



ADUR & WORTHING
COUNCILS

Joint Strategic Committee
31 January 2019
Agenda Item 9

Key Decision: No

Ward(s) Affected: Central

Investing in Worthing Town Centre - Action Plan for Redevelopment of Grafton Car Park Worthing

Report by the Director for the Economy

Executive Summary

1. Purpose

- 1.1. To update the Joint Strategic Committee on work completed in respect of the Grafton site since the November 2017 report to this Committee.
- 1.2. To outline and agree with Members the next steps in the project to ensure development of the Grafton site.
- 1.3. To seek agreement for Officers to begin focussed engagement and negotiation with tenants and adjoining neighbours to achieve vacant possession of the Grafton site.

2. Recommendations

The Joint Strategic Committee is recommended to:

1. Note the headline summary of the CBRE Development Strategy Report as set out in paragraphs 4.5 to 4.9.

2. Note the indicative timeline as set out in paragraph 5.3 and the work underway to resolve issues and progress the scheme.
3. Note the continued collaboration with London and Continental Railways and exploration of a formal working relationship to jointly fund and develop the Grafton site.
4. Note that a further report will be submitted to the Joint Strategic Committee following the completion of the Vacant Possession Strategy setting out the precise details of achieving Vacant Possession of the site.

3. Context

- 3.1. Since the previous report in November 2017 significant progress has been made on resolving key barriers to development on the Grafton site. The site currently provides the second largest quantum of public parking in the town centre, which, if left as a requirement for the redevelopment of the site would greatly reduce the viability of any scheme and greatly reduce the Council's ability to attract private sector investment.
- 3.2. It was therefore decided to undertake a strategic review across the town centre and the overall town centre regeneration programme, to understand the needs of the town, its residents and businesses going forward. The studies focussed on identifying the best optimal use for these sites whilst maintaining good access to the services and facilities of the town, including the retail core, employment locations and the hospital. The strategy recommends that Grafton MSCP remains operational in the short term to allow for alternatives to be put in place and improvements to existing provision to be implemented, that the Grafton MSCP be closed permanently and that there be no requirement on the site to provide public car parking in the future. This releases the site from being required to provide public parking spaces and the associated infrastructure/access on this prime seafront site should that be the best development strategy for the site. It also aims to make the site more attractive to investors and developers who will assist the Council in transforming this site for the better of the town centre.
- 3.3. In order to allow for the implementation of the parking strategy, maintenance works have now begun at Grafton MSCP to keep it safe and operational in the short term, until additional capacity and upgrades

to existing parking facilities have progressed sufficiently to enable the Grafton MSCP to be closed for redevelopment purposes.

- 3.4. Officers will continue to work closely with London and Continental Railways, using their development experience in delivering complex sites to progress the Grafton development. There is provision within the existing Landpool and Promotion Agreement that other sites could be added and discussions are ongoing as to how this could be used to the benefit of the Grafton site and expedite development.

4. Road map to development

- 4.1. The Grafton Area of Change, a large development site in the centre of the town, has been defined as a redevelopment opportunity in Worthing for many years. During this time town centres and high streets have experienced fundamental changes. This has accelerated considerably with changes in the retail market from high street to online, meaning fundamental structural changes for our high streets and town centres, with many stalwarts of the high street going into administration or closing.
- 4.2. The focus for Grafton had previously been an extension of the retail floorspace to support growth, however this was prior to the dramatic changes and contraction in the retail sector that we are seeing today. It is therefore appropriate to consider the best uses for the site and how we best support a changing town centre for the future.
- 4.3. To support this Officers have commissioned a development strategy from CBRE, market leaders in this field, to:
 - Identify the 'best' option - in terms of viability and deliverability - to bring about redevelopment as soon as prudently practicable, and;
 - Maximise the associated regeneration benefits for Worthing Town Centre - in terms of support to the local economy - that will flow from a successful development scheme.
- 4.4. This work identified key actions to progress the project in readiness for development and provided the following observations and recommendations. The Council has a clear strategy to deliver major change to the town to improve its 'offer' in housing, leisure and business; and attract investment and stimulate economic growth for the

local area. The Grafton MSCP site is rightly identified as an ageing, well located asset with development potential and progress has been made; purchase of the Montague Street shops and a new car parking strategy are clear demonstrations of intent.

- 4.5. However, it identified that there are several impediments that currently either prevent or negatively impact the delivery of a comprehensive re-development of the Grafton site. Many of these are capable of eradication and therefore will not necessarily impede development. These are classed as normal development **constraints**. In addition to these normal development constraints, there are a number of other more significant issues which have been termed development **barriers** for resolution.
- 4.6. There are three 'stand out' issues which have the status of a 'barrier'. Unless resolved, a comprehensive redevelopment of the GMSCP will - at best - be significantly compromised and - at worst - be undeliverable. These barriers are:
- Vacant possession and associated capital and revenue issues
 - Viability
 - Access rights of Knightsbridge House tenants across and through the site
- 4.7. Vacant possession and associated capital and revenue issues: Vacant possession of the site will be required to facilitate comprehensive development. The key considerations will be firstly, the process of negotiation, including any compensation to be paid by the Council, with each of the tenants to achieve vacant possession. Secondly, ensuring the Council has accounted for the combined loss in revenue from the tenants and MSCP. To facilitate this, your Officers are working with consultant advisors to develop a Vacant Possession Strategy.
- 4.8. Viability: Both non-direct and financial intervention could maximise the financial viability of the project. This includes non-direct "levers" such as increasing the residential component and improving the achievable values realised through improving the layout and aspect of the residential development. Potential to include other types of accommodation (e.g. senior living or hotel accommodation)
- 4.9. Access rights of Knightsbridge House tenants across and through the Car Park: The vehicular access rights of Knightsbridge House tenants

is a fundamental challenge to develop the development, affecting construction and design. There are a number of remedies available to the Council and these are being explored. It could be that a change in the mix of uses and the layout of the development could reinstate the vehicular access without negatively impacting the Grafton site and scheme viability. To progress this, your officers are working with legal advisors to resolve each of the issues and will look to work in cooperation with affected residents to reach the best possible solution to this challenge.

5. Action Plan

- 5.1. The CBRE Development Strategy sets out a comprehensive action plan to progress the site which will encourage early engagement with potential investors and developers, in particular through seeking expressions of interest, which should elicit a range of design and developer skills for the Council to consider and evaluate early on within the development process. The report also highlights the need to effectively address the issues outlined in paragraphs 4.5 to 4.9 above to ensure the successful development of the site.
- 5.2. The preferred approach would be to procure a partner to work with the Council to deliver the project, enabling the Council to continue to guide the redevelopment of the site and maximise the regenerative benefits for the wider town centre.
- 5.3. The following table provides an overview of the recommended timescales and actions for the Grafton site:

	2019				2020				2021				2022		2023	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	H1	H2	H1	H2
Impediment resolution workstream	•	•	•	•	•	•										
Wider market testing	•	•	•													
Expressions of Interest invitation				•	•											
Consideration of responses					•	•										
Developer shortlist compiled						•	•									
Development submissions received							•	•								
Proposal evaluation							•	•								
Developer interviews							•	•								
Developer selection							•	•								
Planning							•	•	•							
Pre-development								•	•	•	•					
Commencement of development											•	•	•			
Construction period													•	•	•	•

Table 6 (Note: Assumes comprehensive development)

6. Engagement and Communication

- 6.1. The Executive Member for Regeneration and the Worthing Major Projects Board have been regularly updated on progress on the Site, including design feasibility options which have focussed on provision of car parking on the site as well as the key issue of resolving access to the rooftop car park of neighbouring residential units at Knightsbridge House.
- 6.2. Significant internal engagement across Council departments has been taking place, including officers from Finance, Parking, Procurement, Legal, Estates, Technical Services.
- 6.3. Initial engagement with M&S at both a local and corporate level has been positive and it will be important to maintain a close working relationship with them as a key retailer for the town centre and neighbour to the development site. A further round of store closures

has been released and once again Worthing is not listed as being at risk.

- 6.4. Discussions with AMF Bowling have been productive and we have discussed their role in the town moving forward and what a higher quality offer might look like and how that could be accommodated. We have secured their ongoing commitment to the area with a new lease and will continue to build on our positive relationship.
- 6.5. Engagement with leaseholders within the Site will be key once we have a fixed development strategy. Engagement with residents at Knightsbridge House will also be fundamental to the redevelopment of the Site. Depending on the preferred solution, this could also include formal negotiation of compensation, including alternative parking provision following the closure of the MSCP and during redevelopment. Wider engagement with town centre residents and businesses will take place once a developer has been secured.

7. Financial Implications

- 7.1. The assets held by the Council in the Grafton site area generate significant annual income to the Council as follows:

	2018/19 Budget £
Net income from car parking operations	468,440
Rental income from bowling alley	82,500
Net income from shops*	273,960
Total cost to Council of redevelopment	<hr/> 824,990 <hr/>

* Net income after funding debt charges. This assumes that the Council will dispose of the shops as part of the sale and that the capital receipt received will be sufficient to repay the debt. If this is not the case, then the loss of

income will be in would increase by up to £269,000 to a maximum of £1,094,000 . However, the redevelopment may not require the disposal of the retail units depending on the final extent of any proposed scheme.

- 7.2. Whilst it should be possible to accommodate some of the parking demand in other car parks in the town centre, there will still be a significant loss of income to the Council whilst the site is being redeveloped. In addition to the direct loss of income associated with the redevelopment of the site, the Council will also lose business rate revenues for any commercial properties which are affected as part of the redevelopment.
- 7.3. The loss of income from the development site would present the Council with a significant financial issue. To mitigate this financial risk, the Council has agreed that the potential loss of income would be phased into the revenue budget over the period 2018/19 - 2021/22. At present the following amounts are being set aside:

	2019/20	2020/21	2021/22	2022/23	2023/24
Worthing	£'000	£'000	£'000	£'000	£'000
Current budget	247	247	247	247	247
Proposed set aside	-	-	400	700	800
Total budget	247	247	647	947	1,047

Whilst this will clearly add to the financial pressures in each of the financial years, this will enable the Council to avoid a significant financial cliff-edge when the car park is closed and the site is redeveloped. By 2021/22, the Council should have set aside sufficient funds to accommodate the loss of income from the closure of the car park and the bowling alley.

- 7.4. However, much will depend on the financial pressures emerging over the next two years from the outcome of the fairer funding review which may result in a larger budget shortfall than currently anticipated, which may mean that it will take longer to set aside the required amounts.

8. Legal Implications

- 8.1. Under Section 123 Local Government Act 1972 local authorities have a power to dispose of land held by them in any manner they wish (subject to various constraints, and a general obligation to obtain the best value possible). In addition it is restrictive in that if the disposal of the land is at an undervalue of £2 million pounds or more the consent of the Secretary of State must be obtained. However “consideration” is not limited to the money purchase price, but may include other elements in the transaction, provided those have a quantifiable commercial or monetary value.
- 8.2. If the development strategy proposes appropriation of the Site for planning purposes under Section 203 of the Town And Country Planning Act 2016 (S203), a further resolution to appropriate land under S203 will be required, which can only be made once full details of a proposed redevelopment scheme are known.
- 8.3. Legal advice concerning proposals to terminate leases, and any potential liability arising or compensation due will be provided in due course, once development proposals are known.
- 8.4. Legal advice will be provided in due course regarding any proposed formal agreement between London Continental Railways and Worthing Borough Council to jointly fund and develop the Site, once the details of the proposed agreement are known.

Background Papers

- Grafton MSCP, Augusta Place, Worthing: Development Strategy. (CBRE, Dec 2018)
- Grafton Multi-Storey Car Park Redevelopment - JSC November 2017
- Worthing Core Strategy, 2011 (Area of Change)
- Draft Worthing Local Plan, 2018

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Sustainability & Risk Assessment

1. Economic

The redevelopment of Grafton is identified as a key transformational change for Worthing Town Centre. It is highlighted as a key area for change in the Worthing Core Strategy (2011), Worthing Investment Prospectus (2016) and Platforms for Our Places (2017). It will deliver modern commercial floorspace and create a new retail circuit by reconnecting the High Street and the Sea front as well as new town centre residential units. This would bring new retailers to the town as well as supporting existing retailers by strengthening the high street retail offer.

2. Social

2.1 Social Value

The redevelopment will include new residential units which will provide a mix of new housing, including family size units. This will assist in addressing the significant shortfall of housing within the Borough

2.2 Equality Issues

Matters considered and no issues identified.

2.3 Community Safety Issues (Section 17)

Matters considered and no issues identified.

2.4 Human Rights Issues

Matters considered and no issues identified.

3. Environmental

The development would make more efficient use of a brownfield site, providing a mix of uses in a sustainable, town centre location close to existing amenities and well connected to the public transport system.

4. Governance

A dedicated project board will oversee the governance of the project ensuring:

- 1) Due diligence
- 2) Alignment with Council priorities and policies
- 3) Legal issues and compliance with legislation
- 4) Risk management including health and safety
- 5) Statutory approvals
- 6) Stakeholder Management
- 7) Change control