

WEIR MILL**Joint Report of the Deputy Chief Executive, Place, and the Deputy Chief Executive, Corporate and Support Services**

Commercially Sensitive – The appendices to this report are confidential by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in respect of which the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

1. INTRODUCTION AND PURPOSE OF REPORT

- 1.1 This report seeks approval to provide debt finance to fund the construction work to deliver the proposed redevelopment at Weir Mill and to dispose of land holding to facilitate the scheme delivery.

2. BACKGROUND

- 2.1 Weir Mill is a Grade II listed historic mill complex that is located on the edge of the town centre and in the new Town Centre West Area as established by Stockport's Mayoral Development Corporation (MDC). The property sits by the River Mersey, is straddled by the Grade II* listed railway viaduct and located across from both; the existing bus station that is set to be transformed into Stockport's new Interchange, podium park and residential development; and the current Stagecoach depot that is intended to be brought forward for future development.
- 2.2 Weir Mill has long been identified as a key regeneration development site given its size and prominent location at the edge of the town centre. This has been given greater importance through the creation of the MDC. However it has been a complex and difficult site to bring forward over the last 20 years due to a range of issues including aging and deteriorating listed building structures and viability issues with development options. The mill complex contains an array of listed buildings and structures in varying states of disrepair.
- 2.3 Working with the previous owner of the mill the Council were awarded Homes England Housing Infrastructure Funding (HIF) funding for the site and have been working closely with Homes England to unlock delivery. The Council received a formal grant offer of HIF on 8 April 2019 of up to £7.0 million from the Housing Infrastructure Fund (Marginal Viability) programme to assist in delivery of the site for residential use. The Council have subsequently entered into a Grant Funding Agreement with Homes England.
- 2.4 Developer Capital & Centric, who are regeneration specialists with an established track record in revitalising heritage assets, acquired the site from the previous owner in May 2020 and subsequently worked up a detailed planning application that was submitted in December 2020. The proposed scheme is for a residential led mixed use redevelopment featuring 253 residential apartments, commercial space for a range of food, beverage and employment uses, and large areas of public realm and landscaping. The scheme will also open up the riverside with a

walkway connecting into the Interchange redevelopment and town centre, with the wider Mayoral Development Corporation area of Town Centre West.

- 2.5 The application scheme preserves the most historic and important parts of the mill complex and proposes sympathetic conversion into spacious, well designed apartments. Alongside the mill conversions there are selected demolitions and new build elements providing further residential accommodation. The demolition and new build is required due to the inefficiencies of converting those particular elements and the economic and viability challenges that mean both retention and also reduced new build is not viable. This has been demonstrated through the planning application submission

3. CURRENT POSITION

- 3.1 The Weir Mill planning application submitted by Capital & Centric was heard at Planning and Highways committee on 30 September. The application was approved and the committee resolved to grant planning and listed building consent.
- 3.2 The planning decision by virtue of it authorising demolition of listed structures has been referred to the Secretary of State establish if they wish to call in the decision for their determination. In the event the Secretary of State decides not to call the decision and subject to no judicial review, the developer, Capital & Centric would look to commence work on the site in early 2022.
- 3.3 The Homes England HIF funding will finance part of the initial heritage infrastructure and works to the listed mill buildings.

4. PROPOSAL

- 4.1 The Council have been approached to provide debt finance to Capital & Centric to enable the delivery of the scheme. The details of this are set out fully in confidential appendix 1.
- 4.2 External independent consultants have been appointed to advise the Council in relation to this proposed debt finance and to consider construction elements and associated risk and loan repayment (confidential appendix 2). The report considers all aspects and recommends that the loan can be prudently issued.
- 4.3 It is proposed that the loan is made using the Mayoral Development Corporation Investment Facility that has been previously authorised through Cabinet in October 2019. It is important to identify that this facility, and the proposed facility to Capital & Centric, would be funded through prudential borrowing and would not be funded through Council reserves or other receipts such as council tax.
- 4.4 In addition to the debt finance, the Council own the freehold of a parcel of land adjacent to the existing Weir Mill building and title (the Triangular Land). The land has been identified by both the current and previous owners of the site as part of a redevelopment of Weir Mill, as by combining with the wider site enables a more holistic development. It would be difficult to develop the Council's ownership in

isolation. The land sale is proposed to be on commercial terms ensuring requisite regulatory compliance (confidential appendix 2).

5. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- 5.1 The provision of finance for property development projects inherently does have elements of risk and financial exposure. To inform a prudent debt finance decision on this project a significant amount of due diligence work has been carried out on the development, financial and legal considerations. The outcome of the assessments is that the financial and risk exposure is mitigated by the commercial terms of the proposed facility thus protecting the proposed loan. Detailed financial modelling is contained within confidential appendix 2. In addition a third party report on the letting of the scheme is also included in confidential appendix 3.
- 5.2 Traditional loan security measures are also factored into the proposed facility including legal charges against the site in the event of default.
- 5.3 However in addition to the financial and risk considerations set out in confidential appendix 1, there is also the risk of no intervention in the building. A series of photos in appendix 4 to this report show the current condition of the mill complex and this is one which is worsening. There is a risk that if this scheme is not brought forward now, the HIF grant would be lost leaving a £7m funding issue for which there is no obvious substitution. This would potentially jeopardise the future of the complex.

6. LEGAL CONSIDERATIONS

Legal Power

- 6.1 A council has a specific power to invest relevant to its functions under any enactment, or for the purposes of the prudent management of its finances under Section 12 of the Local Government Act 2003. A council has a general power to borrow under Section 1 of the Local Government Act 2003. Therefore a council could borrow from the Public Works Loan Board and provide debt finance under Section 12 of the Local Government Act 2003.

Subsidy Control

- 6.2 The UK "Subsidy Control" regime has entered into force for awards after 11 pm on 31 December 2020, deriving from the Trade & Cooperation Agreement concluded with the EU on 24 December 2020. No subsidy concern should arise out of the facility if it is made on market terms and is repayable at commercial rates. The Council has commissioned external legal advisors who are working alongside our in house legal service to ensure that the proposal complies with public subsidy rules.

Disposal of land

- 6.3 In relation to the sale of the triangular parcel of land Local authorities are given powers under the Local Government Act 1972, subject to applicable legal

constraints, to dispose of land in any manner they wish, including sale of their freehold interest, granting a lease or assigning any unexpired term on a lease, and the granting of easements. However, a disposal must be for the best consideration reasonably obtainable, as set out in section 123 of the Local Government Act 1972 (except in the case of short tenancies), unless the Secretary of State consents to the disposal.

- 6.4 In the case of the triangular land, the best consideration reasonably obtainable will be achieved as a result of the disposal, which is therefore compliant with the obligation contained in section 123 Local Government Act 1972.

7. HUMAN RESOURCES IMPACT

- 7.1 Not applicable.

8. EQUALITIES IMPACT

- 8.1 Not applicable.

9. ENVIRONMENTAL IMPACT

- 9.1 The Council has declared a climate emergency and agreed a target to achieve net-zero carbon emissions by 2030. To reach this goal, an Environmental Impact Assessment has been completed to assess the impacts that this decision would have on the environment.
- 9.2 The approval being sought is for debt finance to support the delivery of a construction project. By their nature construction projects do have an environmental impact in terms of resources and construction materials used. The adverse environmental impact of any new construction is in part off set by the re-use of the viable existing buildings on site thus saving 3,457 tonnes of embodied carbon in those structures. The developer has advised this is the equivalent of 1,000 cars driving once around the planet. The proposed scheme would be a 'minimum car' scheme thus should have no increase in vehicular emissions compared to its previous use. The scheme would include extension area of public realm and landscaping with habitat creation and diversity in the planting. Improvement to the river wall and overhanging vegetation should alleviate localised flood risk on the site.
- 9.3 Redevelopment of the site would provide 253 homes in a sustainable town centre location, adjacent to the new transport interchange and on the door step of all the amenities on the door step of the town centre. It is a sustainable redevelopment and supports the strategic town centre living objectives of the Mayoral Development Corporation.

10. CONCLUSIONS AND RECOMMENDATIONS

- 10.1 That Cabinet approve the proposed development finance facility to support the delivery of the Weir Mill scheme as outlined in the report and appendices;

10.2 That Cabinet delegate authority to the Deputy Chief Executive, Place, and the Deputy Chief Executive, Corporate and Support Services, in consultation with the Cabinet Member for Economy & Regeneration:

10.2.1 to finalise the terms of the proposed facility and formally enter into the legal agreements and banking documentation required to give effect to the terms set out in this report;

10.2.2 enter into such agreements to support the Council with external resources to facilitate and monitor such agreements and banking documentation;

10.3 That Cabinet authorise the disposal of the Triangular Land;

10.4 That Cabinet delegate authority to the Strategic Head of Service (Legal & Democratic Governance) to do all things necessary or incidental to the implementation of the above-mentioned resolutions

APPENDICES

Appendix 1 – Proposed Debt Finance Facility (Confidential)

Appendix 2 – Independent review report and financial modelling (Confidential)

Appendix 3 – Letting Report (Confidential)

Appendix 4 – Photographs of Weir Mill

BACKGROUND PAPERS

There are none

Anyone wishing to inspect the above background papers or requiring further information should contact Paul Richards on Tel: 0161-474-2940 or by email on paul.richards@stockport.gov.uk