

ADDENDUM REPORT

Planning Committee



Item Number: 6.2
Site: Former Quality Hotel, Cliff Road
Application: Number: 17/00952/FUL
Applicant: Henley Real Estate Developments Ltd

Additional Letters of Representation Received:

Two further representations have been received from members of the public, meaning the total specified on page 18 should be updated to ~~64~~ **66** contributors. One comment is in objection, and one is support, leaving the totals at ~~58~~ **59** in objection and ~~6~~ **7** in support.

Planning Obligations:

The figure to be secured in the S106 to allow for the City Council to carry out the Hoe Access public realm scheme discussed in section 11 of the report at the bottom of page 46 would be £200,000. However, the applicant has asked whether the requirement of condition 29 to remove the canopy prior to occupation can also be covered as part of the public realm works under the same S106 arrangement. Officers consider this sensible as it is part of the package of works shown in planning application 17/01419/FUL. Officers have sought a revised costing from South West Highways, and including adequate contingency (to ensure that the City Council would not incur any additional costs in the event that it is required to undertake the works on behalf of the applicant), the figure for these works is £240,000.

Officers therefore recommend the application subject to a S106 figure of £240,000.00 to cover the works set out in 17/01419/FUL. Condition 29 is to be deleted, and the remaining conditions renumbered appropriately.

In writing, officers also confirm that both Economic Development and the Highway Authority have formally responded to application 17/01419/FUL to indicate their support, and although public consultation on that application remains open until 01 August, no objections to the scheme have yet been received (correct 26/07).

Updates to Conditions:

Condition 1 (approved plans)

One of the plan numbers listed under condition 1 (approved plans) should be updated as follows (to rectify a drafting error):

Condition 3 (Phasing of Delivery)

Further to the discussion in the penultimate paragraph of section 13 of the report, on page 49, the figure to be inserted into condition 3 is ~~XX~~ **70**.

The applicant's rationale/justification for this figure is set out in full in their attached letter ('Appendix 1'), received at midday on 26 July 2017.

Officers will update verbally at committee whether this justification is considered reasonable.

Minor Drafting Errors:

1. On page 13, in the second paragraph of section 2: Proposal description, the sentence describing the proposed car parking provision should read as follows:

*A total of 130 parking spaces are proposed on-site, with 50 allocated to the hotel (including 3 accessible spaces), and ~~88~~ **80** to the apartments (including 4 accessible spaces).*

2. The last sentence in the last paragraph of section 11 of the report, on page 47, should read as follows:

*Whilst officers encouraged these discussions, it was not considered that there currently exists any policy basis to ~~assist~~ **insist** on a formal agreement.*

APPENDIX 1: LETTER FROM APPLICANT REGARDING CONDITION 3

Your ref: 17/00952/FUL

Mr John Douglass
Planning Officer
Strategic Planning & Infrastructure
Plymouth City Council
Ballard House
West Hoe Road
Plymouth
PL1 3BJ

26th July 2017

Dear John

1620 – Condition 3: Phasing of Delivery

I write on behalf of Henley Real Estate Developments Ltd (HRE) with regards to the ‘Grampian Coniditon’ (Condition 3) of your planning report for our planning application (17/00952/FUL).

As part of this condition, the exact number of units that could be occupied until the hotel is ‘open and ready for occupancy’ (Planning Report, page 51) was to follow in an addendum report. The aim of my letter is to explain why 70 units is both fair, and why a number lower than 70 units markedly increases the risk to the delivery of the entire project.

Context

Before outlining our reasoning, it is worth stating that under the land deal HRE have entered into with Plymouth City Council, Plymouth City Council have a buy-back option on the site, if a build contract has not been signed and works have not commenced on the hotel within 5 months.

Whilst I cannot disclose the commercial terms of this agreement, it is safe to say that HRE gain no benefit in this scenario, and so we remain under immense pressure to start this project.

HRE agreed to such a structure as we understand the importance of this site to the city and have every incentive ourselves as a developer to deliver this project in time for 2020, meaning such a legal structure was acceptable to us.

Why 70 units is fair

The ‘XX’ within the condition being set at 70 units would mean HRE would be unable to sell 18 units within the apartment block prior to the Hotel being open and ready for occupancy. 70 units is significant in this case for a number important reasons:

1. 18 units represent an amount slightly larger than the entire profit within the scheme. In the extremely unlikely scenario of the Hotel therefore not being delivered, HRE and its investors would receive no financial benefit from the scheme as a whole. In fact, a small loss would be made. Therefore, with 70 as the XX, both Henley Real Estate and our investors are entirely incentivised to complete the hotel in order to receive any financial return from the project.

2. 18 units represent c. the top 3.5 floors of the proposed development. In planning terms, we believe this to be important. Whilst there are clear architectural reasons behind the height, there is also a clear argument that the apartment element act as an enabling development for a Hotel of such quality to be proposed. If there was no desire for a hotel of this quality, and therefore no requirement for a subsidy provided by the residential units, it could be argued that a building of 11-12 stories would be more appropriate. Therefore, HRE are content to agree to tie these final 3.5 stories to the opening of the Hotel so that we only receive the benefit of this additional height after the city has received the benefit of the Hotel.

3. As outlined in our Financial Viability Statement, there is a significant subsidy due to be taken from the revenues received from the apartments and invested into the hotel to ensure the quality of the building proposed. This has been the foundation of our proposal since the bid stage of the procurement process and has remained the same since. Should the final number agreed in Condition 3 be lower than 70, it becomes unclear as to how HRE would gain access to this subsidy. Whilst our investors are content to commit to this subsidy in advance of the apartment sales, they naturally wish to understand how this subsidy is repaid. A condition that puts this subsidy at risk, will likely weaken this commitment.

Why less than 70 increases risks

HRE have been extremely lucky to have investors keen to deliver this project. It is therefore vital that at this late stage, when we are so close to being able to commence, not to alter the risk profile of the project to an extent where this commitment may collapse.

Whilst as a team we have every confidence in this project, the development is a £50m speculative development in a regional city at a time of large political and economic uncertainty. In this scenario, our investors are taking the development risk, construction risk, market risk, and trading risk associated with this development. When this is the case, any reasonable funder/investor will want a clear roadmap to how they recover their costs at the very least.

Whilst therefore HRE can build an argument for tying the profits of the project to the delivery of the key asset (the Hotel), we strongly believe a scenario where the condition number was lower than 70, preventing any funder being able to recover their costs, would be viewed as an inappropriate level of risk. This would markedly change the investment profile of the proposal and would therefore be likely to, at the least, cause a delay to the start of the project (already under pressure from the buy-back option) and, at worst, may lead our investors to reconsider their position entirely.

Given the XX number being set at 70 ensures HRE and our investors cannot gain before the city gains from the completion of this landmark hotel, it is clear we are appropriately incentivised to deliver the Hotel to the programme that we have put forwards. In this context, a number lower than 70 appears to serve a limited purpose whilst also significantly increasing the risk of overall non-delivery. As your selected development partner on this project, we would strongly recommend this is an unnecessary risk as 70 achieves the aims of the LPA in ensuring delivery in a reasonable manner.

Conclusion

HRE have every intention of delivering this project as we have promised for the last 18 months. We have worked tirelessly to stick to the programme to date and remain on track to commence works on this exciting project this calendar year.

Whilst we understand the requirement from the LPA for a condition such as this, I do hope that this letter has outlined why 70 is a fair number for Condition 3, why this emphasises our commitment by keeping any profits inaccessible prior to the opening of the Hotel, and also why a number lower than 70 becomes unfair and increases risk markedly.

I hope this above is clear; however, please do not hesitate to contact me directly should you have any questions regarding this letter.

Yours sincerely

Christopher Henley
Director
Henley Real Estate Developments Ltd.