

## REPORT OF DIRECTOR OF PARK DIRECTION AND PLANNING

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### **SUBJECT:**

### **ROYAL GATE HOUSE REDEVELOPMENT – RENEGOTIATION OF DETAILS OF SECTION 106 AGREEMENTS**

#### Purpose of Report

To request Members approval of an amendment to the section 106 agreement with regard to securing appropriate finance to fund the affordable housing. The amendment has no impact on the number of affordable houses achieved.

#### Background

The pertinent planning permissions are:

**NP/11/064** – Demolish existing building and erection of nine dwellings, land at Clifton Rock, Greenhill Road, Tenby

**NP/11/065** - Demolish existing, construct 5 commercial units with 14 residential units at Delphi apartments, South Parade, Tenby; and

**NP/11/068** - construction 39 apartments, 68 bed hotel, 3 commercial units and replacement Cinema at the royal Gatehouse Hotel, White Lion St, Tenby

These applications were considered by Development Management Committee on 23 March 2011 and were approved subject to the applicant entering into legal agreements to secure planning obligations and affordable housing. The decision notices were issued July 2011 following the completion of the legal agreements.

#### Affordable Housing

It was agreed that the provision would be 12 units of affordable accommodation delivered off-site on the former Delphi site. With no provision for social housing grant the units were to be sold to the Registered Social Landlord (Housing Association) for 42% of the acceptable cost guidance.

#### Viability

Since planning permission was granted the developer – South Terrace Properties – has raised concerns that the affordable housing provision is at risk as there are significant difficulties in raising finance to fund the scheme.

The interest required on borrowing to fund the development has doubled from when the development was first proposed. The difficulties in raising finance for development schemes are well known issues at present for developers. Welsh

Government is urging planning authorities to recognise and consider this matter when developers are seeking to amend section 106 details (WAG Planning Guidance 2009: Delivering affordable housing by Section 106 Agreements). We have factored 'revised financing costs' into the viability modelling for the scheme. Officers have taken the view that in order to establish a reasonable viability of the residential aspect of the development and to ensure that the cost of financing is not a contributory factor to the whole scheme stalling then there are 2 reasonable and realistic options for the planning authority to consider:

1. Reduce the level of affordable housing
2. Increase the level of grant funding available to the scheme through the social housing grant administered by Welsh Government and Pembrokeshire County Council in this area.

#### Reducing the level of affordable housing

The option to reduce the level of affordable housing was the least favoured by officers. Tenby is an area of high demand for affordable housing and it is a priority to provide units within Tenby. Providing units for rental purposes through a Registered Social Landlord is therefore also one of the main priorities. Twelve units would be a helpful addition to the affordable housing needs shortage in this area

#### Increasing the level of grant funding

The developer has approached Pembrokeshire County Council to find out whether it would be able to support his scheme with an injection of Social Housing Grant. Pembrokeshire County Council Head of Housing has been able to support this scheme and prioritise it with an allocation of Social Housing Grant in the 2014/15 budget.

#### Section 106 terms

The Section 106 Agreement therefore needs adjustment to ensure that there is certainty in funding and the specific figure in the legal agreement needs to be amended from 42% of Acceptable Cost Guidance to 96% of Acceptable Cost Guidance to be available. (4% is held back for administrative and management requirements).

#### Financial considerations

There is no financial costs to this authority. The instruction for the legal agreement is through Pembrokeshire Coast National Park Authority but the developer has agreed to pay legal fees.

#### Conclusion

Local planning authorities are being requested to negotiate on details of section 106 legal agreements in the current financial climate to ensure that developments are not stalled unnecessarily.

The developer of the Royal Gate House scheme has approached Pembrokeshire Coast National Park Authority to amend details of the current section 106 to allow for the contribution of social housing grant through Pembrokeshire County Council to be factored into the viability testing of these sites. He has made this request on the basis of the increase in costs of providing private funding.

Officers have concluded that with no change to the numbers of affordable units being provided and the only change being the rate at which Acceptable Cost Guidance is provided then this amendment to the legal agreement is recommended for approval..

### Recommendation

That members resolve to allow officers to conclude the revision to the Section 106 agreements as set out above.

### Background Documents

Planning Files as listed above

*(For further information, please contact Jane Gibson)*

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