

ADUR & WORTHING
COUNCILS

Joint Strategic Committee
8 February 2022

Key Decision Yes

Ward(s) Affected: Central Ward, Worthing

Union Place - selection of preferred developer

Report by the Director for the Economy

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Executive Summary

1. Purpose

- 1.1 The purpose of this report is to advise members of the Committee on the outcome of a successful marketing exercise for the Union Place site and to seek the Committee's approval to progress negotiations with Roffey Homes for the development of the site for the purpose of delivering new homes, cinema, parking and employment space.
- 1.2 The report recommends that members approve Roffey Homes Ltd as the preferred development partner and that the scheme should be progressed by way of a Joint Venture Partnership between the organisations.
- 1.3 The report outlines the key areas of negotiation, business case development and financial implications of the proposal that need to be resolved in a further report to the Committee.

2. Recommendations

- 2.1 To note the progress made in developing and enabling the site since the most recent update to the Joint Strategic Committee in November 2018 including the successful grant of planning permission and marketing of the

site for a delivery partner.

- 2.2 To agree that Roffey Homes is the Council's preferred development partner for Union Place.
- 2.3 To delegate to the Head of Major Projects & Investment the authority to negotiate with Roffey the most appropriate way to bring forward any potential development, noting that the current preferred option by Roffey is for a Joint Venture.
- 2.4 To note that a report will be brought back to the Joint Strategic Committee for consideration detailing the final proposed documents, and to seek any required authorisations to continue with the proposed Joint Venture arrangement.

3.0 Background

- 3.1 The Draft Worthing Local Plan that is considered elsewhere on this Joint Strategic Committee agenda sets out a number of sites that will be brought forward to deliver market and affordable housing in Worthing over the 2020 - 2036 plan period. Of the fifteen sites identified, seven of these are to be delivered by Worthing Borough Council either directly (such as Decoy Farm or the Integrated Care Centre on the Civic Centre site), or in conjunction with partners including Northbrook Camping and Caravanning Club, the Fulbeck Avenue Site, Teville Gate, Union Place and in due course Grafton Car Park.
- 3.2 Collectively these sites have the capacity to deliver approximately 900 homes and are a key workstream in the Pathways to the Affordable Homes strategy approved by the Committee in March 2021 to deliver the homes needed within the town. The housing-led sites included in the local plan are:
 - Union Place (150 homes)
 - Teville Gate (350 homes)
 - Camping & Caravanning Club (100 homes)
 - Fulbeck Avenue (152 homes)
 - Grafton Car Park (150 homes)
- 3.3 A key focus, over and above regeneration, is coordinating these opportunity sites to:
 - Maximise the number of homes delivered, especially affordable homes

- Maintain a focused approach to attract government funding and support to aid viability;
- Bring forward other uses that will enhance the town's centre and promote economic recovery;
- Deliver high quality design and architecture;
- Deliver capital receipts that can be used to support the delivery and maintenance of new infrastructure;

3.4 This previously developed site lies east of the Connaught Theatre and west of the High Street. It comprises a surface car park adjacent to the theatre acquired by the Council in 2017; a cleared site of unmade ground and footings to the former Police Station acquired by the Council in 2018, and an adjoining small area of car park along the High Street. It is close to Chapel Road (secondary shopping area) and links to the central shopping area via the Guildbourne Centre.

3.5 Large parts of this sustainably located site have stood vacant for many years and its comprehensive redevelopment has been supported within planning policy. Its redevelopment will act as a catalyst for change, helping to revitalise the High Street and deliver new housing, amenities and jobs. As such, the site is identified as being strategically important in a number of key documents including the Worthing Investment Prospectus and the Worthing Town Centre Investment Strategy. Redevelopment also has the support of the Coast to Capital Local Growth Fund Local Economic Partnership.

3.6 To help accelerate the comprehensive redevelopment of the site, and to de-risk the development, Worthing Borough Council undertook the land assembly before entering into a land-pool agreement with government owned regeneration specialist LCR Property in 2018. A Development Strategy has been prepared to deliver a mixed use scheme of housing, commercial space, new public realm, a hotel and a cinema extension to the Connaught Theatre and planning permission approved by the planning committee in November 2020. The key objective of working with LCR property was to bring clarity as to what could be delivered on the site in terms of uses, density, scale and height. Then with the risk element of planning reduced to bring in a delivery partner who would see out this agreed plan.

4.0 Marketing Approach following Planning Consent

4.1 With outline planning consent secured, attention has turned towards securing a delivery partner to work with on building out the development. From a financial perspective, it was considered that a scheme on this scale would be

beyond the Council's ability to deliver directly. Accordingly, LCR Property and the Council appointed agents Knight Frank to proactively market the site using a national advertising campaign.

- 4.2 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 with cinema facilities and other commercial uses, would contribute directly to the local economy in line with the approved outline planning application. 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.
- 4.3 Despite the marketing campaign taking place during the height of the pandemic the marketing campaign was successful in attracting strong interest: four 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 developments within the town.
- 4.4 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.

5.0 Assessment of Bids and Proposed Offers

- 5.1 An initial review of the bids was undertaken 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.

- 5.2 This process narrowed the proposals down to two 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 Worthing;
 - capacity to build out the proposals at pace; and
 - to understand further their proposed offer in terms of proposed uses, mix, and tenure.
- 5.3 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 Worthing town centre, and delivers on the Council's aspirations for new cinema facilities and affordable homes.
- 5.4 The bids received had a variety of proposals and models for working ranging from straight disposal of the site, to "subject to planning" offers and offers proposing joint ventures with the Council.
- 5.5 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.

6.0 Preferred Bidder

- 6.1 After careful consideration of the bids it is considered by Knight Frank, LCR Property, and officers of the Council that Roffey Homes offer to work with the Council on a joint venture proposal is the best offer.
- 6.2 Knight Frank Marketing & Bid Evaluation Report concludes:

Roffey Homes' JV partnership offer enables the council to build a policy compliant scheme with a reputable regional developer that is well known to the local council. Roffey Homes appear to have a strong appetite for the scheme and know Worthing very well. They are proposing a JV agreement that would tie the council into the site long term and require significant personnel and capital resources but which would ensure that the Council's key outcomes as expressed in the outline planning consent approved in November 2020 are delivered.

6.3 Roffey Homes are an experienced and very knowledgeable development partner and have emerged as the preferred bidder to a large extent due to their proven track record at delivering high quality schemes within Worthing. The bid was the only one received which incorporated a cinema which is seen as an important contribution to the town centre.

6.4 Proposed Scheme

The proposed development is a housing led mixed use development including cinema, parking, and commercial space and is set out in full in the bid document attached as Appendix 1. The proposal incorporates a ground floor car park with residential housing blocks which face inwards to create residential courtyards, and outwards to form an attractive street frontage facing Union Place and the High Street. Taller elements would lie on the High Street frontage and towards the rear of the site, with lower four and five storey frontages facing onto Union Place.

- Parking can occupy the majority of the ground floor area, delivering in excess of 250 spaces while retaining existing access rights.
- Vehicular access is to move to Chatsworth Road to allow for a better urban treatment to Union Place.
- Space is to be allocated for a cinema of 10,500 sq ft alongside the Connaught Theatre. The space has also been designed to be converted easily into additional residential accommodation should the current reduced cinema demand persist following the pandemic.
- A further 12,500 sq ft of commercial space is to be integrated at ground floor level.
- Current plans show a scheme of 186 units, 63 of which are 1 bed units and 123 are 2 bed units.
- The proposal is for the scheme to be policy compliant in terms of affordable housing delivering 37 affordable homes. Nominations would be reserved to those on the Worthing Borough Council housing register.
- The development would be required to comply with the Worthing Local Plan's requirement to connect to the proposed Worthing Heat Network contributing to the scheme's viability.

7.0 Proposed Joint Venture Structure and Financial Return

7.1 The bid received from Roffey Homes proposes to proceed by way of a joint venture contract between the Council and Roffey Homes. The bid proposes that Worthing Borough Council would establish a wholly owned company into which it would invest the former police station site, and High Street car park

land. Roffey Homes would then enter into a joint venture arrangement under contract with the wholly owned company to redevelop the site. A proposed structure document/ heads of terms is set out as Appendix 2 to this report. A key consideration will be that revised guidance on the Public Works Loan Board and the Prudential code that further detailed legal and treasury advice will be required to advise on this structure. A key workstream will therefore be further due diligence on this approach.

- 7.2 Under this arrangement, the freehold land remains in the ownership of Worthing Borough Council and Roffey Homes are required to pay for all project costs up until parity level, which would match the agreed value of the land, less any abnormal costs associated with the title or land. Roffey Homes are also contracted to carry out the project management role in return for an agreed fee. Monthly management meetings are held to oversee the project and ensure accountability.
- 7.3 While setting up a special purpose vehicle will have some implications in terms of costs and tax implications (principally Stamp Duty Land Tax),
- Transferring the asset into an SPV ring-fences the deal from the Council, in the (unlikely) scenario that the deal does not go to plan and liabilities arise.
 - The Council cannot charge land it owns to a third party. Given that security will be required by both Roffey and, in due course, a provider of development finance, the most effective way to do the deal is to transfer the land into an SPV.
 - The day to day operational decisions will be taken by the JV steering committee pursuant to the terms of the JV agreement, holding it within an SPV enables the Council's governance to match that of Roffey Homes and ensure efficient decision making and appropriate accountability
 - The approach will ensure that WBC is able to secure its long term interests of securing homes and town centre facilities.
- 7.4 Subject to further necessary due diligence. this arrangement is considered a suitable approach and enables us to retain the freehold for long term strategic and investment purposes. Upon entering into a joint venture partnership, it is expected that either third party bank funding, or other appropriate funding is utilised (an option might be for WBC to borrow from the Public Works Loan Board or other available capital markets and to loan this to the development company), and any shortfall in funding would be covered by additional equity input by the joint venture partners. As freeholder, Worthing Borough Council would retain full control of the finances. Once all bank funding is paid off,

equity distributions can be made to the joint venture partners although WBC can retain assets as well, such as the parking for example.

- 7.5 In terms of the financial offer, it is important to emphasise that there is a greater degree of risk being undertaken through the joint venture approach over a straight disposal of the site as the Council would be party to the development. However, the initial proposals are modeled on a land value of £9m being achieved (significantly in excess of any debt that we have incurred during land assembly), and a 50% share of the project's profit would return to the Council.
- 7.6 Of some importance is to note that the scheme proposes development of the surface car park land adjacent to the Connaught Theatre. This is currently leased to NCP with 15 years remaining on their lease with a right to renew for a further 25 year period. It delivers a net income of approximately £118,000 to the Council annually. Should the joint venture proposals be agreed, the terms of the structure document require the Council to exercise "all reasonable endeavours" to make this site available. While we have already commenced the process to try and negotiate with NCP to move them to the new car park under a "lift and shift" arrangement, all reasonable endeavours include the Compulsory Purchase of the Site. Under the terms of the draft agreement the cost of the compulsory purchase would become a development cost incurred by the joint venture and could be paid for through that route, and the costs of the land would be part of the land value mentioned in the paragraph above.

8.0 Proposed Milestones

8.1 Bringing the site forward in a timely fashion is a key factor and was an important consideration when assessing the various bids. Continued involvement through the joint venture will ensure that the land is not land-banked by a development partner.

8.2 The following timescale is proposed:

- By end of March 2022 - Conclude detailed due diligence and finalise agreement with Roffey Homes
- Summer 2022 - detailed design and planning pre-application including Design Review Panel.
- Autumn 2022 - planning application submitted
- Winter 2022 - planning application determined
- Spring 2023 - commence on site for Phase 1

8.3 The timing for phase 2 will be subject to detailed terms in the agreement but will largely be dependent on the negotiation with NCP Car Parks and any action required to secure vacant possession of the land.

9.0 LCR Property Landpool and Promotion Agreement Arrangements

9.1 Worthing Borough Council and LCR Property have developed a strong working relationship between the organisations in the development and enabling of this site. The partnership has been successful in addressing a number of the challenges that impeded the site coming forward previously.

9.2 Through various site acquisitions the partners have enabled a “comprehensive” redevelopment of the site to be planning in line with the expectations of the Worthing Core Strategy 2010. The promotion of the site through an outline planning consent resolved a large number of the key risks associated with the site in relation to the quantum of development, commercial and retail provision, height and massing, and the relationship with a number of important listed buildings. This planning consent has significantly de-risked the site and this was reflected in the large number of parties that were interested when it was marketed.

9.3 In this regard the key outcomes of the partnership that were agreed at the various JSC reports in 2018 have been realised. With the marketing exercise identifying a strong delivery partner, the focus of the collaboration arrangements between Worthing Borough Council and LCR Property now shifts towards Teville Gate as set out in the December 2020 JSC report.

9.4 As such the formal Landpool and Promotion Agreement for the Union Place site between the parties needs to be brought to an orderly completion for this site. This will include bringing the freehold of the High Street surface car park back into WBC’s ownership and the cost of promotion in accordance with the agreement.

10.0 Financial Implications

10.1 The proposed development encompasses two assets owned by the Council which the Council has incurred significant capital expenditure to acquire and one by our development partner LCR. Overall the value of the site proposed to be developed is:

Purchase Price	Borrowing	Borrowing outstanding as at 31/3/2021
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	£	£	£
NCP car park	5,988,410	5,988,410	5,721,470
Former Police Station Site	3,702,370	988,260	944,210
Value of assets owned by the Council	9,690,780	6,976,670	6,665,680
High Street car park - Currently owned by LCR	456,820	0	0
Total cost of site	10,147,600	6,976,670	6,665,680

The Council sold the car park in High Street in 2018 as part of creating the land pooling agreement for £456,820. The capital receipt was used to support the delivery of the capital programme.

10.2 The NCP car park in Union Place:

10.2.1 The current rent per year for the NCP site is £334,740. Whilst the Council funds associated debt charges of £216,610 (MRP and interest), giving the Council a net return of £118,130.

10.2.2 The initial lease was for 25 years and allows for an annual RPI uplift in the rental payment. The lease also has a clause which allows for a 25 year extension when the current lease comes to an end on 28th May 2037. Consequently a substantial lease premium would have to be paid to end the current lease and use the site for another purpose.

10.2.3 The NCP car park is a potential barrier to the development of the site unless an alternative offer can be made to NCP, for example by providing a car park of equal size within the development. Even so, NCP may require a substantial compensation payment for disruption to their business and the Council may lose rental payments of circa £330,000 per year.

10.2.4 Prior to committing to any development involving the car park, due diligence needs to be undertaken to establish whether NCP would be willing to participate in such a development proposal and at what cost.

10.3 Completion of the current LCR arrangement:

10.3.1 As mentioned in section 7 of the report the Council currently has an agreement of the development of the site with LCR property (Landpool and

Promotion Agreement) for the development of Union Place. Under the terms of this agreement LCR would be entitled to a share of the receipt arising from any development or sale of the land.

10.3.2 The value of the payment due to LCR would be based on the value of the land that each party contributes to the development and any costs incurred by the parties in supporting the redevelopment of the site.

10.3.3 LCR have agreed that the Council can end the current agreement provided that:

- i) The Council compensates the LCR for any costs incurred in bringing the site forward for development.
- ii) The Council repurchase the car park land sold to LCR in 2018. The value to be paid is still to be determined.

In addition, under the terms of the agreement LCR would be entitled to a share of any potential proceeds from the development based on the formula set out in the legal agreement. The extent of this share has yet to be determined. This will depend on the final nature of the proposal from Roffey Homes.

The full financial implications of the completion of the current land pooling arrangement with LCR will be addressed in the final report, however it is expected that the cost will be funded from the receipts generated from the eventual sale of the site to the development SPV, although the council will inevitably need to fund the cost of the purchase of the land in the interim.

10.3.4 *Purchase of land:*

At present no capital budget exists for the purchase of the High Street Car Parking site, if this deal is finalised, then the Council will need to reacquire the site at a cost of at least £456,820. The final figure is not known at this stage as the land needs to be revalued, however the Council will need to amend the capital programme to allow for the purchase of the site funded from borrowing. There will be a borrowing cost associated with the repurchase of at least £17,750.

10.3.5 High Street car park:

Currently the car park levers in around £33,000 net income per year (excluding overheads). With the development of the site, the town will lose this facility. That said, provided that the Council retains at least 50% of customers in alternative, nearby parking facilities, then there will be little to no impact on the budget.

High Street Surface Car Park

	Estimates 2021/22	Impact of closure
	£	£
Rates	11,600	
Rental	25,000	
Maintenance	7,070	
Other costs	4,600	2,300
Total direct costs	48,270	2,300
Less: Income	-81,040	-40,520
Net income	-32,770	-38,220

10.4 Costs associated with a JV

Prior to committing to the Joint Venture we will need to obtain specialist advice on a range of matters affecting the proposed legal agreement including procurement, legal, and specialist financial advice. It is expected that we will incur costs of up to £150,000 which will effectively commit the majority of the major projects revenue budget for 2022/23.

At the moment, it is intended that the Joint Venture will involve the use of Council land with the Council receiving a capital receipt and share of the development profit once the development has been completed. However, the proposal may require further financial support from the Council which will be addressed in the later report.

10.5 Summary of financial implications

10.5.1 *Capital and borrowing implications*

The Council will need to amend the Capital Programme to allow for the repurchase of the High Street car park once the value has been established. As a result of the proposal, the Council will receive a capital receipt estimated at £9m for the land once the land is developed. This should be sufficient to repay any outstanding debt associated with the purchase of both the car park and the police station site. In addition, there should be sufficient to repay any debt associated with the purchase of High Street surface car park from LCR.

10.5.2 *Interim revenue implications*

The costs to be incurred by the Council will depend on the phasing of the project and the associated cash flows. It is assumed that the site will be developed in two phases, with the Union Place car park development being completed as part of phase 2. Consequently in phase 1, the Council will need to incur, as a minimum, the following costs:

	2022/23	2023/24	2024/25
	£	£	£
Professional and consultants fees	150,000		
Debt charges on purchase of High Street Car Park	17,750	17,750	17,750
Company administration costs	40,000	40,800	41,620
Impact of closure of High Street car park	-5,450	-5,450	-5,450
Total costs	202,300	53,100	53,920

These costs will be further refined as part of the next phase of developing the proposal.

10.5.3 Long term revenue consequences

Once the Union Place car park is closed for the development, the Council will lose the net income associated with this site which is currently £118k per year. However it may be possible to secure the car park within the new development, and consequently obtain an income stream in lieu of part of the share of development profit.

Again, this will be addressed in more detail once the full costs associated with the proposals have been established.

10.5.4 Overall there are a number of important financial considerations which need to be resolved prior to the Council committing to the final legal agreements. The most substantial of which will inevitably be the consequences associated with the lease for the NCP car park. The next report will include greater financial detail on the consequences of the deal and an indication of how this may be funded.

10.6 Other accounting issues

10.6.1 Company accounting requirements:

As part of the proposal, it is suggested that the Council sets up a company. Any such vehicle will require financial support as accounts will need to be prepared, tax returns made, and an annual audit undertaken. As there is insufficient internal capacity to administer any such accounts, a budget will need to be provided to fund the administration costs.

During the next phase of work, the governance arrangements for the new company will need to be developed. Consideration will need to be given to the legal structure of the company and any legal agreements between the company and the Council.

10.6.2 Group Accounts:

The Council will need to prepare group accounts which will have an inevitable impact on the Council's statement of account process. It should be appreciated that if the venture for any reason fails, then a significant proportion of these costs will have to be funded by the Council.

11.0 Legal Considerations

- 11.1 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.
- 11.2 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.
- 11.3 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
- 11.4 Section 1 of The Local Government (Contracts) Act 1997 provides that every statutory provision conferring or imposing a function on a local authority confers the powers on the local authority to enter into a contract with another person for the provision or making available of assets or services, or both (whether or not together with goods) for the purposes of, or in connection with, the discharge of the function by the local authority.
- 11.5 In progressing its negotiations with Roffey Homes Ltd the Council must ensure that it continues to take detailed procurement advice on the structure of the

arrangements to be made and terms of the proposed Joint Venture. The property was marketed as a land transaction, and therefore the Council is to ensure that the agreed terms do not create a public works (or services) contract, defined by the Public Contract Regulations 2015 as 'a contract for pecuniary interest, having as its object the execution of works, the supply of products or the provision of services'. A public works contract will be created if the proposed Joint Venture arrangement imposes legally binding obligations on Roffey or enables the Council to have a decisive influence or control over the works (other than through its planning function). A public services contract will exist if the services are the main object of the arrangement, and this will be assessed against the finally agreed terms.

- 11.6 The end arrangement is to be compliant with the rules applicable to the UK's subsidy control regime, as set out in the UK-EU Trade and Co-operation Agreement and supporting legislation.
- 11.7 Legal advice needs to be given on the merits of the proposed Compulsory Purchase Order and level of compensation payments payable.
- 11.8 By s123 Local Government Act 1972, the Council is under a duty when disposing of land to ensure it receives the best consideration reasonably obtainable.

Background Papers

- 2018.11.06 - JSC - Union Place Update
- 2018.04.10 - JSC - Union Place Redevelopment

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 the proposed approach to development 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

It is considered that the existing undeveloped site contributes little in terms of biodiversity or ecology and that the sensitive redevelopment of the site provides opportunities to enhance these aspects. Buildings will be built to high standards of sustainability.

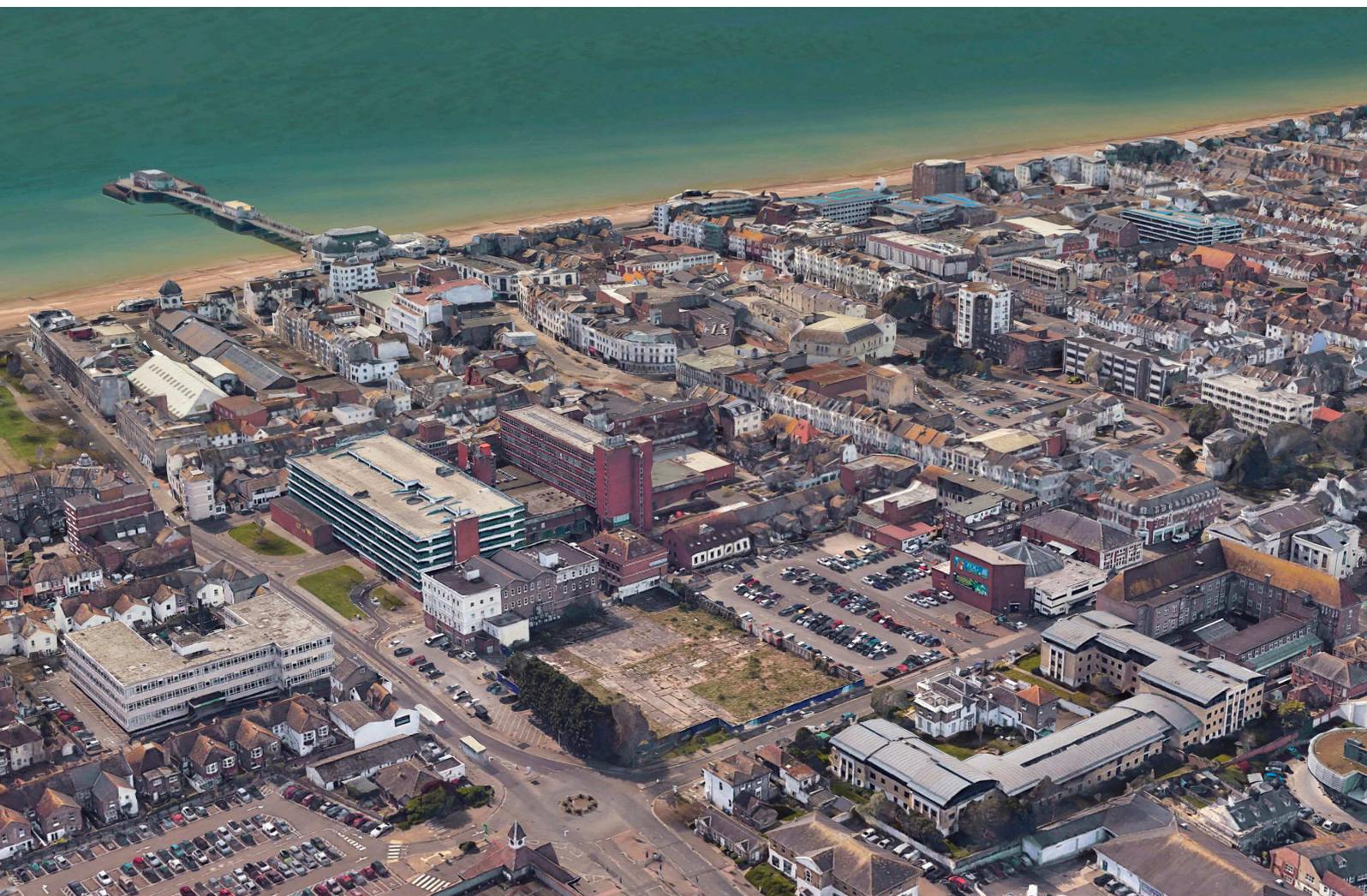
4. Governance

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.



UNION PLACE WORTHING

Proposal for Redevelopment and Joint Venture Partnership
with Worthing Borough Council





OUR VISION



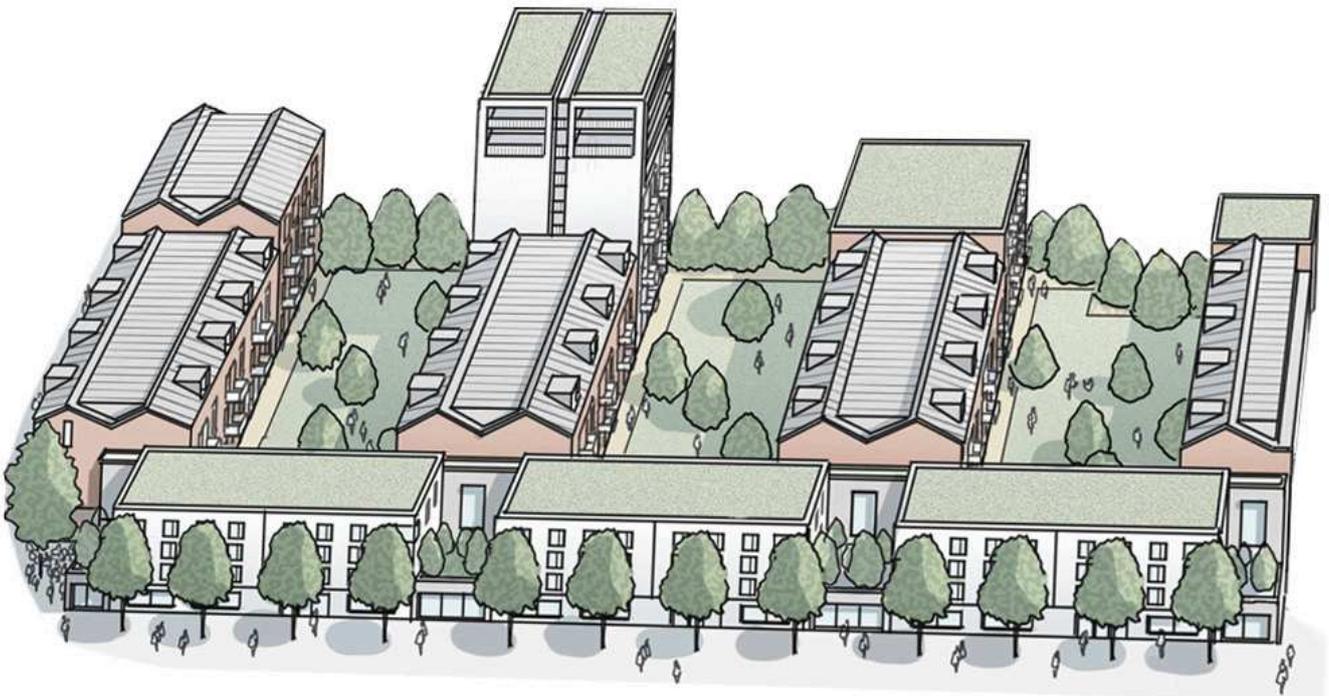
Roffey Homes are pleased to confirm our interest in working with Worthing Borough Council to redevelop Union Place. Our vision is to develop the whole site, including the current NCP car park, in a planned and co-ordinated manner, which is clearly communicated to the inhabitants of Worthing. Our proposal is outlined over the coming pages and we strongly believe that it will deliver the best value.

OVERVIEW

Our proposal aims to provide evidence of Roffey Homes' experience and expertise in the design, construction and delivery of large scale, mixed-use developments across Worthing and the surrounding region; highlighting skills which have been honed over the last 60 years. We place great emphasis on being locally focussed and believe our approach will mitigate risk, generate value and establish excellence across the scheme.

To demonstrate the benefits and feasibility of our joint venture proposal, this document provides details for the following areas:

- Design & layout
- Parking provision
- Residential provision
- Commercial provision
- Construction, programme & phasing
- Financial feasibility review
- Joint venture proposed arrangements



KEY CONTRIBUTING FACTORS TO SUCCESS

Our joint venture plan utilises know-how from our similar and successful previous arrangement with Sussex Cricket Ltd



Our proposed scheme incorporates the delivery of both short-term and long-term investment value



Our robust infrastructure means we can be ready to commence work as soon as planning is achieved



We have a proven track record of successfully acquiring planning permission and delivering numerous developments across Sussex



We are a Worthing based company with a portfolio of over 50 developments in the town



We have a highly experienced and hand-picked team, with extensive knowledge of Worthing



Our in-house principal contractor, Westbrooke Developments, has previously constructed similar sized mixed-use schemes



Exceptional design is at the heart of everything we do and is intrinsic to every one of our schemes



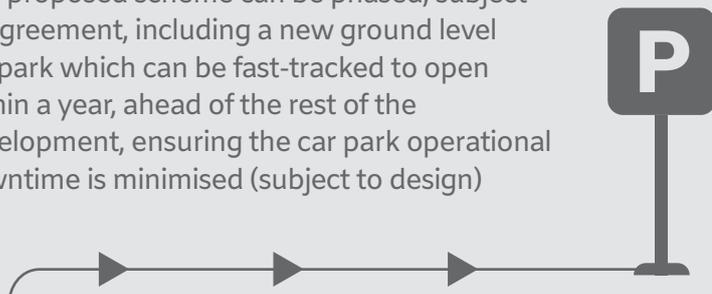
Our vast experience allows us to reduce and minimise risk, giving the development the best possible chance to succeed



We employ local companies and local labour, ensuring wider additional benefit and value to the town



Our proposed scheme can be phased, subject to agreement, including a new ground level car park which can be fast-tracked to open within a year, ahead of the rest of the development, ensuring the car park operational downtime is minimised (subject to design)



DESIGN & LAYOUT

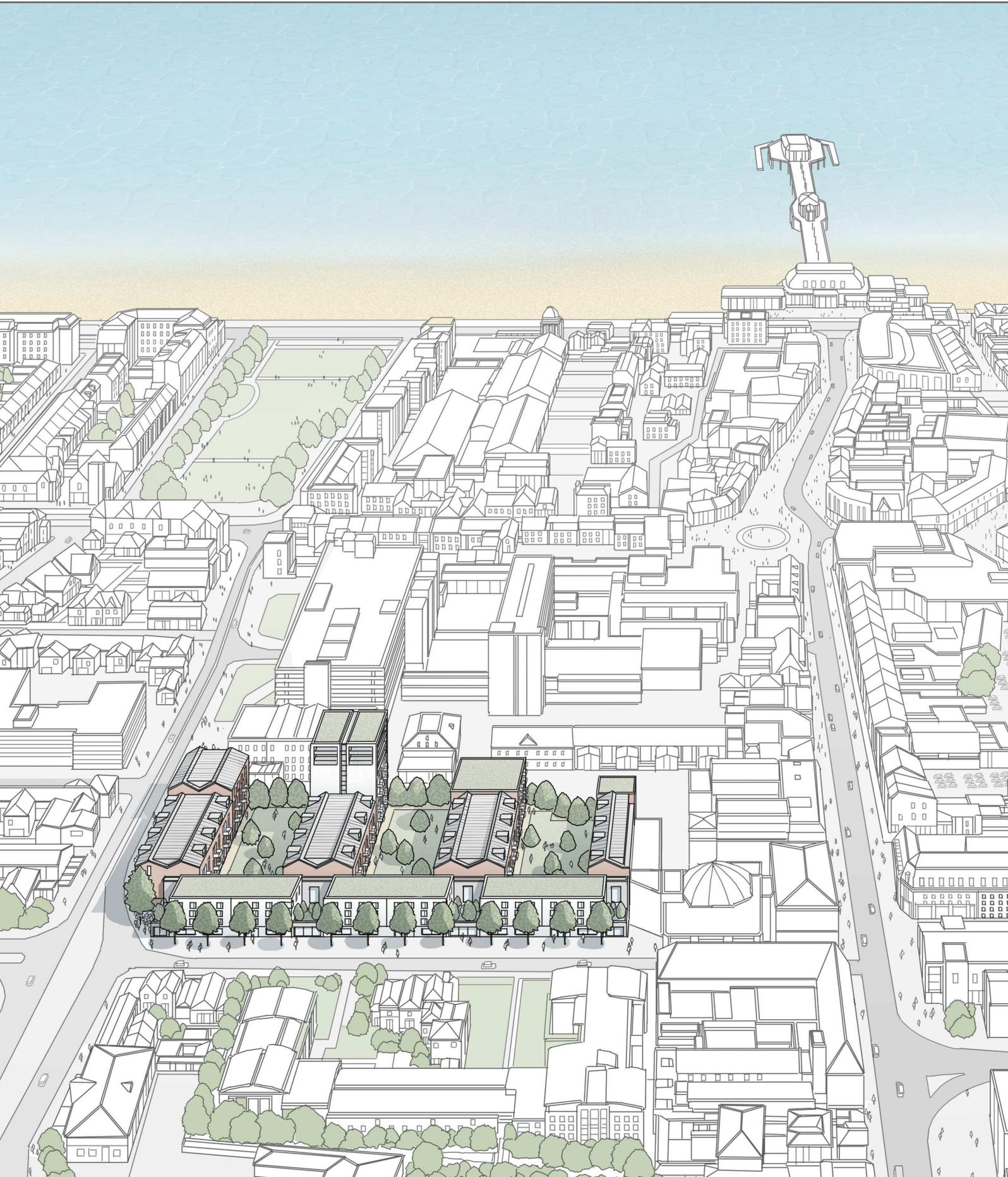
Roffey Homes appointed Allies & Morrison Architects to carry out a feasibility design review of the Union Place site.

Allies & Morrison have previously worked with Roffey Homes on the successful Bayside development on Worthing seafront, consisting of 141 apartments, commercial space and a new public car park. They have also previously worked with Worthing Borough Council.

Allies & Morrison's review of the urban context and history of the Union Place site concludes that the scheme should be designed to address the various existing streets, rather than creating new routes through the site, with their key points being:

- Union Place is to be a street framed with trees, establishing a view to St Paul's church in Chapel Road, and thus repairing this historic street.
- Similarly, any proposed development on High Street needs to be designed to integrate with this street, with a differing architectural treatment.
- Within the site, there is opportunity to have greater height but this should be designed around internal garden amenity spaces.
- Ground floor frontages to the street should be active with commercial uses and feature residential entrances.

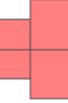


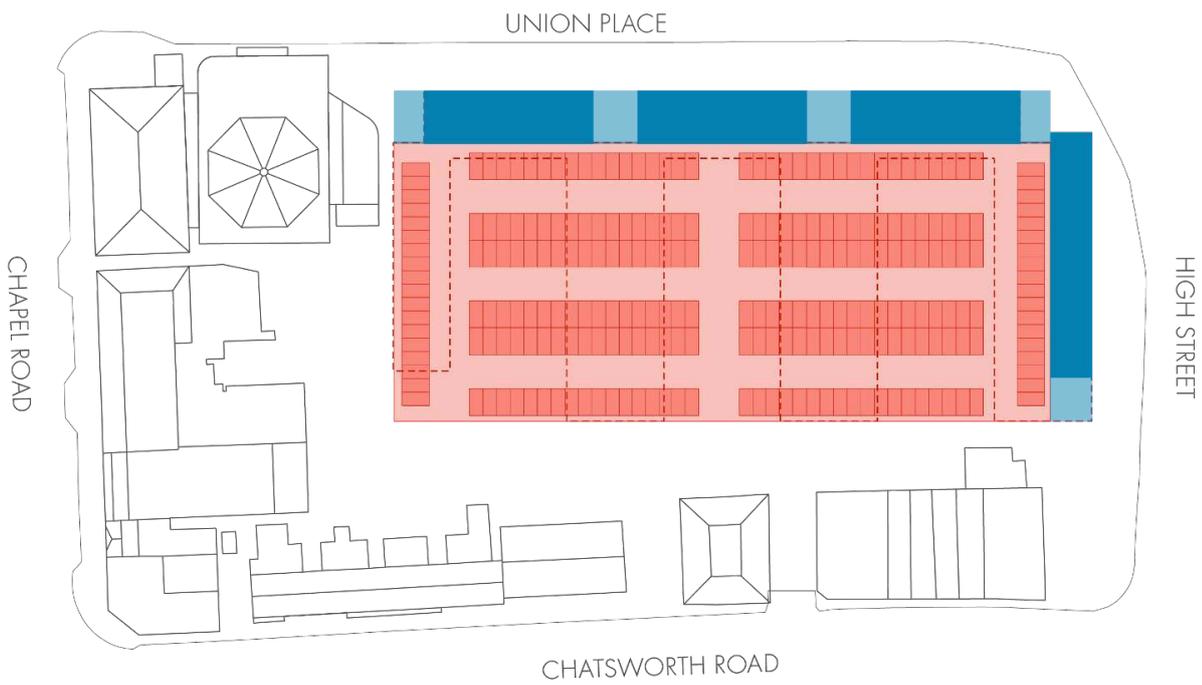
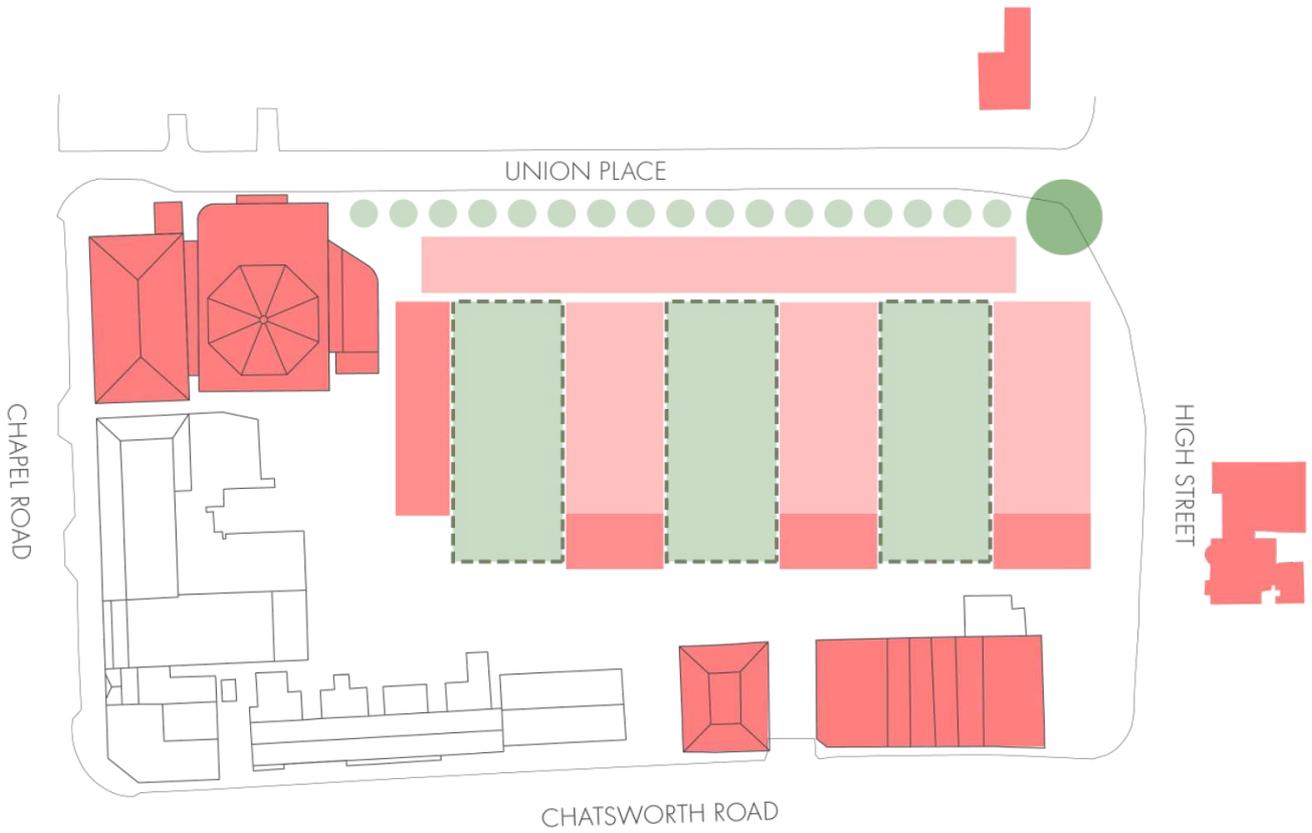


DESIGN & LAYOUT

Other design and layout considerations for the Union Place site are as follows:

- Parking can occupy the majority of the ground floor area, delivering in excess of 250 spaces while retaining existing access rights. (See parking provision section for more details.)
- Vehicular access is to move to Chatsworth Road to allow for a better urban treatment to Union Place.
- Space is to be allocated for a cinema of 10,500 sq ft alongside the Connaught Theatre. This has been developed after discussions with Everyman Cinema but the space has also been designed to be converted easily into additional residential accommodation.
- A further 12,500 sq ft of commercial space is to be integrated at ground floor level.
- Current plans show a scheme of 186 units, 63 of which are 1 bed units and 123 are 2 bed units. This unit mix will be reviewed in detail if we are successful.





PARKING PROVISION

The current NCP car park at Union Place has 178 spaces and, we understand, is on a 12 year remaining lease with Worthing Borough Council, earning a rent of £315,000 per annum.

We believe the existing NCP car parking provision must be incorporated into the new overall scheme due to the risk it poses to GDV, marketability and masterplan vision if only developing the eastern part of the site. Whilst we understand that buying out NCP will add greater cost, we believe our proposal shows this is easily offset by the benefits, both financially and indirectly, to the town.

There is strong demand for public parking in this location, particularly because it is all at ground level. However, the existing car park is also visually unappealing, so investment would increase turnover. Overhead costs of ground floor parking are lower than that of a multi-storey car parks and we have therefore designed public car parking into the scheme, at ground floor level.

The residential scheme will also require good levels of parking, even though the site is very conveniently located close to the town centre, the train station and the main bus routes. Our experience has shown that public and residential car parking can dovetail nicely in

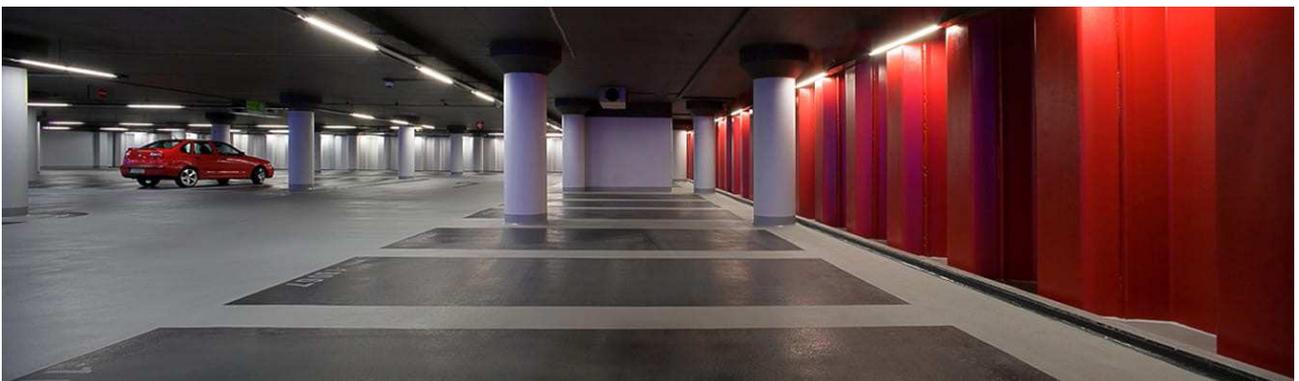
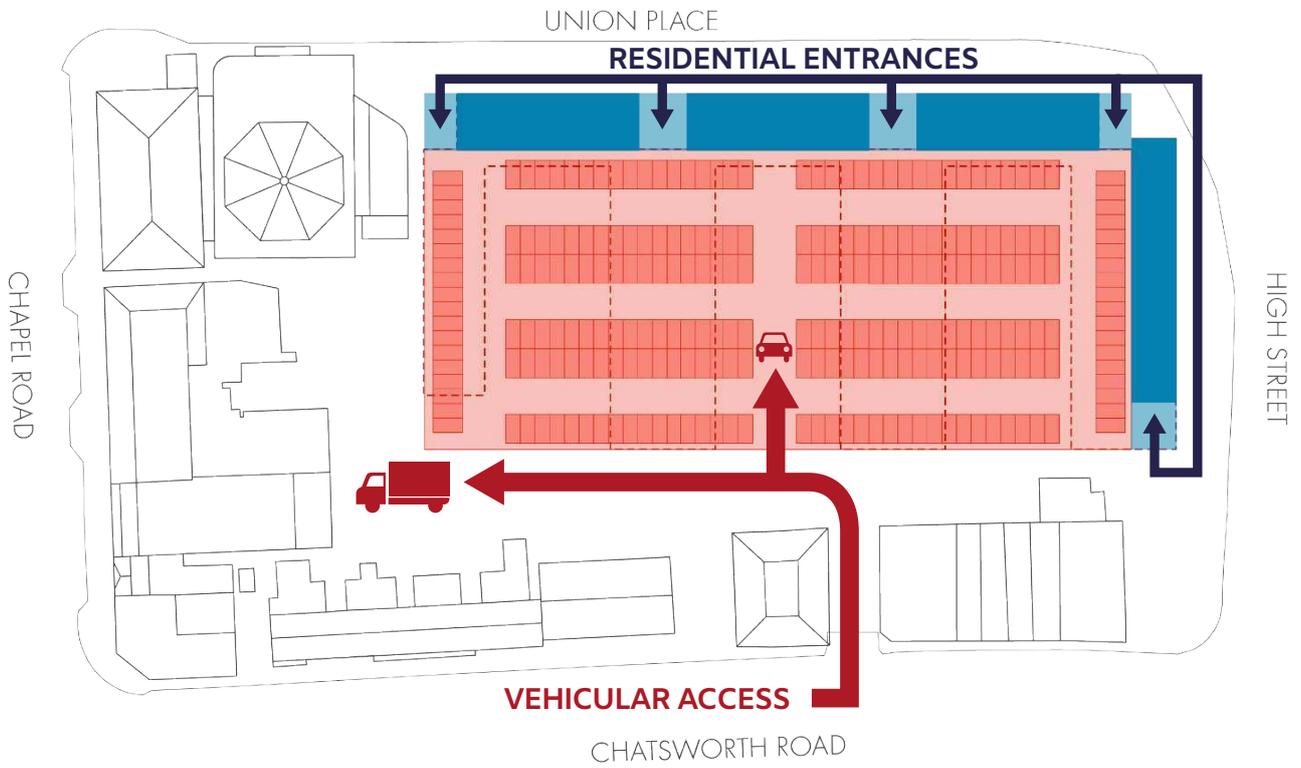
terms of demand, particularly because public car parking has stronger demand during the day and residential at night.

Our proposal is to aim for over 250 car parking spaces on the site, with in excess of 175 allocated for public use and the remaining 75+ allocated for residents' use. These residents' spaces would be designated through the purchase of annual permits, meaning only those residents who require a parking space will be allocated one, on a renewable annual rolling basis, as needed. For those rare times when parking is full, we would recommend annual permit holders be able to use the High Street MSCP instead.

The additional benefit of the annual permit system is that the freeholder can earn more out of the residential parking spaces long-term than if they were sold with the units.

Finally, we would propose that the new car park could become operational within a year, as the concrete podium slab above it would protect the ground floor level from construction work above. This would significantly reduce losses from car park operational downtime.

Overall we believe our parking provision delivers an asset value of £10 million or more.



RESIDENTIAL PROVISION

Roffey Homes have been specialising in providing new build apartment schemes, in and around Worthing, for over 60 years. We believe we have an excellent reputation locally, as demonstrated by many of our recent developments which can be called upon to showcase the quality of our product.

Whilst some of our higher-end sites, such as Bayside (formerly the Aquarena) and the Beach Residences (formerly the Beach Hotel), may be more well known, we have also developed many other entry level schemes, in locations such as Lancing and West Worthing. The key to developing these lower value sites is not only to fully comprehend the build costs involved, but also to be able to offer a little more than our competitors.

A site the size of Union Place needs to be designed to accommodate a number of sectors, including the affordable housing, first-time buyer and retirement markets. Each market creates its own nuance, and our recent schemes in Lancing and Worthing have both been successfully developed to be attractive to a blend of these sectors. This blend is absolutely key for the Union Place site, in order to widen the marketplace and so reduce risk.

Additionally, as there are other large apartment schemes proposed nearby in the town, this scheme needs to have its own unique selling points, to differentiate and enhance its desirability. Success will involve developing and paying attention to key factors such as creating homes which: are good places to live, provide blended living opportunities, have a sense of community, provide outside space and generous amenities and have positive impact right from the entrance.





GOOD PLACES
TO LIVE



BLENDED
LIVING



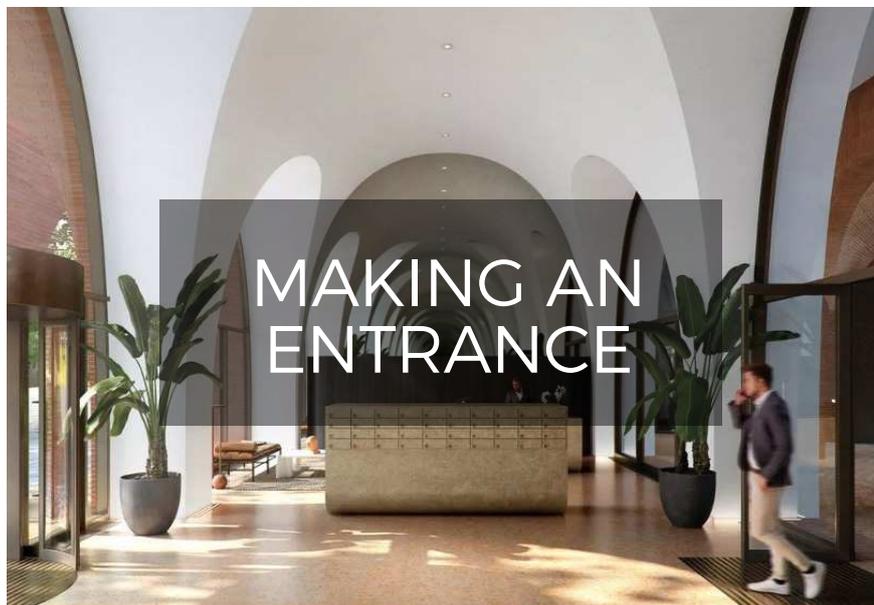
COMMUNITY



OUTSIDE
SPACE



GENEROUS
AMENITY



MAKING AN
ENTRANCE

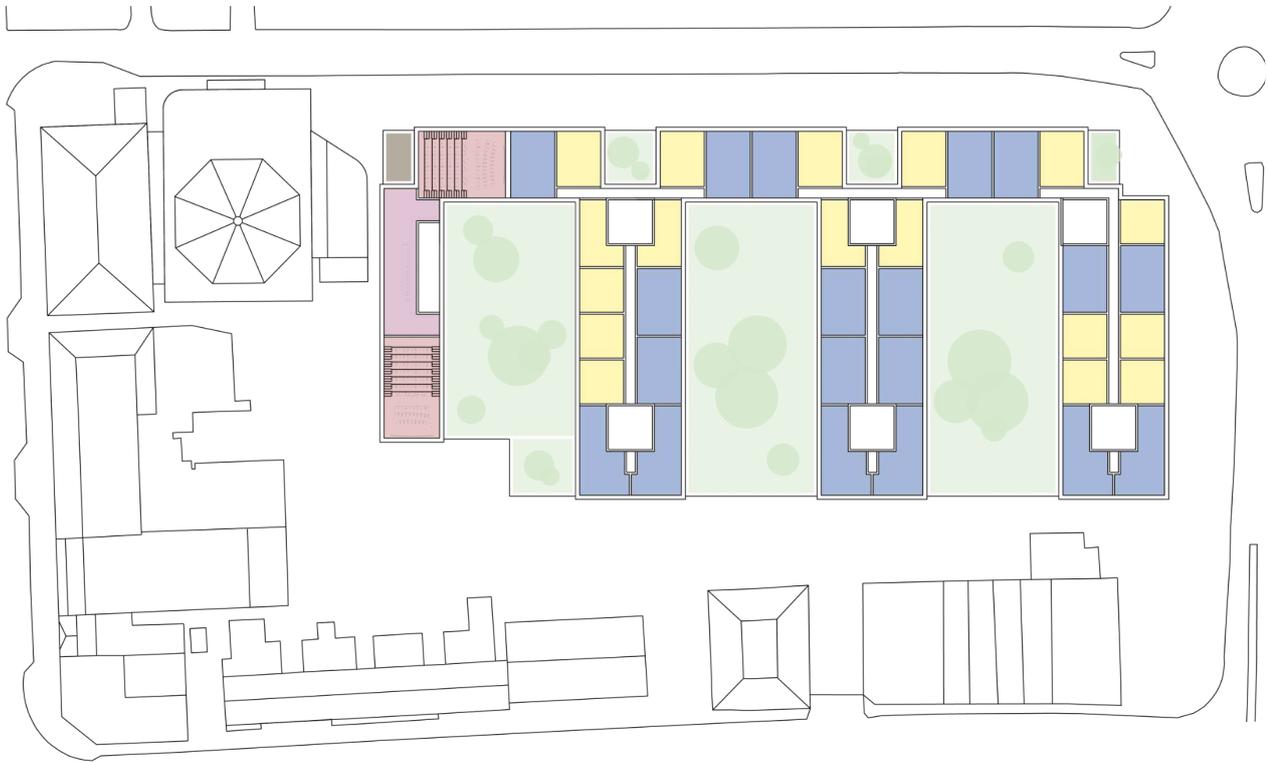
RESIDENTIAL PROVISION

The residential element of the Union Place scheme will deliver the greatest value and so it is essential that it is given the best chance to succeed. Leaving the west side of the site empty while the east side is developed, creates future risk for this portion of the land and will put off purchasers, leading to reduced value. We therefore very strongly believe that the whole site must be developed at once, including the NCP car park as well.

Having reviewed the site in collaboration with Allies & Morrison, we have determined that the residential element must be designed to separate itself from the ground floor parking and commercial elements. By introducing a podium slab and starting the residential provision at first floor level, we are able to create open ended garden spaces facing south. These garden spaces could potentially be designed with individual themes, such as active, play and quiet, to create variety.

It is important that the main entrances to the residences have impact at street level, to draw people into the development and also to showcase the quality. The entrance lobbies can be designed to have greater height to achieve this.





RESIDENTIAL PROVISION

We have worked carefully alongside the leading sales agents in the town, Michael Jones & Company, to ensure that the apartment types and internal layouts for our proposed Union Place scheme meet current demands and will achieve best values for the location.

Our feasibility scheme currently only shows one and two bedroom units indicatively, but the possibility also exists to add some studio units. We do not currently consider there is a market for three bedroom units.

At present, we are proposing a slightly more generous footprint to most units: 50 to 60m² for one beds and 80 to 90m² for two beds. Internal layouts will be efficient and spacious and include lots of storage. Only one bathroom will be included per unit, but this will incorporate both a shower and bath for the two bed units.

Values for one bed units should be between £230,000 and £260,000 and two bed units between £395,000 and £525,000. Marketing would commence early, with off-plan sales being a highly effective, tried and tested, key component of our sales and marketing plan.

We also propose incorporating communal facilities, such as a residents' gym and a Sky Lounge on the top floor, so all residents will be able to enjoy the best views.





COMMERCIAL PROVISION

The proposed commercial units at ground floor level at Union Place are integral to our scheme, and will ultimately help to make sure this development succeeds. Having empty commercial space after a development is completed, however, can obviously have a negative effect overall, so a realistic approach is required to addressing the size and type of the commercial spaces on offer.

We have discussed the location with the Michael Jones Commercial team and they believe the key is to provide flexible space, allowing for many and various uses, that can complement the development and/or suit being adjacent to excellent parking facilities.

We are currently seeing greater demand from commercial occupiers wishing to invest in very long leases, so we believe these should be offered in addition to standard commercial leases.





CONSTRUCTION, PROGRAMME & PHASING

We use our sister company, Westbrooke Developments, as our principal contractor for all our projects. They are appointed on a JCT Management contract, with design and build responsibilities, on a cost plus basis. This arrangement allows the joint venture to benefit from their expertise and value add engineering. It also allows the construction programme to have greater flexibility, if the market conditions indicate that the development would benefit from slowing down the fit-out of some units, for cash flow reasons.

Westbrooke employ a local team so the majority of our contractors are either Worthing or Sussex based, and are repeat contractors, so there are wider benefits to the local economy.

In terms of programme, Roffey Homes have the ability and capacity to immediately commence the design and planning application work for this scheme. We would expect a full planning application to be submitted by summer 2022 at the latest and, if approved, the detailed technical design would start soon after. We would anticipate starting work on-site in early 2023, as soon as technical design allows.

We appreciate that serving a compulsory purchase order on NCP may take some time, though this could occur immediately after planning permission is issued. The technical design work and site preparation works can begin at the east end of the site first however, piling, groundworks and structure would ideally occur across the whole site all at once for greatest efficiency.





CONSIDERATE
CONTRACTING



FLEXIBLE
DEVELOPMENT



VALUE ADD
ENGINEERING



EFFICIENT
CONSTRUCTION



FIT-OUT TO
SUIT DEMAND



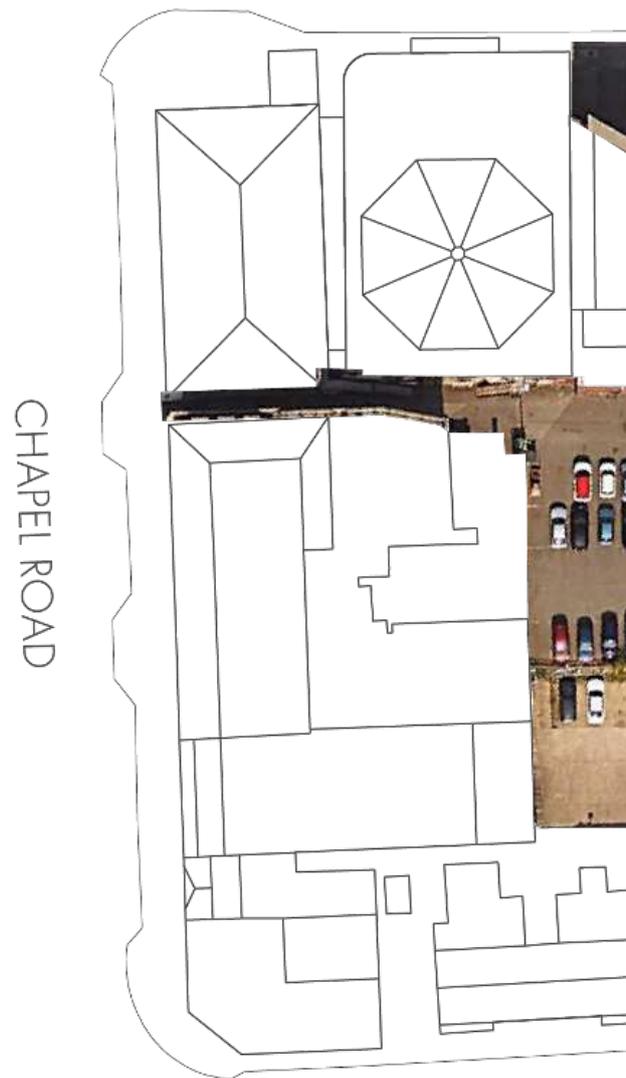
A LOCAL TEAM

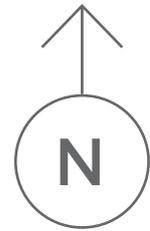
CONSTRUCTION, PROGRAMME & PHASING

As previously indicated, initially, we would ideally build the ground floor and podium slab to allow the completion of the ground floor parking beneath, so that the car park can resume operation as soon as possible. The podium slab would be designed to project out from the façade above and support the scaffolding or access platform requirements on the south and west sides, thus providing clear and safe access.

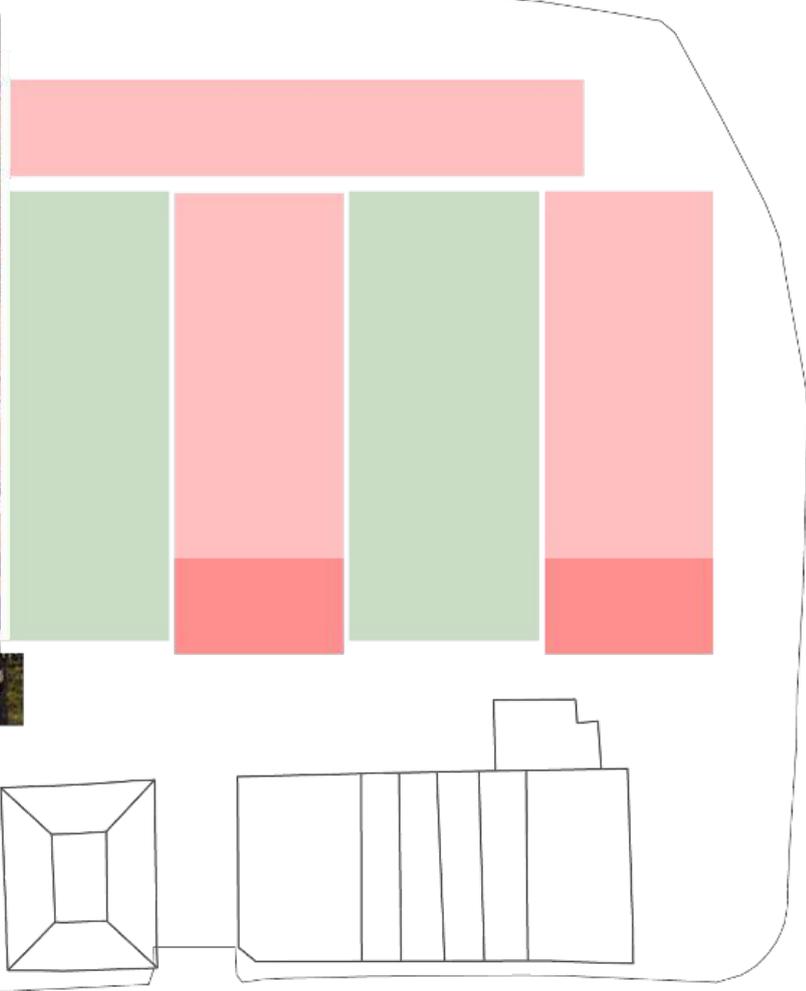
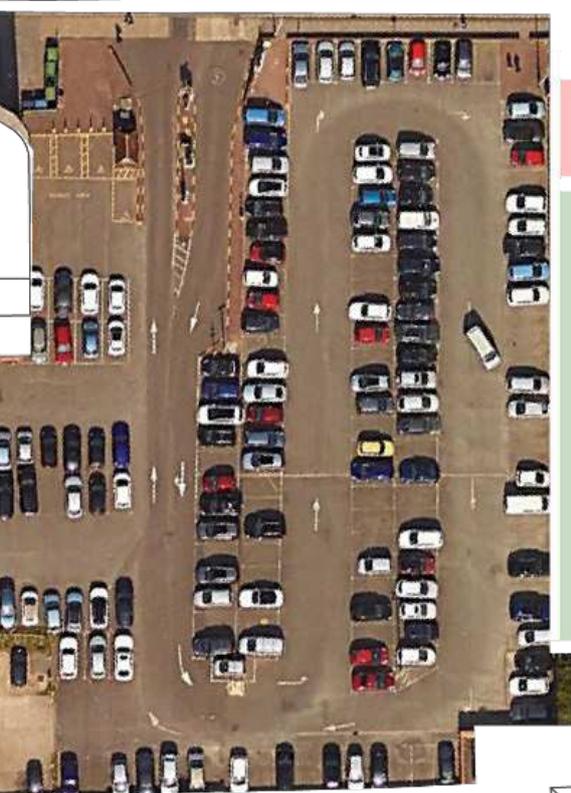
Our preference would be to complete the shell and core outright, and then fit-out to suit demand. As we would be using our own in-house contractor, we would retain full flexibility to amend the construction programme without any damages or costs. Overall we would expect the programme to take between two and three years.

Alternatively, although not our recommendation, the development could be designed to be constructed in two halves, as shown in the diagram on the right. In this circumstance, the structure to the east would be built first, after which the section to the west would commence at an agreed time. We would welcome further discussion on this point with Worthing Borough Council.





UNION PLACE



HIGH STREET

CHATSWORTH ROAD

JOINT VENTURE PROPOSED ARRANGEMENTS

In 2019, Roffey Homes entered into a joint venture arrangement under contract with Sussex Cricket Ltd to redevelop the main entrance at the Sussex Cricket Ground in Hove. Under this arrangement, the freehold land remains in the ownership of Sussex Cricket and Roffey Homes are required to pay for all project costs up until parity level, which would match the agreed value of the land, less any abnormal costs associated with the title or land. Roffey Homes are also contracted to carry out the project management role in return for an agreed fee. Monthly management meetings are held.

We would propose entering into an identical arrangement on the Union Place site with Worthing Borough Council (WBC), as we expect there is the desire to retain the freehold for long-term strategic and investment purposes, as was our experience with Sussex Cricket. An additional benefit to this would be that using an already prepared agreement document will save a lot of time and legal expense.

Upon entering into a joint venture partnership, it is expected that either third party bank funding, or other cheap funding is utilised, and any shortfall in funding would be covered by additional equity input by the joint venture partners. As freeholder, Worthing Borough Council would retain full control of the finances. Once all bank funding is paid off, equity distributions can be made to the joint venture partners although WBC can retain assets as well, such as the parking for example.

If required, Roffey Homes would be happy to ask a representative of Sussex Cricket Ltd to speak with Worthing Borough Council about our their experiences of our existing arrangement and how we have conducted ourselves as a joint venture partner to date.

ABOUT ROFFEY HOMES

Since forming in 1960, Roffey Homes has built over fifty exclusive developments between Bognor Regis and Brighton. We have won many prestigious awards along the way, including, most recently, a recognised national award for Best Apartment in West Sussex for our prestigious duplex penthouse at The Beach Residences.

Our aim is simple: to build homes people can be proud of that not only reflect, but also enhance the surrounding environment. The locations we select are the best the area has to offer, whether by the sea, in a rural village, or on quiet urban streets close to amenities.

We have deliberately kept the company small, to maintain our reputation for excellent service and attention to detail, and every one of our team are highly experienced in their respective fields. We have been family run since the outset and our determination to provide a personal and dedicated service is unflinching. We want to make sure all our developments are bespoke, carefully considered and the best they can be so they will stand the test of time.







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