

This Report will be made public on 8 October 2019

Report Number **C/19/30**

To: Cabinet
Date: 16 October 2019
Status: Key Decision
Responsible Officer: John Bunnett, Corporate Director – Place and Commercial
Cabinet Member: Councillor David Monk, leader of the council, Councillor David Godfrey – Cabinet Member for Housing, Transport and Special Projects

SUBJECT: LAND AT SHIP STREET, FOLKESTONE

SUMMARY: This report seeks authority to acquire the former gasworks site in Ship Street, Folkestone (East Folkestone Ward).

REASONS FOR RECOMMENDATIONS:

The Ship street former gas works site is unlikely to be redeveloped without public sector involvement accordingly Cabinet are requested to agree the acquisition.

RECOMMENDATIONS:

1. To receive and note report C/19/30.
2. To purchase the site at Ship Street for the sum set out in this report;
3. To note the application to Homes England to support the remediation of the land; and
4. To bring forward a further report on the proposed development of the site.

1. BACKGROUND

- 1.1 On 27 September 2017 the cabinet received report C/17/37 concerning the proposed acquisition of the former gasworks site at Ship Street Folkestone (shown edged red on the plan at appendix 1). It was reported that an application was being made to the government's housing infrastructure fund under the marginal viability fund stream for a grant to cover the site's abnormal remediation costs. It was resolved (minute 35):-

1. *To receive and note report C/17/37.*
2. *That Cabinet authorises the Head of Strategic Development Projects to complete and submit an application to the HIF MVF to cover the costs of abnormal works*
3. *If the application is successful, and in consultation with the Leader of Council :*
 - a. *complete the purchase of the former gasworks site, Ship Street, Folkestone based on the terms set out in Appendix A.*
 - b. *authorise officers to complete the remaining pre-development work and prepare draft planning proposals for consideration at a future Cabinet, and agree to allocate the sum of £230,000 from the Corporate Development Fund budget to meet that expenditure.*
4. *If the application is unsuccessful, the purchase be deferred pending further work by officers on the scheme's financial viability, which will be subject to a future report to Cabinet.*

- 1.2 The application under the housing infrastructure fund was unsuccessful as the Council did not own the site. However, encouragement was given by Homes England and a further application has been made for a £1 million grant to support the redevelopment of the site and in particular as a contribution to the remediation of the land. Written confirmation has been received that the application meets the criteria for approval but the actual decision making process on the application does not take place until January 2020.

2. CURRENT POSITION

- 2.1 The land still remains as described in report C/17/37. In brief it is a derelict site which has not had any beneficial use for just under twenty years. Without public sector intervention it is highly likely to remain derelict because of the costs and complexities in bringing it forward. It is situated in a densely populated area (East Folkestone) which is in need of regeneration.
- 2.2 Developing the site would contribute significantly towards the council's corporate priorities, particularly by delivering more homes, improving the appearance of the area, providing jobs and creating decent homes that would have a beneficial effect on health. Significantly the site represents an important opportunity within the Town Centre masterplan.
- 2.3 It should also be noted that the Creative Folkestone used the gas works site as its Folkestone project for Pioneering Places in East Kent. This is

part of the national Great Places scheme supported by the Arts Council. Creative Folkestone are in their words:-.

“... inviting local people’s stories of the site along with their aspirations for its future and mixing this with leading creative place makers, in an effort to form an inspiring and credible proposal and so a stronger community. This will empower people and creatives to influence local planning decisions and places art and creativity in the heart of this place making initiative.”

- 2.4 Creative Folkestone have indicated their strong desire to work with the Council on bringing forward the site for effective use.
- 2.5 The planning policy is clear, 85 dwelling units (perhaps more) would be acceptable. Again in accordance with the current policies 30% would be affordable housing.
- 2.6 Despite the remediation work undertaken by the current owners, there remain certain abnormal costs in developing the site however it should be noted that there is no technical reason why the site can’t be successfully and safely redeveloped.
- 2.7 Officers have had discussions with potential developers one of whom set out an innovative proposal potentially for a cutting edge sustainable development including homes for local people. However none of the discussions to date have reached the stage where any firm offer has been made. This is not surprising as the council does not have control of the land.
- 2.8 The open market value of the site for its current use (open storage) has been assessed by the Council’s valuers at £500,000. The open market value of the site with detailed planning permission for 85 units has been assessed at £200,000. The owners are unwilling to sell the site for anything less than £400,000 with overage conditions. This is obviously below the market price for open storage but in excess of the valuation for housing.
- 2.9 It is however considered that the site can be made to work commercially now. However the Council would have fall back positions either to wait until the market improved or sell the site at open market value.
- 2.10 The current approved capital budget for the Ship Street site is:

	General Fund	HRA	Total
Allocation	70%	30%	
Purchase of land	£280,000	£120,000	£400,000
Pre-development costs	£161,000	£69,000	£230,000
Total cost	£441,000	£189,000	£630,000

3. FINANCIAL VIABILITY

- 3.1 The financial viability has been assessed with the assistance of Savills (Valuers), Betteridge and Milsom (Quantity Surveyors) and IDOM Merebrooks (Remediation Engineers).
- 3.2 Whilst the HRA Affordable Homes element (30% of the proposed 85 units) of the scheme could be financed by the Council within the parameters of the HRA business plan (payback within 30 years and cost pm2) the remaining, private, element of the scheme has been assessed as not financially viable because of the price asked by the seller and abnormal costs associated with bringing the site forward. Nevertheless as stated in paragraph 2.9 it is considered that the site can be made to work commercially and there are fall back positions.

4. SHOULD THE COUNCIL PURCHASE THE SITE?

- 4.1 The question consequently is whether despite the financial issues the Council should purchase the site. It is considered it should, in particular:-
- The site is a key one for the regeneration of Folkestone Town Centre as it will allow grant application to be made;
 - Without council intervention the land will remain in the same state as it is now – a derelict site in an area of Folkestone that needs regeneration; even if the Council is not able to develop it straightaway public ownership will offer a prospect of improvement;
 - It has taken quite a time for the owners to agree terms to sell, if this opportunity is lost then it could take some time to get to the point where the council is now;
 - Whilst the grant has not been formally awarded the prospects of obtaining the money are good. Even if unsuccessful it should be noted that the Government does offer a variety of grants and when in Council ownership further bids could be made as the objectives for the site directly support a number of central and local policy areas.
 - The fact that the Council has the land does not require it to develop it immediately; it could “bank” the land and wait for market conditions to improve;
 - Acquisition does put the Council in a position to provide, when conditions are right affordable housing in an area of great need in a central location. 30% would be Council dwellings so at the minimum 25 much needed new homes will be provided. If developers come forward with a greater number of dwellings on the site the number would accordingly rise and in any event there may be opportunities to increase the percentage of affordable units;
 - There is money in the general fund and HRA to purchase the site. The budget would be split as originally proposed: General Fund - 70%. HRA – 30%.

- 4.2 It should be emphasised that the site is a key one in the regeneration of Folkestone. It is envisaged that it will form part of the Masterplan for Folkestone and proposals for its future will be an important part of the work considered by members of the Folkestone Town Centre Working Group. The Working Group will be able to influence how the site is developed and potentially is an early “win”.
- 4.3 Subject to approval, the next steps would be to acquire the site and prepare more detailed plans for development for member consideration.

5. RISK MANAGEMENT ISSUES

5.1

Perceived risk	Seriousness	Likelihood	Preventative action
Remediation costs escalate	Medium	Low	Seek further grants and / or retender the work
Market conditions deteriorate	Medium	Low	Delay development until market conditions improve

6. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

6.1 Legal Officer’s Comments (NE)

There are no legal implications arising directly from this report. However Legal Services will continue to be involved with the title due diligence and negotiation of the purchase documents should the same go ahead.

6.2 Finance Officer’s Comments (LW)

The resources available from within the existing approved General Fund and Housing Revenue Account capital programmes to meet the acquisition and pre development costs are outlined in the report.

The future use or development of the site will need to be addressed in a separate report to Cabinet including the relevant financial considerations.

6.3 Diversities and Equalities Implications (AJ)

No diversity implications arising from the report.

7. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting.

Andy Jarrett, Chief Strategic Projects Officer
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The following background documents have been relied upon in the preparation of this report:

Valuation advice – Partially exempt paragraph 3 of schedule 12A Local Government Act 1972 (as amended)

Appendices:

Appendix 1:- Plan of Ship Street site

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