



CABINET

16th September, 2020

Subject Heading:

Bridge Close Regeneration - Delivery Arrangements

Cabinet Member:

Councillor Damian White

SLT Lead:

Neil Stubbings
Director of Regeneration

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Policy context:

The Council has entered into a joint venture, Bridge Close Regeneration LLP ("BCR LLP"), to deliver the regeneration of Bridge Close, Romford pursuant to the Council's ambitions for regeneration as set out in the Local Plan, the Romford Area Action Plan (2008), the Romford Town Centre Development Framework (2015) and the emerging Romford Masterplan and new Local Plan (awaiting adoption). Decisions relating to the establishment and funding of BCR LLP are as follows:

Bridge Close Regeneration LLP Business Plan 2019/2020 (Cabinet, 13 February 2019)
Bridge Close, Finalisation of Legal Agreements to enter into a Limited Liability Partnership – Executive Decision March 2018
Bridge Close – Entering into a Limited Liability Partnership (Cabinet, 15 November 2017)

Financial summary:

The Council has made provision in the financial year 2020/2021 to provide funding for the Council's share of equity to meet financial commitments arising from the operation of Bridge Close LLP (BCR LLP) in accordance with the project documents and Business Plan 19/20 approved by Cabinet in February 2019.

This report outlines a revised approach to delivering and funding Bridge Close, including some options that are being considered along

with some associated enabling actions that need to be taken in the short term.

Is this a Key Decision?

This is a key decision because the expenditure exceeds £500,000.

When should this matter be reviewed? February 2021

Reviewing OSC: Overview & Scrutiny Board
Town & Communities OSC

The subject matter of this report deals with the following Council Objectives

Communities making Havering	<input type="checkbox"/>
Places making Havering	<input checked="" type="checkbox"/>
Opportunities making Havering	<input type="checkbox"/>
Connections making Havering	<input type="checkbox"/>

SUMMARY

- 1.0 The Council has entered into a joint venture, Bridge Close Regeneration LLP ('the Joint Venture or JV') with a private sector partner, FB BCR LLP ('Private Sector Partner' or 'PSP'), to bring forward the proposed regeneration of Bridge Close. This was approved by Cabinet on the 15th November 2017. In February 2018, the Council approved the capital budget and on 4th April 2018, the legal agreements were agreed for the establishment and operation of the Joint Venture with the Private Sector Partner. The Private Sector Partner, FB BCR LLP, is itself a joint venture between First Base Limited and Savills Investment Management Limited.
- 1.1 The Council's over-arching vision for setting up the Joint Venture was to facilitate the regeneration of a strategic area of Romford as part of a wider initiative to invest in the renewal of key town centres and estates in order to deliver truly affordable homes for local people and to benefit from the generation of social value, including jobs, apprenticeships and increased local spend. A further objective for setting up the Joint Venture was to facilitate the delivery of high-quality public realm, design and wider place-making, with the scale and quantum of development to serve as a beacon for wider development and regeneration activity within the town centre.
- 1.2 Recognising the strategic importance of Bridge Close, the Joint Venture was set up to transform an underutilised brownfield site (see Plan at Appendix A) into a vibrant new community, working in partnership with the Private Sector Partner to assemble the land, via private treaty negotiations wherever possible but using the Council's Compulsory Purchase Order ('CPO') powers if necessary and appropriate, and to develop a masterplan and design proposals for the following:
- 1,070 new homes (incl. a minimum of 30% affordable homes)
 - A 3 form entry primary school
 - A local health facility
 - Commercial floor space
 - Improved east-west links, including a new pedestrian and cycle bridge
 - Environmental improvements to the River Rom.
- 1.3 In February, 2019 Cabinet approved the revised Bridge Close Regeneration LLP Business Plan 2019-2020 ('the Business Plan'), noting the significant regeneration opportunity for Romford town centre, the contribution towards Havering's target for housing delivery, and the expected financial returns anticipated in the plan. At that time, the Joint Venture profit on cost was forecast at 8.5% across all phases, down from the 10.9% expected in 2018 on establishment which was due to a slowing of the housing market and increased forecast costs associated with design changes. Anticipating a profit on cost for phase one to accord with third party debt provider requirements on the back of improving housing market conditions over time, the Joint Venture partners agreed to continue investing in the regeneration of Bridge Close, progressing design proposals and the planning application whilst monitoring market conditions.
- 1.4 In light of continued stagnation in the housing market and increased costs, a number of strategies were proposed by the Development Manager, which were unable to overcome the challenges to viability or, without further intervention, to generate the returns necessary to meet the hurdle rates of the PSP as investor and the potential

requirements of third party funders. Given this, the Private Sector Partner, led by Savills Investment Management, have advised that it was unwilling to raise further funds beyond the present funding commitment set out in the approved Business Plan until viability was resolved.

- 1.5 This has created some issues in advancing the regeneration scheme in the way that Cabinet had previously agreed.
- 1.6 In view of the practical difficulties of implementing the JV Business Plan, and being mindful of the Council's commitment to bringing about a comprehensive redevelopment of Bridge Close, the Council has been considering potential options for moving forward. As part of this assessment, the Council has been examining the terms under which the interests held by the PSP could be bought out by the Council. These discussions have resulted 'in-principle' terms being agreed with the PSP. This arrangement could, if approved, enable the Council to obtain control of the JV and to benefit from the continuation of existing land assembly arrangements, existing contracts with the professional team, intellectual property rights and land interests. In circumstances where the interest held by the Development Manager in the PSP were to be acquired by the Council, the Development Manager would cease to provide services to the PSP.
- 1.7 The potential departure of the PSP would change current assumptions around how the regeneration scheme might best be funded and delivered in the future. In recognition of the strategic importance of Bridge Close to the Council's regeneration objectives, a number of options are being considered, which could support the continued regeneration of the site, including development through the Joint Venture with investment from the General Fund and the HRA, respectively, direct delivery by the Council and a combination of delivery by both Council and Joint Venture.
- 1.8 The Council is reviewing the relative merits of different potential funding and delivery options to ensure the continued regeneration of Bridge Close. The options being considered will ensure the delivery of a minimum of 30% affordable housing. The Council is also looking at the opportunity to increase the delivery of affordable housing from 30% to 50% across a mix of tenures to better meet the needs of local people and the Council's housing targets. A further report will be provided to Cabinet within the next three months seeking approval for the agreed funding and delivery option.
- 1.9 In progressing the development, the JV has been advancing a land assembly programme via private treaty discussions with a view to acquiring all of the land necessary for the proposed regeneration scheme. It is envisaged that the Council, should it acquire the PSP interest, would continue to take forward the acquisition of residential and commercial interests at Bridge Close in accordance with the Business Plan and the land acquisition strategy.
- 1.10 In light of the potential changes to the delivery of the regeneration scheme identified above, and having regard to the importance of not adversely impacting the Council's acquisitions programme, the Council needs to consider the option to ensure the completion of the purchase of a commercial property on Bridge Close, Romford as agreed by the JV. Any purchase would be in accordance with the agreed JV Business Plan and land assembly strategy previously approved by Cabinet.

- 1.11 By taking the necessary steps to take control of the Joint Venture through purchase of the PSP interest, the Council would maintain continuity the Bridge Close regeneration scheme in order to support the creation of a vibrant new community with much-needed housing and public infrastructure, serving as a beacon for regeneration in Romford town centre, whilst it is considering the most appropriate long-term funding and delivery option.

RECOMMENDATIONS

That:

1. Approval be given for the Council to acquire FB BCR LLP's interests in BCR LLP, as set out in this report and summarised in the proposed terms at exempt Appendix E;
2. Approval be given for the termination by BCR LLP of the Development Management Agreement between BCR LLP and First Base Limited, as set out in this report and summarised in the proposed terms at exempt Appendix F;
3. Authority be given for the Director of Regeneration, acting in consultation with the Section 151 Officer and Monitoring Officer, to establish a new Nominee Company prior to the completion of the acquisition referred to in recommendation 1, in order to support the continuation of BCR LLP (such Nominee Company to be the second member in BCR LLP after the exit of FB BCR LLP);
4. Approval be given for the Council to provide funding to enable the completion of the purchase of a commercial property on Bridge Close, Romford, as set out in this report, subject to the Council being provided with an A- or C-Loan Note in its favour, as appropriate and as provided for in the exempt agenda report;
5. Authority be given for the Director of Regeneration, acting in consultation with the Monitoring Officer and Section 151 Officer, to finalise and enter into all necessary legal agreements, to bring into effect the proposed arrangements in Recommendations 1-4 inclusive.
6. Authority be given for the Director of Regeneration, acting in consultation with the Director of Housing, the Monitoring Officer and the Section 151 Officer, to complete the review of the options for the long-term funding and delivery of the regeneration of Bridge Close, and to produce a further report for Cabinet consideration.

REPORT DETAIL

The Council has identified a number of viable options for funding and delivery in order to ensure the continuation of the regeneration of Bridge Close and the delivery of the benefits identified in paragraphs 1.8 and 1.11 above.

In relation to the options being considered, further details are included in the exempt agenda report due to the commercial nature and sensitivity of this information.

The Council will continue discussions with current land owners and will be contacting all owners to advise them of the content of this report to ensure the continued progress of the development.