

TRAFFORD COUNCIL

Report to: Executive
Date: 24 June 2013
Report for: Decision
Report of: Executive Member for Economic Growth & Prosperity

Report Title

Woodsend Circle Redevelopment – Progress Update

Summary

The report;

- a) Summarises the current position with negotiations with LSP Developments Ltd (LSP) regarding the proposed re-development of Woodsend Circle;
- b) Sets out the next steps and critical actions to enable the development to proceed.

Recommendation(s)

That the Executive:

- a) Confirm the appointment of LSP Developments as preferred developer for the redevelopment of Woodsend Circle.
- b) Approve that all the land within the black edging on the attached plan be appropriated to Section 227 of the Town & Country Planning Act 1990.
- c) Authorise the Corporate Director of Economic Growth and Prosperity to proceed with securing vacant possession of units at Woodsend Circle to facilitate the re-development of the site in accordance with the strategy set out in the report in Part ii of this agenda;
- d) Authorise the Acting Director of Legal Services to enter into all necessary legal agreements to support the development and transfer of the land.
- e) Approve in principle that the Council proceed to make a Compulsory Purchase Order, if required to facilitate the re-development, subject to full indemnity of costs by LSP Developments;
- f) Approve that payment for the sale of the land from LSP Developments Ltd is deferred until completion of the first phase of the development in view of the proposed strategy for securing vacant possession.

Contact person for access to background papers and further information:

Name: Mike Wealleans (Principal Estates Surveyor) Extension: 4491
Name: Richard Roe (Housing strategy Manager) Extension: 4265

Background Papers: None

Implications:

Relationship to Policy Framework/Corporate Priorities	This report relates to the Corporate priority economic growth and development.
Financial	<p>The cost of vacant possession will be the responsibility of the developer once the arrangement has gone unconditional but until that time the responsibility lies with the Council. In the event the Council is required to finance any costs in advance of this date these will ultimately be treated as a cost of development and be reimbursed by the developer.</p> <p>This development will have a positive impact on the business rates and council tax taxbase.</p>
Legal Implications:	Due process has been followed in relation to the proposed sale of the land and will be effected through the completion of formal agreements/transfer. The various legal agreements will also need to reflect the position in relation to both the costs of securing vacant possession in order to ensure that the costs will be payable by the developer once the agreement has become unconditional and also the deferral of the capital receipt.
Equality/Diversity Implications	None
Sustainability Implications	The proposed development will provide a scheme that is sustainable and has minimal environmental impact.
Staffing/E-Government/Asset Management Implications	The recommendations will assist Asset Management in achieving the disposal of this asset as part the Land Sales Programme for 2013/2014.
Risk Management Implications	The Agreement with LSP Developments Ltd will contain a frequently reviewed Risk Schedule to cover the whole development. The Experian Credit Check for 2012 states that LSP Developments Ltd are scored 'B Limited Risk (normal)'
Public Health Implications	None.
Health and Safety Implications	None.

1.0 Background

- 1.1 Woodsend Circle is a 1960s, predominately three-storey, block comprising nine retail units and a doctor's surgery on the ground floor, with 11 maisonettes above. Six of the retail units are holding over under expired leases, and the other three are currently vacant. The doctor's surgery is on an annual tenancy, and is due to relocate to a unit within the Trafford General site by December 2014 at the latest. Nine of the residential units are managed by

THT on leasehold arrangements dating from the time of the Stock Transfer Agreement in March 2005, and the remaining two are privately owned under the right-to-buy scheme.

- 1.2 A competitive bidding process was undertaken for the redevelopment of the whole site to provide a mix of retail units, affordable rent properties and market sale housing. The bidding process also required the candidates to take part in a public consultation exercise with stakeholders and the general public. This took place at Woodsend Library from the 23rd February to Saturday 25th February 2012.
- 1.3 Bids were received from four developers: LSP Developments, Kirkland, Cityheart and Williams Tarr. The overall favourite from the public's point of view was LSP Developments (LSP) who took 43% of the votes.
- 1.4 Following comments from residents and businesses each developer was asked to reconsider their proposals. Feedback was also given to each developer by Development Control and Traffic & Transportation in order that their proposed schemes would be generally acceptable in broad terms.
- 1.5 Revised bids were received on Monday 2nd July 2012. Bids were scored against four weighted criteria, as follows:

Criteria 1	Community and Regeneration	40%
Criteria 2	Experience and Capability	20%
Criteria 3	Partnership and Delivery	10%
Criteria 4	Financial benefits	30%

Details of the financial elements of the bids are set out in the related report on Part II of this agenda.

- 1.6 After full evaluation LSP were appointed as the preferred developer for the scheme, subject to Executive approval. LSP's scheme for the site is in two phases, Phase 1 being the construction on the land to the front of the existing block of 6 new retail units with 12 flats above. Trafford Housing Trust (THT) has provisionally agreed with LSP to purchase the 12 flats as affordable units, or a mix of market and affordable rent, once completed, subject to Board approval. Phase 2 is the demolition of the existing block and the construction of 25/26 private houses, comprising 4/5 two bedroom houses and 21 three bedroom houses (subject to final design and agreement with planning), by LSP's private house builder partner, Persimmon Homes.

2.0 Current Position

- 2.1 Negotiations have continued with LSP over the past ten months in connection with the legal agreement and associated documents and these are on course to have all legal documentation to be completed and in place ready for signing by the end of June this year. LSP have been negotiating with potential tenants for the new units and advise that the convenience store and three other units are now let subject to contract and development.
- 2.2 LSP have entered into pre-application discussions with the Council's Development Control team and these discussions are currently proceeding positively. LSP have also entered into discussions with the Council's Building Control team for them to provide the building control service for this development.

- 2.2 The transaction with LSP will be structured as follows and the parties will enter into the following documents at the appropriate time (see section 5 below):
- Conditional Agreement for Sale and Overage provision (“Agreement”);
 - Freehold transfer of each Phase (“Phase Transfer”)
 - Option for the Council to re-acquire each Phase if LSP in default (“Option”)
 - Overriding lease of commercial part of the building (“Commercial Lease”) on terms to be agreed.

2.3 The Agreement will be conditional on the following:

- The grant of “satisfactory” detailed planning permission for both Phase One and Phase Two.
- The obtaining of full vacant possession.
- LSP obtaining a ground condition survey which does not reveal anything over and above the appraisal already provided.
- LSP entering into Agreements for Lease for 80% by ft² (or the Convenience Store and 4 units whichever is lower) of the commercial parts of the development and providing satisfactory evidence of this to the Council.
- LSP entering into a legal Agreement with THT for them to purchase the 10 flats above the retail units in Phase 1 as ‘affordable’ housing.
- LSP obtaining Funding for the Development and providing satisfactory evidence of this to the Council.

There will be a “longstop date” for satisfaction of the conditions, which is still to be agreed. If the conditions are not satisfied by the relevant longstop date the Council will be able to end the Agreement.

2.4 The agreement will require the Council to secure vacant possession of the current retail and residential units, with LSP being liable for all costs associated with this. The timing of action by the Council to secure vacant possession and the signing of the contract with LSP is critical to minimise the financial risk to the Council.

2.5 In order to facilitate securing vacant possession of the land at Woodsend Circle, all the land within the black edging on the attached plan is to be appropriated to Section 227 of the Town & Country Planning Act 1990.

3.0 Securing vacant possession

3.1 There are four distinct elements in the current building which will require different approaches to secure vacant possession. These are:

- a) Retail units
- b) GP Surgery
- c) Residential units leased to THT
- d) Residential units purchased through the Right to Buy.

3.2 A further report in Part II of this agenda sets out the strategy to secure vacant possession.

4.0 Financial liabilities

- 4.1 The total costs to secure vacant possession is estimated to be £447,000. Under the terms of the conditional agreement, LSP will be liable for all these costs, but this liability only starts once the contract has been signed and becomes unconditional on vacant possession being secured. Up until that point the Council is responsible for all costs, and therefore carries the risk that if a contract with LSP is not signed, or if they default, there will be no third party to cover the costs.
- 4.2 In order to mitigate this risk, and to ensure the Council does not have to pay any upfront costs, a number of provisions are being put in place, as set out in the further report on this agenda, due to the commercial nature of these arrangements.
- 4.3 These provision do not entirely remove the Council's risk, as ultimate liability still lies with the Council until such time as the agreement with LSP goes unconditional (on meeting the terms set out in paragraph 2.3), and the Council will continue to carry a residual risk in the event that LSP default in the period between liability for payments commencing and any such payments being made. The provisions do mitigate the risk and removes the requirement for the Council to cash flow any part the vacant possession process unless the development stalls significantly.
- 4.4 In the event that agreement with LSP is not reached, or LSP default, and the scheme does not proceed, the Council will have vacant possession of some or all the building (depending on the timing of these events), and therefore will be able to proceed quickly to procure an alternative developer and recover any costs.

5.0 Next steps

- 5.1 Moving forward, the key dates currently being targeted with LSP are:

- | | |
|---|---------------------|
| • Exchange Legal Agreements | By end of June 2013 |
| • Public Pre-application Consultation | June 2013 |
| • Planning Consent | End Sept 2013 |
| • Commence Construction | Late Jan 2014 |
| • Complete Retail Parade and Flats Over | December 2014 |
| • Construction of New Housing at the Rear | Jan 2015 - Jan 2016 |

Other Options

Not applicable.

Consultation

The bidding process required the candidates to take part in a public consultation exercise with stakeholders and the general public. This took place at Woodsend Library from the 23rd February to Saturday 25th February 2012. The overall favourite from the public's point of view was LSP Developments who took 43% of the votes.

Reasons for Recommendation

To enable officers of the Council to take all necessary steps to facilitate the re-development of Woodsend Circle.

Key Decision: Yes

If Key Decision, has 28-day notice been given? No

Finance Officer Clearance (type in initials)...GB.....
Legal Officer Clearance (type in initials)...JLF.....

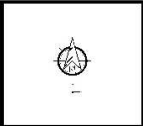
John Jones

CORPORATE DIRECTOR'S SIGNATURE (electronic)

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



TRAFFORD
COUNCIL



Site Plan: Woodsend Circle, Flixton
Date: 03/08/2012

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