

Name of meeting: Cabinet

Date: 26th July 2022

Title of report: Residential Development in Huddersfield Town Centre

Purpose of report: To provide an update on the proposed approach to residential development in Huddersfield Town Centre as part of the wider Huddersfield Blueprint

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	Yes
Key Decision - Is it in the <u>Council's Forward Plan (key decisions and private reports)?</u>	Key Decision – Yes Public report
The Decision - Is it eligible for call in by Scrutiny?	Yes
Date signed off by <u>Strategic Director</u> & name	David Shepherd – Strategic Director – Growth and Regeneration 8th July 2022
Is it also signed off by the Service Director for Finance?	Eamonn Croston 8th July 2022
Is it also signed off by the Service Director for Legal Governance and Commissioning?	Julie Muscroft 8th July 2022
Cabinet member <u>portfolio</u>	Cllr Graham Turner – Regeneration

Electoral wards affected: Newsome

Ward Councillors consulted: Cllr Andrew Cooper, Cllr Karen Allison, Cllr Susan Lee-Richards

Public or private: Public report

Has GDPR been considered? Yes – there are no GDPR implications to this report

1.0 Summary

This report provides an update on the approach to residential development in Huddersfield Town Centre.

2.0 Information required to take a decision

2.1 Background

2.1.1 The Huddersfield Blueprint

The Huddersfield Blueprint is a ten-year vision to create a thriving, modern-day town centre. The vision for Huddersfield is that it will be a busy, family-friendly town centre that stays open for longer with a unique culture, arts and leisure offer and a variety of thriving businesses. The scale of investment and transformation, including high quality, innovative culture, arts and leisure offers will improve the attractiveness of the town centre as a place to live, providing new opportunities for residential development.

In turn, new residents and new residential spending will help to sustain culture, arts and leisure developments within the town centre.

The Blueprint **vision** for Huddersfield town centre living is:

“To create a vibrant community in Huddersfield Town Centre, attractive to young professionals, with strong connections to neighbouring cities and the Pennines.”

2.2 Delivery of Residential Development

To make the Blueprint vision a reality, the proposal is delivery of residential development which:

1. Increases opportunities to deliver a mix of town centre residential developments, including making best use of heritage buildings.
2. Delivers and supports schemes that provide opportunities to buy and rent, improving the quality of accommodation across the town centre.
3. Boosts the desirability of Huddersfield's housing market to potential residents and ensures affordable homes are built in the right places, based on housing market demand and needs.
4. Improves how the town centre looks, how accessible it is and links to proposals for enhanced public spaces.
5. Compliments and is near to attractive leisure, culture, shopping and dining opportunities which are the heart of town centre living

The Huddersfield Town Centre Living Plan has been developed to set out the vision, objectives, opportunities and actions to encourage more people to live in the town centre and contribute to the wider aspirations of the Huddersfield Blueprint. See appendix 1.

2.3 Housing Need

A programme of housing development in Huddersfield Town Centre will bring much needed housing to the district across a range of tenures, including affordable homes. There is a need for

1,730 new homes per year in Kirklees, of which 1,049 need to be affordable. This project will contribute towards the provision of affordable housing that meets the needs of local people.

2.4 Housing Development Proposals

The initial proposals for residential development in Huddersfield Town Centre will focus on two Council owned assets, Estate Buildings and Somerset Buildings.

Utilising these existing assets has the following advantages:

- The market for high quality development in Huddersfield town centre is untested. The existing market is dominated by student accommodation and smaller residential units which often have lower quality specifications, including lower internal space standards. Utilising existing buildings provides an opportunity for the Council to use its own assets to create a high quality product with excellent space standards, providing the chance to set the standard and start to create the residential market which will support the wider Blueprint vision and provide an exemplar to the wider development market of the quality which can be achieved using Huddersfield's heritage assets
- Both buildings are in locations which support the wider Blueprint vision. Estate Buildings is strategically located to be part of the Station Gateway element of the Blueprint, and will support the concept of attracting and retaining graduates with easy access of public transport.
- Somerset Buildings is located near St Peter's Gardens, an area identified for improvement in the Blueprint. St Peter's Gardens provides the opportunity to serve an important function as greenspace to support residential development. It is only a short walk from the station and again supports the concept of attracting and retaining graduates.
- Development of housing in these locations is sustainable, reusing existing assets and located with easy access to public transport and services within the town centre, thereby supporting low carbon development.

2.4.1 Rationale for progressing with Thirteen as a Partner

Thirteen Group ("Thirteen") is a large developing, not for profit, housing association based in the north east.. They have a strong financial standing and are a strategic partner of Homes England, having secured £191 million of investment from Homes England in the 2021 to 2026 programme to deliver 3,270 affordable homes, with 50% of these to be in Yorkshire and Humber (1635 homes).

Thirteen are already working with the Council to deliver the Registered Provider Cluster Programme across five sites in the district. Thirteen approached the Council with their proposal to deliver high quality residential units in Estate Buildings and Somerset Buildings following a visit around Huddersfield town centre.

Thirteen have the following advantages as a partner:

- As set out above, they are of robust financial standing and have secured a significant grant allocation from Homes England to support them in delivering housing.
- A strong set of corporate values which align with the Council's corporate priorities. Thirteen's vision is to provide safe, quality homes and services to the best environmental standards, with a focus on providing quality neighbourhoods and a great customer experience.

- Thirteen have the best rating possible from the Regulator of Social Housing – V1 and G1. This means that they have been assessed as having the financial capacity to deal with a wide range of scenarios, and that they have strong governance arrangements in place.
- As part of their funding allocation from Homes England, Thirteen are committed to developing housing in town centres. Thirteen have ringfenced grant funding of £654,544 from their Homes England allocation to deliver Somerset Buildings and £1,396,544 to deliver Estates Buildings.
- They are committed to delivering place-based regeneration within older housing areas and town centres and are already building homes on challenging brownfield land sites, such as Union Village, Gresham, Middlesborough where they are redeveloping a brownfield site for 145 new homes.
- Town centre regeneration is a priority for Thirteen, and they are aware of the challenges of making town centre living attractive and sustainable and they have specific expertise in delivering town centre housing, having delivered a similar scheme in Middlesborough
- They are experienced in building and managing housing and will bring much needed resources to the Kirklees district, as part of the Council's wider programme of housing growth.
- They will also bring vital resources to the support the Council in housing delivery, at a time when resources are stretched and staff with expertise in the housing delivery and wider development field are difficult to secure.
- Alongside housing delivery, Thirteen are focussed on the social value that they can deliver for the district as well as delivering housing units. As part of their existing work with the Council (on the RP clusters project) they have actively cultivated relationship with the Employment and Skills Service, and they are working proactively with both the Employment and Skills Team and Huddersfield University to look at what opportunities there are to provide training and apprenticeships and look at factors in retaining graduates.
- They are actively seeking to move to zero carbon ready and are developing a prototype house type that delivers net zero carbon, and Thirteen work actively with their suppliers, partners and contractors to reduce carbon in their supply chain.
- Thirteen have actively sought feedback from graduates at Huddersfield University, which has confirmed that they are interested in residential proposals of the type being proposed by Thirteen.
- Thirteen also have a track record in the development of housing for older people and are actively working on approaches to older people's accommodation in town centres.
- This also links to the concept of a "15 minute neighbourhood" – a concept of a resident being able to access most of all of the services needed within a 15 minute walk of their home. This supports a reduction in car use. Both older people, and graduates, have been shown to be actively interested in this concept.

2.4.2 Proposed approach

The proposal is to enter in to an eighteen month exclusivity period with Thirteen at the end of which they would have the option to purchase Somerset Buildings and Estate Buildings at market value. This would obviously mean that during both the exclusivity period and the option period, the properties would not be available for anyone else to purchase. The Council will work closely with Thirteen throughout this period, monitoring and reviewing proposals and activity and regularly reporting on progress through the Housing Growth Board. It is proposed that the exclusivity period would be for 18 months but determinable by and with the approval of the Strategic Director after 12 months, if Thirteen have not made significant progress against the milestones set out below.

This arrangement would be the subject of an appropriate legal agreement, with milestones against which Thirteen have to make demonstrable progress.

These milestones would be:

Enter in to exclusivity agreement	Sept 2022
Complete review of existing feasibility work and provide initial design proposals	October 2022
Complete design development/proposals	January 2023
Complete soft market testing	February 2023
Final proposal for buildings to the Council	May 2023
Development appraisal submitted to Council	May 2023
Independent external valuation	June 2023
Develop planning application/listed building consent application	September 2023
Enter in to option agreement	October 2023

2.4.3 Disposals and Acquisitions Policy

The Council's disposals and acquisitions policy states that:

“Disposals to nominated purchasers will be considered by the Council where this meets an identified regeneration, social or community need. All ‘off market’ disposals to nominated purchasers will be subject to an independent external valuation to determine best consideration.”

A future sale of the buildings to Thirteen would meet the criteria of delivering the regeneration of Huddersfield Town Centre by supporting delivery of the Blueprint vision, it would also meet an identified need for housing.

3. Estates Buildings and Somerset Buildings and future opportunities

3.1 The development of Estates Buildings and Somerset Buildings will represent the first phase of residential development in Huddersfield town centre, utilising existing Council assets to set the standard for a new type of residential development and demonstrating what can be achieved.

3.2 This proposal will be taken forward in tandem with works to make the Estates Building wind and watertight and protect the important historic features of the building which are also being brought before Cabinet in a separate report.

3.3 Plans for future phases of new homes in the town centre will be developed alongside taking Estates and Somerset forward, with the aim of increasing private sector residential development in the town centre. The Huddersfield Town Centre Living Plan identifies zones in the town centre for future residential development opportunities, engagement with the market will take place to promote and support interest from investors and developers for this long term strategic ambition.

4. Options considered

4.1 Do nothing

An increased residential presence in the town centre is a key part of delivering the wider Blueprint vision – town centre residents are needed to support town centre retail and leisure uses, and in turn, these uses will draw further residents into Huddersfield in a mutually reinforcing way. Doing nothing with these buildings will mean that they remain empty and impact negatively on progress achieving the wider Blueprint vision.

4.2 Promote opportunity to the market

The opportunity at Estates Buildings was taken to the market in the past and there was limited interest. The focus of residential schemes to support the Blueprint is to deliver a high-quality product which meet or exceed nationally described space standards, and which aims to retain graduates and draw a wider demographic in to Huddersfield to live in the town centre. This approach is untested in Huddersfield and feedback from high level feasibility and market testing is that the market is unlikely to deliver this approach on its own initiative.

Furthermore, if the buildings are disposed of to the market, it is difficult for the Council to control when the homes are delivering and quality standards.

In addition, engaging with the market would take longer than progressing an exclusivity period with Thirteen. The additional time incurred would be at least six months and would be difficult if not impossible to resource given existing resource pressures which exist within Housing Growth due to the pressures on wider projects to deliver housing across the district. Working with Thirteen offers the opportunity to progress delivery more quickly and with significantly less resource implication and resultant negative impact.

Delivering this first phase of development with Thirteen will stimulate interest from a broader market of investors and developers for the wider opportunity for residential growth in the second phase.

4.3 Work with Thirteen

Working with Thirteen provides a unique opportunity for the Council to work with a trusted existing partner who has significant Homes England resources and experience of town centre residential regeneration. It allows the Council to influence a scheme and be party to the outputs and benefits (e.g., plans, feasibility and market work) without having to commit expenditure and significant staffing resources to promote and deliver a scheme via the market where it is unlikely to be successful. It also provides the opportunity to secure other benefits, including social value via training and apprenticeship opportunities, and to utilise Thirteen's proactive approach towards carbon reduction in their schemes.

Working with Thirteen provides an opportunity to deliver a first phase of development which will set the standard for what can be achieved in the town centre, opening the door for a second phase of development led by the private sector in the wider town centre.

The outputs of the study will be available to the Council and if Thirteen were to choose not to proceed at the end of an exclusivity period, the market option could be pursued as an alternative.

5.0 Risks to the Council

The risks to the Council are as follows:

Project does not proceed with Thirteen following proposed exclusivity/option period – initial feasibility work undertaken by the Council demonstrates that in the current market, the

viability of delivering these buildings for housing is likely to be challenging. However, Thirteen have significant financial resources from Homes England, some of which they have ring fenced for Huddersfield town centre, and they do not have the same profit drivers/targets of a mass market developer. In the case that they do not proceed, the Council will have potentially lost time, but not money, as it will be a requirement that Thirteen fund the feasibility work and make the outputs (plans, reports) and associated intellectual property rights available to the Council.

It should be noted that the proposal to grant Thirteen an exclusivity period is running in parallel with the proposed shell repair (wind and water tight scheme) which is being progressed by the Council's Town Centre team and plans for working with the market to promote phase 2 opportunities.

Other developer interest in these buildings – to date, interest from developers capable of delivering high quality schemes with the type of design standards which the Council is seeking in these strategic locations has been very limited. The market for a high quality residential product in Huddersfield Town Centre is seen as untested, and currently the opportunities which exists are seen as relatively small by developers who work in this type of market, therefore it is challenging to get them to engage. There may be some interest from other Housing Associations however these are unlikely to have the capacity and benefits of being a Homes England Strategic Partner which supports an ambitious development programme, alongside Town Centre regeneration expertise and funding commitment needed for these complex buildings.

6.0 Implications for the Council

6.1 Working with People

The proposed approach to this programme of housing development will bring much needed high quality housing to the district including the potential for affordable homes. This project will provide housing that meets the needs of local people and helps to retain graduates within the district. Consultation and research has already been undertaken with students from Huddersfield University, and this has provided evidence of many student's aspiration to remain resident within Huddersfield town centre.

In addition, as part of the construction process, the benefits to the local supply chain and opportunities for apprenticeships and training will be maximised by the partner.

6.2 Working with Partners

The proposals will bring essential resources to the Kirklees district, as part of the Council's wider programme of housing growth. Thirteen is an ambitious and committed partner who's values align with the Councils, and with the highest possible rating from the Regulator of Social Housing who will bring vital resources to support the council in housing delivery, at a time when resources are stretched and staff with expertise in the housing delivery and wider development field are difficult to secure. The Council will also work with Homes England and West Yorkshire Combined Authority to maximise funding opportunities and meet our collective ambitions.

6.3 Place Based Working

As set out above, the proposals for residential development in these town centre locations supports the wider approach to delivery of the Blueprint and addresses specifically the need to provide housing to retain graduates and provide an affordable but quality housing product in Huddersfield Town Centre. In turn, increasing the number of residents in the town centre will help to support and sustain retail and leisure uses.

6.4 Climate Change and Air Quality

As set out in 2.4 above, housing development in these locations both provides and aims to create a market for town centre housing. It re-uses existing assets and is in a sustainable location within easy reach of strategic transport links via trains and buses. The proximity to town centre leisure and retail uses removes the need for car ownership. Thirteen are actively seeking to move to zero carbon ready development and are developing a prototype house type that delivers net zero carbon, they work actively with their suppliers, partners and contractors to reduce carbon in their supply chain. Thirteen's ongoing experience of delivering projects focusing on the zero-carbon agenda including retrofit to existing stock will support the ambition to maximise the use of green technologies in the town centre properties.

6.5 Improving outcomes for children

Not applicable

6.6 Financial Implications for the people living or working in Kirklees

As set out in 6.4 above, new homes in Estates Buildings and Somerset Buildings will be located in a sustainable town centre location, with easy access to public transport and removing the expense of car ownership. Furthermore, Thirteen will use their existing expertise to make properties as energy efficient as possible, reducing costs for occupiers.

6.7 Other (eg Legal/Financial or Human Resources) Consultees and their opinions

The details of the financial and legal implications will be set out in the update report to Cabinet which will follow on from the detailed design and appraisal work needed to scope out the developments during the exclusivity period.

7.0 Next steps and timelines

The recommended approach is to enter into an exclusivity period with Thirteen in relation to Estate Buildings and Somerset Buildings for a period of 18 months (determinable by the Council after 12 months if significant progress against agreed milestones is not achieved).

The exclusivity period will include the milestones set out above, to include the following principles:

- If insufficient progress is made against the milestones, the Council will have the right to end the exclusivity agreement after 12 months
- Thirteen will be responsible for the costs of any work they undertake, including work commissioned externally from their organisation (e.g. architects, engineers etc).
- All outputs from the work will be shared with the Council and the Council will have the right to use any intellectual property including plans, feasibility and market work to take work on the buildings forward if Thirteen chose not to proceed
- If the Council choose not to proceed, they will meet Thirteen's reasonable costs for any externally commissioned work (e.g. architects, engineers) and any associated costs of transferring the intellectual property rights for this work to the Council.
- If Cabinet is minded to support the proposals, officers will work with Thirteen to progress next steps set out in 2.4.2 including development of an appraisal and a valuation for both buildings.

7.1 Update report

A further report will be brought back to Cabinet for consideration once substantial progress has been made. This will set out the plans proposed including the key features of the worked-up schemes and recommended disposal. This will be in advance of the Planning Application submission.

8.0 Officer recommendations and reasons

1. That Cabinet agrees to proceed with the first phase of development and enter into an exclusivity period with Thirteen in relation to Estate Buildings and Somerset Buildings for a period of 18 months
2. That Cabinet delegate approval to the Strategic Director (Growth and Regeneration) to terminate the exclusivity period after 12 months if substantive progress has not been made against the relevant milestones
3. That this arrangement will be the subject of an appropriate legal agreement, with milestones against which Thirteen have to make demonstrable progress.
4. Following on from the feasibility work and valuation report an update report will be brought back to Cabinet setting out the detail of the proposals, subject to Cabinet approval Thirteen would have the option to purchase Somerset and Estate Buildings at market value.
5. That Cabinet endorse the Huddersfield Town Centre Living Plan – Appendix 1.

9.0 Cabinet Portfolio Holder's recommendations

Cllr Graham Turner comments; I totally support the proposals and recommendations as set out above. Bringing people to live into the town centre will help regenerate the town centre and help create a better atmosphere.

Without a plan such as we have here the buildings will continue to deteriorate, and ultimately become more of a financial burden on the scarce resources of the council.

In Working with Thirteen we have a unique opportunity for the Council to work with a trusted existing partner who has significant Homes England resources and experience of town centre residential regeneration.

By signing an exclusivity deal with Thirteen we can work closely with them to bring life back in to both these buildings and develop much needed space for town centre living.

This also means that they are involved at the very early stage of the development, and the expertise they bring will be invaluable as we develop the plans for redeveloping these significant and important assets.

Not only will we provide much needed living space, but we will give these buildings a long-term future and protect them for future generations.

10.0 Contact officer

Liz Jefferson

Strategic Partnership Lead

Housing Growth and Regeneration

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11.0 Background Papers and History of Decisions

Appendix 1. Huddersfield Town Centre Living Plan

Huddersfield Blueprint

<https://democracy.kirklees.gov.uk/documents/g6505/Public%20reports%20pack%2022nd-Sep-2020%2015.00%20Cabinet.pdf?T=10>

12.0 Service Director responsible

Joanne Bartholomew

Service Director – Development