
REPORT OF THE STRATEGIC DIRECTOR PLACE

TO THE CITY MAYOR'S PROPERTY AND REGENERATION BRIEFING
ON
8th AUGUST 2022

TITLE: Pendleton Phase 2/4 Development

RECOMMENDATIONS:

The Deputy City Mayor is recommended to:

Note the proposals detailed below on the terms as set out in the body of this report and on the detailed terms set out in an accompanying Part 2 report for approval elsewhere on the agenda.

1. Approve the recommendation from the Pendleton Development Board that the next phases of development identified in the Initial Development Appraisal in the report is brought forward.
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EXECUTIVE SUMMARY:

Following a review of the remaining phases of the masterplan, the report outlines the recommendation by the Pendleton Development Board that the sites are brought forward for mixed tenure development including significant investment into Clarendon Park, greenspace and public realm. The mixed tenure proposals include 575 new family homes and apartments with 173 new affordable homes and a developing plan for a proposed Extra Care Scheme. This recommendation is set in the context of the Initial Development Appraisal, individual site location and restrictions, demand in the area and proposed affordable housing provision across the wider development.

Approval of the Initial Development Appraisal will enable the council's developer partner to carry out detailed design and site analysis, gain planning approval to confirm costs and sales values and upon satisfying the Licence conditions in the Development Agreement and submit a Final Development Appraisal for the council to approve prior to the drawdown of the land.

BACKGROUND DOCUMENTS:

Report to Property & Regeneration Briefing 25th July 2022: Pendleton Community Activity and Health Hub

KEY DECISION: No

DETAILS:

1.0 Background

- 1.1 In 2013 the council entered a long-term partnership to regenerate Pendleton including a Development Agreement with SP+ (Developments) to deliver c£250m development of new homes, parks, public realm, etc. The first phases of redevelopment within the adopted masterplan have seen around 344 new homes (160 affordable) built with supporting infrastructure including two new pocket parks and a further phase (3) of 127 new homes is on site with the first new homes expected in April 2022. SP+ (Development) work with Together Housing and Lovell Partnerships as a Joint Venture to deliver the redevelopment.
- 1.2 The council have assembled land including the clearance of approximately 700 council properties to provide sites within the Development Agreement for future phases of development. The remaining phases of development form the largest part of the site at the heart of Pendleton and include the former High Street estate, Windsor High School site and Clarendon Park. A review of the remaining phases of development is nearing completion. This followed land use changes that impact on the approved masterplan including the provision of a new leisure centre, planning pre-application consultation and feedback and an assessment of the impact on the financial viability.
- 1.3 Under the terms of the Development Agreement each future phase is to only commence when it is agreed between SP+(Dev) Ltd and the Council to be viable in accordance with criteria set out in the Development Agreement. A positive Initial Development Appraisal has been carried out by SP+ (Dev) that now suggests a residential led development of the remaining phases. The report recommends that, on the basis of the Initial Development Appraisal, the developer takes the phases forward and carries out detailed design and site analysis and gain planning approval. This will enable them to confirm costs, sales values and land value enabling them to submit a Final Development Appraisal for the council to approve prior to the drawdown of the land and undertaking to complete the phase of development. This will be the subject of a further City Mayor Decision.

2.0 Proposed Revised Masterplan

- 2.1 The remaining Phase 2 and 4 sites were subject to a review of the masterplan that has resulted in provision of 575 houses and apartments plus an Extra Care Scheme. This is a reduction in numbers when compared to the initial masterplan approved in 2012. The reduced number reflects the changes to the land provided in the Development Agreement, following the retention of Fitzwarren Court for social housing and the provision of a new leisure centre on a more suitable site. The review has also responded to an improved understanding of utility locations throughout the site, in particular a gas main and high voltage electricity cable that development can not occur within 15m of and where diversion costs are prohibitive.
- 2.2 The scheme design continues to reflect the project objectives to improve the choice, variety, and quality of homes in Pendleton so that everyone who wants to, is able to

meet their housing needs within the area. The proposed mix reflects recent sales analysis and the ambition to improve the housing offer by building family houses in the area dominated by apartment development.

- 2.3 The amount of affordable housing being proposed exceeds the 30% level approved in the original masterplan, with 173 family houses and apartments identified for affordable homes. This is in addition to the proposed Extra Care Scheme and the 68 social rent units being brought forward at the Woolpack and Ship Inn sites.

2.4 Affordable Mix

Pendleton already has a large concentration of social rented homes and although the redevelopment looks to bring in new housing for private sale to diversify the housing offer, new affordable housing provision has also been brought forward to respond to local housing need and the scarcity of affordable homes in the city. Appendix 1 shows that each phase has exceeded the target of 30% new affordable homes set in the original outline planning approval.

- 2.5 Whilst new homes for private sale have been delivered in the first phase of development, intermediate affordable housing options such as shared ownership have not been brought forward. Officers have been looking at including an element of both affordable rent & shared ownership within the tenure mix in the remaining phases, rather than purely social rent, to enable a more balanced tenure and range of options across the development. It is hoped this will provide greater choice for residents, enabling new and existing residents to choose Pendleton, rather than only having that choice in other parts of the city / region. Social rent continues to be an important part of the offer and the 2 former pub sites (68 units) are being recommended to progress for social rent only.

2.6 Design Quality

The partnership continues to strive to achieve the design quality and standard the council require, and Pendleton needs to achieve change. Homes have been designed to meet NDSS standards for both affordable and private developments. Several wheelchair adaptable properties (M4(3)) will be provided including 2-bedroom apartments and houses. Homes have been designed to meet the Future Homes 25 standard that exceed Local Plan and Building Reg targets, offering improved levels of insulation, removes the reliance on fossil fuels by omitting gas by utilising electric heating systems with a Mechanical Ventilation Heat Recovery unit which includes a continuous running ventilation system to wet rooms and kitchen areas. A range of Photo Voltaic panels depending on property size will be installed – ranging from 2.04Kwp to 4.76 Kwp. Battery storage technology has been included within each house plot to reduce even further the energy costs to occupants.

2.7 Improved Clarendon Park, Greenspace and Public Realm.

There is a continued commitment to invest in Clarendon Park, provide new and improved greenspace, green links and public realm. Following feedback from across the council the latest proposals include:

- Local Equipped area of play (LEAP) – with a minimum of 6 play elements
- Neighbourhood Equipped Area of play (NEAP) – with a minimum of 7 play elements and Teen social shelter

- Multi use Games Area (MUGA) – size 18.5m x 37m with gates & fencing
- Skatepark – multifunction skatepark up to 150m²
- New planting as well as allotments and retention of existing trees
- New cycle routes

3.0 Initial Development Appraisal

- 3.1 An Initial Development Appraisal has been produced for the new layout with 575 homes across the two phases. This is based on all known income and costs at the time of the financial assessment. This includes knowledge of conditions experienced at Phase 3 and wider market understanding by the Together Housing and Lovells partnership.
- 3.2 The Initial Development Appraisal will be shared as part of the accompanying part 2 report.

4.0 Extra Care Scheme

- 4.1 As part of the original masterplan it was envisaged that an Extra Care Scheme would be developed to help meet Salford's strategic ambition to create new living environments that support peoples independence and wellbeing. Options for the location of the Extra Care Scheme have been appraised and considered by the partnership with a site close to Shopping City selected as one of the only viable locations.

Initial financial modelling has been developed based on the development of an 80 unit scheme. Detailed design and specification have still to be agreed for the scheme, therefore, the appraisal has been based on average sq. ft. costs at this stage. The initial financial model has identified a potential significant deficit to overall viability of the scheme. The partnership is therefore carrying out a detailed review of alternative methods of delivering the scheme to address the deficit.

- 4.2 The partnership is also considering how the affordable homes can be improved further to support people's independence and wellbeing. Although already designed to a high accessible standard that offers flexible living as residents circumstances change, one of the options being considered is to utilise one of the apartment blocks for Independent Living based on HAPPI design principles. Though this has not been agreed an allowance has been included within the appraisal for the conversion of one of the blocks (c£500k).

5.0 Kemsing Walk Shops

- 5.1 A parade of 6 council owned shops with maisonettes above, managed by Pendleton Together under the PFI contract, is located to the south of the estate at Kemsing Walk. The original masterplan layout showed demolition and re-provision of new shops that would be offered to existing tenants. The revised masterplan currently shows the retention of the shops whilst the developer continues to review refurbishment or reprovision options. Whilst rental income is low the shops are valued locally.

6.0 Remaining Site Assembly

- 6.1 14 Holcombe Close is located on part of the proposed redevelopment site close to the proposed Leisure Centre. The owner has failed to agree the acquisition of his home and a separate city Mayor report has been prepared recommending the use of formal CPO powers to acquire this property.
- 6.2 The proposed location of the Extra Care Scheme is on the site of Unwin Court, a former sheltered scheme now leased to Emmaus as a on a short-term tenancy. The council has committed to working with the charity to try and provide alternative premises in the city and at the appropriate time will need to start the formal process of terminating the lease.
- 7.0 Conclusion
- 7.1 Following the re-design of the site due to the issues highlighted in the report, it has meant the number of homes has reduced to 575. Whilst it has impacted on the financial appraisal this loss of density has not made the scheme unviable. Improved sales release values being achieved at Phase 3 have reflected improved market conditions and indicate a potential overage scenario. The part 2 report will set out the current financial appraisal and associated details regarding the extra care element of the proposals
- 7.2 The appraisal the Extra Care Scheme has a significant impact on the overall viability and one option could be to work within a cost envelope, which could lead to an element of compromise on the design specification. This could be considered further once Initial Development Appraisal sign off has been achieved.
- 7.3 The next stage for the developer is to carry out detailed design and site analysis and gain planning approval. This will enable them to confirm costs and sales values and submit a Final Development Appraisal for the council to approve prior to the drawdown of the land and undertaking to complete the phase of development. This will be the subject of a further City Mayor Decision.
- 7.4 The continued regeneration of Pendleton through the development partnership is still seen as the most effective method of transforming the area and tackling the deep seated issues of deprivation that the adopted masterplan was established to deliver.

KEY COUNCIL POLICIES: Housing and Regeneration

EQUALITY IMPACT ASSESSMENT AND IMPLICATIONS:

Local residents and stakeholders in the Pendleton Private Finance Initiative area have been fully consulted and engaged in the development of the proposals for the area which will include new family housing and apartments, with over 10,000 recorded consultation visits with residents. An EIA has been undertaken at the Outline Business Case stage of the PFI procurement process. This was strengthened with the completion of a full Community Impact Assessment to support the submission of the Final Business Case to the HCA.

Detailed Planning Consultation including community involvement will be carried out as part of the next stage of design of the scheme.

ASSESSMENT OF RISK: Medium

The initial land values are indicative of the available information and market understanding at this point of the development.

The partnership continues to manage cost risk in the knowledge that significant land contamination and groundworks were required in early phases and construction inflation is an issue. Whilst build costs have been based on the latest available knowledge at Phase 3 until further survey and due diligence work is undertaken a true estimate of the cost is difficult to assess, and a contingency fund has been included to manage this risk. This decision recommends the partnership develop the scheme further providing more certainty on cost, obtain planning approval, etc.

The partnership continues to manage sales risk in the knowledge that property values can go down. Whilst it is anticipated that the cost of living crisis, increasing energy prices and other external factors will impact the property market the appraisal uses recent sales values achieved at the Phase 3 development on site and this is considered a reasonable assumption to progress the scheme. Further monitoring and market intelligence will continue to be carried out and fed into the final development appraisal.

The drawdown of the council land will be subject to a separate decision based on a completion of a detailed Final Development Appraisal.

LEGAL IMPLICATIONS Supplied by:

Michelle Brice, Principal Solicitor, Property, Shared Legal Service

The Development Agreement for the Pendleton PFI area envisages and contains terms for 'Phases' of development to be brought forward on a staged submission/approval process.

The first stage under the Development Agreement (following recommendation of proposals by the Pendleton Project Board) is approval of the Developer proposals, following which a Phase becomes a 'Determined phase'. Following determination of a Phase the developer submits an Initial Development Appraisal estimating sales and costs and any residual land value – concluding whether a viability test is satisfied. The Viability Test requirements are detailed in the Development Agreement. The report and conclusion of the Council's officers is that the Viability Test is satisfied. This enables the parties to the Development Agreement – the Council and the Developer to progress to satisfy 'Licence Conditions' for the Determined Phase.

FINANCIAL IMPLICATIONS Supplied by:

David R Mills – Interim Strategic Finance Manager – david.mills@salford.co.uk

As set out in the Part 2 report

PROCUREMENT IMPLICATIONS Supplied by: N/A

HR IMPLICATIONS Supplied by: N/A

OTHER DIRECTORATES CONSULTED:

CONTACT OFFICER:

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WARDS TO WHICH REPORT RELATES: Pendleton and Charlestown

APPENDICES:

Appendix 1: Affordable Mix

Fig 1: Phase 2/4

	Affordable	%	Private	%
Houses	88		336	
Apart	85		66	
Totals	173	30%	402	575

Fig 2: All phases

	Affordable		Private		Total
Phase 1	109		184		293
Kiwi Nursery	9		0		9
Ayelsbury (Ph 3)	42		0		42
Phase 3	17		110		127
Woolpack / Ship Inn	68		0		68
Extra Care	80		0		80
Phase 2 / 4	173		402		575
	498	42%	696	58%	1194