape and generally level.</p> <p>The development is anticipated to deliver up to 90 units of accommodation.</p>
Latest Valuation (Proposed Disposal)	£275,000 [1.25 acres @ £220,000 per acre] – subject to the deduction of applicable development and abnormal scheme costs in order to confirm the net land value payable.

Asset disposal stream (Please Select):

Generate Capital Receipt	(02)
Stimulate Economic Activity	(01)
Support Communities	(03)

(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:

Yes		No	✓
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(To be completed by the Valuation & Estates Team)

If yes, please outline the potential use:

N/A

Estimated Value at Alternative Use	N/A
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Is the Council proposing to dispose of the asset at an undervalue:

Yes		No	✓
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(To be completed by the Valuation & Estates Team)

If yes, please outline the reasons why, and how, the proposed disposal will secure, promote or improve economic & social well-being:

N/A

Key factors to be considered when assessing potential disposals:

1.	Capital receipt generated
2.	Fulfilment of the Borough's Local Plan Framework housing requirement
3.	The development proposal addresses the Mayor's Urban Living vision
4.	Disposal will bring the subject site into a far more beneficial use going forward

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

Disposal as proposed delivers capital investment in Middlesbrough and brings forward for development a site that is held by the Council for the purposes of regeneration.

Delivery of the scheme proposed will generate significant economic activity in Middlehaven and hopefully create much needed local employment opportunities during the period of its procurement, and development.

Asset not needed by the Council – approved to proceed:

Head of Asset Management	Yes	No	Date
<i>Martin Shepherd</i>	✓		<i>24/3/21</i>

Preferred method of marketing:

Formal/Informal Offers	✓
Private Treaty	
Auction	
Community Asset Transfer Process	

(To be completed by the Valuation & Estates Team prior to marketing)

Method for final approval:

Estimated Value	Approval Required	Authorised	Date
Up to £50,000	Valuation & Estates Manager		
Between £50,000 and £150,000	Director of Legal & Governance Services		
More than £150,000	Executive Committee	<i>David Velemir</i>	<i>24/03/2021</i>

(To be completed by the Valuation & Estates Team prior to marketing)

Appendix 3 - Impact Assessment Level 1: Initial screening assessment

Subject of assessment:	Boho Residential Development – Site Disposal			
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.</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 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 regeneration site. • The development of up to 90 units of high quality residential accommodation. • The generation of around £125K per year from Council Tax.. 			
Live date:	April 2021.			
Lifespan:	Not applicable			
Date of next review:	Not applicable			

Screening questions	Response			Evidence
	No	Yes	Uncertain	
<p>Human Rights</p> <p>Could the decision impact negatively on individual Human Rights as enshrined in UK legislation?*</p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<p>It is considered that the disposal of the subject land 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 brownfield site in a regeneration area; the development of 90 new residential units that the disposal will facilitate; and, the establishment of a thriving urban living market, which will diversify the town centre economy.
<p>Equality</p> <p>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?*</p>	<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> <ol style="list-style-type: none"> eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act; advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it, and 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 new homes will not have a disproportionate adverse impact on a group, or individuals, because they hold a protected characteristic.</p>
<p>Community cohesion</p> <p>Could the decision impact negatively on relationships between different groups, communities of interest or neighbourhoods within the town?*</p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<p>There are no concerns that the proposal could have an adverse impact on community cohesion.</p> <p>The decision to dispose of the land to facilitate the development of new homes will not impact negatively on relationships between different groups. The decision would assist the Council's Social Regeneration agenda, ensuring a steady supply of high quality homes to meet the needs of its emerging and aspiring population.</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
<p>The Mayor's Vision For Middlesbrough Could the decision impact negatively on the achievement of the vision for Middlesbrough?*</p>	☒	☐	☐	<p>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.</p> <p>The Mayor's ambition accords with the priorities for Place, set out in the Strategic Plan, which states that the Council will:</p> <ul style="list-style-type: none"> a) develop Middlehaven as a residential, leisure and commercial centre of national significance; and, b) build more town centre homes to boost businesses and increase vibrancy, while reducing the need to build on green space.
<p>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?*</p>	☒	☐	☐	<p>The decision would not have any negative implications for the Council's transformation programme. The proposal will generate Council Tax, which supports the Council's Medium Term Financial Plan.</p>
<p>Next steps:</p> <ul style="list-style-type: none"> ➡ 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. 				
