



ADUR & WORTHING
COUNCILS

Joint Strategic Committee
9 July 2019
Agenda Item 13

Key Decision: Yes

Ward: St Mary's

Delivering affordable homes and new workspace on the site of the former Adur Civic Centre

Report by the Director for the Economy

Executive Summary

1. Purpose

The purpose of this report is to advise members of the Committee of the outcome of a successful marketing exercise for the site of the former Adur Civic Centre and to seek the Committee's approval for the sale of the land to a preferred bidder for the purpose of delivering new homes and employment space.

2. Recommendations

That members of the Committee:

2.1 Note the outcome of a marketing exercise to secure the redevelopment of the former site of the Adur Civic Centre.

2.2 Delegate authority to the Head of Major Projects & Investment, in consultation with Adur District Council's Executive Member for Resources, to enter into a contract for the sale of the former Adur Civic Centre site to Hyde Group (Hyde Housing Association Ltd.), subject to heads of terms to be agreed and receipt of a valuation report that confirms best consideration will be achieved by Adur District Council as a result of the sale.

3. Enabling Regeneration on Council owned land in Shoreham - progress to date

- 3.1 Our 'Platform' commitments seek to make the best use of council owned land and buildings to deliver investment to support our local economy for the benefit of local communities.
- 3.2 The site of the former Adur Civic Centre is a highly visible 'gateway' site that signals arrival at Shoreham to those travelling from an easterly direction. To highlight the site's readiness for development, the former Civic Centre was demolished in 2017 using Local Growth Fund monies secured via the Coast to Capital Local Enterprise Partnership.
- 3.3 Phase 1 of this project was the redevelopment of the former Civic Centre car park to deliver state of the art office accommodation in response to high levels of demand. In a bold initiative, the Council decided to deliver the new office itself as a 'design and build' scheme, having secured a tenant in the form of local company, Focus Group.
- 3.4 Members of the Committee will be aware that the new office was delivered on-time and within budget on behalf of the Council by the construction company Willmott Dixon in April this year. Focus Group has announced a significant expansion of their workforce to coincide with occupancy of the new office and are now in the process of moving in to this striking, contemporary building.
- 3.5 Naturally enough, attention has turned toward redevelopment of the larger, main site which for the period of the office build, served as the construction and 'set up' site. From a financial perspective, a similar 'design and build' scheme on this scale would be beyond the Council's ability to deliver directly. Accordingly, earlier this year the Council appointed agents Knight Frank to proactively market the site using a national advertising campaign.
- 3.6 The marketing brief highlighted the opportunity to deliver the regeneration of this important site for the benefit of local communities. It was anticipated that a residential led scheme would deliver affordable accommodation alongside other activities that together, would contribute directly to the local economy. To underpin the Council's commitment, the marketing brief also outlined the opportunity to partner with the Council to help secure the best mix of activity on the site.

- 3.7 The marketing campaign was a significant success: thirteen bids were received with a variety of offers and forms of sale and varying levels of conditionality. The number of bids received reflected the proactive steps that the Council has taken to de-risk the site; and the similarly positive approach that has been taken to support nearby development at Free Wharf and as part of the wider Shoreham Harbour Regeneration Partnership.
- 3.8 A detailed description of the marketing of the property and selection of a preferred bidder, including a comprehensive analysis of all the bids was prepared by Knight Frank and submitted to officers prior to the completion of this report.

4. Assessment of Bids and Proposed Offers

- 4.1 An initial sift of the thirteen bids were initially considered based on financial and deliverability criteria. These included:
- Financial offer;
 - Funding strength;
 - Strength of covenant;
 - Track record of delivery;
 - Due Diligence;

This approach ensured that the assessment balanced the price offered with an ability to deliver the development at pace.

- 4.2 This process narrowed the proposals down to five shortlisted applicants which were then interviewed on their proposals with a view to assessing:
- the ability to deliver a high quality development that contributes to the regeneration of Shoreham;
 - capacity to build out the proposals at pace; and
 - to understand further their proposed offer in terms of proposed uses, mix, and tenure.

- 4.3 Of particular note was the ability of bidders to commit to a high quality design and to ensure that the resultant development maximises the opportunity to form strong connections with Shoreham town centre.

- 4.4 The bids were highly competitive and one bi-product of this exercise has been to identify a number of potentially new models and possible development partners that the Council would consider working with on other schemes as opportunities arise. Whilst not ultimately making it through to preferred bidder status, some of the learning here included consideration of an 'income stream' approach proposed by several bidders, whereby the Council would share some of the risk in return for a long term stake in the resultant development.
- 4.5 Of particular note has been the responsiveness of bidders to the aspiration of the council to deliver affordable accommodation and generate new employment opportunities. The marketing process also sought a bidder with a strong and unambiguous commitment to deliver in a timely manner and these commitments are reflected in the choice of recommended preferred bidder.

5. Recommended Preferred Bidder

- 5.1 After careful consideration of the bids it is considered by Knight Frank and officers of the Council that the Hyde Group has made the best offer.
- 5.2 Knight Frank Marketing & Bid Evaluation Report concludes:

Hyde Housing are looking to deliver a scheme of 171 apartments of which 100% are to be affordable, with associated ground floor commercial space. Their offer of £7,050,000 subject to planning is the strongest consideration achieved and comes without any associated risk of retaining, letting and potentially selling the commercial space. As well as this, Hyde's proposed delivery is not reliant on any third party developers or financiers. The documents provided in association with Hyde Group's bid were comprehensive along with their interview, in which they brought key individuals from the delivery team, providing reassurance as to their commitment to the project and the level of due-diligence completed to date.

6. Financial Offer

6.1 Hyde Group's offer of £7,050,000 for a conditional sale subject to successful receipt of planning permission, survey and vacant possession. 10% is to be paid on exchange, with the remainder paid on completion following grant of planning permission and expiry of the judicial review period.

7. Proposed Development

7.1 Hyde Group's offer was supported by detailed feasibility work undertaken by architects and town planners familiar with the development and planning context in Shoreham. The proposed development comprises the following:

- 171 new homes (42% 1 bed; 49% 2 bed, 9% 3 bed);
- 85 parking spaces;
- 987 sqm of flexible commercial space which are intended to be used as flexible office space.

7.2 The proposed development includes a taller element on the corner of Brighton Road addressing Ham Road park and stepping down to the western boundary adjacent to the Duke of Wellington public house. The site is split into two buildings providing a pedestrian route through from Ham Road linking to the waterfront along the north-south sewer constraint. Vehicular access to the site is from the northern boundary from Harm Road with pedestrian only access from Brighton Road creating a large public realm space with secondary access to the eastern road frontage addressing the skare park. Commercial space at ground floor level activates the street level and the internal courtyard area. Both buildings assume positive roof spaces for shared residents deck & gardens with controlled views to avoid overlooking of residential neighbours.

8. Affordable housing

8.1 Hyde Housing are one of eight housing associations to have agreed a Strategic Partnership with Homes England. Through this partnership Hyde Housing have received a grant of £95.4m to enable them to build 1,623 affordable homes by 2022.

8.2 The purpose of the Homes England Strategic Partnership is to deliver affordable home over and above what would be provided as a S106 requirement through the planning process. As such Hyde Housing's proposed approach is that the planning application for the development would strictly comply with the requirements of the Adur Local Plan 2017. Hyde Housing would then be enabled to use the grant funding received from the Strategic Partnership arrangement to deliver all of the homes on the site as affordable homes. Accordingly, while the planning application will specify a policy compliant approach, in reality their proposal is for 100% of the homes to be affordable. 40% of the homes are proposed for social rent, and 60% of the homes for shared ownership.

9 Flexible Workspace

9.1 The marketing brief set out the Council's aspiration for a residential led scheme with a mix of uses that would include delivering employment opportunities. Potential ideas included a hotel; workspace and retail/commercial units to support the local economy.

9.2 The preferred bidder has sought to maximise the amount of commercial floorspace created across the ground floor to deliver flexible workspace as an integral and highly visible element of the scheme. This approach provides the potential for a range of employment opportunities and would support both start-ups and expanding small and medium sized enterprises (SMEs).

9.3 Just under 1000sqm of Gross Internal Area would deliver around 840sqm of Net Internal Area. Based on industry standards for occupancy, this would deliver more than 80 Full Time Equivalent (FTE) jobs.

9.4 It is important to note that several of the proposals did include a hotel which is encouraging for our local economy and remains an aspiration to support business and the visitor economy.

10. Proposed Timescales

10.1 Hyde Group have committed to an exchange of contracts within three months of being determined as the successful bidder (Autumn 2019). The contract would allow a further twelve months for them to achieve a planning permission (Summer 2020). To meet the requirements of the Homes England Strategic Partnership time frames construction on site would have to be completed by 2022.

11. Financial and Deliverability Criteria

11.1 In terms of financial and deliverability criteria set out in paragraph 4.1 above the offer was considered to The Hyde Group is a leading provider of affordable housing in London and the south-east of England. The Group are 'A' rated by Standard & Poors and have recently received an 'A+' rating from Fitch. The Hyde Group generated a surplus of £161million in the 12 months to 31/03/2018. Their business is supported by a balanced debt portfolio with few short term maturities. The Group has total funding facilities in place of approximately £2.04billion, and £1.6m of drawn facilities (net of cash) giving £440m of available liquidity. The combination of these offers factors demonstrate at very high covenant strength and very suitable funding strength. The Hyde Group are a known quantity with a strong track record of delivery in the local housing market including current development at Ropetackle North, and proposed development at Kingston Wharf.

12. Financial Implications

12.1 The sale of the land will generate a substantial receipt. Depending on the timing of the sale, the council should benefit from approximately £160,000 additional revenue income in 2020/21.

12.2 Under the Council's capital strategy, 1/3rd of any new receipts are set aside for use on the capital flexibility freedoms. These freedoms enable the Council to use capital receipts to fund revenue expenditure provided that such expenditure will result in a saving. This is very useful as it builds financial capacity to fund savings initiatives without having to use the Council's scarce reserves.

12.3 The generation of a significant capital receipt will bring financial benefits to the Council as the receipt can be used to fund the capital programme, repay debt or be invested for the longer term.

	Expected return	Full Year £
Used to fund the capital programme or invested	4%	188,000
Set aside for capital flexibilities	1%	23,500
Total		<u>211,500</u>

13. Legal Implications

13.1 Section 1 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.

13.2 Section 1 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.

13.3 Section 123 Local Government Act 1972 places an obligation on local authorities to dispose of land for best consideration, which need not be limited to the monetary purchase price, but may include other elements in the transaction, provided those have a quantifiable commercial or monetary value. The General Disposal Consent 2003 provides guidance to Local Authorities when exercising a power under s123.

13.4 The sale of the Civic Centre site, outside of a procurement process, is to avoid the creation of a Public Works Contract, defined under the Regulations as ‘the realisation by whatever means of a work corresponding to the requirements specified by the contracting authority exercising a decisive influence on the type or design of the work’ and must therefore be a simple land transaction; *Faraday v West Berkshire Council [2018] EWCA Civ 2532*.

13.5 The statutory guidance on the flexible use of capital receipts is issued by the Secretary of State under section 15(1)(a) of the Local Government Act 2003.

Background Papers

- Shoreham Harbour Joint Area Action Plan
- Adur District Local Plan 2017
- Joint Strategic Committee Report March 2018

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Sustainability & Risk Assessment

1. Economic

The proposal to market the site for a mixed use scheme accords with the Adur and Worthing Economic Plan 2013 - 2023 where the Economic Priorities are named as Support Business, Develop Growth, Enhance Business Environment, Advance Local Skills, Encourage Sustainability and Promote Health and Wellbeing. The Economic Plan also states “It is vital that Adur and Worthing provides foundations for business to operate effectively” and promotes the following aims:

- Support Business
- Develop Growth
- Enhance Business Environment
- Advance Local Skills
- Encourage Sustainability
- Promote Health and Wellbeing

2. Social

2.1 Social Value Conditional disposal and redevelopment of the site with mixed use will enhance the town and help to support the economic prosperity of the District.

2.2 Equality Issues Matter considered and no issues identified.

2.3 Community Safety Issues Matter considered and no issues identified.

2.4 Human Rights Issues Matter considered and no issues identified.

3. Environmental

Marketing the site for a conditional disposal will bring forward development of the remaining, redundant brownfield site as identified as the strategy for Shoreham within Platforms for our Places.

4. Governance

An internal officer board consisting of representatives from key departments essential to successful delivery has met and reviewed the programme at key stages of the marketing exercise.