

Otterpool Park– Draft Skeleton Business Plan

Overview

Otterpool Park Garden Town has the potential to bring forward 8,500 – 10,000 houses and flats over the next 30 years. In creating a sustainable community this will be combined with 72,500 sq. m of office and 21,000 sq. m of retail and leisure space supporting jobs and lifestyle. In addition, there will be 6 forms of primary school, a Secondary school, play and sports facilities. In line with Garden Town principles, 50% of the town will be green space. The town will also be developed in line with the Council's Environmental and Social Agenda.

Currently approximately 90% of the land in the proposed town is under the control of the Council and around 10% of the Land is owned by Homes England.

In achieving this New Town, the LLP will take a standard 'Master Developer' role. The following process will be undertaken for each phase of development.

- Land assembly will be completed to buy in land currently optioned from the landowners.
- The LLP will invest in required supporting infrastructure and servicing phase by phase following a 'just in time model'.
- Parcels of land will then be sold to housebuilders.

Work undertaken over the previous year has demonstrated that there is the potential to generate significant surplus through this process which the LLP can invest in green initiatives, in additional affordable housing, or in other Council priorities.

Objectives

The Objectives of the LLP are:

- To bring forward much needed mixed tenure housing supply for the District
- To create a sustainable community offering a good quality of life to residents with supporting education, employment and leisure facilities.
- To offer a variety of private and affordable residential options for both rent and purchase for people in all stages of life.
- To follow Garden Town principles to create a green environment with minimum environmental impact in construction and occupation.
- To maximise financial returns to the LLP for investment in Council priorities including reinvestment in green initiatives and additional affordable housing.

Phase 1

The first phase of the project will establish the nature of the town, and see, in the order of, 2,000 units being developed over the next 6-8 years, supported by considerable upfront infrastructure investment. The details of those unit numbers, their location, the infrastructure investment, and the commercial and community non-

residential land uses to be developed will be shaped by the project planning due to take place over the next 12 months.

Project Commencement - The next 12 months.

The target is for the first year of the project to realise a number of enabling milestones, including the granting of the first outline planning permission, the finalising of the project plans for phase 1, and the creation of the delivery team that will bring the town forward.

We have set out the key aspects of the project, and the areas for delivery in year 1 along with a broad estimate of year one costs based on our experience of projects of the nature. This results in a year one cost of £1.25 m plus the internal costs of running the delivery team:

Creation of delivery team:

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The project will need access to a broad range of highly specialist professionals with appropriate local experience.

A team will be created that includes:

- Externally recruited staff (assumed as three at Director, Senior Surveyor and Surveyor Level)
- Internally seconded staff
- Appointed professional firms
- Frameworked professional firms for ad hoc appointment

Expertise included in the above will include amongst others:

- Procurement specialists
- Development manager
- Legal advisors
- Planning consultants
- Environmental consultants
- Viability consultants
- Infrastructure advisors
- Cost consultants
- Landscaping consultants
- Urban designers
- Land agents
- Estate Managers / Stewards
- Public relations advisors
- Office support

The first year will require

- Decisions regarding the most cost effective approach to accessing the necessary expertise.
- The creation of job profiles for in house recruitment
- The creation of tender documents for professional services procurement
- Consideration of appropriate framework options
- The recruitment of an in house team and the procurement of external professional services.

Governance and management

A number of decisions will need to be finalised around the governance and management of the LLP and its relationship with the Council:

- Finalisation of Governance structure for LLP
- Agreement on decision making paths and delegations
- Understanding of mechanics of financial draw down
- Set out monitoring and KPI arrangements
- Set out the opportunities and processes for third parties to join LLP
- Formal or informal relationship with other bodies
- Consider the Council and LLP's plan have for long term ownership, and estate management arrangements of town, and start establishment of appropriate bodies
- Consider of the role the LLP or related parties wish to take in direct development.
- Consider of the role the LLP or related parties wish to take in long term investment

Decision making

The direction of the LLP over the first year will need to be defined through a number of key development decisions:

- In what order will the parcels of land come forward
- What land will form Phase 1
- When will supporting land uses be brought forward and where will they be located
- Consideration of option exercising strategy
- Development of a strategy for health, education, and social care with relevant statutory bodies
- Development of strategies around water and utilities provision with relevant bodies
- Development of strategies around environmental priorities, landscaping and habitat creation.

Enhanced investigations

A number of assumptions have necessarily been made in bringing forward the development plans to date, year 1 will see crystallisation of these assumptions through enhanced due diligence and forward planning including:

- Infrastructure:

- Full infrastructure requirement review for the whole town and detailed analysis of market and operational requirement for Phase 1
- Development of full infrastructure program for the Phase 1
- Full infrastructure cost plan review
- Legal:
 - Review of LLP structure and tax planning.
 - Consideration of third party acquisition strategy
 - Estate management / stewardship of land and buildings
 - Consider potential to use CPO powers with regard to third parties
 - Comprehensive land referencing

Management

The first year will see management plans being developed and implemented around

- Estate management / stewardship of land and buildings owned by the LLP
- The future of the castle and the nature of projects required

Planning process

We are anticipating the determination of the outline planning permission by the end of 2020. Following this, and concurrently with this process there will be the continuation of ongoing activities in the first year:

- Due diligence of any issues arising in the decision notice
- Project plan for the discharge of pre commencement infrastructure conditions
- Development of a 'Design Guide' for the town
- Development of infrastructure strategies for each investment type
- Consideration of the timing tenure and quantum of affordable housing provision
- Review of viability of planning obligations

Land Disposal strategy

It is important to engage with the market early and use that engagement to shape project planning to optimise eventual receipts. In year the LLP will need to:

- Appoint a land agent
- Soft market testing of residential land parcels
- Reflection on infrastructure and servicing required to maximise parcel values
- Plan identity and density of the parcels in the phase to maximise the product differentiation in the market including key worker homes, lifetime homes, age restricted accommodation and self-build.
- Early engagement with RP partners
- Soft market testing of commercial and ancillary land uses to optimise delivery strategy
- Consideration of prelet opportunities, and potential to create investment product

Additional Funding

There are a number of potential sources of additional funding for infrastructure development and enabling works. These need to be explored in the first year and then kept under review over the development period. These include:

- Future iterations of the HIF
- Lottery Funding
- Kent County Council Infrastructure funding
- Government Departments for example DfE contributions towards schools
- Homes England relationship
- LEP

Engagement:

There are a number of external stakeholders whose engagement with the project is critical to optimising its success. An engagement strategy needs to be considered for each of the following statutory bodies:

- Network rail
- Utility companies
- Heritage England
- Environment agency
- Environmental bodies such as White Cliffs Countryside Project
- Highways Authority
- Kent County Council
- Parish Councils
- NHS
- DfE
- Other central government departments

In addition an engagement strategy needs to be considered with regard to neighbours, tenants and interested community groups.

Development of Financial Model:

Reflecting on the above actions, the business plan will need to be renewed. This will reflect advances in:

- Details of phase 1 delivery
- Decisions around supporting land uses
- Replanning and recosting of infrastructure
- Market testing of land parcels
- Exploration around third party funding options
- Exploration of RP relationships.

More detailed financial modelling will serve to:

- Further shape decision making,
- Plan cashflow requirements
- Understand debt requirements,

- Inform conversations around allocation of surplus funds against Council priorities.

Risk Analysis

There is unavoidable risk and uncertainty around a scheme of this scale over this timescale. The above work in year 1 will enable the establishment of a risk register to enable the project to understand the potential impact of changes to amongst others:

- Revenue from parcel sales
- Rate of parcel sales
- Changes in costs of infrastructure
- Changes in the cost of borrowing
- Market growth or downturn
- Changes in external funding opportunities
- Changes in Council priorities
- Policy changes around affordable housing
- Policy changes around Environmental requirements

These risks can then be appropriately managed in the context of short and medium term project planning.