PLYMOUTH CITY COUNCIL

Subject:	Acquisition and disposal of land at Seaton Neighbourhood					
Committee:	Cabinet					
Date:	10 December 2013					
Cabinet Member:	Councillors Lowry and Williams					
CMT Member:	Anthony Payne (Director for Place)					
Author:	Matt Ward, Principal Surveyor					
Contact details	Tel: 01752 305173 Email: matt.ward@plymouth.gov.uk					
Ref:						
Key Decision:	Yes					
Part:	Ι					

Purpose of the report:

This report seeks approval for a number of land transactions that will enable significant development in the north of Plymouth.

The transactions will enable the delivery of the new Seaton Neighbourhood, an outline planning application recently recommended for approval that includes up to 873 homes, 10,000 sqm of retail and business space, a new Community Park and One Planet Centre and the construction of the northern section of the Forder Valley Link Road (FVLR).

The Seaton Neighbourhood is a key part of the Council's plans for growth in the north of the city. The application unlocks significant investment through more than £8.238m of financial contributions towards projects that will benefit local residents, in-kind contributions of land for the Community Park and the FVLR, as well as on-site delivery of key infrastructure, at least 22% affordable housing and anticipated New Homes Bonus payments of around £8.378m.

The development is also a critical, positive step towards the delivery of the remainder of the FVLR, which is an essential part of the strategy to promote growth in and around the Derriford area. The construction of the development is expected to employ up to 275 people at any one time and the completed scheme will create long term employment opportunities in a new local centre.

The development has been promoted by the Hawkins Trust. It is proposed that the Council will sell some of its existing land to a company set up by the Hawkins Trust known as KDR. It is anticipated that KDR will sell the land onto Barratt Homes and another major housebuilder, who will make the reserved matters applications and build out the development. The Council will also secure land for the development from the Ministry of Defence (MoD) and the Plymouth Hospitals NHS Trust (NHS). The Council will also take a long lease of the Community Park and be granted an option over the land it needs to construct the southern section of the FVLR.

The report also covers the acquisition of land for the delivery of a new 2-form entry primary school, for which \pounds 4.394m of funding has already been secured. The new school is part of a wider strategy to increase primary school spaces in the north of the city and will also create new, high quality jobs.

The Brilliant Co-operative Council Corporate Plan 2013/14 -2016/17:

City Vision: The proposal will help to improve the quality of life for residents, particularly in the local area, by providing new homes, a new local centre, a new school and new job opportunities. In terms of employment opportunities, it is likely that around 275 construction workers would be employed on site at any one time. It is anticipated that 95% of this workforce would come from Plymouth. Additionally, it is expected that the construction will create opportunities for new apprenticeships.

Co-operative values: The proposal demonstrates how the Council can work successfully with private sector and public sector partners to deliver its strategic goals.

Pioneering Plymouth: The Council's involvement in this scheme will help deliver new homes and job opportunities, whilst generating a capital receipt for the Council.

Growing Plymouth: The proposal will provide up to 873 new homes, together with a range of other mixed uses, including shops, offices, a new community park and a new primary school.

Caring Plymouth: The proposal will provide new opportunities and improve access for residents to education, employment and recreation.

Confident Plymouth: The proposal should help to generate further opportunities for growth in the area by increasing demand for local services and raising the profile of existing facilities, such as Plymouth International Medical & Technology Park.

Implications for Medium Term Financial Plan and Resource Implications:

The medium term financial implications of the land assembly are as follows:

Property acquisition costs:

- Freehold of NHS land: purchase price as per existing option agreement, see Part II
- Freehold of MoD land: to be confirmed, see Part II
- 999-year lease of the Community Park: £1.00
- 80-year option over the land required for the FVLR: £1.00
- Estimated fees (legal, surveyors, agents, searches / title reports, disbursements): £50,000

Capital receipts:

- Council land: £1.622m (£1.329m for the sale of 10.03 acres of land, plus £0.293m to reflect the value of the Council-owned land required for the FVLR)
- Freehold of 6.82 acres of NHS land: £0.904m
- Freehold of MoD land: to be confirmed, see Part II
- Possible future sale of NHS land that will be subject to an option agreement between the Council and KDR: up to £0.162m

The costs associated with acquiring the NHS land would be met by a loan from the Council's Investment Fund. Resources will need to be ring-fenced to repay this loan, including from capital receipt resources and future Section 106 receipts. The acquisition costs for the MoD land would be met by the developer of the Seaton Neighbourhood, including any VAT and / or stamp duty land tax.

The receipts from the onward sale of the NHS land and use of part of the site for a primary school will be ring-fenced for the repayment of the Investment Fund Loan as follows:

• £0.904m receipt for southern part of the land (6.82 acres) from KDR;

- £0.692m Section 106 payment to cover the cost of the land required for the school (5.52 acres) including stamp duty land tax. This payment is part of an agreed \$106 payment of £0.732m towards education to be made by the Seaton Neighbourhood development; and
- £0.575m future receipt from the sale of the remaining land (4.71 acres) for development

Following acquisition of the NHS land and the Community Park the Council will be responsible for the maintenance and other liabilities associated with these sites. It is expected that the developer of the Seaton Neighbourhood will pay a Section 106 contribution of approximately \pounds 1.467m to the Council to carry out various works to improve and manage biodiversity in the Community Park. This payment will be made in the following instalments:

- £0.953m towards local green space, children's play space and strategic play space, of which 50% is to be paid prior to commencement and 50% paid 2 years later; and
- £0.514m biodiversity contribution for new planting and management of the Park, of which £0.218m will be paid on handover of the land, £0.140m one year later and £0.156m a further four years later.

In the long term the Council intends to assign its lease of the Community Park to a community trust, who would be responsible for the maintenance of the Park.

If the Council is required to hold any of the NHS land, maintenance costs are estimated to be no more than £5,000 per year. The Council could generate revenue from this land by granting a temporary grazing licence. Before work is due to start on the construction of the new primary school the Council could also generate income by granting a temporary licence to the NHS for the continued use of the land for car parking.

In addition to the \pounds 1.467m for the Community Park, the developer of the Seaton Neighbourhood is required to pay \pounds 6.771m towards CIL and Section 106 contributions for education and transport. New Homes Bonus payments of ca. \pounds 8.378m are also expected, assuming that all 873 homes are built and based on the current proposed mix of housing.

Other Implications:

- Health and Safety: The biodiversity improvements and maintenance of the Community Park will involve full consideration of the relevant health and safety issues, especially when public access to the Park is provided.
- Risk Management

- Risks will be managed by carrying out all relevant due diligence (including a report on title) prior to the purchase of any new freehold or leasehold interest. Purchase of these interests will be conditional upon a satisfactory report on title and upon planning consent being granted for the Seaton Neighbourhood or, in the case of the NHS land, a new school.

- Funding for the new school has already been secured, which helps to reduce the risk associated with the acquisition of the NHS land. Proposal DS13 of the submitted version of the Derriford and Seaton Area Action Plan 2006 – 2021 also provides support for a large, residential-led mixed-use neighbourhood and a new 2-form entry primary school. Although the AAP has not been recommended for adoption the inspector notes in his final report that "there is proportionate certainty that the plan will be effective in securing the volume of school places and associated infrastructure required".

- The acquisition of the NHS land will lead to the displacement of the NHS's temporary parking facilities, consent for which expires in December 2014. Council officers have been liaising with the NHS's estates department since June 2013 to help manage the implications of the loss of these spaces. The Council will continue to work closely with the NHS to identify ways to reduce demand for staff parking and mitigate the impact of the changes.

Equality and Diversity

Has an Equality Impact Assessment been undertaken? No. This is a private sector scheme and the developer will carry out an Equality Impact Assessment.

Recommendations and Reasons for Recommended Action

Recommendations I - 6 are subject to a satisfactory report on title and all other necessary legal agreements being in place (including, but not limited to, agreements for the onward sale of land from KDR to Barratt Homes and its development partner or to an alternative developer [or developers] nominated by KDR). Recommendations 2 - 6 are also subject to planning consent being granted for the Seaton Neighbourhood (including expiry of the judicial review period).

It is recommended that Cabinet agrees that, in accordance with the details provided in this report:

1. Subject to planning consent being granted for either the Seaton Neighbourhood or a new primary school on the NHS site the Council acquire the freehold of the NHS land, with the ability to grant a temporary licence to the NHS to allow possible continued use of the site for temporary car parking.

Reasons:

- i) To facilitate the land assembly for the Seaton Neighbourhood.
- ii) To allow the construction of a new 2-form entry primary school.
- iii) To acquire a long-term interest in land that is expected to provide future development opportunities for employment or residential uses.
- 2. The Council acquire the freehold of the MoD land. Reason:
 - i) To facilitate the land assembly for the Seaton Neighbourhood.
- 3. The Council acquire a 999-year lease of the Community Park. Reasons:
 - i) To improve the biodiversity of the area.
 - ii) To increase the amount of land in the area to which the public has access.
- 4. The Council enter a conditional sale agreement with KDR for the sale of the existing PCC land, the MoD land and for the southern part of the NHS land. Reasons:
 - i) To facilitate the land assembly for the Seaton Neighbourhood.
 - ii) To provide land for the construction of the northern section of the FVLR.
 - iii) To generate a capital receipt for the Council.
- 5. The Council enter into a Put and Call Option agreement with KDR for approximately 1.22 acres of land currently owned by the NHS. Reasons:
 - i) To allow the design and construction of the new 2-form entry primary school to be completed before the final disposal of this land to KDR is agreed.
- The Council enter into an option agreement with KDR for the land necessary for the construction of the Forder Valley Link Road. Reasons:
 - i) To facilitate the land assembly necessary for the construction of the FVLR.

- ii) To assist the Council's future bid for funding for the FVLR by allowing the Council to demonstrate that it has control of all the land required for the FVLR.
- 7. The Director for Place in consultation with the Portfolio Holder for Finance may agree any additional or supplementary legal and estates issues associated with this project that may arise prior to completion of the relevant legal documentation. This may include, but is not limited to, the agreement of revised consideration for the sale or acquisition of land due either to remeasurement or amendment of the extent of the land to be transferred or due to any amendments to the equalisation price, provided that they are supported by a formal valuation from the Council's external RICS valuer.
 - Reasons:
 - i) To ensure that all legal documentation can be completed in a timely manner and in accordance with the commercial requirements of the proposed development.
- 8. The acquisition of the NHS land and the associated use of a loan from the Council's Investment Fund Loan at £2.170m be included in the Capital Programme 2013 2015.
 - i) To ensure that the requirement for the resources necessary for the site acquisition have been identified and are available.

Alternative options considered and rejected:

I. The Council could refuse to work in partnership with KDR. However, this would result in some key parts of the site not being available for development. This would make it impossible for KDR to proceed with the scheme as set out in the current outline application and would delay the implementation of development that has been identified in the Council's adopted Core Strategy and is a key part of the Council's plans for growth in the north of the city. This could also result in the failure to secure the land necessary for the Community Park and FVLR.

2. The Council could choose not to exercise its option over the NHS land. However, this would result in the site designated for the new primary school not being available, which could lead to the Council having to return \pounds 4.394m of DfE funding. This would also have an impact on the Council's ability to attract future funding and the Council would lose the opportunity to provide an additional 2 forms of primary school places, which are much needed in the area.

Published work / information:

Plymouth City Council Adopted Core Strategy (2007), Chapter 5: Derriford / Seaton and Plymouth Sound http://www.plymouth.gov.uk/derriford_and_seaton_plymouth_sound.pdf

Derriford and Seaton Area Action Plan 2006-2021 (Submission) December 2012 <u>http://www.plymouth.gov.uk/homepage/environmentandplanning/planning/planningpolicy/ldf/aaps/ldfde</u> <u>rrifordseatonaap/derrifordandseatonaapexamination.htm</u>

Seaman, A (2013) Report on the Examination into the Derriford and Seaton Area Action Plan 2006-2021

http://www.plymouth.gov.uk/homepage/environmentandplanning/planning/planningpolicy/ldf/aaps/ldfde rrifordseatonaap/derrifordandseatonaapexamination.htm

Stride Treglown (2013) Derriford and Seaton Area Primary Education Feasibility Study <u>http://www.plymouth.gov.uk/homepage/environmentandplanning/planning/planningpolicy/ldf/aaps/ldfde</u> <u>rrifordseatonaap/derrifordseatonaapsubmitted/derrifordaapevidencebase.htm</u>

Background papers:

None.

Sign off:

Fin	SGPlaceFED	Leg	18900	Mon	TH0	HR	n/a	Assets	CJT/122/	IT	n/a	Strat	n/a
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Land & Property: JW0020 26/11/2013													
Originating SMT Member: David Draffan, Assistant Director for Economic Development													
Have the Cabinet Members agreed the contents of the report? Yes													

I.0 Introduction

1.1 An outline application for a mixed use development known as the Seaton Neighbourhood was submitted by KDR in September 2012 and was recommended for approval at Planning Committee on 7 November 2013. The application boundary and masterplan are shown on the plan at Appendix 1, with the proposed locations of the retail and business units shown in green and blue respectively. The plan also shows hatched the location of the majority of Community Park. The proposed location of the FVLR is also shown, including its junction to the south with Forder Valley Road and Novorossisk Road.

1.2 The majority (approximately 61%) of the land included within the outline application is owned by (or under option to) KDR. Other parts of the application site are owned by the Council, the MoD and the NHS. These land ownerships are shown on the plan at Appendix 2. The Council has a 2-year option over the NHS land which expires in June 2015.

1.3 In order to facilitate the land assembly required for this development, the value of all "developable land" owned by the Council and KDR has been "equalised" so that, regardless of how the land is developed, the return to each land owner is the same, calculated on a per acre basis. The developable land includes all land shown with new homes, retail or business units, the land required for the One Planet Centre and all land required for the Forder Valley Link Road. The "equalisation price" has been agreed by the Council and KDR at \pounds 132,500 per acre. This value reflects the significant community benefits which are required to be provided at the developer's expense. These include the provision of 22% affordable housing, various business and retail uses, the donation of 95 acres of land and associated farm buildings for the Community Park, the construction of a new High Street that will connect with the southern section of the FVLR and a financial contribution towards Section 106 requirements and CIL which totals around \pounds 8.238m. The topography of the site and the associated requirement for a significant amount of retaining and underbuild also have an impact on the land value.

1.4 KDR have agreed in principle that, on completion of the land assembly, their land interests will be sold to Barratt Homes and another major housebuilder. It is therefore anticipated that Barratt Homes and its development partner will submit the reserved matters planning applications and that they will be responsible for developing the site. It is also anticipated that completion of contracts between the Council and KDR will take place at the same time as contracts between KDR and Barratt Homes and its development partner are completed.

1.5 The Council has received an allocation of approximately $\pounds 4.394$ m of DfE funding for the development of a new 2-form primary school on the northern part of the NHS land. This funding is

conditional upon the completion of the school by September 2015 and does not include the cost of any land acquisition.

2.0 Land Currently Owned by the Council

2.1 The Council owns land in the south eastern part of Plymouth International Medical & Technology Park (PIMTP). This land lies to the south of the HellermannTyton building and to the east of the office building known as Rhin House. The land was acquired by the Council as part of the transfer of assets from the former South West Regional Development Agency (SWRDA) in 2011.

2.2 The land is designated in the Core Strategy as "employment led mixed use". The planning application submitted by KDR shows the indicative locations of various retail and business uses on the Council's land (see Appendix I).

2.3 The land at PIMTP already owned by the Council that has been included in the KDR planning application measures approximately 10.03 acres. At \pm 132,500 / acre this equates to a proposed sale price of \pm 1.329m.

2.4 The land included in the calculations in the paragraph above is shown edged red on the plan attached as Appendix 2. This includes 2 distinct areas of land as set out below:

- i) Land south of William Prance road: 10.00 acres
- ii) Land in the south western corner of Plot C377: 0.03 acres

2.5 The sale of this land will be subject to clawback in favour of the Homes & Communities Agency. This clawback is calculated at 50% of the uplift in the land value from its value as employment land. It is considered that the equalisation price represents typical employment values, given the history of other recent land sales in the area. It is therefore unlikely that any clawback will be due. If it is determined that clawback is due, it is unlikely to be a significant amount.

2.6 The sale of Council land to KDR will be subject to the retention of rights for access and services and will also be subject to clawback provisions to ensure that the Council is protected should the land be sold to another developer (other than to Barratt Homes, to another part of the Barratt Group or to its development partner) or if an alternative planning consent is granted. The sale of the Council's land will also be subject to a buy-back provision which would allow the Council to re-purchase the land if development does not start on site within 3 years of the approval of the last of the reserved matters applications.

2.7 The construction of the development is expected to employ up to 275 people on site at any one time and will create opportunities for new apprenticeships.

3.0 Land Owned by the Ministry of Defence

3.1 The Ministry of Defence (MoD) owns the land edged blue on the plan at Appendix 2. This land measures approximately 12 acres (exact size is subject to confirmation). Under the terms of the agreement proposed by KDR, the Council will purchase this land and sell it onto KDR.

4.0 Land Owned by Plymouth Hospitals NHS Trust (NHS)

4.1 In April 2004 SWRDA disposed of a parcel of land measuring 17.08 acres and known as Plot D430 to the NHS for the development of a Planned Care Centre (a new Private Finance Initiative

hospital). However, the Planned Care Centre has not been built. Instead, the NHS currently uses part of the site to provide temporary staff car parking. The remainder of the site is unused.

4.2 The sale agreement included an option to repurchase the site if the Planned Care Centre was not constructed. The option period now runs from 30 June 2013 for 2 years.

4.3 As part of the SWRDA/PCC asset transfer in September 2011, the Council took the benefit of the re-purchase option. It is proposed that the Council will exercise its option over the NHS land. This acquisition will be funded by a loan from the Council's Investment Fund.

4.4 The southern part of the NHS land is included within the KDR planning application. Part of the remainder of the NHS land has been identified as the preferred site for a new 2-form primary school, following a feasibility study into primary education in the Derriford and Seaton area commissioned by the Council. A proposed plan for this school taken from the feasibility study is shown at Appendix 3, although the final designs for the school, including the access off the existing roundabout, are subject to change. Some of the land that has been included in the feasibility study for the school was included within the Seaton Neighbourhood planning application site. It is likely that the construction of the school will take place before the development of the housing to the south. Therefore, it is proposed that the Council will initially retain a strip of land that sits within the Seaton Neighbourhood planning application. This will ensure that the designs for the school can include the access and parking considered necessary. The strip of retained land will be subject to a Put Option in favour of the Council, which will allow any land not required for the school to be sold to KDR at the equalisation price within 5 years. After 4 years KDR will also have a 1-year Call Option over this strip which will allow them to buy any land not required for the school. The school land (5.52 acres) is shown edged red on the plan at Appendix 4. The land subject to the Put and Call Option is the strip of land south of the dotted blue line on the plan at Appendix 4.

4.5 The remaining land to the east of the school site measures approximately 4.71 acres. The majority of this land is relatively level and has potential for future employment or residential uses or future expansion of the school (subject to planning).

5.0 Community Park

5.1 The KDR planning application includes a proposal to provide 95 acres of land as a Community Park. It is proposed that this land would be transferred to the Council by way of a 999-year lease. The premium for the lease would be $\pounds 1.00$ and the annual rent would be a peppercorn. The approximate extent of land to be provided for the Community Park is shown hatched and marked "B" on the plan at Appendix 1. The Park also includes the unshaded land to the southeast of area "A1" (intended for the One Planet Centre) and the farm buildings in the far southeastern corner of the application site. Initially the lease for the Park will also include the land where the FVLR is due to be built and, following construction of the FVLR, some of the Park may be situated beneath raised sections of the FVLR.

5.2 The transfer of the land for the Community Park will provide the Council with an opportunity to secure the long-term future of the land as an asset that can be used by local residents. The Council will receive approximately $\pounds 1.467m$ to carry out improvements to the biodiversity of the land and improve access. A business model has been prepared for the Park, which demonstrates that estimated income from the Park will exceed maintenance costs.

5.3 The grant of the lease for the Community Park will be subject to a shorthold tenancy between the Council and the existing farmer that will expire no later than 12 months after the grant of the lease.

5.4 The lease will be capable of being sub-let or assigned to a community trust once the Council has completed the initial phase of improvements to the Park. This will allow the long-term management of the Park to be undertaken by a community trust, which is part of the Council's long-term plans.

6.0 Forder Valley Link Road (FVLR)

6.1 The outline planning application shows that the new FVLR will connect the southern limit of the newly developed area with Forder Valley Road and Novorossisk Road. The resolution to grant planning consent for the KDR application is subject to a condition that prevents more than 350 new homes from being built before the FVLR is completed. Under the proposed terms of the Section 106 Agreement the Council will be responsible for constructing the FVLR. Subject to funding, the FVLR is due to be completed by 2021.

6.2 The proposed route of the FVLR is shown on the plan at Appendix I. However, the design has not been finalised and the points at which the FVLR connects to the existing road network at its southern end and to the new development at its northern limit have not been fixed. It is therefore proposed that the Council will acquire an option from KDR over such land as may be required in order to construct the road. This option would last for 80 years.

6.3 Some of the land required for the construction of the FVLR is owned by the Council. This land measures 2.21 acres and is the land east of Blunts Lane, which continues south of Plymbridge Road. For the purposes of calculating the equalisation price, all of the land that is estimated to be required for the construction of the FVLR has been included as "developable land". The Council's land is therefore worth £0.293m. However, as the Council has agreed that it will be responsible for constructing the FVLR, it is not necessary to transfer the land to KDR. The value of the land will therefore be captured by adding it to the consideration paid to the Council by KDR for the acquisition of the Council land described in section 2 of this report. The total consideration paid by KDR in relation to existing Council land will therefore be \pounds 1.622m (£0.293m + £1.329m).

7.0 Valuation / Development Appraisal

7.1 KDR's development appraisal has been submitted to the planning department and scrutinised by the Council's Development Viability Officer, who has confirmed that the level of Section 106 contributions (including affordable housing provision) is appropriate. An external RICS valuer has also confirmed to the Council that the equalisation price represents best consideration.

8.0 Investment Fund

8.1 As described in paragraph 4.3 of this report, it is proposed that the acquisition of the NHS land will be funded by a loan from the Investment Fund. An Initial Project Plan and Business Case for this proposal were considered and approved by the Council's Capital Delivery Board on 20 September 2013 and 18 October 2013 respectively.

9.0 Challenges and Risks

9.1 In order to minimise risk it is proposed that the exchange of contracts between the Council and the MoD and KDR will not take place until a decision notice confirming conditional planning approval for KDR's current outline application has been issued. Completion of the land transactions

will be conditional upon the expiry of the judicial review period without challenge (or successful defence of any judicial review), i.e. 6 weeks from the grant of planning permission.

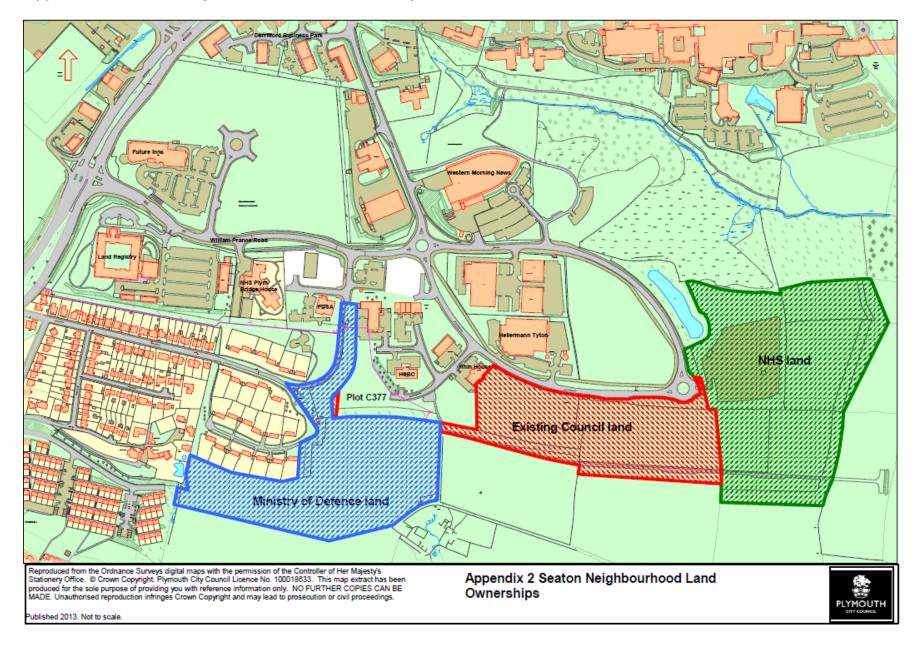
9.2 All land acquisitions (including any onward sales to KDR) will be conditional upon a satisfactory report on title.

Appendix I: Planning Application Red Line and Masterplan





Appendix 2: Seaton Neighbourhood Land Ownerships



Appendix 3: Proposed School Plan

OPTION 1



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Appendix 4: Proposed School Site

