

CABINET

15 DECEMBER 2020

QUEEN STREET DEVELOPMENT UPDATE AND AFFORDABLE HOUSING SCHEME

Portfolio Holders: Councillor Alan Jarrett, Leader of the Council

Councillor Adrian Gulvin, Portfolio Holder for Resources

Report from / author: Perry Holmes, Chief Legal Officer

Summary

This report updates the Cabinet as to progress of the development of a housing development on the Queen Street and Slicketts Hill car park site. It also seeks authority to commission Medway Development Company to complete the linked affordable housing scheme.

1. Budget and policy framework

1.1. The provision of housing is a matter for Cabinet.

1.2. This report has been circulated separately to the main agenda. Therefore, the Cabinet is asked to accept this report as urgent to enable consideration of the matter at the earliest opportunity (the next scheduled Cabinet meeting is due to take place on 12 January 2021) to allow timely consideration of the two linked planning applications.

2. Background

2.1. Cabinet approved the development of a mixed-use scheme on the site of the Council's owned Queen Street and Slicketts Hill car parks in Chatham (decision no. 25/2016 refers), with the retention of public parking on the site.

2.2. Cabinet received an update on the progress of the development and sought to protect the Council's position (decision nos. 97 and 98/2018 refer).

2.3. The Council has subsequently entered into a legal agreement with a developer, Creval to secure the redevelopment of the site, with the retention of public parking. After a Design Review Panel and two informal presentations

to Members, a planning application for a residential scheme with 178 new homes has now been submitted for the proposal.

- 2.4. Officers have suggested that a means to deliver the 45 affordable homes as part of this scheme is for the Cabinet to commission Medway Development Company to deliver it on the basis that agreement has been reached in principle with MHS to acquire the site on completion. Amendments are needed to the agreement with Creval to enable the affordable housing to be developed and a legal agreement between the Council and MHS needs to be completed. The proposed site is identified at Appendix 1 and comprises land in Council and MHS ownership, plus land owned by third parties. A land assembly plan has been agreed with all relevant landowners in principle. This will need to be formalised to ensure the project can proceed.

3. Options

- 3.1. Option 1. Cabinet could decide not to take the officer proposal forward. This joint venture development is one that includes a level of risk that the Council has sought to mitigate.
- 3.2. Option 2. Cabinet could take account of the success to date of the schemes delivered by Medway Development Company at White Road, with MHS acquiring that scheme on completion. This option is recommended by Officers.

4. Advice and analysis

- 4.1. The Council has sought to explore a number of ways to deliver much needed housing in urban areas like Chatham. This project is one example of a joint venture approach.

5. Risk management

- 5.1. Risk management is an integral part of good governance. The Council has a responsibility to identify and manage threats and risks to achieve its strategic objectives and enhance the value of services it provides to the community. Using the following table this section should therefore consider any significant risks arising from your report.

| Risk | Description | Action to avoid or mitigate risk | Risk rating |
|--|---|--|-------------|
| The affordable scheme is more expensive to build than the price at which it will be sold | MDC make a loss on the scheme and the borrowing provided by the Council is not repaid in full | Work with MDC to ensure that the budget is not exceeded through appropriate project management | C3 |

| Risk | Description | Action to avoid or mitigate risk | Risk rating |
|--|---|---|-------------|
| Once complete the site is not sold | The borrowing for the scheme is not repaid | Work with MHS to complete the legal agreement to sell the site to them on completion before development commences | C3 |
| The affordable scheme is out of kilter with the design of the principal scheme | The design of the whole scheme does not enhance the regeneration of the Brook | Encourage MDC to work with the designs from the submitted scheme to mirror these in the affordable homes | C3 |
| Land assembly delays progress | All three elements of land (Council, MHS and third party) are not assembled | Work to secure formal agreements before commencing development | C3 |

6. Consultation

- 6.1. Any planning application for the affordable scheme will require appropriate community consultation. Planning Members have seen two planning presentations for the submitted principal scheme and gave feedback about the affordable scheme as part of that.

7. Climate change implications

- 7.1. Designing a development that is sustainable and has low traffic movements will contribute to the Council's carbon reduction ambitions. The contractor selected for this project would be expected to produce a sustainable development policy.

8. Financial and Legal implications

- 8.1. The project to develop the affordable housing scheme can be paid from the funding earmarked for Medway Development Company schemes. They can recover a project management fee for the work. Cost overruns on this project would ultimately be at the Council's risk, but could be offset if they materialised, from the expected profit from the principal scheme.
- 8.2. The amendment to the legal agreement with Creval and the agreement with MHS can be completed by the Council's in-house legal team. These should be finalised and executed before any development starts.

9. Recommendations

- 9.1. The Cabinet is asked to agree option 2 as set out at paragraph 3.2 of the report and agree to commission Medway Development Company, to complete the affordable scheme for the Queen Street development.
- 9.2. The Cabinet is asked to approve the amendments to the agreement with Creval set out in Exempt Appendix 1 and the draft Heads of Terms with MHS in Exempt Appendix 2.
- 9.3. The Cabinet is asked to agree to delegate authority to the Chief Legal Officer, in consultation with the Leader of the Council, to complete all necessary legal agreements and amendments necessary to commission Medway Development Company to complete the affordable housing scheme of this project.

10. Suggested reasons for decision

- 10.1. The Council has a housing company that is building a reputation for completing schemes on time and on budget.

Lead officer contact

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Appendices

Appendix 1 – Site Plan

Exempt Appendix 1 – amendments to the legal agreement with Creval

Exempt Appendix 2 – draft Heads of Terms for a legal agreement with MHS

Background papers

None.