

TO: PLANNING COMMITTEE – 17TH FEBRUARY 2004

SUBJECT: REGENT HOTEL SCHEME – AFFORDABLE HOUSING

FROM: HEAD OF PLANNING AND ENGINEERING

1. Introduction

On December 12th 2002 the Planning Committee resolved to grant permission for the redevelopment of the Regent Hotel and adjacent property within Key Site “E”. The proposal, now under construction will create a refurbished hotel, a new shopping street and additional town centre residential accommodation.

- 1.2 The issue of affordable housing was addressed as part of a range of obligations to be incorporated within the Section 106 Agreement. It was agreed that because of the difficulties of site development, notably the complexity of refurbishment of the Regent Hotel, that the “particular circumstances” acknowledged by Government Advice existed in this case to warrant the provision of affordable housing below the target level of 30%.

- 1.3 Because of the integrated nature of the residential element of the scheme, consisting of shared access flats within a comprehensive scheme, it was not attractive for registered social landlord involvement. Accordingly a different approach to provision was adopted. This consisted of the designation of 20 of the units as low cost units, with initial sale prices pegged at affordable levels and a lump sum contribution of £250,000 to the Old Town initiative to bring properties back into residential use.

2. Current Situation

- 2.1 Since the completion of the Section 106 agreement, significant changes have taken place within the housing market and the funding arrangements for the provision of affordable housing within the District.

- 2.2 The Council’s approach to affordable housing has also evolved significantly since the agreement on the Regent Hotel Scheme was concluded. It has drawn on the development of expertise nationally and locally in the context of major changes to funding arrangements. These issues were addressed in the report to the Executive of 8th December, which approved a more complex and responsive approach to the affordable housing provision.

- 2.3 This replaced the former approach of looking to secure unit numbers directly within a scheme to a more sophisticated approach allowing for the more extensive use of commuted sums to be able to fund alternative schemes more directly attuned to need that may not otherwise proceed.

- 2.4 This approach was approved and is now Council policy; recognised additionally within the deposit draft version of the new Local Plan. The form of affordable provision originally agreed within the Regent Hotel proposal was an unusual one, tailored for the particular circumstances of the scheme.

However it does not rest particularly well with the new framework and your officers have been considering ways of revising the approach. The configuration of the units does not correspond well to the current requirements of households in housing need, providing one bedroomed units that would not now be supported. In addition, there would be a further service charge as it is not possible to separate the affordable element for management purposes. In the light of the new policy framework, an arrangement that looks to securing an alternative commuted sum approach has been explored. The current agreement restricts initial sale prices after which they would re-enter the market at standard market values. The transfer to a commuted sum approach would give greater control through a return of funds to support other schemes.

- 2.5 Discussions have been held with the developers on a revised approach in the light of current assumptions on property price levels. In accordance with the new framework, sum calculations have been undertaken on the basis of the balance between the restricted sale price to meet households in need/with lower household income(pegged at £87,550, subject to wage inflation) and current open market valuations (assumed at an average of £112,600 per unit). This arrives at a sum of £501,000 for the 20 units overall.
- 2.6 Under the new arrangements, this would be the commuted sum that would be the basis for negotiation in any obligation to provide affordable units (shared equity) in the scheme. This is the approach that would now be adopted if this were a new application. However, in this instance, a Section 106 Agreement is already in place, and the developers can choose to continue in accordance with the existing terms of that agreement. This would mean no additional funding could be secured to be used by the Council elsewhere. However, provisional agreement has been reached with the developers to draw down £250,000 of the uplift in value and receive this as a full commuted sum in lieu of a restricted sale price policy. Together with the £250,000 already to be made available for Old Town purposes the £500,000 would represent a commuted sum equivalent to a provision of 15% affordable housing from the scheme at current values. Given the particular circumstances of the development, and the historic commitment in the 106 Agreement as set out above, this is not considered to be an unreasonable return from the scheme.
- 2.7 Housing have been closely involved in the reconsideration of the affordable housing element of the scheme. In the light of the new policy approach, the preference is for the provision of a commuted sum and Housing are satisfied that the provision of the additional £250,000, given the existing Section 106 Agreement, is a satisfactory outcome and will provide funds that can be used for the development of affordable housing more directed at specific need.
- 2.8 Action Required
- 2.9 In order to bring these new arrangements into effect, it will be necessary to revise the agreement currently in place. This would require deletion of the requirement to provide 20 restricted sale price units and its replacement by a requirement to secure a single payment to the Council of £250,000 for use in implementing affordable housing development. It would be appropriate for the trigger point to be retained, such that the payment should be made prior to the occupation of the 75th residential property within the scheme. The existing commitment to provide a further £250,000 for Old Town purposes would remain.

3. **RECOMMENDED**

- 3.1 That negotiations be undertaken with the signatories to the Section 106 obligation in respect of the application to secure the deletion of the requirement to provide lower cost purchase units and replace with an obligation to pay an additional commuted sum of £250,000 to the Council for affordable housing provision.

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Background Papers
Report to Planning Committee 12th December 2002

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