

TITLE	Peach Place Redevelopment - payment of infrastructure contributions
FOR CONSIDERATION BY	The Executive on Thursday, 31 October 2019
WARD	Wescott;
LEAD OFFICER	Deputy Chief Executive - Graham Ebers
LEAD MEMBER	Executive Member for Regeneration - Charlotte Haitham Taylor

PURPOSE OF REPORT (INC STRATEGIC OUTCOMES)

The decision will secure the release of monies to help fund infrastructure projects which contribute towards the mitigation of the impacts of the Peach Place development and which support the wider regeneration of the town centre, ensuring that the redevelopment scheme is sustainable and contributes to achieving the Council's regeneration objectives.

The decision is required to be taken by Executive following the decision of Executive in January 2015 which agreed the principal and programme of financial contributions from the Peach Place Redevelopment and which requested that "*an updated scheme viability appraisal to be brought back to Executive in advance of the first payment period, for approval of the release of monies to the Local Planning Authority*".

RECOMMENDATION

That the Executive agree to the payment of monies from the Peach Place Redevelopment to the Local Planning Authority in accordance with the viability thresholds and values identified in the Part 2 report.

EXECUTIVE SUMMARY

The Council, in conjunction with Wilson Bowden Developments, was granted planning consent for the redevelopment of land at Market Place, Peach Street, Rose Street and Rose Street car park (known as "Peach Place") in March 2015 (application number F/2014/2637). The site is currently under construction and occupation of the residential units is expected to happen before the end of 2019.

In January 2015, and in lieu of a traditional Section 106 agreement which was not possible to enter into as the Council is the applicant for the scheme, the Executive approved an approach to securing financial contributions from the scheme to contribute towards off-site scheme mitigation measures, including review and payment timescales.

The January 2015 decision required "*an updated scheme viability appraisal to be brought back to Executive in advance of the first payment period, for approval of the release of monies to the Local Planning Authority*". The first payment period agreed was on the occupation of the residential units and this is expected to take place by the end of 2019.

An updated scheme viability appraisal has been prepared and is summarised in Part 2 of this report as it is based on commercially sensitive data relating to scheme costs and values. This report seeks approval for the value and payment of the identified financial contribution to be paid to the Local Planning Authority.

BACKGROUND

The Council, in conjunction with Wilson Bowden Developments, was granted planning consent for the redevelopment of land at Market Place, Peach Street, Rose Street and Rose Street car park (known as “Peach Place) in March 2015 (application number F/2014/2637). Construction of the site is nearing completion and the scheme has delivered a high quality development in the heart of the town centre. The majority of the retail units are now trading with a mixture of high street and local independent traders and the new public square forms a focus point for community events and entertainment. Occupation of the residential units is expected to happen before the end of 2019.

Planning consent for the Peach Place Redevelopment was granted before Wokingham Borough Council adopted the Community Infrastructure Levy (CIL). Prior to the adoption of CIL, under normal circumstances infrastructure contributions for mitigation of a scheme (both on and off site) were secured through a Section 106 Agreement between the Council and the applicant. In this case, as the Council is one of the joint applicants (and owner of the land), the standard mechanism for securing the planning related benefits under Section 106 of the Planning Act could not be used.

Instead, a commitment to release monies to pay for off-site mitigation measures and a programme for these payments was approved by the Council’s Executive in January 2015. Within this decision, Executive asked that *“an updated scheme viability appraisal to be brought back to Executive in advance of the first payment period, for approval of the release of monies to the Local Planning Authority”*.

The first payment period agreed was on the occupation of the residential units and this is expected to take place by the end of 2019. This report therefore seeks approval for the value and payment of the agreed financial contribution to be paid to the Local Planning Authority, in line with the January 2015 Executive decision.

BUSINESS CASE

The financial appraisal which identifies the value of infrastructure contributions that can be generated by the scheme should be seen in the context of the Council’s objectives for Peach Place, which are not to deliver a level of financial return akin to the private sector but rather to deliver the wider masterplan regeneration objectives for the town centre. To deliver these wider masterplan regeneration objectives the scheme incorporates a number of elements which are essential to the appeal and vitality of the town centre and could create longer-term socio-economic benefits to the town, but at a cost that does not necessarily generate direct monetary return to the developer. These include:

- Provision of appropriately-sized high-quality commercial units which contribute to an wider range of retail operators in the town centre and help provide the infrastructure Wokingham requires to meet the current and future needs of its residents
- The creation of a public square at Peach Place, which provides a new public space in this area of the town centre and which will provide an area for community events
- Improved pedestrian environment within the town centre, linking the site to other areas of the town

- Providing a bespoke architecturally designed scheme for both commercial and residential
- Specification of high value materials, particularly in the plaza

In this context the Council has set itself a lower threshold for the percentage level of return on Scheme Cost than which would normally be acceptable to a private developer undertaking the scheme. The reduced threshold provides an acceptable financial return to the Council (as developer) and also provides a contingency to the Council to help mitigate any risks on its investment. The reduced level of return (as compared to that expected from a private developer) is offset by the significant non-monetary benefits that the regeneration will bring to Wokingham Town Centre.

At the time of the planning application (2014), a financial appraisal was prepared by the applicant based on this reduced level of return, and taking into account all scheme costs, including the costs incurred for site assembly. The value of contributions that could be given by the applicant towards off-site infrastructure works to mitigate the impact of the development was identified within the appraisal and was the residual value of the scheme, once the Council's costs including its self-imposed percentage return on Scheme Costs has been taken into account.

The appraisal has subsequently been updated in 2019 to reflect the true costs of construction incurred to date and other costs incurred by WBC during the construction of the scheme. It also includes an update to the costs and values of the residential units following the Executive decision in September 2017 for the majority of the residential units to be operated as Key Worker Housing by Wokingham Housing Ltd. The updated appraisal subsequently then identifies the level of mitigation contribution that can be afforded by the scheme at this time.

The financial contribution identified includes a payment towards the provision of off-site Suitable Alternative Natural Greenspace (SANG) and a payment for Strategic Access Access Monitoring and Maintenance (SAMM). These financial contributions are required to mitigate the impact of the development upon the Thames Basin Heath Special Protection Area and are a requirement under WBC's obligations set out in Regulation 63 of the Conservation of Habitats and Species Regulations 2017.

The value of the mitigation contribution is set out in Part 2 of this report as it is based on commercially sensitive data relating to scheme costs and values.

Prioritisation of funds

The Executive is not being asked to decide how these funds are allocated to mitigation schemes. This will be undertaken by the Council as Local Planning Authority.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council continues to face severe financial challenges over the coming years as a result of reductions to public sector funding and growing pressures in our statutory services. It is estimated that Wokingham Borough Council will be required to make budget reductions of approximately £20m over the next three years and all Executive decisions should be made in this context.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	Cost identified in Part 2	Yes. Included within approved budget for the Peach Place redevelopment.	Capital
Next Financial Year (Year 2)		Yes or No	
Following Financial Year (Year 3)		Yes or No	

Other Financial Information
None

Stakeholder Considerations and Consultation
The viability appraisal will be shared with the Local Planning Authority for approval.

Public Sector Equality Duty
Due regard has been given to the Public Sector Equality Duty. An equalities assessment has not been undertaken as the decision is purely a financial decision based on the viability appraisal of the development.

Reasons for considering the report in Part 2
The financial values which are included within the viability appraisal submitted to the Local Planning Authority are commercially sensitive. The value of the infrastructure contribution is derived from these figures.

List of Background Papers
None

Contact Sarah Morgan	Service Commercial Property
Telephone Tel: 0118 908 8371	Email sarah.morgan@wokingham.gov.uk

This page is intentionally left blank