

## **TOWN CENTRE WEST MAYORAL DEVELOPMENT CORPORATION PROPOSAL**

### Report of the Corporate Director for Place & Borough Treasurer

#### **1. Introduction & Purpose of the Report**

- 1.1. Stockport's Town Centre West is an area with exceptional regeneration potential. The area's advantages in terms of location, transport connectivity, and access to the wider town centre offer could support the creation of a new urban village of up to 3,000 new homes, across a variety of types and tenures along with mixed use development in a way which benefits all residents.
- 1.2. There are, however, significant barriers to bringing forward delivery. Unlocking Town Centre West's potential will require a major coordinated effort that brings together public sector partners, landowners, and private sector developers in a dedicated delivery vehicle with a broad range of powers and credibility with the market.
- 1.3. The report updates on the proposed response to the opportunities and challenges through the creation of a Mayoral Development Corporation, or other suitable entity, as the delivery vehicle and recommends that the Council formally agrees to the principles on which any MDC, or equivalent, would be created.
- 1.4. The report also covers work underway to masterplan and set a long-term strategic vision for the area along with interim governance arrangements that will provide Members with the opportunity to guide the agenda as it moves forwards.
- 1.5. The scale of the Council's ambition and its commitment to driving forward development in the area are set out in the 24<sup>th</sup> April Cabinet decision on a Town Centre West residential strategy and the 12<sup>th</sup> June Cabinet decision on the Town Centre Living Development Framework.

#### **2. A Mayoral Development Corporation for Town Centre West**

- 2.1. Town Centre West suffers from the development constraints and viability issues that are typical on brownfield sites. Moreover, the fragmentation of land ownership across Town Centre West, combined with the comparatively small scale of Council land holdings, acts as a major additional constraint on what the market can deliver and on the Council's ability to intervene to unlock development at scale.
- 2.2. The area's characteristics mean that the most common forms of delivery vehicle, including direct Council development and various forms of joint venture with developers, would be unlikely to overcome the constraints described above in order to bring forward development at the required scale and pace. However, an analysis of the delivery options carried out for the Council by Deloitte Real Estate over summer concluded that the Mayoral Development Corporation model has the ability to bring together the widest possible combination of relevant development and land assembly statutory powers with a unique profile which can galvanise market interest and support engagement with the private sector. The MDC model is therefore well-suited to enabling the large-scale regeneration that underpins the Council's Town Centre Living agenda, its Brownfield First priority, and its ambition for the town

centre as a whole. It is recognised that there are similar alternative vehicles but these are unlikely to deliver the same focus as an MDC.

- 2.3. As Members are aware, the Greater Manchester Mayor, Andy Burnham, has taken a close interest in the Council's Town Centre Living agenda as part of his Town Centre Challenge initiative and has expressed interest in exploring an MDC in Stockport further. That conditional support formed the basis of a GMCA resolution at its September meeting to endorse a Stockport MDC in principle subject to a more detailed report being prepared for further consideration by the Combined Authority.
- 2.4. Council Officers are currently working on details requested by GMCA and the full business case to demonstrate whether the MDC model is the most effective for Town Centre West. This will accompany a report to GMCA in January with the aim of giving enough confidence for the Mayor to start a formal consultation about creating an MDC in Stockport ahead of making a formal decision in spring 2019.
- 2.5. The September GMCA report outlined a Greater Manchester MDC model through a set of principles which would determine the shape and scope of any MDC in the conurbation. These principles are:
  - Assumption that planning powers remain with the relevant Local Authority
  - Commitment of relevant Local Authority to underwrite running costs
  - Commitment of relevant Local Authority to ensure existing staff resources are available to form the core executive team
  - Commitment to collaborative working between the Mayor and relevant Local Authority to agree how development is to proceed
  - The approach has the ability to simplify decision making
  - That all partners recognise that there should be no significant new revenue cost
  - Any 'Board' has the development expertise, prominence, and leadership capable of securing private investment and that that expertise is balanced in a way which builds in democratic accountability.
  - The statutory roles of Chief Finance and Chief Legal Officer will be provided by the relevant Local Authority and GMCA respectively

### **3. What the Mayoral Development Corporation Will Deliver for Town Centre West**

- 3.1. The redevelopment of a large area of Stockport town centre will require extensive planning and urban design input in parallel with our work to accelerate and influence development in collaboration with the market. To that end, the Council has recently gone out to tender for property, planning, and design consultants to write a Strategic Regeneration Framework (SRF) which will establish the long-term vision for Town Centre West. After a competitive tendering process Cushman & Wakefield have been appointed to prepare our SRF and this work has now formally begun following an inception meeting earlier this week.

- 3.2. The SRF will reflect a broad range of criteria which are fundamental to the Council's approach to residential development, safeguarding and promoting employment opportunities, and maximising Stockport's viability as a successful town centre. By running through the SRF, these criteria will inform the type of development that is brought forward.
- 3.3. In particular, Town Centre West will deliver a new urban village community of up to 3,000 new homes with mixed employment use within its 130 acres. It will ensure that the area provides a range of homes which can deliver opportunities for all housing needs including both social and affordable homes, both for sale and for rent.
- 3.4. It will provide the right level of social, physical, and green infrastructure to enhance existing communities and develop new communities. It will look to deploy best practice garden village principles, albeit set in a 'brownfield' context and must reflect the proximity of the riverside and potential connections to green networks beyond the town centre.
- 3.5. Town Centre West will be an integrated, healthy, and sustainable place informed by the Healthy Towns Initiative promoted by NHS England.
- 3.6. The SRF for Town Centre West will both help to retain existing jobs and create new ones. Where it is not possible to retain existing businesses within Town Centre West we will aim to locate them in the right locations elsewhere in the Borough. It will maximise the potential of Stockport's exceptional transport connectivity to unlock development and integrate the area with its surroundings by better enabling movement to, from, and within the area.
- 3.7. The Town Centre West area is already seeing a number of early development opportunities coming forward including flagship developments like Stockport Exchange Phase 3 and the Interchange and other key schemes such as the refurbishment of Stockport College and the development of the former Royal Mail Sorting Office on the A6. Iconic development on this scale provides momentum and an essential catalyst for further development as we look to driving forward delivery across the entire 130 acres of Town Centre West.

#### **4. Business Case**

- 4.1. Alongside the development of the Strategic Regeneration Framework, the Council and GMCA are working with Deloitte Real Estate to prepare a business case which will provide more detail on the rationale for establishing a Mayoral Development Corporation. By doing so, it will enable each organisation to make an informed formal decision on whether it chooses to proceed with the establishment of an MDC.
- 4.2. The business case will also set out how an MDC model would drive delivery in Town Centre West along with an indicative delivery strategy and high level capital investment estimates (including cashflow assumptions). It will provide further detail on how an MDC model would enable the Council and its partners to maximise the scale and pace of development in the context of appropriate governance, financial, and reputational arrangements.
- 4.3. Issues relating to the legal structure of an MDC model, including the mechanisms required to acquire and develop land, are being worked through as part of the process to produce the business case. The potential scale of an MDC's VAT and

Stamp Duty Land Tax liability are also being considered through the business case to ensure that all parties have a clear understanding of how an MDC's legal structure and tax status impact on its ability to bring forward development.

- 4.4. Deloitte's experience of advising all three Mayoral Development Corporations across the country (South Tees Development Corporation, the London Legacy Development Corporation, and Old Oak Common and Park Royal Development Corporation in west London) will ensure that the business case is informed by extensive understanding of the different operating models of existing MDCs.

## **5. Resource Implications**

- 5.1. The establishment and operation of an MDC or equivalent for Town Centre West would have capital and revenue funding implications for Stockport Council. Capital investment requirements will be worked up and brought forward in line with the Council's capital business planning for 2019/2020. These proposals will be based on the principles of affordability, the Council's flexibility to support investment based long-term repayment models, and the scope for leveraging private sector investment.
- 5.2. The Council is in discussions with Homes England over the potential to align investment programmes in support of the aims and objectives of a Town Centre West MDC. This point is being explored in more detail with Home England's North West General Manager and other senior Homes England representatives to inform a paper to Homes England's national board meeting over winter which will set out the opportunity for, and the ask of, Homes England.
- 5.3. Any Greater Manchester MDC would be predicated on it following a streamlined model rather than creating an extensive new bureaucracy. A Town Centre West MDC would, however, create revenue funding requirements which would be carefully managed.
- 5.4. To support any formal consultation on an MDC model, an indicative staffing structure is currently being prepared and will be based on the principle of aligning existing staff resources and flexing partner organisations staff resources to minimise the revenue funding requirement.
- 5.5. It is anticipated that the staff resource and running costs requirement could amount to up to a £0.5m per annum financial commitment from the Council. This estimated financial commitment is based on an indicative staffing and operational structure that is currently being developed further as part of the detailed business case.
- 5.6. The non-recurring non-staffing revenue funding needed to establish the MDC is included in the £2m temporary budget for Growth identified at 2018/2019 budget setting and set out in the mid-year Economy & Regeneration portfolio performance and resource report. Some elements of that funding requirement are already identified and it is anticipated that £100,000 will be allocated for the production of the Strategic Regeneration Framework with up to £50,000 allocated for specialist consultancy support on establishing large scale regeneration delivery vehicles (including MDCs). The costs of bringing in a Strategic Adviser to provide expertise, direction, and capacity as this agenda moves forward will be met from the remainder of the Town Centre Living reserves request with a small contribution from the temporary budget.

## 6. Interim Governance & Member Oversight

- 6.1. Subject to the results of any consultation and Council endorsement, a decision by the Council on the intention as to whether to create a Town Centre West Mayoral Development Corporation is likely to be proposed in March 2019. In the period leading up to a potential formal decision in March a considerable amount of work will be required and it will be vital that Members have sufficient oversight to provide direction.
- 6.2. For that reason, it is proposed that a high-level Steering Group of Stockport Council Members and officers with senior representatives from partner organisations is established with a view to a first meeting in December. It is proposed that the membership of that group comprises:
- Stockport Council Group Leaders
  - Stockport Council Cabinet Member for Economy & Regeneration
  - Greater Manchester Mayor (or his representative)
  - Stockport Council Chief Executive
  - Stockport Council Corporate Director for Place
  - Stockport Council Director of Development & Regeneration
  - GM Combined Authority Chief Executive (or his representative)
  - Transport for Greater Manchester Director of Finance (or his representative)
  - Representative from Homes England (TBC)
- 6.3. The involvement of Ward and Scrutiny Committee Members will be essential as this agenda develops and will be a key part of the Council's formal decision-making processes and the consultation undertaken as part of the production of the SRF.
- 6.4. A detailed proposal for the governance arrangements and operating model of the MDC will be set out in the business case that is currently in preparation. The business case will reflect the core principles of any Greater Manchester MDC agreed by GMCA in September (see paragraph 2.4 above) and will be expected to outline a model which can be supported by a small core team largely drawn from existing Council and partner organisations' staff resources supported by external consultants as required.

## 7. Timescales

- 7.1. The indicative timescales for achieving the key milestones for the Strategic Regeneration Framework and, subject to consultation, establishing a Mayoral Development Corporation are set out in the table below:

	<b>Activity</b>	<b>Key Date(s)</b>	<b>Lead</b>
<b>1</b>	GMCA Decision In-Principle to Create MDC Subject to Further Work	28 <sup>th</sup> September	GMCA
<b>2</b>	Strategic Regeneration Framework – Procurement Process	15 <sup>th</sup> October	SMBC
<b>3</b>	Strategic Regeneration Framework - Consultants Appointed	7 <sup>th</sup> November	SMBC
<b>4</b>	MDC Update Report to C&H Scrutiny	3 <sup>rd</sup> December	SMBC
<b>5</b>	MDC Update Report to E&R Scrutiny	6 <sup>th</sup> December	SMBC

<b>6</b>	Mayoral Development Corporation Business Case	7 <sup>th</sup> December	SMBC
<b>7</b>	First Stage Outputs from Strategic Regeneration Framework	7 <sup>th</sup> December	SMBC
<b>8</b>	Update Report to GMCA to Confirm Whether to Launch MDC Consultation	11 <sup>th</sup> January	GMCA
<b>9</b>	Mayor's Consultation on Establishing Town Centre West MDC	c.8 weeks from 11 <sup>th</sup> January to 8 <sup>th</sup> March	GMCA
<b>10</b>	Report on Town Centre West MDC to Homes England Board	Following Consultation (date TBC)	Homes England
<b>11</b>	First Draft of Strategic Regeneration Framework	31 <sup>st</sup> January	SMBC
<b>12</b>	Council Decision to Consent to Creation of MDC in Stockport to C&H Scrutiny	25 <sup>th</sup> February	SMBC
<b>13</b>	Council Decision to Consent to Creation of MDC in Stockport to E&R Scrutiny	28 <sup>th</sup> February	SMBC
<b>14</b>	Council Decision to Consent to Creation of MDC in Stockport to Cabinet	12 <sup>th</sup> March	SMBC
<b>15</b>	Announcement at MIPIM 2019	11 <sup>th</sup> to 15 <sup>th</sup> March	SMBC / Homes England
<b>16</b>	Final Draft of Strategic Regeneration Framework	21 <sup>st</sup> March	SMBC
<b>17</b>	Mayor's Intention to Create MDC, Subject to Consultation Result, to GMCA	29 <sup>th</sup> March	GMCA
<b>18</b>	Formal Mayoral Decision to Create MDC to GMCA	26 <sup>th</sup> April	GMCA
<b>19</b>	Notification of Secretary of State and Parliamentary Order	Spring – Summer 2019	MHCLG
<b>20</b>	MDC Proper Created	Autumn 2019	GMCA / SMBC

## **8. Next Steps and Key Milestones**

- 8.1. A number of formal decisions and exercises are required of the GM Mayor, Combined Authority and Stockport Council before a Mayoral Development Corporation can be established.
- 8.2. The legislation which grants the powers to the GM Mayor to create Mayoral Development Corporation(s) specifies that a consultation must be undertaken prior to any Mayoral decision to establish an MDC. The proposed 11<sup>th</sup> January GMCA paper (supported by the business case and early outputs from the SRF work) will provide an update for GMCA and seek approval for the GM Mayor to undertake a consultation on the proposal. It is envisaged that the GM Mayor's consultation will run for eight weeks and inform a formal decision to create the MDC at the March GMCA. The consultation materials will be prepared by Stockport Council and GMCA officers and hosted on the GM Consult website.

- 8.3. Under the legislation, the GM Mayor's proposal to create an MDC for Town Centre West needs to be approved by Stockport Council and the current timetable proposes that the issue will be considered by Cabinet in March. The first draft of the Strategic Regeneration Framework will be available to inform the March decisions required of Stockport Council and GMCA with a final draft of the SRF produced by the end of March.
- 8.4. The Council is currently working with colleagues across Greater Manchester on planning GM's participation at MIPIM in March 2019. The first draft of the SRF work will form the basis of a proposed Stockport Council, Homes England, and Greater Manchester Combined Authority event at MIPIM on reshaping the residential offers in GM town centres with the MDC proposal set out as an exemplar delivery mechanism.

## **9. Recommendations to Cabinet**

- 9.1. Cabinet Members are recommended to:
- 9.1.1. Formally agree to the principles set out by GM Combined Authority (described in paragraph 2.5 above) which would inform the creation of any Mayoral Development Corporation in Stockport, in particular that:
- Operating costs will be borne by the Council
  - Planning powers will be retained by Stockport Council as Local Planning Authority for the MDC area
  - The statutory roles of Chief Finance and Chief Legal Officer will be provided by the Council and GMCA respectively
- 9.1.2. Agree to include the MDC running costs outlined in Section 4 above in the budget-setting process for 2019/2020 and to fund any additional costs incurred in 2018/2019 from reserves
- 9.1.3. Note that a paper will be submitted to the 11<sup>th</sup> January Greater Manchester Combined Authority for a decision by the GM Mayor about going out to consultation in January and February 2019 on the proposal to create a Mayoral Development Corporation in Stockport
- 9.1.4. Agree to receive a further report in March following the Greater Manchester Mayor's consultation in order for the Council to decide whether to consent to the creation of an MDC in Stockport.

### Background Papers

There are none.