

TRAFFORD COUNCIL

Report to: Executive
Date: 27 September 2021
Report for: Decision
Report of: Executive Member for Housing and Regeneration

Report Title

Re-development of former Sale Magistrates Court Site , Sale – **Part 1**

Summary

We are seeking approval to implement the recent planning permission and commit the necessary resources to enable the Council to undertake a direct development of the former site of Sale Magistrates Court, Sale.

Recommendation(s)

The Executive is recommended to:

- a) Note the due diligence currently undertaken, as set out in the report
- b) Authorise the re-development of the former Sale Magistrates Court pursuant to planning permission : 102822/FUL/20 and in accordance with planning policy, to include all non-material amendments and variations that may be required as a consequence of the development
- c) Delegate authority to the Corporate Director of Place in consultation with the Corporate Director of Governance and Community Strategy to negotiate agree and authorise the entering into of all contracts, professional appointments, or any other similar matter required or beneficial to the delivery of the development.
- d) Delegate authority to the Corporate Director of Place in consultation with the Corporate Director of Governance and Community Strategy to negotiate, agree and authorise the entering into of easements, wayleaves, substation leases or any other similar matter required or beneficial to the delivery of the development whether or not it secures the best consideration that can be obtained.
- e) Authorise in principle the disposal of the completed units and delegate authority to the Corporate Director of Place to negotiate agree and authorise the entering into of all contracts and deeds for the disposal of the completed units.
- f) Authorise the Corporate Director of Governance and Community Strategy to finalise and enter into all legal agreements required to implement the above recommendations.
- g) Approve increased level of sustainability at a cost of £350k and include contribution of £260k to Trafford Housing Trust towards Social Rent.

Contact person for access to background papers and further information:

Name: Mr Richard Roe
 Extension: 4265
 Background Papers: None

Implications:

Relationship to Policy Framework/Corporate Priorities	Supports policy for Economic Growth and Development.
Relationship to GM Policy or Strategy Framework	The proposed development will provide High quality housing, with appropriate and affordable options for different groups
Financial	This scheme has been developed to support regeneration and generate income to support the Capital Programme. The estimated capital cost of the scheme is £25.5m including works, fees, contingency, internal costs and land assembly. CBRE are currently carrying out a viability assessment of the scheme before a full appraisal is presented for approval at a future IMB meeting. The original estimated development return, as included in the current land sales programme is £3.0m. Since February, there have been a number of quality improvements and cost pressures as detailed in the report that reduce this to £1.6m. In addition to this, the approvals sought in this report around sustainability and social rent if approved will further reduce this to £1.0m. These changes reflect a significant decrease in the available capital resources which will increase the affordability pressures on the current Capital Programme. This will be addressed as part of the Capital Programme bidding round for 2022/23 and future years.
Legal Implications:	The PCSA and the development will necessitate the Council entering into numerous contracts and professional appointments, and disposition of land which will all need to be done correctly ensuring that the Council is protected as much as possible.
Equality/Diversity Implications	An equality Impact assessment has been carried out which found there was no negative impact or restriction on any person based on the following factors: <ul style="list-style-type: none"> • Age • Disability • Pregnancy and maternity • Religion or belief • Race • Sexual orientation • Gender reassignment • Marriage and civil partnership
Sustainability Implications	The scheme is designed to reduce energy demand through passive design measures lowering energy bills for potential

	occupiers. This will be coupled with low energy building services and supplementary renewable technology where required. The development will be designed to meet the 5% improvement outline in the Trafford Council Core Strategy, Policy L5.
Carbon Reduction	A Whole life carbon report prepared in accordance with RICS Whole life carbon assessment of the built environment November 2017 has been commissioned for both Design and Construction of the proposed development.
Resource Implications e.g. Staffing / ICT / Assets	The Director of Development will lead a small team of Project, Design and Cost Management personnel to optimise the scheme design solution during PCSA Stage 2 which leads to formal appointment as Development Partner prior to commencement on site with a managed and agreed risk position. Legal staff will be required to support the project and to dispose of the completed units.
Risk Management Implications	There are risk implications associated with any investment. Risk in relation to this development model has been mitigated through; <ul style="list-style-type: none"> - Professionally executed ITT and selection of the preferred bidder (DM and Contractor) - Use of external advice to deliver the DM procurement strategy - Full detailed design and development in association with the LPA (PPA) leading to Full planning approval. Further detail on risk is set out in the report.
Health & Wellbeing Implications	No Direct Implications
Health and Safety Implications	No Direct Implications

1.0 Background

- 1.1 In March 2018, the Council's Investment Management Board approved the acquisition of the former Sale Magistrates Court site for the purpose of pursuing the direct delivery, by the Council, of the future redevelopment of the site.
- 1.2 Following this approval, the site was acquired by the Council on 28th June 2018 for an initial outlay of £4.3m, including associated fees and costs. The building was subsequently demolished and the site cleared in preparation of future works.
- 1.3 The Council went out to procure a development partner in June 2019, and appointed Seddon Construction Ltd as preferred bidder, with a Pre-Construction Services Agreement signed in July 2020.
- 1.4 Following appointment of Seddon a number of design development workshops were undertaken with the Local Planning Authority (LPA) in order to ensure the quality of design was maintained. A review of the density of the development along with detailed discussions pertaining to the aesthetics of the individual elements of the buildings and the design intent. LPA aspirations in respect to creating a sense of place and a development where people would be proud to live and work.

1.5 The proposed new development is of the highest design quality and enhances the streetscene and takes into account its high-profile frontage along the A56. It is considered the most appropriate form of development and provides a mix of townhouses and apartments. The interaction of the new development and its links to the centre of Sale form a pedestrian travel perspective, the extension of the avenue of trees, the introduction of the green spaces to provide some relief from the hard surfacing of road and pedestrian footways.

1.6 Trafford Council and Seddon achieved Planning Approval on Thursday 11th March 2021 for a residential development of 84 units on the former Sale Magistrates Court site.

2.0 Award of Preferred Supplier

2.1 Seddon were appointed under a Pre-Construction Services Agreement (PCSA) on 10th July 2020 which allowed Seddon to move forward on the design of the proposed development with the intent of achieving RIBA Stage 3 (Spatial co-ordination). Seddon engaged in detailed dialogue with both the Development Team and the Local Planning Authority (LPA) seeking to achieve a residential development which meet the requirements of the client brief whilst complying with the requirements of the LPA.

2.2 Seddon entered into a Planning Performance Agreement with the LPA in order to streamline the process and allow all parties to work together in collaboration with a view to achieving Planning approval for the proposed development.

3.0 Seddon bid at Preferred Supplier Appointment

3.1 At tender stage, the proposed development comprised 92 residential units made up of 40 apartments and 52 houses.

3.2 The apartments were made up of 19 one bedroom units and 21 two bedroom units with two configurations of the two bedroom units. All units were to be accommodated within two apartment blocks having frontage to Cross Street.

3.3 Houses were designed to deliver both three and four bedroom units split across 11 three bedroom houses and 41 four bedroom units. Each type was provided with two configurations with garages to the larger four bedroom unit type.

3.4 At tender stage, it was proposed to provide a Policy compliant number of affordable homes which meant providing 25% of total numbers (24 units) for this asset class.

4.0 Planning Approval

4.1 Trafford Council and Seddon achieved Planning Approval on Thursday 11th March 2021 for a residential development of some 84 units on the former Sale Magistrates Court site.

4.2 Planning Committee issued a 'minded to approve' decision on 11th March 2021.

4.3 The planning approved development proposals comprise 84 units made up of 38 apartments and 46 houses.

4.4 The apartments will be made up of 18 one bedroom units and 20 two bedroom units with two configurations of the two bedroom units. All units will continue to be accommodated within

two apartment blocks having frontage to Cross Street. It is intended that apartment block A1 (corner of Cross Street and Ashton Lane) be used exclusively for affordable rent tenure.

- 4.5 Amended house types have been designed to deliver both three and four bedroom units split across 12 three bedroom houses and 34 four bedroom units. The three bedroom units are provided with a single integral garage. There are two configurations of four bedroom unit types; one of which contains a single integral garage.
- 4.6 Unit types are significantly larger than at tender stage owing to the requirement to satisfy the requirements of both the Planning and Highways Department requirements that garages be 3mX6m in dimensions and provided with sliding folding doors to avoid vehicles having to park/wait on the highway for the garage door to open. These two items have added significantly to costs and have increased building footprints of the affected units.

5.0 Affordable Provision

- 5.1 At tender stage, it was proposed to provide a Policy compliant number of affordable homes which meant providing 25% of total numbers (21 units) for this asset class.
- 5.2 Over recent months, an exercise has been undertaken to test the market for the affordable housing element of the development. 10 Registered Providers were approached and invited to submit offers to purchase these units and to examine the options to take an increased number of units and tenure mix. Most recent thinking has involved a broader range of units and broader tenure mix including social rent in the knowledge that this would negatively impact the outcome of the development appraisal.
- 5.3 At tender stage, offers were invited from Registered Providers (RPs) to provide a planning policy compliant 25% affordable homes (21 units), above planning policy offers were also requested at 30% (25 units), 35% (29 units) and 40% (34 units) increments. The aim of this exercise was to understand the impact of each increment and ascertain the RPs preferred tenure mix.
- 5.4 Following the first round of tender receipts which were based on a tenure mix of affordable rent and shared ownership, and discussions with STAR Procurement, a further tender was undertaken on the basis of an alternative mix of affordable housing with an increased level of social rent.
- 5.5 Offers were requested based on the following unit mix which was believed to be optimal:
- 13nr 1 and 2 bed apartments for affordable rent
 - 4nr 3 and 4 bed houses for Shared Ownership
 - 4nr 3 bed houses for social rent
- 5.6 Following the formal tender process carried out mid July 2021 in which those RPs who had previously submitted an offer were invited to resubmit, four tenders were received from the following RPs as a Best and Final Offer (BAFO)
- 5.7 Amending the provision of affordable housing to replace four shared ownership properties with four social rent represents an investment of an additional £260,000 in affordable housing.

6.0 Sustainability

- 6.1 A fabric first approach has been taken in designing the scheme, with a robust external wall make-up, improved glazing and increased cavity insulation. The effect of this being better thermal performance and improved air tightness.
- 6.2 In addition, an air source heat pump will supply heating to the houses with a warm water recycling system and the correctly specified heating units to ensure efficient performance and reduced energy bills.
- 6.3 Due to constraints with air source heat pumps, heating to the apartments will be provided by modern energy efficient electric panel heaters.
- 6.4 There will be no gas utilisation on this scheme.
- 6.5 The cumulative impact of the increased specification is expected to improve the energy performance of the scheme by between 15% and 20% over Building Regulations.
- 6.6 The financial impact of these changes is circa £350,000.
- 6.7 All design work has been completed by a suitably qualified specialist.
- 6.8 In addition to an increased specification, a consultant has been approached to provide a scope of works for a 'Whole Life Cost' assessment of the scheme which will be used to develop Key Performance Indicators for the Contractor to report against while on-site.

7.0 Market Appraisal

- 7.1 We have commissioned comparable evidence of recent sales of new build and second-hand residential dwellings in Sale and quoting prices of units that are currently on the market.
- 7.2 The achieved price is dependent on multiple factors, most notably the location, specification, size, construction, and parking provision. We would comment that the best evidence in forming our opinion of value comes from the new build schemes within Sale, however, there have been very few recent new-build schemes in the locality meaning we have also had to consider re-sales of older properties in arriving at our opinion of GDV. The new build evidence collated above provide values in the region of:-
- One Bedroom Apartment – £215 psf to £375 psf;
 - Two Bedroom Apartment – £221 psf to £405 psf;
 - Three Bedroom Terrace – £304 psf;
 - Four Bedroom Townhouse – £262 psf to £367 psf.
- 7.3 In the course of our due diligence we held discussions with several local estate agents active in the Sale in order to gauge their opinion on the likely level of demand for the proposed development and to gain their view on realistic sale prices for the various unit types. The agents all confirmed the market in Sale is currently extremely buoyant, which has been aided by historically low interest rates and the current stamp duty window. In many cases demand for family dwellings outstrips supply and competitive bidding situations are not uncommon,

particularly for the larger properties. In these scenarios, vendors have been able call in sealed bids from interested parties and the eventual achieved sale price frequently exceeds original expectations.

7.4 Based on the above, the agents we contacted confirmed they would anticipate there would be a very good level of demand for the proposed dwellings, particularly for the traditional townhouse and semi-detached units given the dearth of good quality new-build stock in the area. This is subject to the usual caveat that the scheme (including both the individual dwellings and the communal areas of the development, such as the landscaping and estate roads, etc) is constructed to a very good standard, commensurate with the local area and the other competing dwellings available for sale.

7.5 The agents stated they would anticipate a reasonably healthy level of demand for the apartments, although there are of the opinion these may take longer to sell as there are numerous apartments currently available for sale and the demand is not as great. The pricing is therefore important. It was noted, however, that much of the current availability comprises office-to-residential conversions whereby the quality is not always comparable to well-constructed, purpose-built, new-build units.

8.0 Financial Implications

8.1 Following a thorough two stage procurement process, Seddon Construction Ltd were selected to proceed as preferred bidder with a Pre-Construction Services Agreement signed in July 2020. This allowed Seddon to work with the Council's Planning and Development teams to produce the proposals outlined in this report. It is to be noted that there is currently an independent review of the proposals being undertaken by the Council's strategic investment advisors, CBRE, to ensure that both costs and anticipated receipts are still in line with current market conditions.

9.0 Other Options

9.1 Do nothing – Retain the site:

This comes with a number of associated costs around security and keeping the site safe which if nothing is done with the site overtime will be become substantial. Borrowing was used to fund the purchase and clearance of the site which if not paid off will have an ongoing revenue cost to cover interest payments with the outstanding debt still need to be paid off.

9.2 Sell the site with Planning Approval:

The site was acquired at a cost £4.3m including associated fees and clearance of the site. With the current level of housing approved as part of the planning decision achieving this level of receipt would be hard based on private sector developers wanting to achieve a 15% development return on such a scheme. A lower receipt potentially could be realised but this would mean that any outstanding borrowing not covered by any receipt would need the interest funding through revenue and ultimately the borrowing would need repaying, with the latter having an impact on available capital resources.

10.0 Next Steps

- 10.1 Appoint Seddon under formal contract to carry out the full development in accordance with the approved planning application, including all non-material amendments and variations that may be required as a consequence of the development.
- 10.2 Following the success of achieving planning approval for the Sale Magistrates site, Seddon are currently closing out RIBA Stage 3. We are now looking to move forward into RIBA Stage 4 – Technical Design which will allow us to define the technical design and construction of the residential units whilst helping to remove some of the existing risk items contained within the current financial appraisal.

Consultation

Throughout the design development and prior to submission of the planning application a full process of public consultation was undertaken.

Reasons for Recommendation

Implementation of the recommendation will allow the Development Team to work in collaboration with Seddon to remove a significant proportion of risk prior to contract appointment of Seddon to carry out the proposed development of 84 new homes within Sale.

The development will produce a capital return for the Council which will support the delivery of the Council's strategic objectives across the Borough.

Key Decision (as defined in the Constitution): Yes

If Key Decision, has 28-day notice been given? Yes

Exempt Information

By virtue of Paragraphs 1,2,3,&4 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended by The Local Government (Access to Information) (Variation) Order, the following information has been excluded from Part 1 of this report and included in Part 2 of the report:

1. ~~Information relating to any individual.~~
2. ~~Information which is likely to reveal the identity of an individual~~
3. Information relating to the financial or business affairs of any particular person (including the authority holding that information)
4. ~~Information relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matter arising between the Council and employees of the Council.~~
5. ~~Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.~~
6. ~~Information which reveals that the authority proposes—~~
 - (a) ~~to give under any enactment a notice under or by virtue of which requirements are imposed on a person; or~~
 - (b) ~~to make an order or direction under any enactment~~
7. Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

In all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Reports will not be accepted without completion of the following section - THE EXECUTIVE MEMBER AND DIRECTOR MUST CLEAR ALL REPORTS before they are sent to Democratic Services.

Finance Officer Clearance *(type in initials) GB*

Legal Officer Clearance *(type in initials) TR*

[CORPORATE] DIRECTOR'S SIGNATURE *(electronic)*



To confirm that the Financial and Legal Implications have been considered and the Executive Member has cleared the report.

Appendix 1

CGI Images of the scheme



