

CABINET

9 APRIL 2019

STROOD WATERFRONT – FORMER CIVIC CENTRE SITE

Portfolio Holder: Councillor Rodney Chambers, OBE, Inward Investment, Strategic Regeneration and Partnerships

Report from: Richard Hicks, Director Regeneration, Culture, Environment and Transformation and Deputy Chief Executive

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Summary

This report seeks Cabinet approval to:

- Delegate authority to the Director Regeneration, Culture, Environment and Transformation & Deputy Chief Executive in consultation with the Portfolio Holder for Inward Investment, Strategic Regeneration and Partnerships to appropriate for planning purposes the land at the former Civic Centre site, access road and adjacent land at Janes Creek
- Delegate authority to the Director Regeneration, Culture, Environment and Transformation & Deputy Chief Executive in consultation with the Portfolio Holder for Inward Investment, Strategic Regeneration and Partnerships to dispose of the land on the best terms reasonably obtainable whilst securing development of the land.

1. Budget and Policy Framework

- 1.1 Disposals and appropriations are matters for Cabinet, however as the disposal value of the site will be over £500,000, Full Council needs to be informed about the disposal and appropriation.

2. Background

- 2.1 The former Civic Centre site in Strood is a prime council owned site with significant transformational potential for the whole of Strood and beyond, the site is allocated in the emerging Medway Local Plan.
- 2.2 The Strood Waterfront Development Brief, which was adopted in June 2018, outlines the council's ambition for the site, and illustrates the potential for delivery of c.564 quality new homes, helping meet the high demand for housing within Medway, and contributing towards Medway's aspiration to become a Waterfront City by 2035.

- 2.3 The site has been at risk of river tidal and surface water flooding and required protection works before it could be redeveloped.
- 2.4 The flood risk management works, which will protect the land from forecast flood levels, will be complete in April 2019; it was necessary to raise the flood defence level to provide defence for the 1 in 200 year storm threat, with flood levels at +6.0m AOD (above ordnance datum or above sea level), in agreement with the Environment Agency. These works were funded via the South East Local Enterprise Partnership Local Growth Fund.
- 2.5 Once the works are complete the site will be able to be developed and be transformed into an area of prime, high quality residential land with potential for premium housing, offering fantastic views of Rochester Castle and Rochester Cathedral and access to the River Medway
- 2.6 During July 2018, the Council sought Expressions of Interest in relation to the former Civic Centre site and the adjacent Riverside site. The market testing has confirmed strong interest for the sites from the market, including major national house builders; 43 developers expressed an interest.
- 2.7 The land at the former Civic Centre site was declared surplus on 14 July 2007, and the access road and adjacent land at Janes Creek were declared surplus on 25 September 2007, allowing the council to dispose of the land using S123 of the Local Government Act 1972. As edged red on the plan at Appendix A.
- 2.8 In order to maintain a high degree of control over the selection of a housing developer and ensure the delivery of a high quality development, optimising densities and speed of delivery whilst obtaining best consideration, an OJEU procurement process will be undertaken. As such, the land now needs to be appropriated under Section 122 (1) of the Local Government Act 1972 to planning purposes so that it can be disposed of under S233 of the Town & Country Planning Act 1990
- 2.9 The anticipated programme for the development of the site is set out below;

Process	Date
Cabinet and Full Council approval	April 2019
Issue OJEU notice and launch marketing	May 2019
Procurement Process	May 2019 – January 2020
Select preferred developer	February 2020
Exchange conditional contract with preferred developer	April 2020
Submission of planning application by developer	September 2020
Grant of planning permission & completion of contract	January 2021
Development commencement	March 2021

3. Options, advice and analysis

- 3.1 A straight forward site disposal process was considered for the site. This approach could attract wide market interest and a developer could be named more quickly.
- 3.2 However this method of disposal would not enable the Council to use positive development obligations and therefore the Council would have little control over the nature of the development and would be largely relying on its planning powers to control the nature of the development.
- 3.3 The same drawback would also apply to speed of delivery. The Council would not be able to impose any development programme on the site purchaser and would have to rely on commercial pressures on the developer to drive development delivery. Legal negotiations would only begin once a preferred bidder is chosen, and there is a risk that, if an agreement cannot be reached, then the whole process may have to start again. Construction on site would be unlikely to be any earlier than if an OJEU process was followed.
- 3.4 It was therefore proposed that the site should be developed via an OJEU negotiated process, and it is recommended that the land is appropriated under Section 122 (1) of the Local Government Act 1972 to planning purposes so that it can be disposed of under S233 of the Town & Country Planning Act 1990, for the benefits detailed in section 2.8 above.

4. Advice and analysis

- 4.1 The market testing carried out in July 2018 shows that there is strong interest in the Strood Waterfront sites. As the former Civic Centre site is the most attractive and prestigious of the sites, this will be marketed as a priority and separately from the adjacent Riverside site so the market is not flooded and interest in Strood can continue to grow.
- 4.2 An OJEU procurement is appropriate for the Civic site as it has sufficient development scale to attract market interest. This approach was used successfully at Rochester Riverside.
- 4.3 The process provides the opportunity for proposals to be developed and shaped within the framework of a competitive bidding situation. The nature of the development, including use types and development quantum, can be specified, and development milestones and programme set out.
- 4.4 A typical OJEU process has a 9-12 month timescale, and this includes initial contractual negotiations and leads to a subsequent shortening of the legal process. Contractual close can therefore occur relatively quickly following selection of a preferred bidder compared with a straight site disposal process where typically legal negotiations only begin when a preferred bidder has been chosen and a preferred bidder can use the legal process to renegotiate the deal.

5. Risk management

Risk	Description	Action to avoid or mitigate risk	Risk rating
Lack of developer interest.	Lack of interest in the site and/or using the OJEU process.	Very low risk as market research has already been carried out and there was a lot of interest in the site and using the OJEU process.	D2
Preferred developer withdraws bid.	Preferred developer withdraws their offer, or does not sign up to terms and conditions within the Development Agreement.	Exchange of contracts will take place early in the negotiation period, prior to the submission of the planning application. The Development Agreement will be drafted in consultation with the developer. External solicitors with current knowledge of the market will be instructed to draft and negotiate the development agreement to ensure a speedy exchange of contracts.	D2
Poor quality development	Development on scheme is of poor quality and does not meet expectations for high quality mixed used development.	Revised Strood Waterfront illustrative masterplan sets out expectations for high quality development.	D2
Poor market conditions slow progress of development.	Difficult market conditions discourage purchase of units.	The scheme will be designed to be flexible and adaptable to changing market conditions.	C2

6. Consultation

- 6.1 Once a developer for the Civic site is appointed, a period of public consultation will form part of the planning application process for the site once an application has been submitted

7. Financial implications

- 7.1 The Council is under a duty to obtain the best consideration reasonably obtainable when it disposes of interests in property, unless consent is obtained from the Secretary of State or one of the general consents applies. The Council is likely to receive several million pounds from the disposal of its land following appropriation and redevelopment.

8. Legal implications

- 8.1 Under Part 5 of Part 3 of the Council's Constitution, the decision to appropriate and dispose of the site is one for Cabinet with needing to report the decision to Full Council for information.

- 8.2 When it disposes of land under the power in section 233, the Council has a duty to obtain best consideration for the disposal, unless the letting is by way of a lease for 7 years or less, or a specific consent is obtained from the Secretary of State.
- 8.3 The obligations imposed on the Council when seeking to dispose of land under the powers in section 233 are twofold. Firstly, the Council must satisfy itself that the disposal satisfies the planning and regeneration objectives it has set for the site. Secondly, where there are two or more alternative routes of disposal that would satisfy these objectives, it must select the route that would provide the best financial consideration.

9. Recommendations

- 9.1 The Cabinet is asked to:
- 9.1.1 agree to delegate authority to the Director Regeneration, Culture, Environment and Transformation and Deputy Chief Executive, in consultation with the Portfolio Holder for Inward Investment, Strategic Regeneration and Partnerships to appropriate for planning purposes the land at the former Civic Centre site, access road and adjacent land at Janes Creek as shown edged black on the plan attached at Appendix A (“The land”).
- 9.1.2 agree to delegate authority to the Director Regeneration, Culture, Environment and Transformation and Deputy Chief Executive in consultation with the Portfolio Holder for Inward Investment, Strategic Regeneration and Partnerships to dispose of the land on the best terms reasonably obtainable whilst securing development of the land.

10. Suggested reasons for decisions

- 10.1 This will allow Medway to maintain control of the development of the former Civic Centre site in Strood, allowing it to be transformed into an area of prime, high quality residential development offering fantastic views of Rochester Castle and Rochester Cathedral and access to the River Medway

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Appendices

Appendix A - Site Plan

Background papers

Strood Waterfront Development Brief 2018
https://www.medway.gov.uk/downloads/file/2877/appendix_1_-_strood_development_brief

Strood Waterfront Illustrative Masterplan
https://www.medway.gov.uk/downloads/file/2878/spd_appendix_2_-_illustrative_masterplan_31052018

Council decision – Civic Headquarters
<https://democracy.medway.gov.uk/mglIssueHistoryHome.aspx?Id=2250&Opt=0>