

PLANNING COMMITTEE

6 OCTOBER 2022

CHATHAM WATERS S106 – AFFORDABLE HOUSING

Report from: Richard Hicks, Director of Place and Deputy Chief Executive
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Summary

This report relates to the financial contributions secured via a S106 agreement related to the wider Chatham Waters development and to the fact that due to viability, the delivery of the affordable housing element of the Chatham Waters development cannot afford to meet the financial contributions required (for that element only).

1. Budget and policy framework

1.1. A decision on this matter is appropriate for Planning Committee and is within the Council's policy and budget framework including the Council Plan.

2. Background

2.1. In March 2013, under planning reference MC/11/2756 the Local Planning Authority (LPA) approved an outline application for a mixed-use development comprising employment, residential (up to 950 units), student accommodation, hotels, leisure, conference, events and education facilities, retail uses energy centre, petrol filling station and associated open space and parking. This approval was subject to a S106 agreement that secured the following:

- (i) 25% affordable housing on site
- (ii) Informal open space on site
- (iii) Equipped play areas on site
- (iv) Contribution towards formal sports at the Strand
- (v) Contribution towards great lines heritage park
- (vi) Contributions towards primary education
- (vii) Contribution towards health care
- (viii) Contribution towards waste and recycling
- (ix) Contribution towards training and workforce
- (x) Provision of on site community facilities
- (xi) Work to Gillingham Pier or fixed contribution
- (xii) 278 agreement to provide highway improvements at Gillingham Gate
- (xiii) 278 agreement to provide highway improvements at Strand roundabout

- (xiv) Contribution towards traffic management at A289/Maritime Way junction
- (xv) Contribution towards walking and cycling accessibility between site and Gillingham Town Centre
- (xvi) Bus service strategy
- (xvii) Contribution to travel plan monitoring.

2.2. The following residential applications have been approved under reserved matters:

MC/17/1918 Construction of a part 16 and part 11 storey block comprising 199 apartments, commercial floorspace, ancillary gym, office, parking and landscaping

MC/18/0997 Construction of part 7 and part 8 storey block comprising 193 apartments, retail and leisure floorspace, parking and landscaping

MC/21/2610 Construction of 2 residential buildings (8 and 9 storeys in height) to provide 237 affordable homes, parking and landscaping

In addition the following standalone application has been approved

MC/21/3014 Construction of a residential care home together with ancillary facilities

2.3. Peel Land and Property, working with the Council, spent 3 years identifying an affordable provider who was prepared to deliver affordable housing on site, and then working up a scheme that works for the provider, and delivers a mix of affordable products consistent with planning policy and is acceptable in design terms. The LPA was adamant that off-site delivery or contributions were not an acceptable solution and on-site delivery was essential. After a considerable time only one provider has come forward – L&G.

2.4. Since the approval there has been significant national and international inflation pressure particularly relating to rising costs for materials and labour. Peel will not receive any land value, profit or development management fee for the scheme. On its own the scheme generates a significant loss of £2.5m. As a consequence, if an affordable scheme is to be delivered then the S106 financial contributions (circa £440,000) will need to be set aside but only so far as they relate to the affordable housing units – i.e the financial contributions will still continue to apply for the rest of the development on site.

3. Options

3.1. There are 2 options:

- Option 1: Planning Committee agree a deed of variation to the S106 to allow the affordable housing development to proceed without paying the S106 financial contributions that would apply to residential

development. If this is agreed work will continue on the delivery of the affordable housing scheme on site.

- Option 2: Planning Committee do not agree a deed of variation in which case affordable housing will not be able to be delivered on site. Discussions will then need to take place regarding the alternatives of either off site provision or financial contributions.

4. Advice and analysis

4.1 Option 1 delivers affordable housing on site as per the approved scheme. It has taken 3 years to find an affordable housing provider for the site and who will provide a scheme that is acceptable.

4.2 Option 2 - Off site delivery will be a challenge because other than the Docks, Peel Land and Property do not currently own any other land in Medway, while off site contributions will not deliver the same volume of affordable housing units. In addition, it is desirable to provide affordable housing on site, as per the approved scheme as this helps to provide a balanced mixed community

4.3 Option 1 has been assessed by the Council's independent viability consultant. He has made the following comments:

- Generally expect affordable housing land to be free – it is
- Not generate contributions to site wide infrastructure - it doesn't
- Generate a profit of 6% - here it is 0%
- Sale price to L&G is reasonable
- Build price they have achieved is still good value
- No fat anywhere in appraisal process
- S106 contributions are genuinely not affordable
- Securing the affordable homes is a sound outcome

5. Climate change implications

5.1 This report has no implications in relation to climate change and the energy efficiency measures to be secured through the development.

6. Financial implications

6.1. These are set out above. If Option 1 is agreed then there will be delivered 237 affordable homes on site but without circa £440,00 in S106 contributions

7. Legal implications

7.1. Both options potentially have legal implications and could require a deed of variation to the agreed S106. Option 1 would require a deed of variation to remove circa £440,000 financial contributions as they relate solely to the 237 affordable housing units. Option 2 would require a deed of variation if the

Committee were to agree to off-site provision of affordable or off-site contributions.

8. Recommendation

The Planning Committee to approve Option 1.

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