

ADUR & WORTHING  
COUNCILS

Joint Strategic Committee  
1 December 2020  
Agenda Item 21

Key Decision No

Ward(s) Affected: Central

**Next steps for the development of the Grafton Multi Storey Car park Site**

**Report by the Director for the Economy**

**Executive Summary**

**1. Purpose**

- To update members on recent progress on bringing forward Grafton Car Park for development and to set out a programme of work for 2021.

**2. Recommendations**

2.1 To note the contents of the CBRE report set out at Appendix A

2.2 To agree to the work programme set out in paragraph Section 5 to procure a development partner for the site.

2.3 To authorise the Head of Major Projects and Investments to continue with the Project as outlined in this Report and to enter into contracts for consultancy or advisory appointments which are necessary to progress the development, the costs of which will be met from the approved budget?

### **3. Background & Context**

- 3.1 The redevelopment of the Grafton Car Park site is a key commitment contained within Platforms for our Places Going Further and an identified Area of Change in the Worthing Core Strategy (2010) and Emerging Worthing Local Plan.
- 3.2 Due to its location, development of the site is a dual opportunity. Successful development will allow us to remove an existing unattractive property which is an unwelcome part of our seafront; provide modern commercial space to rejuvenate the western end of Montague Street; and will enable the delivery of new homes in a town centre location supporting the town centre economy over the long term. Furthermore, condition surveys of the existing multi-storey car park have established that the lifetime of the existing structure is coming to its end and there is therefore a financial and safety element that requires the project to make progress. Progress is therefore a necessity.
- 3.3 Development of the site involves resolving a complex and complicated set of impediments and barriers that have historically prevented the site from coming forward. These issues are summarised in section 3 of the report . In the past the lack of understanding, knowledge, and early resolution of these issues have meant that nascent partnerships or sales of the site have failed. The focus of the development strategy over the last 18 months has been resolving these issues sufficiently to allow the marketing of the site to be successful.
- 3.4 Along with the normal development issues that are common to most sites such as design, viability, access, and neighbour amenity issues, Grafton Car Park has a number of site specific challenges that need to be resolved to allow it to come forward. These include achieving vacant possession and dealing with the financial impact of this, title, access, rights to light, party wall issues, and right of access to adjoining properties.
- 3.4 Learning from previous experience on this site, the approach of the Major Projects & Investment Team, has been to work proactively to understand and resolve as many of these issues as far as possible before going to secure a development partner for the site. The Council has commissioned the development arm of national property

consultancy CBRE to work alongside officers to resolve each of these issues. Following an initial review in 2019, a programme of work was agreed which has been undertaken over the last year. A summary of progress against each of the key issues is contained in the Development Implementation and Delivery Options Report set out in Appendix A. Sufficient progress has now been made in understanding or addressing these issues to ensure that any process to attract a developer would have a chance of success, and allows us to move to the next phase of the project.

#### **4. Development Delivery Approach**

4.1 Developing this fuller understanding of the challenges has informed our delivery strategy and approach for the site. A key aspect of CBRE's commission was to provide advice on how best to successfully bring forward the development. Five options were considered:

1. Sale of the freehold or a leasehold interest
2. Sale under a development lease structure with a transfer of the freehold/long leasehold deferred
3. Development Partner Joint Venture - via Development Agreement (DAJV)
4. Corporate Partner Joint Venture - via Corporate Structure (CJV)
5. Direct development by WBC

4.2 A detailed consideration, including the pros and cons, of each approach is set out in Section 4 of the report at Appendix A.

4.3 It is considered that developments featuring the complexity of Grafton Site inevitably require too much ongoing involvement of the Local Authority for a land sale agreement to be an effective delivery route. Direct development is considered feasible based on the in house capabilities within the Major Projects & Investment Team, but given the wider programme of development and regeneration there is insufficient resource available to undertake a development of this scale and complexity.

4.4 Having considered the advice, the recommended delivery route is option 3 as it balances the core objectives balancing commercial

risk, financial reward, design control, while maintaining pace and confidence that the development will be successfully delivered.

4.5 An overview of the procurement process required to undertake this procurement is set out below at Appendix B.

## 5. Timetable and Next Steps

5.1 The following timetable has been prepared based on previous experience and in consultation with advice from officers in the Legal and Procurement teams.

<b>Stage</b>	<b>Actions</b>	<b>Time</b>
<b>Procurement Mobilisation</b>	Formalise procurement team Establish funding to be committed to a procurement procedure	Q1 2021
<b>Outline Business Case</b>	Establish governance of the procurement process Confirmation of objectives Finalise red line boundary Establish roles and responsibility of procurement team Define WBC's minimum requirements Assess levels of public sector intervention Procurement design (including target programme) Legal and commercial structures Issue prior information notice	Q2 2021 /q3 2021 (early)
<b>Preparation</b>	Prepare key documents Issue contract notice	Q3 2021
<b>Pre-Selection</b>	Issue clarifications as required	Q3 2021

	<p>Selection questionnaire submissions received</p> <p>Evaluation of selection questionnaires</p> <p>Down selection of candidates</p> <p>Inform unsuccessful bidders</p>	
<b>Competitive Bidder Dialogue</b>	<p>Issue invitation to participate in initial dialogue</p> <p>Issue final evaluation criteria</p> <p>Detailed HOT's (including clarifications and updates as required)</p> <p>Issue detailed legal contracts (including clarifications and updates as required).</p> <p>Conduct dialogue sessions to understand and establish solutions</p> <p>Submission of detailed solutions (may include unscored presentations)</p> <p>Close dialogue</p> <p>Evaluation of tenderes</p>	Q4 2021
<b>Final Evaluation</b>	<p>Clarify, optimise and specify tenders</p> <p>No substantial modifications of final Tenders</p> <p>Evaluation</p> <p>Preferred bidder selection</p>	Q1 2022
<b>Contract Award</b>	<p>Clarification and confirmation of commitments</p> <p>Issue contract</p>	Q1 2022

<b>Contract Close</b>	Finalise contracts	Q1 2022
	Exchange/Completion	

## **6. Engagement and Communication**

- 6.1 Engagement has taken place with affected businesses including tenants of the Council's when working on lease arrangements to ensure vacant possession and tenant breaks.
- 6.2 A meeting with residents of adjacent properties at Knightsbridge House took place in early March 2020 to set out the intentions on the site and to inform them of key challenges and options for the site.

## **7. Financial Implications**

- 7.1 Worthing Borough Council has revenue budgets of £275,750 for the development of major projects which will be used to fund the costs associated with the Grafton project.

## **8. Legal Implications**

- 8.1 Under Section 111 of the Local Government Act 1972, the Council has the power to do anything that is calculated to facilitate, or which is conducive or incidental to, the discharge of any of their functions.
- 8.2 s1 of the Localism Act 2011 empowers the Council to do anything an individual can do apart from that which is specifically prohibited by pre-existing legislation.
- 8.3 Section 3(1) of the Local Government Act 1999 (LGA 1999) contains a general duty on a best value authority to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 8.4 s1 Local Government (Contracts) Act 1997 confers power on the local authority to enter into a contract for the provision of making available assets or services for the purposes of, or in connection with, the discharge of the function by the local authority.

8.5 Under the Public Contract Regulations 2015 where a Public Authority is to enter into a contract for the supply of goods & services, and the value of those goods and services exceeds a financial limit of [£189,333], (or for works £4,733,252.00) any procurement exercise to contract for those goods and services must be conducted in accordance with the Regulations.

### **Background Papers**

- Platforms for our Places: Going Further

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## **Sustainability and Risk Assessment**

### **1. Economic**

The project is strategically interlinked with a planned wider investment programme connected with future developments at other key sites in Worthing.

Redevelopment of the Grafton Multi-Storey Car Park site will contribute to the creation of an enhanced entrance to the town and town centre, providing an economic boost to existing businesses, and encouraging an increase in investment across the town as the most visible regeneration challenge gets addressed.

### **2. Social**

#### **2.1 Social Value**

Development on the site would send a positive message to the community, visitors, commuters and business, that change is taking place in Worthing and improvements to the built environment will be realised in the near future.

#### **2.2 Equality Issues**

The development of the site will directly affect a number of neighbouring properties including their ability to have vehicular access to adjacent parking spaces. A further detailed equalities impact assessment will be undertaken as part of the project to understand any specific impact of the development.

#### **2.3 Community Safety Issues (Section 17)**

Matter considered and no issues identified.

Works will be managed under the Construction Design & Management (CDM) Regulations 2015.

#### **2.4 Human Rights Issues**

Matter considered and no issues identified.

### **3. Environmental**

It is intended that redevelopment will bring forward a high quality development in a sustainable town centre location. Noise, dust and highway obstructions will be kept to a minimum using industry standard techniques, and monitored by the Council throughout the works

The project aligned to the council's strategic approach to Climate Emergency.

**4. Governance**

A dedicated project board to oversee the governance of the project will be established ensuring:

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

**5. Sustainability & Risk Assessment**

A Risk Register will be prepared and assessed through the Project Board. Any associated risks are delegated to the Project Team in the form of a risk assessment. This organic document is assessed on a monthly basis.

## Appendix A



WORTHING BOROUGH  
COUNCIL

# Grafton Multi Storey Car Park Site

Augusta Place  
Worthing

## Development Implementation & Delivery Options Report

For Worthing Borough Council  
November 2020

CBRE






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## 01. Introduction

The prominent and ageing Grafton Multi Storey Car Park GMSCP has been earmarked by Worthing Borough Council (WBC) for redevelopment for over a decade. Throughout that time WBC has rightly held an ambition to bring forward the site for redevelopment, although no development has taken place to date. Over the period WBC has, *inter alia*, pro-actively allocated the site for mixed use development, acquired adjoining properties, and commissioned the production of a development report together with follow-on advisory mandates.



CBRE has previously advised as to the main reasons why development has not yet taken place and identified several impediments that, without resolution and/or eradication, would continue to prevent comprehensive redevelopment of the GMSCP site.

The report made various recommendations as to how best to address these impediments and set out a course of action and timetable with a view to the Council being able, in due course, to offer the property to the market as an unimpeded development opportunity and thereafter select a preferred developer to progress redevelopment of the site.

In May 2019, CBRE were appointed to engage with all relevant parties in order to identify, as far as possible, appropriate mechanisms or processes to remove and/or mitigate the impact such impediments would have on the development process.

**This document outlines the work that has been undertaken to address the relevant issues, all with a view to readying the development opportunity for the private sector development market, as circumstances permit. It also covers the wider matter of development delivery in some detail.**

The purpose of this document is provide WBC with a high level overview of the key impediments and considerations needed to bring forward this redevelopment.

**Note:** This report has been edited prior to its public publication in order to omit sections and comments of commercial sensitivity.

## 02. What Has CBRE Done?

We have identified several significant impediments which have, for many years, stood in the way of allowing development to take place. CBRE can therefore advise with confidence that impediment resolution is an imperative. Without mitigation or removal of these impediments redevelopment on a meaningful and comprehensive basis will continue to be stymied.

It is against this background that over the past twelve months we have been through a process to better understand the issues, devise an impediment mitigation and development delivery strategy and assess the nature of the associated risk.

To aid identification of appropriate remedies and possible further investigatory work we have sought (on behalf on WBC), where appropriate, the input of other specialist consultants. This has included legal, environmental, rights to light, party wall and utility specialists.

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**To do this, we have carefully considered each of the identified impediments and consider the remedies to either remove or alleviate their impact so as to enable the development opportunity to progress.**



### 03. Impediments to Implementing Development

#### Knightsbridge House Car Park Access

Leaseholders, residents, and visitors access a private car park at fifth floor level via GMSCP. Redevelopment will require interruption of this right.

A forum with the residents of Knightsbridge House was held in February 2020 to share with the attended the ambition for regeneration of the town centre in general, and GMSCP in particular.

Further discussion with the residents to work in finding solutions will continue once a development delivery route selected.

Knightsbridge House



#### Vacant Possession and Inclusion in a redevelopment

It needs to be considered if the adjoining WBC owned shops are to be included in the redevelopment proposals. This would have an impact on the scale of the scheme and also its financial performance.

The existing occupational leases have been renegotiated to enable WBC to obtain vacant possession for redevelopment purposes. If they were to be relocated, then the objectives would be to retain the tenants in the town centre, utilising other vacant properties to ensure continuing of trade and employment.

81-83 Montague Street



Lower sections of circular servicing route



#### Viability

The costs of comprehensively redeveloping GMSCP as a mixed-use scheme are likely to be high and WBC must consider the funding options available.

There are various sources of grant, equity or debt funding available from the wider public sector that can provide support and several types of intervention techniques that WBC may be able to utilise. These range from the use of low cost, long term borrowing from the Public Works Loan Board (PWLb), through garnering 'pump-priming' type support from Homes England and Local Enterprise Partnerships, to the creation of long-term local authority income streams, increasingly popular with the private sector.

In our experience, we often find that when financial assistance is coupled with a high profile and strong support from public stakeholders, even the most complex schemes can be delivered. In advance of considering the options for development delivery, WBC should consider its funding options in detail.

#### Title

The extent and status of the current title to the overall GMSCP site is not 100% definitive giving rise to the need to clarify and regularise wherever possible.

WBC are progressing the consolidation of information on the title and this impediment will reach a resolution upon the completion of this exercise.

#### Access

Service vehicle access to the retail units fronting Montague Street, Marks and Spencer and utility providers will be impacted by redevelopment and will require rationalisation.

Further consideration will need to be given to how best to preserve or provide alternative means of access to owners and occupiers affected by comprehensive redevelopment both during construction and post completion.

Further discussion with the occupiers is recommended to first establish, at least in principle, the extent to which modifications of access rights would be acceptable. Detailed solutions can be considered once a development proposal have been progressed further.

03. Impediments to Implementing Development continued

**Rights to Light & Air Issues**

Several buildings may have their right to light impacted by redevelopment

In due course, identification, notification, and compensation assessments will, respectively, need to be undertaken, given and agreed.

**Party Wall**

Party Wall Agreements will need to be entered into with adjoining owners to provide for the orderly execution of any development.

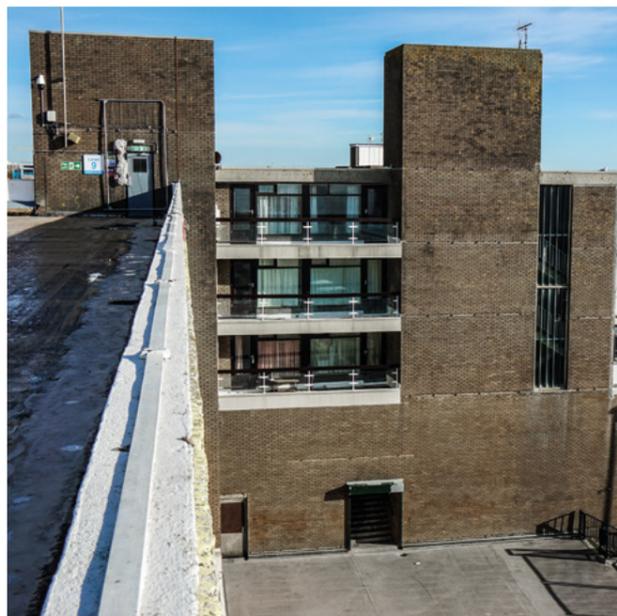
**Utilities**

The GMSCP site contains several utilities and associated plant, the extent and adequacy of which are unknown.

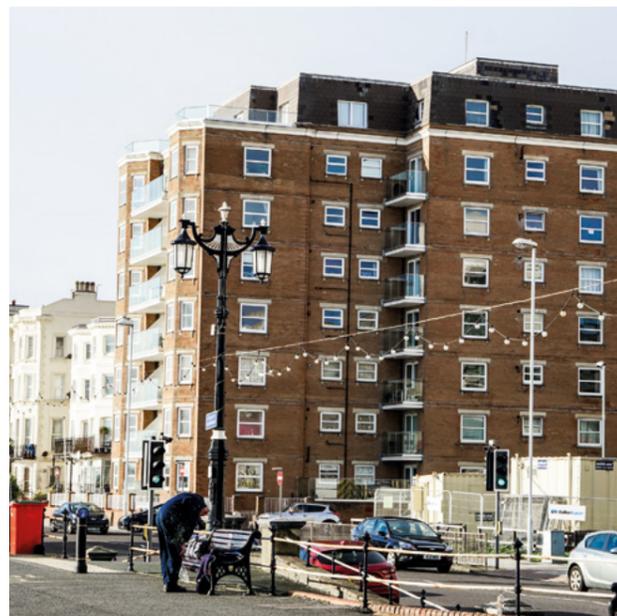
The investigation works undertaken by the utility consultant has identified the extent of the supplies for drainage, water, gas, electricity and telecoms.

Once more detailed development proposals become available further additional technical surveys will be required to establish more definitive relocation/diversion costs. In the meantime, WBC have sufficient information to facilitate discussion about development delivery.

Knightsbridge House western elevation



Augusta House eastern elevation



**Geo-Environmental**

Ground conditions, stability, pollution, and the presence of deleterious materials are unknown and may impact the design and cost of development.

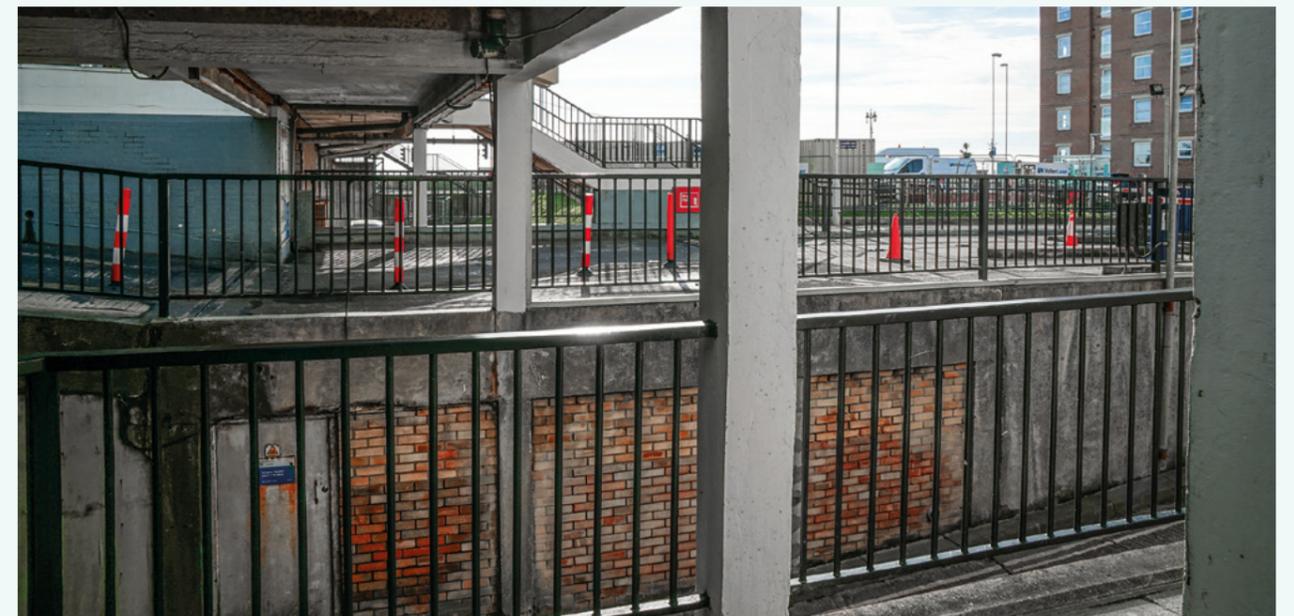
An environmental consultant has undertaken a 2-stage Geo-environmental report to identify the extent of the ground conditions. Whilst further investigatory work is required once development designs have been progressed, we are of the view that there is nothing that has been identified to date that would give provide a major abnormal risk and therefore cost to the development

**Further Reporting**

The following reports would ordinarily be commissioned by developers at the start of their development design process and WBC may decide to commission some of these report directly to understand further risks at this stage.

- ✓ Contamination Report
- ✓ Flood Risk Assessment
- ✓ Ecology Survey
- ✓ Archaeology & Heritage Assessment
- ✓ Traffic Impact Assessment
- ✓ Asbestos Survey

Southern Water Pumping Station



## 04. Development Delivery

We now have as full an understanding of the nature and extent of the impediments to development as is possible to have at this stage (subject to the caveats stated and clarification of identified queries) together with a raft of mitigation and remedial measures identified.

This section sets out the delivery options available to WBC, assesses their merits in terms of control, risk, financial reward and overall output; and recommends the options we believe are the most suitable, all things considered

### 4.1 Delivery Options Overview

When considering the delivery options for property related projects, it should be noted that Local Authorities need to consider the requirement to achieve 'Best Value' under Section 123 of the Local Government Act and also procurement regulations and best practice guidance. Whilst there are multiple delivery and funding routes available to Local Authorities, there are five main ones to consider for this project:

- i. Sale of the freehold or a leasehold interest
- ii. Sale under a development lease structure with a transfer of the freehold/long leasehold deferred
- iii. Development Partner Joint Venture  
- via Development Agreement (**DAJV**)
- iv. Corporate Partner Joint Venture  
- via Corporate Structure (**CJV**)
- v. Direct development by WBC

The appropriateness of each needs to be addressed in the context of the development considerations outlined in previous sections (See Sections 4 & 5).

Figure 1 seeks to illustrate how these delivery options differ in terms of risk, reward and control. In a Local Authority context, the reward is often the quality of the end development and the regenerative benefits it brings to a town or city rather than a financial return. Secondly, control is often, rightly, a key requirement for Local Authorities, as unless the scheme is delivered as anticipated, the wider benefits of the development remain unrealised.

However, options to improve the level of 'Reward' and 'Control' often come at the cost of increasing the degree of risk, with the highest level being attributed to a 'self-delivery' scenario. WBC must therefore find a balance between control and taking excessive delivery risk inherent in the development delivery process. You should therefore establish, as soon as practicable, the extent of risk related involvement WBC are willing to accept given your management resource and the regularity of involvement in a process outside your core operations and specialisms.

Development delivery preparation is therefore critical in understanding the control/risk/reward inter-relationship and how to improve the level of control and reward but at the same time reducing the level of risk.

**Figure 1**  
Development Delivery Options: Risk-vs-Reward-vs-Control



### 4.2 Discounted Options

Based on our evaluation of these five options we consider that the following should be discounted as they would bring a high level of risk to the delivery objectives of the project:

#### Sale of a Freehold or Long Leasehold

There would be insufficient protection to WBC in terms of the developer delivering a high-quality scheme. Secondly, a developer may not be able to create a profitable development, which would increase the risk of the development being compromised or not delivered at all.

#### Sale of a Development Lease

This method would protect WBC from non-performance by a developer. However, it is unlikely to lead to a significant improvement in profitability.

#### Direct Delivery

Whilst this option provides WBC with the ability to control delivery of the scheme it places a huge responsibility on officers or a development manager to deliver the scheme.

We consider there will be material benefit to having an experienced development partner who has a business model which maximises sales values and minimises costs. In our experience replication of this experience is seldom possible when a Local Authority undertakes a major development directly; thus, potentially leading to a scheme that does not expedite delivery or maximise financial outputs and is therefore deemed a failure.

**Table 1 provides a summary of the pros and cons of each.**

#### 04. Development Delivery continued

Table 1

METHOD	IMPLICATION	PROS	CONS
<b>Sale of Freehold/ Long Leasehold</b>	<ul style="list-style-type: none"> <li>The most common method of development disposal.</li> <li>Usually using a conditional contract that requires the purchaser to obtain a planning consent for the proposed scheme. At which point purchaser makes a payment for the land and ownership is transferred.</li> </ul>	<ul style="list-style-type: none"> <li>Capital receipt for the land received in the short/medium term.</li> <li>Assessment of bidders is based primarily on price and their ability to deliver.</li> </ul>	<ul style="list-style-type: none"> <li>Limited control over the development design (apart from role as planning authority).</li> <li>No control over delivery timescales.</li> <li>Limited control over long term use/management.</li> </ul>
<b>Development Lease</b>	<ul style="list-style-type: none"> <li>Similar to Option 1 but the purchaser takes a lease for say 3-4 years to allow time to obtain planning consent and build the scheme.</li> <li>Upon completion or other milestone, the freehold/long leasehold is transferred to the buyer. Step-in rights provided to Local Authority if progress is not sufficient.</li> </ul>	<ul style="list-style-type: none"> <li>Provides the land owner with the opportunity to take back possession if development not delivered.</li> <li>Discourages bidders who do not have their own funding (can be a negative as may reduce number of bidders)</li> <li>Places a greater emphasis on delivery as part of bidders' assessment.</li> </ul>	<ul style="list-style-type: none"> <li>Structure can deter some developers bidding due to the need to provide capital without possession of the freehold/long leasehold.</li> <li>Can complicate and slow down negotiations.</li> <li>Limited scope for control over development design (apart from role as planning authority).</li> <li>Limited control over long term use/management</li> </ul>
<b>Development Partner Joint Venture [via development agreement] (DPJV)</b>	<ul style="list-style-type: none"> <li>Used for more complicated or multi-phase development where it is not possible (at the outset) to fully understand the financial outcomes of the development or there is a need for the land owner to deliver specific aspects (own accommodation say).</li> <li>The procured partner (via OJEU) masterplans the scheme, achieves planning consent, discharges conditions. The land is then drawn down in a series of plots when ready to deliver and financial returns often shared via a profit share agreement.</li> </ul>	<ul style="list-style-type: none"> <li>Public sector retains a degree of influence and control, beyond its separate role as a local planning authority e.g. approval of masterplan planning applications, programme etc.</li> <li>Financial returns/risk can be shared in some instances.</li> <li>Can provide flexibility for the landowner to fund /invest/occupy the development.</li> </ul>	<ul style="list-style-type: none"> <li>Requires OJEU procurement, which is costly and may deter some good developers.</li> <li>A complete exit is challenging unless parties agree or have significantly underperformed.</li> <li>Can lack flexibility over long term projects.</li> </ul>
<b>Corporate Joint Venture [via a corporate structure] (CJV)</b>	<ul style="list-style-type: none"> <li>Also, an OJEU procured option. There is significant flexibility in the structure but essentially sees the landowner and developer form a joint approach to items such as business planning, masterplanning, delivery, funding etc. With financial returns shared accordingly.</li> <li>From a legal perspective it is often formed as a corporate entity.</li> <li>Provides the landowners with the ability to co-invest at say 50/50, which can be funded via the value of the land and topped up with cash or loans from the partners/third parties.</li> <li>It is likely to require a heavy involvement in the joint venture governance processes.</li> </ul>	<ul style="list-style-type: none"> <li>Can retain key areas of control of the delivery /final development by the Local Authority.</li> <li>Permits joint decision making</li> <li>Allows profits to be transparently shared between the parties.</li> <li>The JV can often be flexible as to the masterplan/ solutions which helps under long running, multi-phase schemes.</li> </ul>	<ul style="list-style-type: none"> <li>Requires OJEU procurement, which is costly and may deter some good developers.</li> <li>Necessitates a corporate structure which carries governance responsibilities.</li> <li>A complete exit is challenging unless parties agree or have significantly underperformed.</li> <li>May require commitment of land value for long term.</li> <li>May require additional equity above original expectations if the scheme does not perform to expectations.</li> </ul>
<b>Direct Delivery</b>	<ul style="list-style-type: none"> <li>Under this option the landowner would establish a directly employed/procured team to undertake the development directly. This often involves identifying a development director or development management company.</li> <li>The team then appoint a professional team and under the guidance of a project team/board would gain planning consent, obtain funding (often internally), appoint a contractor, let/sell the completed scheme and either dispose or hold as an investment</li> </ul>	<ul style="list-style-type: none"> <li>Ultimate control of the delivery</li> <li>Full share of the profit</li> <li>Significant flexibility on the exit route – i.e. hold/sell etc</li> <li>Development Manager/professional team provides skill set directly to the land owner.</li> <li>Procurement/employment of Development Manager etc relatively straight forward.</li> </ul>	<ul style="list-style-type: none"> <li>Limited potential to generate ideas, contacts and best practice from private sector developers.</li> <li>Full risk of delivery risk with land owner.</li> <li>Increased reputational risk by not working with a third party.</li> </ul>

#### 04. Development Delivery continued

### 4.3 Options for Further Consideration

CBRE considers the remaining options...

#### Development Partner Joint Venture

- via Development Agreement (DAJV)

and

#### Corporate Partner Joint Venture

- via Corporate Structure (CJV)

...represent the two main alternatives for consideration.

### Each of these arrangements exhibit several differing characteristics. These are fundamental considerations in deciding how to proceed.

#### Vision

For WBC, it is imperative that the 'vision' for the development is shared by its partner. A joint venture allows for discussion and debate on matters that will impact upon its delivery.

The governance mechanisms for each option can be tailored to suit WBC's requirements but fundamentally in a CJV, WBC will have a more active governance role; whereas under a DAJV the developer enjoys more autonomy and seeks the landowners (WBC) approval(s) at less regular intervals.

#### Resourcing

As per our comments concerning direct delivery, in a joint venture structure WBC would need to establish a view on the amount of staff (or procured external resources) they are willing to commit to the management of the project.

We consider that apart from establishing the parameters of the vision/deliverables and sourcing the provision of funding, the benefit of direct WBC involvement is probably limited in the GMSCP project. Therefore, the additional resource commitment required under a CJV in terms of set-up, decision making, and direct project involvement is likely to be unnecessarily burdensome compared to a DAJV which places the responsibility on the developer.

#### Funding

WBC will only be able to take development returns commensurate to its land value (plus potential overage) unless additional capital investment is committed to the development. There are structures that allow for the minority stakeholder (WBC) to have the option (but not the obligation) to commit funding but again, this is likely to be

an overly complex approach to what is likely to be single phase development project, where the funding requirement can be readily identified from an early stage. Therefore, we suggest that a development agreement would have the functionality for WBC and/or third parties to provide funding.

#### Financial Returns (Profit)

A CJV allows the Local Authority to share in the returns from the development, to a degree that is commensurate with their equity contribution (land plus funding). A DAJV can be structured to produce a similar result. In the case of the GMSCP site the whole question of financial support will need to be reflected in any joint venture arrangement. Further consideration of WBC's appetite to commit funding (through an intervention mechanism or otherwise) to the project would provide a view on the need for this optionality, but based on current conversations there is little benefit to be gained from a CJV approach at this stage.

#### Governance

The workings of a CJV are far more transparent and have a culture of joint working as opposed to a DAJV, where dialogue between the parties can be limited and can mirror a relationship which is more 'landowner and developer' than a partnership. The development agreement structure would see the formation of a partnership board/steering group but their input would be limited to the scope of the development agreement and so typically advisory in nature.

For a CJV, a partnership board would be formed with its own terms of reference. Items such as annual business plan could be used to help guide the joint ventures activity. However, given that the development is likely to be a single phase, the need for this flexibility may not be necessary.

By way of example, under a DAJV we would expect the following matters to be reserved by WBC (as

landowner); approval of the Masterplan, approval of planning application(s), approval of any site wide development plan and phase implementation plans and approval of Marketing and Letting Strategy. We expect that these protections in addition to a robust procurement process would provide WBC with the comfort that their partner can meet the development requirements.

#### Legal and Procurement

Establishing a CJV is a more complex process than a DAJV and the timescales and resource implications for its procurement and management will be greater. Once established a CJV generally has more flexibility to reach joint decisions on matters arising. In comparison, a DAJV structure tends to restrict the parties to the scope of the agreement. This can cause procurement challenges and the need for renegotiation if there is a fundamental shift in the originally specified criteria. DAJV's therefore need to provide sufficient flexibility to allow the parties to reach and make joint decisions when necessary.

#### Land Receipts

Both options have the ability for WBC to either seek an early land receipt or priority 'profit share or return', should they wish. However, in both instances, to improve financial returns, a deferral of land receipts to either the plot/phase drawdown date or completion of the plot/phase is likely to be required to reduce the finance costs for the developer/funder and therefore improve cashflow.

Under both the CJV and DAJV structures it is envisaged that WBC will retain ownership of the site until either certain pre-conditions (planning, funding, construction contract etc.) are satisfied, or later still at the point of practical completion of a plot/phase is achieved. WBC must therefore clearly distinguish between its roles and obligations when acting in the capacity of landowner, as distinct from either a shareholder (CJV) or a contractual party (DAJV).

## 05. Procurement

We have touched briefly on the statutory and related regulations and best practice guidance that surrounds the procurement of development partners by Local Authorities. The overall process is generally required to be undertaken via an OJEU compliant procedure.

This is because developments featuring the complexity of GMSCP require too much ongoing involvement of a Local Authority for a land sale agreement to be an effective delivery route. Therefore, although it is possible to procure a joint venture partner without an OJEU process, to meet the Best Value criteria, the marketing and selection process would not be structured in a dissimilar fashion.

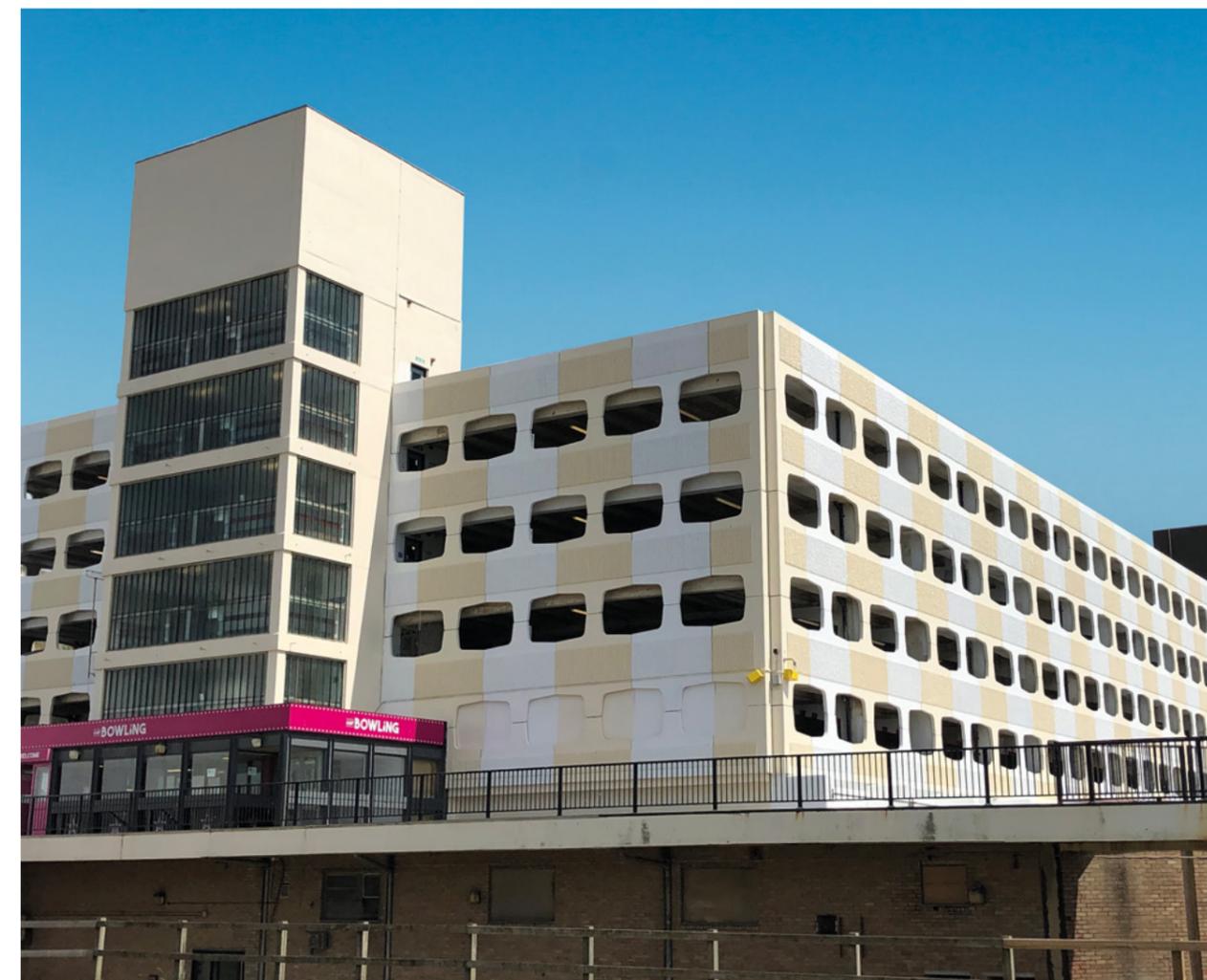
Furthermore, the risk of a challenge for an unsuccessful bidder would be much higher. Therefore, from a practical and legal perspective we often find that public bodies are best adopting an OJEU process but ensure it is highly efficient. We recommend that WBC should take legal advice on this matter before deciding upon a procurement route.



## 06. Timetable

Timetable will be dictated by the preferred delivery route.

Bowling Alley, Marine Parade



## 07. Executive Summary

- GMSCP is approaching the end of its economic lifespan and has been earmarked for redevelopment for over 10 years. In that time, despite some private sector developer interest, no meaningful progress on redevelopment has taken place.
- CBRE have established the reasons why development has not yet taken place and identified several impediments that had prevented comprehensive redevelopment taking place.
- Our current report addresses the identified causes of, and remedies for the development inertia that has stifled redevelopment to date.
- The impediments to development are as follows; an amalgam of complicated MSCP structure, access rights, occupancy of part of the site and the extent of which WBC asset to include. Furthermore, there are issuers around party walls, rights to light, utilities, title, goods delivery vehicle and title.
- Development delivery options have been explored. CBRE believe that a Joint Venture structure under a Development Agreement is the preferred option.
- The source of funding will need to be fully considered by WBC and CBRE have considered various sources of grant, equity and debt funding sources and intervention mechanisms. We are of the view that the most appropriate form of WBC's intervention will primarily be by way of a Joint Venture under a Development Agreement with provision to deal with bespoke funding arrangements.
- Procurement of a development partner will be dealt with in a supplemental report.
- The GMSCP site continues to represent an attractive comprehensive redevelopment opportunity that will find favour with the private sector development market.



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## 08. Closing Remarks

Whilst the 'road to delivery' is now clearly established, there remain milestones to pass on the journey to development realisation.

Notwithstanding, there remains a number of ongoing matters to be addressed, not least the financial intervention methodology and the orchestration of the procurement process.

WBC will inevitably encounter, and must deal with, the usual array of commercial frustrations associated with the myriad of detail that will surround final resolution of these matters and a regulated process and complex development proposition.

With patience, focus, requisite resource and dogged determination we now cannot foresee anything standing in the way of the GMSCP site being brought forward to, and well received by, the development market.

That recorded, there may over the period of design development be a valid need for a degree of re-setting of expectation levels. This need not lessen ambition or the contribution the scheme will make to the town centre, but open mindedness, flexibility of approach, and an appreciation of 'the art of the possible' will be key ingredients to maintaining momentum.

In closing, CBRE have previously commented on the need to 'ripen' the site for redevelopment. That has largely been accomplished and enables progression to the procurement of a delivery medium. This process will set out our Procurement Options Report.

And finally, a note of caution relative to the uncertainties that may pervade the UK real estate markets over the next 12-24 months, due to the possible impact of Brexit and COVID-19. Whilst nobody can say with certainty what either the procurement regime following Brexit will look like, or the extent to which COVID-19 will continue to affect global financial markets and activity in many sectors of the UK real estate market, we nevertheless feel able to reiterate the view we have previously expressed, and that is: we remain optimistic that the anticipated predominantly residentially-led nature of the proposed redevelopment of the GMSCP site, and the relatively long-term nature of the project, will allow continuity of progress throughout any period of market uncertainty in the foreseeable future.

**CBRE**





# Appendix B

## PROCUREMENT PROCESS ROUTE

