

**REPORT FROM:** CENTRAL AND REGENERATION SERVICES  
ECONOMIC & HOUSING REGENERATION MANAGER

**TO:** SPECIAL BUDGET EXECUTIVE

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## **CLITHEROE ROAD AND BUNKERS HILL HOUSING SCHEMES**

### **PURPOSE OF REPORT:**

To provide an update on the above schemes and to seek the Executive's agreement to provide a funding guarantee for the Homes and Communities Agency's (HCA's) Builders Finance Fund (BFF), if it is successfully secured by PEARL2 for the two housing schemes.

### **RECOMMENDATIONS**

- (1) Note progress on the delivery of the two housing schemes (Clitheroe Road and Bunkers Hill Ph2) and the bid by PEARL2 for loan funding from the HCA's Builders Finance Fund.
- (2) Approve a funding guarantee of £1,025,000 for the BFF loan on Clitheroe Road scheme (subject to agreeing step-in rights with PEARL2 in the event the guarantee is called)
- (3) Approve a funding guarantee for £875,000 for the BFF loan for Bunkers Hill (Phase2) scheme (subject to agreeing step-in rights with PEARL2 in the event the guarantee is called)

### **REASONS FOR RECOMMENDATIONS**

- (1) To keep the Executive Members informed of progress.
- (2) To secure HCA loan fund for the Clitheroe Road scheme.
- (3) To secure HCA loan fund for the Bunkers Hill Phase 2 scheme.

## ISSUE

1. The Executive has previously agreed to the disposal of the Council land at both Clitheroe Road and Bunkers Hill to PEARL2 and the entering into a Development Agreement with PEARL2 for both the housing schemes.
2. A scheme design has been prepared for the Clitheroe Road site, for 36 residential new homes, comprising a mix of houses and bungalows and potentially 10 new homes on the canalside land. The Council held a public consultation event on the plans for the development on 8<sup>th</sup> January 2015, which was attended by over 100 people. The feedback was very positive, with people strongly supporting the mix of house types and density of development. A detailed planning application for the 36 unit scheme and an outline planning application for the canal side land was submitted on 15 January 2015.
3. A scheme design for a phased housing scheme (involving 30 new homes) at Bunkers Hill was previously agreed by PEARL2 and planning consent granted in 2012. An overarching development agreement was also entered into with PEARL2 on 30 October 2012. The first phase at Bunkers Hill on land off Collingworth Street was completed in October 2013; a second phase comprising 15 new residential units on the land off Bankfield Street is now proposed to be brought forward.
4. In response to the Homes and Communities Agency's launch of the Builders Finance Fund (BFF) in May 2014, bids for each of the schemes were prepared and submitted by Pearl2. The BFF is a loan fund amounting to £525m of development finance that has been made available by HCA to support the delivery of housing sites by private developers. The fund is intended to address difficulties in accessing development finance faced by some house builders and to help accelerate and unlock housing developments between 15 and 250 units that have slowed down or stalled completely. Success on securing funding is dependent upon a start in 2015, planning consents being in place, and the scheme achieving good value for money for the tax payer.
5. As part of the 'due diligence' stage for this loan funding, HCA are now seeking guarantees from the Council. The Council's guarantee would only be called upon after PEARL2 (as first guarantor) and then Barnfield Investment Properties (as second guarantor) has been called. If the Council can provide this guarantee, it will support PEARL's strong case for this Builders Finance Fund loan, by providing the necessary security for the HCA and, more importantly, enhance the covenant for the loan to the extent that HCA will reduce the interest rate on the loan. The Council's guarantee will be sufficient to reduce the interest by 3.9 percentage points thereby improving the viability of the Schemes overall.
6. If BFF loan funds are successfully secured, PEARL2 will be proceeding with the delivery of both schemes in spring 2015.

## IMPLICATIONS

### Policy

The two housing schemes are in line with our Housing Strategy objective of ensuring sufficient quantity, quality, and appropriate type of housing supply.

**Financial**

The financial implications are that the Council may be required (after PEARL2 and Barnfield Investment Properties Ltd guarantees have been called upon) to provide £1.025M and £0.875M for the Clitheroe Road housing scheme and the Bunkers Hill scheme respectively.

However, the Executive should note that, against any requirement to provide the guarantee, the Council will also arrange to have step-in rights on the development so that any funding advanced would eventually be recovered from the disposal of properties developed.

The BFF loans for the two housing schemes if successfully secured will be paid to PEARL2 Ltd.

**Legal**

The Council will be required to provide a legally binding commitment to provide the guarantee to the HCA for each of the two schemes.

**Risk Management**

As highlighted above, the Council's guarantee will only be called upon after both PEARL2 and Barnfield Investment Properties guarantees have been called upon.

**Health and Safety:**

There are no health and safety implications arising from the contents of this report.

**Climate Change:**

There are no climate change implications arising directly from the contents of this report.

**Community Safety:**

There are no community safety issues arising directly from the contents of this report.

**Equality and Diversity:**

There are no equality and diversity issues arising from the contents of this report.

**APPENDICES**

Non

**LIST OF BACKGROUND PAPERS**