

CABINET

21 DECEMBER 2010

ROCHESTER RIVERSIDE PHASE 1A GRANT OF LEASE(S)

Portfolio Holder: Councillor Rodney Chambers, Leader

Report from: Robin Cooper, Director of Regeneration, Community and Culture

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Summary

Cabinet Members are asked to consider a proposal to grant a lease or leases at Rochester Riverside Phase 1A in light of the exclusivity agreement having lapsed with developer Crest Nicholson. The proposal is to allow Hyde Housing Group to develop part of Phase 1A. Hyde have indicated their desire to carry out at their initiative direct development of the first three (mainly) affordable housing blocks. This would secure the £4.6m Homes & Communities Agency's (HCA) affordable housing grant which must be drawn down before the end of March 2011.

1. Budget and Policy Framework

- 1.1 Rochester Riverside is a high profile regeneration project within Medway and is of strategic importance within the Thames Gateway. The development of Rochester Riverside is identified within the Council Plan 2010-2013 and fits within the Council's strategic priority of everyone benefiting from the area's regeneration. The progression of Rochester Riverside will see the construction of the first new homes on the site including affordable homes and will contribute to the relevant LAA targets (NI154 and 155).
- 1.2 Cabinet Members are asked approve the proposal to grant a lease or leases to Hyde Housing Group as set out below.
- 1.3 The Rochester Riverside site is jointly owned and managed by Medway Council and SEEDA. There is a formal Collaboration Agreement between the two organisations, which sets out the project's decision-making process; this is managed by the Rochester Riverside Board. The Board considered the matter of the Hyde proposal on 7 December 2010.
- 1.4 The Cabinet is asked to accept this as an urgent item to enable officers to progress the proposals at the earliest opportunity.

2. Background

- 2.1 In October 2009 the Council and its partner SEEDA, entered into an Exclusivity Agreement (EA) with Crest Nicholson Regeneration Ltd (CNR) for Phase 1 of Rochester Riverside. Although intensive negotiations over the past year resulted in approval for the design of the first 161 homes the parties have been unable to agree satisfactory commercial terms and the EA expired on 22 November 2010. The Council and SEEDA have an obligation to ensure any commercial deal is in the public interest and is best value. The ongoing impact of the economic recession and its effect on house building has meant that the parties have been unable to reach a satisfactory agreement and therefore the decision was made not to renew the EA with CNR.
- 2.2 Since the EA with Crest Nicholson Regeneration Ltd (CNR) expired, officers have considered how to preserve the majority of the £4.6m HCA affordable housing grant which will be lost if it cannot be drawn down during 2010/11. Hyde Housing Group were CNR's affordable housing partner and in 2009 secured an offer of £4.6m affordable housing grant from the HCA for the scheme. They have been closely involved in the project since the Council first selected CNR in 2008. Hyde have now expressed an interest in undertaking their own direct development of the three main affordable housing blocks in Phase 1A Part I and have written to the Council setting out their proposal which is explained in more detail below.
- 2.3 Under this proposal Medway Council would grant Hyde a long lease or leases of part of the Phase 1 site within the area shown edged back on the attached plan. The Council, as landowner, would not specify the type of development Hyde could construct on the site, but Hyde will be constrained by the Outline Planning Permission and the HCA grant conditions. Hyde will apply for a new reserved matters planning permission for their scheme and then procure and construct the development. Discussions with Hyde are at an early stage but they have indicated that their development is likely to consist of (subject to design and planning approval):
- 40 Extra Care Units
 - 32 shared ownership units
 - Small elements of commercial uses.
- 2.4 Discussions with the HCA indicate that they are supportive of the proposal. In order to secure the grant the HCA require that Hyde have an interest in the land, secure planning permission and let a building contract by the end of March 2011. This is a tight timescale but is achievable.
- 2.5 Subject to Cabinet approval, officers will start to work on the proposed land disposal. Costs associated with the proposal in 2010/11 will be met from existing Rochester Riverside budgets including SEEDA's budget for the project.

3. Options

- 3.1 Officers have identified four options to progress development on Rochester Riverside. Each option is detailed below.

- a. Progress option with Hyde Housing Group. Progressing the option set out above with Hyde Housing Group will enable the majority of the HCA affordable housing grant to be drawn down by March 2011. Assuming the grant is drawn down by 31 March 2011 then a construction start of September 2011 with some infrastructure works possibly commencing earlier is planned thereby securing activity on the site in the near future. If the draw down date cannot be achieved by 31 March 2011 then the grant may be at risk.
- b. Select another developer partner: Procurement of a new developer under the terms of a development agreement specifying works would need to be in accordance with EU procurement procedures and Council procedures and would take some time to complete. In the meantime the HCA grant would be lost and there would be little opportunity for development activity in the near future.
- c. Sell the land to another third party: an outright sale (including by way of grant of lease) of land is not subject to EU procurement procedures and so theoretically could be completed more quickly than option b should the Council elect to dispose of the site via this route. However, no other prospective purchaser has Hyde's knowledge of and involvement with the site. This would mean that a sale by way of marketing of the site would take longer and the HCA grant would likely be lost, potentially making any development of the site at this time uneconomic.
- d. Do nothing: The Council could leave the site until the housing market has recovered from the economic downturn. The HCA grant would be lost and there would be no opportunity for development activity in the near future.

4. Advice and analysis

- 4.1 If the affordable housing grant is to be secured and development achieved at Rochester Riverside in the near future then progressing the option with Hyde is preferable.

5. Risk management

- 5.1 The risk analysis is set out below.

Risk	Description	Action to avoid or mitigate risk
Reserved Matters Planning Approval	A requirement of drawing down the HCA grant is that Hyde secure their own reserved matters planning permission with a signed S106 by end of March 2011. Failure to do so will result in loss of the HCA grant This risk is rated – C1 (significant probability, 'showstopping' impact)	<ul style="list-style-type: none"> ▪ Application submitted by 31 Jan at the latest. ▪ Application validated as soon as submitted ▪ Regular meetings with Development Management.
Grant of lease	A requirement of drawing down the HCA grant is that Hyde have a legal interest in the land by end of March	<ul style="list-style-type: none"> ▪ Regular liaison with Hyde and MC solicitors

HCA grant	<p>2011. Failure to do so will result in loss of the HCA grant This risk is rated – D1 (low probability)</p> <p>If an agreement with Hyde cannot be reached in the time frame then the HCA grant cannot be drawn down and the £4.6m funding will be lost. This risk is D2 (critical impact)</p>	<ul style="list-style-type: none"> ▪ Regular liaison with HCA to provide assurances that the timetable will be met
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6. Consultation

- 6.1 The proposal from Hyde Housing Group has been presented to the Rochester Riverside Project Board on 7 December.
- 6.2 There was considerable public and stakeholder consultation regarding the CNR proposals and this has led to an expectation that development will start at Rochester Riverside. While the Hyde proposal is smaller and will be different it will still begin to meet these expectations.

7. Financial and legal implications

- 7.1 In selling or leasing land for a period in excess of 7 years the Council has a duty under s123 of the Local Government Act 1972 and s233 of the Town & Country Planning Act 1990 to obtain the best consideration that can be reasonably obtained. The Council has the power under s24 of the Local Government Act 1988 and the general consents issued by the government under section 25 of that Act to provide a registered social landlord with any financial assistance or any gratuitous benefit consisting of the disposal to that registered social landlord of land for development as housing accommodation or as housing accommodation and other facilities which are intended to benefit mainly the occupiers of the housing accommodation. However, it is intended that any lease(s) to Hyde be granted at the best consideration that can be reasonably obtained. Further details are set out in the exempt appendix.

8. Recommendation

- 8.1 Cabinet is asked to grant delegated authority to the Chief Executive in consultation with the Leader to grant a lease or leases and any necessary preliminary agreements, of or relating to part of Phase 1A of Rochester Riverside within the area as shown edged black on the attached plan, together with any associated rights, for a term of not exceeding 999 years to a company or companies within the Hyde Housing Group on the best terms reasonably achievable.

9. Suggested reasons for decision(s)

- 9.1 The decision is intended to lead to protection of the £4.6m HCA affordable housing grant for Rochester Riverside and is in line with the Council's priorities for delivering development on its flagship regeneration site.

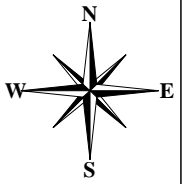
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Background papers

None

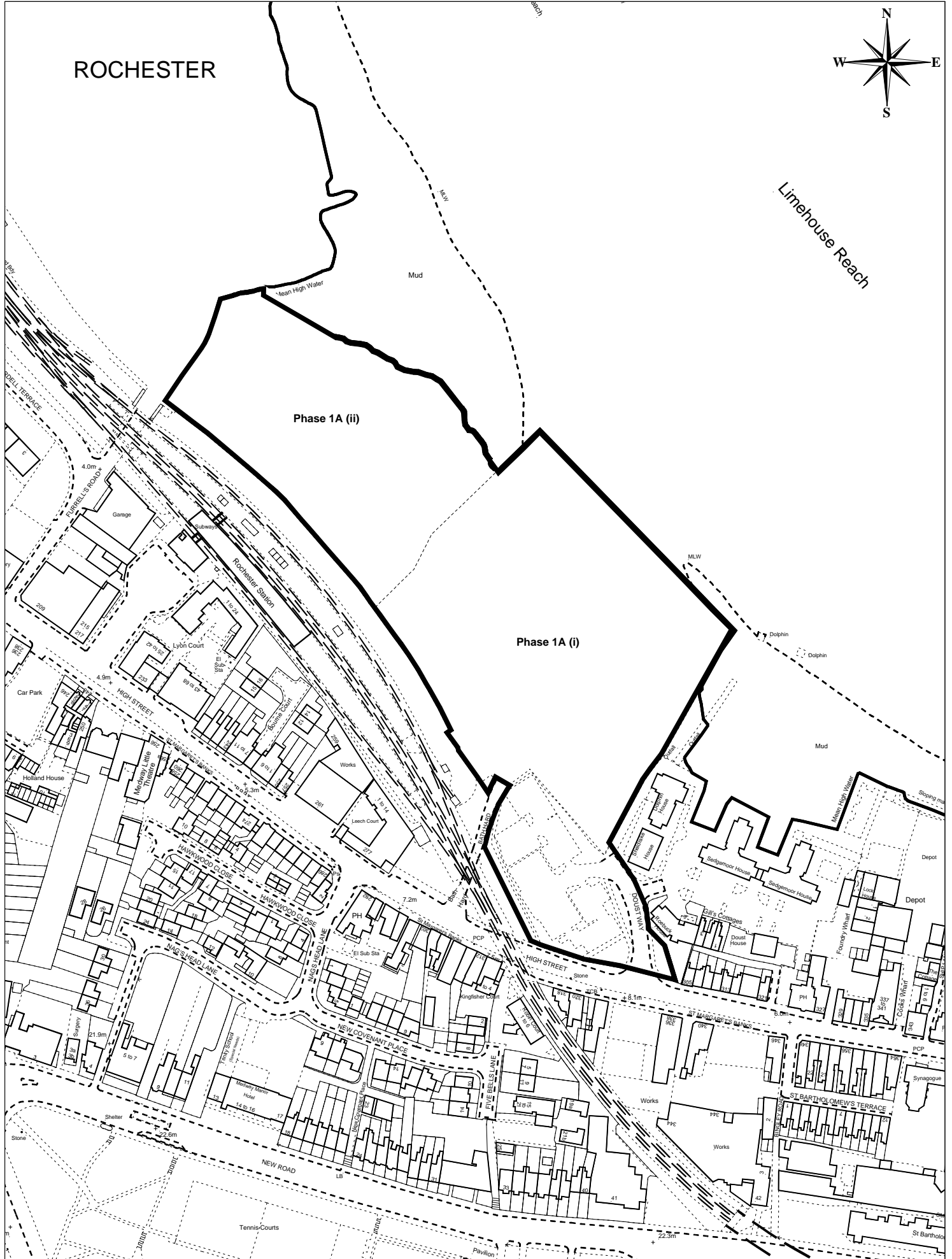
ROCHESTER



Limehouse Reach

Phase 1A (ii)

Phase 1A (i)



Rochester Riverside - Phase 1A



Scale: NTS 07/12/10

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