

KPI LIMITED – ALTERATION TO DEVELOPMENT AGREEMENT

1. PURPOSE OF DECISION

- 1.1 Key Property Investments (KPI) Limited, the joint venture between St Modwen Properties PLC and Sahlia Real Estate Co, has requested an amendment to the existing development agreement with Rushmoor Borough Council in order to enable them to bring forward proposals for the outstanding phases of the Farnborough Town Centre North Queensmead redevelopment.

2. BACKGROUND

- 2.1 Outline planning permission was originally granted for a major redevelopment at the northern end of the town stretching across from Queensmead to Firgrove Court and the Kingsmead car park in July 2003. Full planning permission (04/00080/FUL) was subsequently granted on 24th November 2004 for the following:

Demolition and redevelopment to provide retail (A1/A2/A3) space including new superstore, commercial leisure (D2), office (B1a), hotel (C1) and residential accommodation (C3) together with associated provision for access, servicing, parking and landscaping at Kingsmead, The Mead, Firgrove Court and Land at Queensmead, Farnborough

- 2.2 The proposals were broken down into 4 phases of development, referred to as Blocks 1-4. Blocks 1 and 2 have since been completed and consist of the Sainsbury's superstore, Travelodge hotel, Wetherspoons public house and town centre retail units alongside residential apartments above.
- 2.3 Progress is yet to be made on the delivery of Blocks 3 and 4 and this has been the cause of some frustration, particularly within the local community. Some of this delay can be attributed to the impacts of the financial recession. Further to this, there was a concerted effort to avoid higher 'void rates' within the town centre, which would have been the case had additional units been delivered whilst still seeking tenants for Blocks 1 and 2.
- 2.4 Rushmoor Borough Council, as the freeholder of the site, entered into a Development Agreement with KPI Ltd at the outset of the development scheme. A key component of that agreement is the ability for the Council to 'step in' at a certain point should the development be stalled. Step-in rights would enable the Council to step in to the shoes of another party, in this instance KPI Ltd, in relation to the obligations of the Development Agreement and appoint a new development partner to complete the scheme. The current agreement includes a step-in date of March 2017.

3. PROPOSAL

- 3.1 KPI Ltd has requested an amendment to the Development Agreement that would allow for an extension of time before step-in rights become active. The request is for 5 years, which would revise the date to March 2022. Whilst Rushmoor Borough Council is keen to support the continued implementation of the consented scheme with KPI Ltd as the preferred development partner, there is a reluctance to agree a 5-year extension particularly given that the proposal has been with consent for approximately 12 years.
- 3.2 It is evident that the impending step-in date of March 2017 has delayed progress being made recently on the delivery of further phases due to the uncertainty it provides and the Council is keen to work pro-actively with KPI Ltd to ensure successful delivery of the scheme.
- 3.3 In the circumstances, I have advised KPI Ltd of my intention to recommend a 2-year extension to the current agreement, with the possibility of further extensions being granted subject to there being clear evidence of progress being made.

4. RECOMMENDATION

It is recommended that Cabinet:

Approve a proposed amendment to the Development Agreement between Rushmoor Borough Council and KPI Ltd that would allow an additional 2 years before the 'step-in' rights are activated (March 2019).

**ANDREW LLOYD
CHIEF EXECUTIVE**

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