

TRAFFORD COUNCIL

Report to: Executive
Date: 24 March 2014
Report for: Decision
Report of: Executive Member for Economic Growth and Prosperity

Report Title

OLD TRAFFORD LAND POOLING AGREEMENT

Summary

The Old Trafford Masterplan (OTMP) was adopted by Trafford Council (the Council) in October 2009.

The aim of the OTMP is to use physical regeneration as a catalyst for wider social and economic regeneration in the Old Trafford area. Delivery of the OTMP includes demolition of existing buildings, improvement of current housing stock, creation of a new community/social hub and the development of new mixed tenure housing.

The Council and Trafford Housing Trust (THT) own the majority of the land on which development is proposed. In order to ensure effective delivery of the OTMP, the Council and THT have researched how to:

- § establish a mechanism which ringfences the joint land assets in the area;
- § seek to gain best value from the assets held in the area; and
- § ensure any return generated reflects the investment made by both organisations.

The Council and THT commissioned Urban Delivery to provide advice on the development of a Land Pooling Agreement (LPA) in May 2013. Having considered various models a LPA has been prepared to support the successful delivery of the OTMP objectives and maximise the potential of Council assets within the area.

Recommendation(s)

The Executive is recommended to approve that:

- § The Council enter into the Land Pooling Agreement with THT;
- § The Corporate Director for Economic Growth and Prosperity, in consultation with the Director of Legal and Democratic Services and Director of Finance, is authorised to finalise the detailed negotiation and drafting together with completion of the Land Pooling Agreement;
- § The existing OTMP Board is formally established and authorised to oversee the general management and operation of the Land Pooling Agreement. The Board will be responsible for any associated dealings with the Council's land interests forming part of the Land Pool on behalf of the Council and is further authorised to delegate any management or operational function to not less than one officer of both the Council and THT to exercise it jointly if the Board deems it both necessary and appropriate to delegate the function.

Contact person for access to background papers and further information:

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Background Papers:

Land Pooling Agreement: Stage One Options Report

Implications:

Relationship to Policy Framework/Corporate Priorities	The Old Trafford Masterplan (OTMP) supports the corporate priority for economic growth and development. The Land Pooling Agreement (LPA) will facilitate the successful implementation of the Masterplan and support the delivery of the adopted Trafford Local Plan: Core Strategy which identifies Old Trafford as a Priority Regeneration Area.
Financial	The receipts from the Council sites covered by the LPA are not currently included in the Council's Land Sales Programme. The LPA will assist in the development of key sites and generate capital receipts that can be used to support new capital expenditure or to repay debt. The development of sites is estimate to provide additional housing stock which will generate New Homes Bonus grant. In advance of capital receipts being realised both parties will contribute £50,000 into the Development Agreement to cover any initial disposal costs. This contribution can be financed from the Housing Growth capital budget, scheme ref 2590.
Legal Implications:	The LPA still needs to be finalised. The LPA will give rise to the requirement for additional legal documentation and the associated negotiation of that legal documentation (i.e. Development Agreements). There is a satisfactory mechanism within the LPA to ensure that the Council complies with its procurement requirements. There are not thought to be any State Aid implications resulting from the LPA and satisfactory measures have been included within the LPA to mitigate any potential risk.
Equality/Diversity Implications	The OTMP has been subject to an EIA assessment to ensure that equality issues have been considered as part of its preparation.
Sustainability Implications	The OTMP is supported by sustainability analysis of its economic, environmental and social impact which has been undertaken as part of its preparation. The implementation of the OTMP will need to meet current planning policy in relation to energy and sustainable design. The OTMP is underpinned by a number of principles as part of a vision for a sustainable community that future development proposals should be in accordance with.
Staffing/E-Government/Asset Management Implications	Existing staff resources are in place for the continued delivery of the OTMP. Information on the OTMP and its delivery is available on line. The LPA will provide a mechanism for the Council to maximise the potential of its assets within the OTMP area.
Risk Management Implications	There is an existing risk register for the delivery of

	the OTMP that will continue to be monitored and updated as required.
Public Health Implications	None.
Health and Safety Implications	None.

1.0 Background

- 1.1 The Old Trafford Masterplan (OTMP) was prepared by Urbed and Ekosgen on behalf of Trafford Council (the Council), Trafford Housing Trust (THT) and the Homes and Communities Agency (HCA) in 2008/09. It provides a comprehensive regeneration strategy for the area, including the redevelopment of underused land to deliver new homes, improvement of current housing stock, improved community facilities, environmental enhancements and strengthened connections to jobs and amenities in both Manchester City Centre and Trafford Park. The delivery of the OTMP also targets the high levels of worklessness and income deprivation within the area. The final masterplan was approved by both the Council Executive and the THT Board in December 2009.
- 1.2 The Council and THT are the majority landowners within the OTMP area, with seven of the nine identified project areas including land in the ownership of one or both of the parties (the other two project sites, Faheys and St George's, are in private sector ownership). The delivery of the OTMP is reliant upon maximising the beneficial use of the partners land to facilitate the delivery of both affordable and private market housing and support the wider social and economic regeneration of the Old Trafford area.
- 1.3 The Council and THT have researched how to ensure the effective delivery of the OTMP through the provision of a mechanism which can ringfence the joint land assets in the area, seek to gain best value from these assets and ensure any returns generated reflect the investment made by both organisations. In November 2012 the Council Executive gave approval in principle that a LPA between the Council and THT be developed.

2.0 Potential for a Land Pooling Agreement

- 2.1 The Council and THT commissioned Urban Delivery to provide advice on the potential development of a Land Pooling Agreement (LPA) in May 2013. An initial options report was prepared in June 2013 covering the opportunities and limitations of five options available to the Council and THT to maximise the effective delivery of the OTMP.
- 2.2 The report considered a LPA to be the most suitable option to ensure that the Council and THT achieve their overall objectives in delivering the OTMP with the main benefits being:
- § Securing relevant delegated authorities to make sure projects can be delivered in the most efficient way possible.
 - § Helping ensure projects are delivered through a co-ordinated approach.
 - § Helping deliver a consistent approach across the life time of the OTMP.
 - § Protecting the regeneration opportunities and ensuring overall financial viability.
 - § Providing the private sector with confidence to deliver private market housing.
- 2.3 The OTMP Board approved a LPA as the most suitable option for the delivery of the OTMP and the approach being taken in its development in July 2013.

3.0 The Land Pooling Agreement

3.1 Subsequent to the approval by the OTMP Board of the approach being taken in the development of a LPA, the Council and THT appointed legal and valuation advisers in October 2013. DWF LLP were appointed to provide legal advice in the drafting of the LPA. Deloitte LLP were appointed to provide valuation advice in relation to ten sites within the OTMP area.

3.2 A draft LPA has been prepared and is very near to being in a finally agreed form. The draft LPA will be approved by the OTMP Board by the end of March 2014.

3.3 The following sites have been included within the LPA:

§ Council Sites:

- Tamworth Estate, 3.46 acres
- Tamworth Estate (Sea Hawk), 0.30 acres
- Community Centre, 1.12 acres
- St Brides Fields, 3.37 acres
- Essex Way, 2.41 acres
- City Road, 1.03 acres

§ THT Sites:

- Tamworth Estate, 3.93 acres
- Isobel Baillie Lodge, 1.15 acres
- Lowry Lodge, 0.65 acres
- Stretford Road, 2.11 acres
- City Road, 0.37 acres
- City Road, 0.33 acres

3.4 The total valuation apportionment between the Council and THT of the sites included within the LPA is:

§ Council Sites:	49.3%
§ THT Sites:	50.7%

3.5 A further report in Part II of this agenda sets out additional details in relation to valuation apportionments between the Council and THT.

Operation of the Land Pooling Agreement

3.6 The OTMP Board will oversee the general management and operation of the LPA and progress on developments will be reported to the Board on regular intervals. The OTMP Board was established in 2012 to ensure that the Council and THT could successfully manage and deliver the OTMP. The Board is chaired by the Council's Corporate Director for Economic Growth & Prosperity, with an additional two representatives from the Council, two representatives from THT and one representative from the Homes & Communities Agency. The Board, which meets quarterly, provides strategic direction on the delivery of the OTMP and advises on issues/risks raised by the Core Team. The Core Team meets formally once a month and comprises a focussed team of day to day project managers from both the Council and THT.

3.7 The LPA relates specifically to the sites identified in the agreement. However, additions or subtractions of land into the LPA is permitted subject to the agreement of both parties and a revaluation of interests. Other than through the parties agreement, the Council's sites will be locked in to the land pool for at least five years (five years being the break date under the LPA – see below).

3.8 The LPA is conditional upon both parties being satisfied with each other's legal ownership of their respective sites.

- 3.9 The LPA requires the Council and THT to devise a strategy to procure a developer or select developer partners to deliver the OTMP. The Council and THT will use their respective reasonable endeavours to agree the Model Form Development Agreement for use within the procurement process within 6 months from the Unconditional Date of the LPA. Either party will only be subject to individual development agreements with a developer where their respective land or rights of way are directly affected by the proposed development.
- 3.10 Each development agreement will be conditional upon securing S123 Local Government Act 1972 or S133 Housing Act 1988 consents to any disposal should the same be required.
- 3.11 Any disputes will be referred to the Board for resolution. Should this fail to resolve the issue the dispute will be escalated to an Executive Group formed from senior officers of the Council and THT. If this fails to resolve the issue this will become a Deadlock Event. Where a Deadlock Event occurs, either party may terminate the agreement upon giving two months' notice.
- 3.12 Where either party defaults on the agreement, the other party may serve notice on the other requesting that the default is remedied. Where such a remedy is not complied with the non-defaulting party may serve notice to terminate the LPA. Where the LPA is terminated due to either party defaulting, the surplus monies held in the Development Account (established to administer funds received under the LPA) will be divided between both parties subject to a formula that penalises the defaulting party – approximately 10% deduction from the defaulting party to be transferred to the other party.
- 3.13 Either party can terminate the LPA at the Break Date upon giving six months' notice – Break Date is five years from and including the date of the LPA Agreement. The LPA does not in any way fetter the statutory duties of the Council.

Site Valuations

- 3.14 All of the sites included within the LPA have been valued based on a consistent set of assumptions and on existing planning permissions (where in existence) or reflect potential land uses, mix of accommodation and density of development as would be permitted under current planning policy and policy related to the OTMP. The sites have been valued on the basis of Market Value, i.e. the price that would be achieved if sold on the open market.
- 3.15 The Initial Land Valuations reflect land values as at November 2013. Updated Land Valuations will be required for individual sites as they are sold or developed. This will confirm any uplift or change in values and apportionment to the Council and THT.

Financial Considerations

- 3.16 A Development Account will be set up to hold all monies received from the disposal of any land that exceeds the value of the Initial Land Valuations. THT will administer the Development Account on behalf of the Council and THT. All administrative costs of running the LPA will be split 50/50 between the Council and THT, and these will be agreed at the outset with the Council. In advance of capital receipts being realised both parties will contribute £50,000 into the Development Agreement to cover any initial disposal costs. This contribution can be financed from the Housing Growth capital budget, scheme ref 2590.
- 3.17 The value of each site will be determined by the Updated Land Valuation as and when each site is sold/developed. The monies received by either the Council or THT at the point of disposal will be equal to the Initial Land Valuation; any uplift in value or overage achieved will be held in the Development Account.

- 3.18 Financial payments to distribute development proceeds from the Development Account will be paid to the Council and THT at pre-determined calculation dates. The split will be based on the aggregate Initial Land Valuations of those parts of the Council land that are developed through the LPA versus the aggregate Initial Valuations of those parts of THT's land that are developed through the LPA.

4.0 Other Options

- 4.1 Five potential delivery options have been considered:

- § Do Nothing/Act Independently: There is currently a good working relationship between the Council and THT. A number of projects are being actively progressed and one has been completed. Therefore this option has already been superseded.
- § Memorandum of Understanding: As the Council and THT already have a good working relationship in the delivery of the OTMP, this option has effectively already been superseded.
- § Joint-Working on Specific Land Area(s) Only: This is effectively in operation at the present time as delivery of initial sites in the OTMP is being progressed. However, without a basis for sharing responsibility across all the sites it will prove increasingly difficult to co-ordinate delivery of the OTMP projects. Whilst this option is working at the present time it will need to be upgraded in order to deliver all of the OTMP objectives and ensure benefits can be maximised for the area.
- § Informal Joint-Working Across all Sites: Under this approach it would still be difficult to co-ordinate delivery of the OTMP projects and it would not deliver all of the OTMP objectives or maximise the benefits for the area. Whilst the current delivery activities in respect of the OTMP demonstrate a sound working relationship between the Council and THT there is potential for this to be improved to prepare for the more complex delivery and market pressures that will exist as delivery of the OTMP moves forward.
- § Formal Joint Working Across all Sites (LPA): It is considered that this approach provides the best mechanism within which both the Council and THT can operate to deliver required outputs, maximise opportunities and deal most effectively with the complexities of delivery over an extended time period.

- 4.2 Therefore an LPA has been identified as the best mechanism to deliver the objectives of the OTMP. It will create a robust and stable relationship between the Council and THT that will provide the best possible face to the private sector market, maximise the potential of existing assets within the area, and help to optimise the chance to secure developers with strong covenants and access to appropriate levels of private funding.

5.0 Consultation

- 5.1 There is an on-going programme of consultation and communication with local residents, businesses and key stakeholders in place for the delivery of the OTMP.

Reasons for Recommendations

The Executive is asked to approve the Council entering into the Old Trafford Land Pooling Agreement in order to facilitate the delivery of the Old Trafford Masterplan and the substantial physical, economic and social benefits associated with it.

Key Decision: Yes.

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

Finance Officer ClearanceGB.....
Legal Officer ClearanceJW.....

Holer, Sand

CORPORATE DIRECTOR'S SIGNATURE (electronic)...

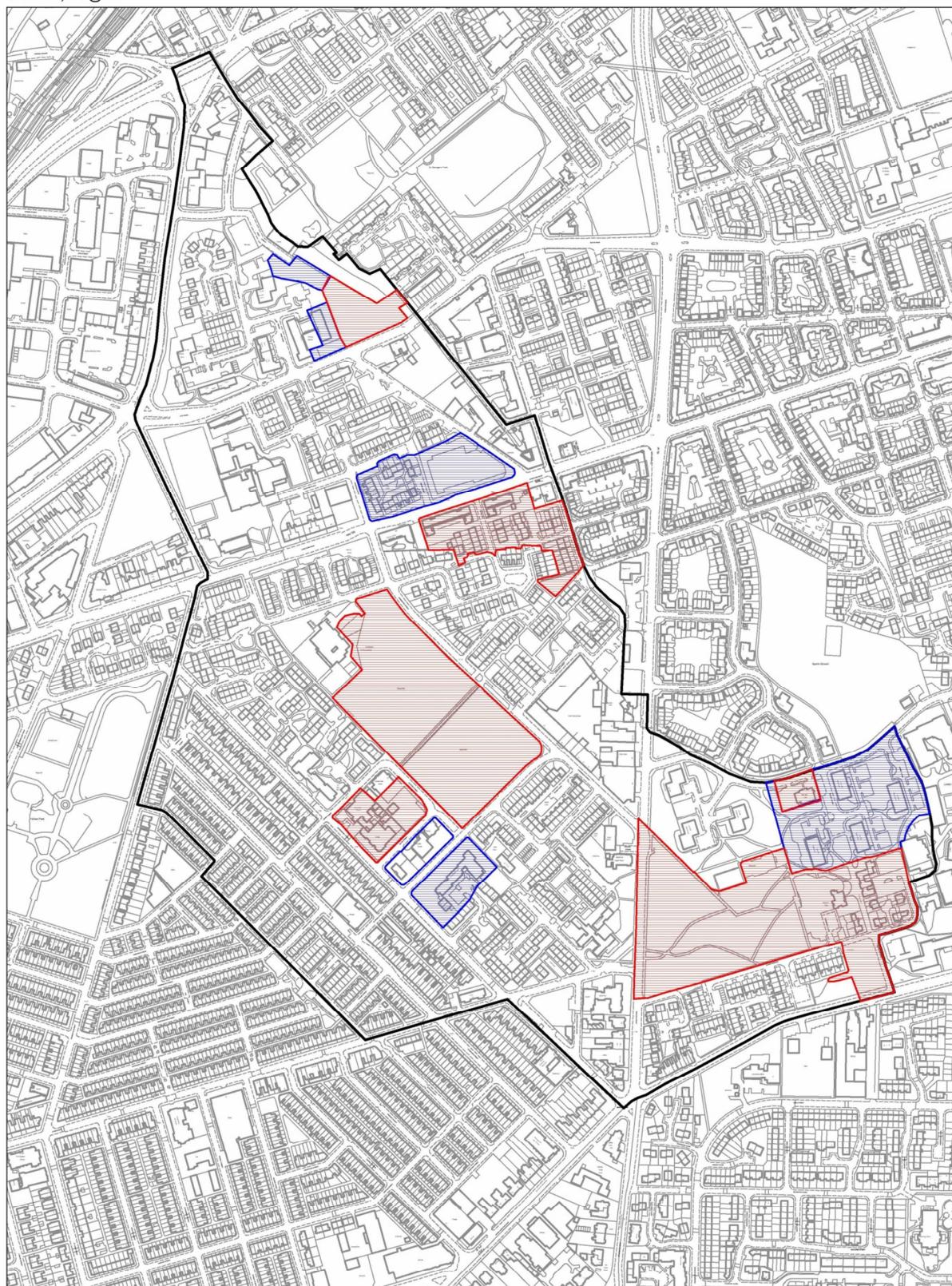
To confirm that the Financial and Legal Implications have been considered and the Executive Member has cleared the report.

Appendix A: Old Trafford Site Ownership Plan

Scale 1:4,000 @ A3

Old Trafford Land Ownership

As At 27 Feb 2014



Legend

Old Trafford Masterplan Boundary	Council Ownership
To be Acquired by Trafford Housing Trust	Trafford Housing Trust Ownership

TRAFFORD
COUNCIL

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Ordnance Survey 100023172.
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Appendix B: Old Trafford Masterplan Governance Structure

