

(Cabinet Member with Special Responsibility Councillor Bryning)

Cabinet received a report from the Head of Regeneration and Policy to report on options for progressing the Luneside East Regeneration Project.

The options, options analysis, including risk assessment and officer preferred option, were set out in the report as follows:

	Option 1: To revise the Building Agreement with LEL to facilitate under licence a first phase of commercial development at the gateway to the site and, subject to performance in this, disposal of the whole site to LEL via a 999 year lease for development to fit to a revised masterplan for the site	Option 2: To effectively mothball the site and wait for economic conditions to change sufficient to make the project deliverable as per the present delivery approach	Option 3: Not to make a proposal to the funders and await a proposal from them with the risk that they require a disposal
Advantages	<ul style="list-style-type: none"> - provides for an early first phase of development at the critical gateway that should set the scene and transform developers' perceptions of the site and help bring housing developers forward - holds prospect of over time achieving a development that can rejuvenate Luneside - retain in LEL a developer partner that has performed well to date in a commercial development and, for the wider site retains it for its understanding of the site and site conditions - removes the Council of its ongoing 	<ul style="list-style-type: none"> - retains the development opportunity 	<ul style="list-style-type: none"> - minimises work for Council officers

	<p>maintenance obligations for the site (including for site security) and the costs of these.</p> <ul style="list-style-type: none"> - reduces the Council's exposure to clawback of ERDF funding - incentivises LEL but to a minimum practicable profit level (15% above costs) above which the Council would secure a priority return - gives the council some prospect that it can recoup capital costs incurred via the priority return - will help the Council assure it has a robust housing supply and reduces risk that greenfield sites are developed instead 		
<p>Disadvantages and risks</p>	<ul style="list-style-type: none"> - If the developer does not achieve their 15% return the Council will get no income from the development. However, it is judged that under the other two options receipts would be less likely or not achievable at all. 	<ul style="list-style-type: none"> - for the foreseeable future does not further regeneration - the site will remain in a state that blights the area and is a drag on investment in Luneside - will not permit the Council to retain LEL and the capacity, site knowledge and accumulated expertise of LEL will be lost - leaves the Council with significant cost and risk liabilities for the site in management, maintenance and security and with a certainty that the costs and risks will escalate and 	<ul style="list-style-type: none"> - negates all the investment and effort made by the Council, the funders and LEL over the past ten years to bring forward this key regeneration site for development and unravels the land assembly - is very prejudicial to the Council's credibility in regeneration and, in particular, risks prejudicing the Council's ability in the future to bring forward regeneration backed by compulsory purchase and also to draw in development partners

		<p>probably quite rapidly as buildings deteriorate</p> <ul style="list-style-type: none"> - leaves the Council exposed to risk of ERDF funding clawback - reduces the Council's prospective housing supply and increases risk that greenfield sites will be developed 	<ul style="list-style-type: none"> - the site will remain in a state that blights and is a drag on investment in Luneside - will not permit the Council to retain LEL and the capacity, site knowledge and accumulated expertise of LEL will be lost - leaves the Council with cost and risk liabilities for the site in management, maintenance and security and with a certainty that the costs and risks will escalate and probably quite rapidly as buildings deteriorate - leaves the Council exposed to risk of ERDF funding clawback - reduces the Council's prospective housing supply and increases risk that greenfield sites will be developed <p>-</p>
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Option 1 is the officer preferred option. The economic downturn has been severe and whilst the situation is better than a year ago market advice is pessimistic about prospects for an early recovery in the development sector. In terms of residential developments, recent reports from RICS have indicated further downward pressure on house prices as sellers out-number buyers. In this context, to be realistic, there is little prospect of the Council securing development of Luneside East site in line with the approved delivery approach and the Building Agreement with LEL.

Councillor Bryning proposed, seconded by Councillor Kerr:-

“That the recommendations, as set out in the report, be approved.”

By way of amendment, Councillor Robinson proposed and Councillor Barry seconded:-

“That officers and developers look to include an element of social housing in the housing part of the scheme during negotiations.”

Councillors then voted on the amendment:-

(2 Members (Councillors Fletcher and Robinson) voted in favour, 4 Members (Councillors Ashworth, Blamire, Bryning, and Kerr) voted against and 2 Members (Councillors Barry and Langhorn) abstained whereupon the Chairman declared the amendment to be lost.)

Councillors then voted on the original motion.

Resolved:

(7 Members (Councillors Ashworth, Barry, Blamire, Bryning, Fletcher, Kerr and Langhorn) voted in favour and 1 Member (Councillor Robinson) abstained.)

- (1) That in the event the Head of Regeneration and Policy is able to assure the feasibility of option 1 to the satisfaction of the Council's Monitoring Officer and the S151 Officer and that further, provided that the option would not involve any financial commitment by the Council additional to that budgeted for to date, then the Head of Regeneration and Policy is authorised to vary the Building Agreement of 2 November 2005 as appropriate to facilitate option 1.
- (2) That the Head of Regeneration and Policy report back on any variation made to the Building Agreement to put option 1 into effect and to enable the general fund capital and revenue budgets to be updated as appropriate.
- (3) That in the event option 1 proves un-implementable that the Head of Regeneration and Policy report back on options.

Officers responsible for effecting the decision:

Head of Regeneration and Policy

Reasons for making the decision:

This key regeneration project is stalled. After lengthy and very careful consideration realistic options are proposed. Option 1 affords the best prospect that the project can move forward - subject to some further work. It offers real prospect of achieving development of the Luneside East site in a considered and well planned manner to secure long standing aspirations both for the development itself and what it can affect over time in terms of area wide regeneration.