

## **TRAFFORD COUNCIL**

**Report to:** Executive  
**Date:** 6<sup>th</sup> January 2020  
**Report for:** Decision  
**Report of:** Executive Member for Housing and Regeneration

### **Report Title**

**THT and Trafford Council Development: Joint Venture (JV).**

**Tamworth Phase II Development.**

### **Summary**

This report seeks approval for the Council to enter into a Trafford Housing Trust and Trafford Council Joint Venture (JV), for the purpose of undertaking the development of new residential and commercial development schemes.

The report provides an update on the progress achieved to date in connection with the initial residential development site at Tamworth Phase II in Old Trafford and seeks approval to continue progression of the scheme.

### **Recommendation(s)**

It is recommended that the Executive:

- 1) Approve the establishment of a Joint Venture between Trafford Housing Trust and Trafford Council on the terms set out in this report.
- 2) Nominate the Leader, Chief Executive and Corporate Director for Place as Directors of the Joint Venture
- 3) Delegate authority to the Corporate Director for Place, in consultation with the Corporate Director for Governance and Community Strategy to agree minor changes to the terms and finalise the Joint Venture Agreement
- 4) Delegate authority to the Corporate Director for Governance and Community Strategy to enter into and complete all legal documents necessary to establish the joint venture
- 5) Note that the Joint Venture will proceed with the selection and appointment of a multidisciplinary design team to the JV for the delivery of Tamworth Phase II.
- 6) Note that a further report will be presented to the Investment Management Board with the final business case to seek approval for Council investment in the scheme.

Contact person for access to background papers and further information:

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*Implications:*

Relationship to Policy Framework/Corporate Priorities	The Tamworth Phase II development will support the delivery of the Council's Corporate Plan (2019), including the priorities Building Quality, Affordable and Social Housing, Health and Wellbeing, and Successful and Thriving Places. It will facilitate the successful implementation of the Old Trafford Masterplan (OTMP) and support the delivery of the adopted Trafford Local Plan: Core Strategy which identifies Old Trafford as a Priority Regeneration Area.
Relationship to GM Policy or Strategy Framework	At a GM level the Tamworth Phase II development will support the growth ambitions articulated within the emerging Greater Manchester Spatial Framework and the GM Strategy.
Financial	The costs associated with the initial feasibility and masterplan have been jointly funded by the THT and Trafford Council JV. At this stage further work is required on the business case for this development and this will be reported to the Investment Management Board. The Council will generate a capital receipt from the transfer of its land into the new Company. The Council's share of costs associated with the next stages of viability and design work will be financed from the Investment Strategy budget in the Capital Programme, scheme ref 2797. In the event that the scheme is unviable and does not proceed then these will become abortive and be a charge against the revenue budget.
Legal Implications:	The Council will need to undertake all relevant actions as set out in the report. The Legal team will support the compilation/review and assessment of the Heads of Terms (HOT,) Development Services Agreement, Corporate Services Agreement and the THT/Trafford Council JV, LLP.
Equality/Diversity Implications	The JV will undertake an independent Economic Impact Assessment as part of the Tamworth Phase II development which will set out the outcomes that could be achieved. The OTMP was subject to an Equalities Impact Assessment to ensure that equality issues have been considered as part of its preparation and implementation.
Sustainability Implications	The OTMP is supported by sustainability analysis of its economic, environmental and social impact. The delivery of the Tamworth Phase II development will need to meet current planning policy in relation to energy and sustainable

	design.
Resource Implications e.g. Staffing / ICT / Assets	Resources have been identified to support the delivery of the Tamworth Phase II development and related activity across all the partners.
Risk Management Implications	The delivery of the Tamworth Phase II development will be supported by a risk plan setting out the key risks to delivery and proposed mitigation measures.
Health & Wellbeing Implications	None as a consequence of this report.
Health and Safety Implications	None as a consequence of this report.

## BACKGROUND

- 1.1 Having partnered on the delivery of the Old Trafford Masterplan (OTMP) for the past ten years, Trafford Housing Trust (THT) and Trafford Council are now seeking to establish a formal 50:50 Joint Venture (JV) to facilitate the further development of new residential schemes in the OTMP/Old Trafford Priority Regeneration Area.
- 1.2 The initial development to be undertaken by this new partnership will be Tamworth Phase II, the site is located off Bold Street, Old Trafford. The site is fully owned by THT and Trafford Council and was cleared for development in 2015 as part of the delivery of the OTMP. The site was previously used for housing, shops and a public house but all buildings have been demolished. The site is bounded by open green space, Loreto College and a mix of private and affordable housing. The affordable housing is managed by THT and Your Housing.
- 1.3 As part of the OTMP, the JV partners will bring forward a development that will further enhance the quality of new housing stock in this area and the range of choice in type and tenure of housing. The site represents the largest development site in OTMP area to date, and an opportunity to create a bespoke and bold development with a strong place making element. The site has capacity for in excess of 150 new homes and can deliver a choice of houses and apartments and for a range of tenures. The JV will be looking for an aspirational but viable development, with potential to maximise the environmental credentials of the site and to consider more innovative forms of construction.
- 1.4 An Outline Planning Application was submitted for Tamworth Phases 1 and 2 (ref: 78259/O/2012 – Land at Bold Street, Old Trafford) and went before the Planning Committee in June 2012. Planning Committee resolved to grant conditional permission subject to a Section 106 agreement being signed. The Section 106 agreement was not signed as a new planning application for Phase 1 was submitted (ref: 83603/FULL/2014) and the initial outline application withdrawn.
- 1.5 THT delivered Phase 1 of Tamworth which comprised 26 affordable houses and apartments. As part of the delivery of the OTMP, it was planned that this would form all/part of the affordable housing element of the overall Tamworth site. However, whilst there is a continued desire to further widen the housing choice in the area with the introduction of more homes for sale, shared ownership and private rent on Tamworth Phase II, there is still a desire to deliver more affordable/social rent homes in this location too.

## 2. PROPOSED JOINT VENTURE

2.1 Given the neighbouring land ownerships, and the strategic partnership between the Council and THT it is proposed to establish a JV between the two organisations to develop this site. The benefits to THT and Trafford Council of pursuing this JV are:

- Ongoing contribution to the regeneration of the strategic priority Old Trafford Priority Regeneration Area/OTMP.
- Formal partnership builds on the trusted relationship between THT and Trafford Council to deliver mutual benefits.
- Sharing of resources and respective strengths will enable development to be accelerated in Trafford, and ensure good quality management of the affordable homes in the future.
- Clear governance arrangements will enable both THT and Trafford Council to manage the pace, design and quality of the development.

2.2 The Council sees the establishment of JVs as providing appropriate vehicles to bring forward development more quickly, sharing risk and reward equally for the benefit of both parties, and residents. Once the JV with THT has been set up the two parties will explore further opportunities for joint development. The establishment of the JV, and approval of the Heads of Terms, is also subject to appropriate approvals in accordance with THT's governance arrangements.

2.3 Draft Heads of Terms have been prepared, which propose:

- i) the JV will take the form of a limited liability partnership (LLP) .
- ii) the Members will be THT Developments Ltd and Trafford Council who will "own" the LLP in equal shares (50:50). The intention is that each party contributes capital in equal shares to fund the development of the site
- iii) Each Member will be able to appoint three people as Directors on the Board.
- iv) the objective of the JV will be to build long term relationships to the mutual benefit of the 'members', drawing on the respective strength of each organisation to source, acquire, develop and dispose of land which will secure the development of the site and contribute towards the regeneration of the wider area whilst also creating and maximising profit in the LLP for distribution to its members.
- v) the development of affordable housing above and beyond that required to satisfy planning obligations, is not a defining objective of the LLP. Trafford Housing Trust or any member of its Group will be given a first option to acquire any Affordable Housing to be constructed pursuant to s106 or planning obligations at a price to be agreed with the LLP, and subject to meeting procurement requirements.
- vi) the funding needs of the LLP will be met by the Members or, if they unanimously agree, by external funding on appropriate commercial terms.
- vii) to provide the resources (including the provision of office facilities, office equipment and office and executive staff) necessary to facilitate the carrying on of the Business. Unless the Members decide otherwise, the LLP will not have any employees. It will receive services from THT (or members of the THT Group) or the Council under service level agreements and contracts.

- viii) to take, or procure the taking of, appropriate action (including, without limitation, pursuing legal proceedings) in the event of negligence or material misconduct on the part of any person with which the LLP contracts;
- ix) to comply with the provisions of all applicable laws, regulations and requirements of any competent jurisdiction or authority affecting the LLP and the LLP Assets as applicable (including, without limitation, the Statutes);
- x) to ensure that all procurement of works, equipment, goods and services shall be based on the principles of fair and open competition, value for money, non-discrimination, best value and best practice. In determining how this requirement should be met, the LLP must take account of public sector accountability and probity, and shall document the decision-making progress in reasonable detail

### **3. PROPOSED PROJECT TEAM**

- 3.1 It is proposed that the JV will progress some initial scheme work to optimise both the tenure mix and development return for this site, with a view to submitting a planning application in early 2020. To this end, THT and Trafford Council have commenced assembling a project team, subject to approval to form the JV.
- 3.2 The JV will also be looking to appoint the wider professional team of consultants in the Autumn to undertake some further site investigation and feasibility work before planning consultants are appointed to prepare the application. This initial work will include civil, structural and geotechnical surveys and advice.

### **4. INITIAL VIABILITY ASSESSMENT**

- 4.1 The architects brief has been informed by discussions between THT and Trafford Council, local market research undertaken by THT, demand information from THT's Neighbourhoods Team (who currently manage THT's affordable homes in the area) and some initial massing and viability work undertaken.
- 4.2 The local market research prepared by THT's in-house market analyst and lettings team in November 2018 indicated:
  - The locality is dominated by rented accommodation, between 60% and 80%, with a high affordable percentage.
  - Median rental values are substantially lower than both the City Centre and surrounding areas (£125/week vs £180/week in Hulme and £190-215/week in the City Centre).
  - Sales values are similarly low, with 2 bed apartments c.£125,000 against values of £200,000+ in nearby areas of the City Centre. The average sale price in the area around Tamworth Phase 2 is just £112,000.
  - Links to the Universities and City Centre make the area attractive for commuters and students, and should attract strong demand for more affordable living close to Manchester.

- 4.3 In respect of market housing, a high demand for newly built 2, 3 and 4 bedroomed houses for shared ownership is expected, together with private rented sector apartments, predominately 2-bedroomed to suit couples and sharers and those priced out of the City Centre.
- 4.4 The demand for affordable and social rented housing is split in to high demand for both affordable and social rented, particularly 1 bed, to avoid under-occupation, and larger multi-generational homes, particularly 4-bedroom accommodation, with limited demand for 2 and 3-bedroom houses for affordable and social rent in the area.

## **5. NEXT STEPS**

- 5.1 The JV will undertake further work on design, tenure mix and viability as part of the next stage of reviewing the scheme. This work will be undertaken in December 2019/January 2020, with a full professional team to be appointed in March 2020. This team will then develop and prepare the scheme for a planning application summer 2020. Pre-application discussions will take place with the Council's Planning Service to ensure that the scheme, as it develops, is compliant with local and national planning policy and guidance, and to mitigate, so far as is possible, the risks inherent in the planning process.
- 5.2 The anticipated costs of the project up to and including the submission of the planning application are £250k. These are split 50:50 between THT and Trafford Council as part of the OTMP delivery and will continue to be as part of the JV.
- 5.3 The decision to proceed with a final scheme will be determined by the JV Board, subject to funding approval. Funding approval will be made by both organisations, and from the Council perspective it is expected that a report will be presented to the Investment Management Board for approval of Council investment in the scheme.

## **6. WIDER CORPORATE LINKS**

- 6.1 The Tamworth Phase II will be consistent with the Council's Corporate Plan (2019), the Trafford Economic and Housing Growth Framework (2018), and the Trafford Housing Strategy (2019). At a GM level, it will support the growth ambitions articulated within the emerging Greater Manchester Spatial Framework and the GM Strategy.

## **7. OTHER OPTIONS**

- 7.1 The Council could dispose of its land at the Tamworth Site in isolation via its Land Sales Programme or jointly with THT. However it is considered that this would not maximise the potential of the Council's asset or provide a sufficient catalyst for the wider regeneration of Old Trafford.

## **8. CONSULTATION**

- 8.1 As the proposals for Tamworth Phase II are developed specific consultation and engagement will be undertaken, building on the considerable work already carried

out with the community in relation to the preparation and delivery of the OTMP. Once submitted, the planning application will be subject to the usual statutory consultation and publicity requirements.

### **REASONS FOR RECOMMENDATION**

The recommendation enables the establishment of a joint venture with THT to bring forward development of new housing, including affordable housing, in a brownfield sustainable location in the Borough.

**Key Decision** Yes

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

**Finance Officer Clearance** .....GB.....

**Legal Officer Clearance** .....JLF.....

### **CORPORATE DIRECTOR'S SIGNATURE**



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