

Part A

Report to: Cabinet
Date of meeting: 1 November 2021
Report of: Head of Property Investment and Regeneration
Title: Update on progress at Watford Riverwell and approval of the LABV Business Plan 2021/22

1.0. Summary

- 1.1. This report provides an update to Cabinet on the progress to date regarding the regeneration of Watford Riverwell by the Watford Health Campus Partnership LLP (the LLP) and seeks Cabinet endorsement of the latest Riverwell Business Plan for 2021/22.
- 1.2. Furthermore, the report provides an update on the progress at key development sites including;
- a) The Multi-Storey Car Park (MSCP)
 - b) The Family Housing zone
 - c) The redevelopment plans for the Watford General Hospital Campus
 - d) An update on other development zones including Industrial Zone North (IZN), Woodlands, Mayfield and Waterside Block E (Bellway).
- 1.3. The report asks Cabinet to note the financial commitments and implications to date and going forward.

2.0. Risks

Nature of Risk	Consequence	Control Measure	Response	Risk Rating
Increase in Construction costs due to Brexit and/or COVID	Rise in construction prices and shortage of materials has been felt across the UK and could impact delivery.	Tolerate	Risk passed to and managed through the main contractors for developments currently on site.	9
Reduction in house prices and demand	Project can be slowed down to respond to market demands.	Tolerate	Rate of projected population growth will underwrite demand in long term.	8
Cost overrun of delivering the MSCP	Impact on profitability for the LABV	Treat	Risk managed and redistributed through	6

			the construction contract	
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3.0. Recommendations

3.1. That Cabinet:

- a) ENDORSES the Watford Health Campus Partnership LLP business plan 2021/22 for Riverwell appended to this report.
- b) NOTES the progress made at Watford Riverwell to date in the delivery of key sites
- c) NOTES the progress West Hertfordshire Hospital Trust (WHHT) have made with regard to the redevelopment of the Watford General Hospital campus.

Contact Officer:

For further information on this report please contact:

Lauren Sharkey, Property Development Project Manager

Telephone: 01923 278 265

Email: lauren.sharkey@watford.gov.uk

Report approved by: Tom Dobrashian, Group Head of Place Shaping

4.0. Detailed proposal

- 4.1. The regeneration of Watford Riverwell is being delivered by a 50/50 Joint Venture between Watford Borough Council (WBC) and Kier Property, known as the Watford Health Campus Partnership LLP.
- 4.2. Located in the Vicarage ward of the borough to the south of Watford General Hospital and Watford Football Club (WFC), the LLP's vision is to create a new residential led mixed-use sustainable community using good quality design for Watford. Furthermore, it aims to maximise returns for the LLP and land value for the Council over an 8-10 year period.
- 4.3. The key deliverables of the LLP are to:
 - i. Provide the highest standard of design, sympathetic to the surroundings;
 - ii. Introduce private finance and private sector delivery experience;
 - iii. Ensure a holistic scheme with a balance between quality and affordability;
 - iv. Provide a masterplan layout that is adaptable and provide a range of uses;
 - v. Provide appropriate and equitable returns to Members;

- vi. Strengthen the ability of WHHT to undertake phased redevelopment of Watford General Hospital;
- vii. Create a new mixed use local centre to support the community;
- viii. Improve access to the River Colne and create new attractive open space; and
- ix. Support the continued development of Watford Football Club

4.4. The financial objectives of the LLP are as follows:

- i. Return at least 15% on equity invested (as an average across all zones);
- ii. Target the delivery £14.6m of land value to Watford Borough Council over the course of the project;
- iii. Target the delivery of £34.5m of Partnership Profit from the live zones and within the timeframe identified in this Business Plan;
- iv. Maintain the partner's peak investment in the project below £20m (per partner); and
- v. Target the delivery of 35% affordable homes to Watford Borough Council.

4.5. The following table provides a summary of the Watford Riverwell development zones, a plan of which can be found at page 2 of the Business Plan, attached as Appendix 1:

Site	No. Homes	Affordable	Planning status	Start on Site*	Completion*
Woodlands	95	29	Consented	January 2018	September 2019
Mayfield (retirement living)	253	n/a	Consented April 2018	Q2 2019	Q2 2022
Waterside	408	118	Consented July 2018	Block E - Q3 2019	Block E - Q3 2021
Multi-storey Car Park (1450 spaces)	n/a	n/a	Consented March 2019	May 2021	Q1 2022
Family Housing site	142 houses and 50 apartments	62	Consented April 2020	Feb 2021	Phase 1 Q3 2022
Island site	c. 212	TBC	TBC	Q3 2023	Phase 1 Q4 2025 Phase 2 Q1 2026
School site (2FE primary)	n/a	n/a	TBC	TBC	To be developed by HCC

Central / Hospital Expansion Zone	c. 330	TBC	TBC	TBC	TBC – subject to WHHT negotiations
Hotel Site	121 Hotel Rooms	n/a	TBC	Q3 2027	Q4 2028
Industrial Zone South	n/a	n/a	Consented	Delivered	Completed in 2018
Industrial Zone North	n/a	n/a	In for pre-app	TBC	TBC

**Timescales subject to change due to site interdependencies and prevailing market conditions*

- 4.6. The Watford Riverwell Business Plan is appended to this report and provides further detail on the individual development sites and the LLP's objectives for the regeneration of Watford Riverwell going forward. The details below provide Cabinet with an overview of the proposals within the Business Plan and an update of the current status.

5.0. Multi Storey Car Park

Overview

- 5.1. A new 1,455-space multi-storey car park (MSCP) is currently under construction to relocate the surface parking currently on the Riverwell development land, enabling these development sites to come forward. This is a vital step for the delivery of new hospital facilities in Watford to allow development on surface car parks and improved amenity for staff, visitors and patients.
- 5.2. The current surface level parking serves Watford General Hospital staff, patients and visitors, and Watford Football Club. This surface level parking will be relocated into the new facility upon completion.
- 5.3. West Hertfordshire Hospital Trust (WHHT) have entered into an agreement with the LLP to fund, fully operate and maintain the carpark whilst the LLP will provide Development and Project Management services. The LLP have agreed with WHHT to take on construction risk and manage this through the construction contract, with an appropriate developer profit reflecting such risks.
- 5.4. Simultaneously, WHHT have entered into an Agreement for Lease and form of ground lease for a 60 year term. The council will in turn be leasing back 165 spaces which are surplus to WHHT's requirements through a form of sublease.

Progress to date

- 5.5. The scheme received planning consent in early 2019 and Huber were appointed as the Principal Contractor and are currently on site working to a practical completion date of 17 January 2022.
- 5.6. WBC will be operating a section of the car park which will enable WFC to relocate their existing car parking. Watford Football Club have leased from the Council surface level car parking for several years for their staff. It is proposed they will be one of the end users of the MSCP through an under lease arrangement providing them with exclusive use of the leased area. The council and WFC are currently negotiating the terms for 78 spaces (being a floor of WBC spaces) which WFC require for their staff, event and match day parking.

Next steps

- 5.7. The longstop date for handover to WHHT and subsequent commencement of car park operation is 8 May 2022, the JV is on target to meet this target.

6.0. Family Housing

Overview

- 6.1. The Family Housing development comprises a predominantly residential scheme of 142 houses, 50 apartments and a community centre to be built in two phases. The design includes landscaped communal gardens.
- 6.2. The consented scheme comprises 35% affordable housing by habitable room and the units within the first phase have been pre-sold to Registered Provider, Watford Community Housing.

Progress to date

- 6.3. Jarvis Construction Group Ltd. has been appointed as Principal Contractor for Phase 1 of the Family Housing development. They are progressing well on site and reporting on programme which anticipates the completion of the first Open Market Sale dwellings in August 2022.
- 6.4. To date, key enabling works have been undertaken including deep attenuation tanks have been installed and blockwork has been completed to the first row of two bed houses.

Next steps

6.5. The next Sales & Marketing milestone is the completion of the marketing suite fitout which is programmed for January 2022 ahead of formal sales launch of the development to the market in February.

6.6. Handover of the affordable tenure units to Watford Community Housing is due in two phases. The first handover of 15th March 2023 with the remaining units completed and handed over by 25th May 2023.

7.0. Watford General Hospital Redevelopment

7.1. Ongoing dialogue with WHHT continues, along with formal representation of WHHT at the LLP's Operations and Partnership Board meetings.

7.2. The redevelopment of the Watford General Hospital is intended to be a fully new a large new clinical block to replace nearly all the clinical facilities on the site. It received outline planning permission in July 2021. Most clinical services would be accommodated within these brand new hospital facilities and the majority of inpatient accommodation would be single occupancy rooms. Officers understand that WHHT is now working with the NHS regulators to seek approval of the business cases to enable funding and delivery to move forward.

7.3. Thomas Sawyer Way will provide the main vehicular route into the new hospital site which will connect to a new northern link road being delivered as part of the MSCP development. This will take pressure off of Vicarage Road and divert all staff and visitor traffic to the new MSCP, school site and family housing site.

8.0. Industrial Zone North (IZN)

8.1. The site is located opposite Trade City on Thomas Sawyer Way at the entrance to Watford Riverwell.

8.2. The site had not previously been developed due to a restriction that had been placed on the land to safeguard it for the Metropolitan Line Extension (MLX) railway sidings and uncertainty over what proportion of land would be required. Part of the site is being safeguarded for any potential replacement of MLX in line with Local Plan policy.

8.3. The agreement was terminated in 2019 and the LLP began exploring options to develop the site. WBC are insisting a proportion of the site is held for the delivery of a replacement of MLX and that forms part of the new Local Plan. Following an exercise

to attract offers from the market, the LABV selected an owner occupier as the preferred bidder for a turnkey development of the site.

- 8.4. The preferred bidder has been developing a scheme for the site and submitted a pre-application request following approval from the LLP's Operations Board. This pre-app is yet to be heard but is expected shortly.

9.0. Woodlands

- 9.1. All of the 66 open market sale apartments have now been sold. The LLP business plan outlines that upon completion of 60 units, it would look to sell the ground rent income to realise a capital receipt.
- 9.2. This ground rent sale was originally forecast in June 2020, however, a slower than expected sales rate and the impact of Covid-19 means that this sale is now forecast to complete in October 2021.

10.0. Mayfield and Bellway sites

Overview

- 10.1. The LLP have sold two sites within the southern masterplan area of Watford Riverwell to be built out by third party developers;
- Mayfield specialise in retirement living and are delivering a scheme of 253 apartments.
 - Bellway will be delivering the first of three residential blocks that form part of the Waterside scheme. 'Block E' comprises 144 apartments.
- 10.2. Bellway and Mayfield are continuing with works on site which are progressing well with both schemes due to complete in 2022. Both developers have commenced sales of their respective developments and Bellway in particular are experiencing strong enquiry levels at this stage.

11.0. Implications

11.1. Financial

11.1.1. The Shared Director of Finance comments that the council has approved a capital budget as follows:

2021/22	2022/23
£2.855m	£8.878m

The council will be asked to approve the revised phasing of the budget in line with the updated business plan:

2021/22	2022/23	2023/24	2024/25
£2.855m	£1.821m	£4.932m	£2.125m

11.2. Legal Issues

The provisions of the LLP Members Agreement requires that its business plan is approved by its members. Cabinet act as the appropriate member for the council. As stated in the body of the report there is also a Campus Agreement between the LLP, the council and WHHT as it was always envisaged that WHHT would put land into the project. This currently provides a land equalisation formula between the council and WHHT so both parties benefit in accordance with their input. WHHT's land is also required to bear a share of the overall infrastructure costs or they need to make a payment to the LLP to compensate.

It may be necessary for the council and WHHT to agree to a land swap to accommodate WHHTs hospital redevelopment in which case amendments may be required to the overarching LLP Agreements.

Further, at the time that the initial Thomas Sawyer Way and associated infrastructure was provided, WBC made a contribution of £2m towards WHHT's share. This capital sum is yet to be repaid and is currently a matter of discussion between WBC and WHHT.

11.3. Equalities and Human Rights

There are no Equalities and Human Rights implications arising from this report.

11.4. Staffing

Staff resource is provided to the LLP by the Property Investment & Regeneration Team, and a FTE charge is made as a consequence.

11.5. Sustainability

The development proposals are in accordance with current Building Regulation requirements and in some instances, go beyond. The LLP has its own Sustainability Implementation Plan which is monitored quarterly and included with all contract tendering to ensure that contractors are committed to the same sustainability standards as the LLP.

Appendices

Appendix 1 (Part B)* – Riverwell Business Plan 2020

**Exempt under Paragraph 3, Part 1 Schedule 12A - contains commercially sensitive information.*

Background Papers

None