

Report to: CABINET

Date of Meeting: 11 September 2017

Report Title: Potential New Development

Report By: Simon Hubbard, Director of Operational Services

Purpose of Report

To seek authority to work with Hastings Harbour Quarter Ltd, East Sussex County Council and other partners to develop a strategic outline case for the potential development of a harbour, housing and associated outcomes at Rock a Nore. To seek authority to develop a funding package for this initial programme of work.

Recommendation(s)

- 1. The Director of Operational Services in consultation with the Leader of the Council and the Deputy Leader is authorised to support the development of a strategic case for the construction of a harbour quarter at Rock a Nore, including seeking external funding and support to take this forward.**
- 2. The Chief Legal Officer is authorised to conclude an options development agreement with Hastings Harbour Quarter in consultation with the Leader, Deputy Leader, Chair of the Charity Committee Foreshore Trust and Director of Operational Services**
- 3. That a further report be presented to Cabinet upon the conclusion of the strategic outline case (negative or positive) of this work, or before if necessary.**
- 4. That the Council, Foreshore Trust and scheme sponsors should develop a programme of community consultation and engagement while this early work is done.**

Reasons for Recommendations

To allow the viability of developing a new harbour, housing and leisure quarter to be properly assessed. To enable the council to assess at an early stage the benefits and potential impacts of such a scheme.

Introduction

1. There has often been discussion about the potential to develop harbour facilities within the borough but these have previously foundered on the basis of the costs and technical difficulties involved.
2. The Council has been approached to discuss the practicality of developing a major harbour and housing development through the development of an entirely new quarter constructed on the end of the current Stade. Discussions have been continuing with the scheme's sponsors, the MP, South East Local Economic Partnership (SELEP), East Sussex County Council and more recently civil servants in the Department for Business, Energy & Industrial Strategy (BEIS) about how such a major proposal can be brought forward and assessed.
3. This report is accompanied by a briefing prepared by the scheme's sponsors. It is felt that the proposal could, if viable in financial, planning, housing, employment and environmental terms, be of very substantial benefit to the Borough and the wider region. For this reason it is proposed that the council commit to the further development of these ideas and take decisions which enable this investigation to take place. The development of the detailed Business Case will be an expensive and technically demanding proposition and the sponsors are working with the Council to see if government and SELEP support is potentially available to supplement private investment. The Council will need in principle to agree a development option without which it will be unlikely to attract external support or interest private investors.

The Outline Scheme

4. It must be stressed that this report proposes nothing that will bind the Council to anything other than exploring the viability and practicality of the proposals at this stage.
5. The proposal is to construct a new harbour quarter, sufficient for c600 berths. Although the scheme is at an early stage of development its chief outputs are clear
 - a. Construction of a new marina providing moorings, boat storage facilities, accompanying chandlery and support services
 - b. Construction of around 1000-1300 homes (subject to detailed design and planning)
 - c. A protected launch/landing site for the Hastings fishing fleet
6. The true impact of a scheme of this size would be of strategic significance in regional terms and would substantially strengthen the Council's work in developing a new more culturally focused regeneration of the town. The Jerwood Gallery, Root 1066, The Source Park (BMX facility) and the regeneration of Hastings Pier are all examples of how the town is connecting to the new visitor economy. More recently is the masterplan for the White Rock area to attract wider investment in cultural and leisure facilities and new imaginatively designed housing.

7. There is a growing awareness that the coast continues to demonstrate a massive untapped resource for the nation's economy. SELEP and BEIS appear open to the argument that the transformation of underperforming towns requires a sufficient scale of investment to achieve self-sustaining change. Hastings and places like it need to be brought into the wider regional and national economy, but to do so requires substantial investment and an expansion in the economic base of the area.
8. Members will be aware that the supply of land for housing and employment in the Borough is very constrained and this presents challenges in terms of growth which will grow as an issue in the future. Effectively the project aims to reclaim land from the sea and might provide additional growth space allowing the provision of economic activity and housing.
9. However, it is critical that any development complements the natural and human made environment of Hastings. Indeed, it is these factors that make it attractive for such a development, and they should be retained or enhanced wherever possible.
10. The outcomes sought from a scheme of this size are both linked to the direct outcomes of the scheme and the initiatives it could help sustain and encourage, such as improved transport infrastructure.
 - a. The proposal will serve as a regeneration catalyst for the whole of the south east region and with substantial and lasting direct benefit to Hastings town
 - b. The proposal will introduce significant private investment into the region
 - c. Additional benefits to the public purse will accrue in the form of income tax, National Insurance contributions, benefits savings from increased employment, corporation tax and property taxes
 - d. The investment in supporting infrastructure will have wider benefits to the town and region
 - e. Enhancements and improvements to the public transport infrastructure in conjunction with East Sussex County Council (ESCC) will reduce the requirement for private car use
 - f. Job creation over a 10 year construction cycle is estimated at 500 construction jobs. Using best practice and case studies on economic employment based on densities and different job types the permanent job estimate is a minimum of 500 jobs to be created in an area of high unemployment. Figures for the period ending 31.03.17. showed a rate of unemployment of 6.3% against a national average of 4.8% and regional average of 3.8%.
 - g. The gross development value could be worth over £1bn of indirect and induced economic activity over its 20-year cycle
 - h. The proposed residential aspect of the development will accommodate residents with a current anticipated total spending power of approximately £26m per annum

- i. The proposal will serve as an exemplar for the successful regeneration of a traditional British seaside resort town
 - j. The image and reputation of the town and region will be enhanced
 - k. The project will establish improved facilities for the commercial fishing community and help secure the industry now and for the future fishing community
 - l. The project includes for the creation of a new venue for events
 - m. The proposal becomes an added halo attraction to the tourism market for both land based and water based visitors (including UK coast hoppers and foreign channel crossers)
 - n. There will be potential for water-based public transport to link along the coast
 - o. The development would help to stabilise the cliffs adjacent to the town and prevent further local coastal erosion
 - p. The development would add to the viability of the HS1 rail extension to Hastings, which in turn would benefit the development and town by providing a 'transformational effect' (then Transport Secretary Patrick McLoughlin, 2014)
 - q. 1,000-1,300 new residences built, a significant number of which will be affordable and provide homes for local people.
 - r. Government support/covenant will enable/facilitate substantial private sector capital investment, and is likely to attract inward investment to the UK from capital market funds
 - s. Growth in local construction trade industry and business parks that will service the harbour economy.
11. The scheme would have features which are worth noting:
- a. In commercial terms it plugs a gap along the South Coast for leisure sailors between Eastbourne and Dover or Ramsgate
 - b. It is intended to add to rather than detracting from the existing seafront and the restaurants, bars and shops of the Old Town and seafront, which are seen as a key part of the offer for potential future boat or home owners
 - c. On completion it's intended to hand the public assets to a local charity – potentially the Foreshore Trust but this is one of the features what will need to be more fully explored as the scheme develops
 - d. It can be of permanent benefit in terms of increasing local GDP. The councils will also benefit from the tax yield on this development

- e. The scheme's sponsors have said it is their intention that housing mix/tenure will comply with the council's policy in terms of tenure/type. The developers have expressed the intention that the project should develop a "living" community for Hastings.
12. The County Council is keen to work with HBC and the developers to explore the possible opportunity this may bring to Hastings. The infrastructure requirements for this proposal are significant and would have implications for the transport network both within and outside of the Borough area.
13. The County Council will facilitate a discussion with Team East Sussex (TES) and the wider SELEP in conjunction with HBC to seek out funding opportunities.

The Scheme Sponsors

14. The scheme's sponsors have established a company (Hastings Harbour Quarter, the directors of which are Michael Drain, John Walsh and Andrew Doyle (company no. 09602529). Andrew Doyle is the majority shareholder.
15. The company directors are experienced developers and architects having undertaken project delivery and development in the UK and elsewhere.

Andrew Doyle is a Director of the Land Group which specialises in property investment, finance and development in the UK and Ireland. His experience includes:

- 10 fire stations in Suffolk
- Locally in the development of offices in the town centre with HBRL (Sea Space) and industrial units on Queensway
- PFI project developing Queen Elizabeth hospital in Woolwich
- Refinancing a portfolio of schools in Aberdeen

John Walsh is from Senate Services who will act as project director has been involved in:

- Chelsea Barracks redevelopment which has a value of over £2billion
- Involvement in the delivery of the Olympic Park Athletes Village in London where he led de-risking in commercial, schedule and qualitative terms until 2010
- Additional substantial defence and other related commercial work which is not disclosable

Senate Services are currently appointed to lead the design process to planning consent as development manager for a £1.5billion harbour development at Blue Water Marina Gibraltar

Michael Drain the project architect has developed a number of major buildings including a 600 bed hotel at Heathrow and as lead consultant for a 200 acre

film studio technical campus and university in the North East which has gained planning consent.

16. In developing the proposals to this early stage the scheme's sponsors have engaged a number of private sector companies with track records in this kind of development to undertake:
 - a. The development of detailed options appraisal and outline business case in 2019.
 - b. Procurement process in 2020
 - c. Enabling works commencing in 2021

Officers regard these timescales as optimistic and there are a clear number of hurdles like obtaining guarantees, together with planning and environmental concerns that will not be within any developer's direct control. However, at this stage, the principle that such a scheme can be shown to be desirable and deliverable seems to be the crucial issue. A more detailed understanding of the true timescales is something that will depend on both technical factors and the state of the leisure and housing markets and investor confidence.

17. Although the scheme's sponsors have indicated that they will tender for further supply of development work a number of known companies involved in major development have involved in the pre-feasibility studies thus far:

Royal Haskoning DHV – major maritime engineering consultants

Ashfords LLP – leading in the legal land, marine and funding arrangements with particular expertise in marine works

Crofton Consulting – A local multidisciplinary practice currently appointed on a four year framework agreement with Dover Harbour Board including major structural, mechanical and electrical elements

WT Partnership/Gleeds – including local and global harbour and marine experience in cost management

BDO – Financial Consultants who have extensive experience of government infrastructure projects

Indigo Planning - one of the country's leading independent planning consultees, awarded planning consultant of the year 2015 and 2017

Examining the Proposal

18. Such a development would entail investment estimated by the scheme's sponsors presently as being around £1 billion over the lifetime of the project's gestation. As such, its benefits and impacts need to be carefully assessed to ensure that the scheme is one of benefit to Hastings and the region while being financially and environmentally viable.

19. The development time and costs are likely to be very significant. The early stages (support to develop a structural business plan) involve considerable effort in themselves. This strategic outline case will include:
 - a. Initial business case
 - b. Marine Assessment
 - c. Transport and Access masterplanning
 - d. Initial public space feasibility
 - e. Initial assessment in relation to SSSI and sustainability
 - f. Initial 3D land mapping
 - g. Legal advice including due diligence on land/marine issues and procurement
 - h. Financial modelling
 - i. Engagement with community
20. Of key significance will be the environmental issues in and around the development including the seabed, marine life, marine archaeology, cliffs, country park, traffic and appearance of the town needing to be properly assessed, particularly in relation to the valuable existing natural and human-made resource around Rock a Nore and the Old Town.
21. The County Council is the Highways Authority and is already engaged with this council in examining traffic management in White Rock/Town Centre in respect of the Town Centre and White Rock Area Action Plan. The County Council is prepared to engage with the investigation and development of the strategic outline case for the Harbour Quarter.
22. There are land ownership issues to resolve, with Crown Estates owning much of the maritime area and the Hastings and St Leonards Foreshore Trust owning land that will give access to the area to be examined for development. The Charity Commission will need to be fully engaged with the land issues concerning the Foreshore Trust. In order to enable the investigation of the site it will be necessary to give a fixed term options development agreement (in relation to Hastings Borough Council land) to the scheme's sponsors if they are to be able to attract private sector interest or the support of the State in the early stages.
23. The initial work is entirely at risk and discussions are taking place between the scheme's sponsors, HBC, ESCC and SELEP about how this first stage, estimated at costing around £1.5m, can be supported. The councils will seek to maximise the contribution they can make through the provision of officer time, transport/access advice and handling community engagement as the work is brought forward.
24. The developers are seeking a 10-year options agreement with break clauses to allow the development of the concept and to be able to interest private and government interest. This is broadly supported but the Chief Legal Officer will need to undertake more detailed work on the final form of this agreement. This has no immediate implications for the current occupants. It is possible that the Foreshore Trust may also be approached as the scheme develops but this will be an issue for the Trustees, Protector and the Charity Commission to consider in due course.

25. The Council will look to maximise the benefits of any future schemes for Borough residents, particularly in terms of social benefits and the environment:
- a. Achieving policy in terms of affordable housing and maximising the potential to retain and attract key workers like education and medical staff to live in the town
 - b. Ensuring access to the proposed new area is achieved sensitively and is linked to a wider approach to transport in the Borough and the seafront in particular
 - c. That no car parking is lost to the town's economy overall (excluding spaces created specifically for residents). An increase in capacity (provided it can be appropriately designed and located) will help capitalise upon the growth the scheme might stimulate.
 - d. Considering if a future Community Led Local Development (CLLD) bid could successfully be connected to such a development (along with other potential schemes) to generate potential opportunities for employment, skills and other provision for economically disadvantaged groups.

The Developer is clear about these concerns and the response to them will help shape thinking about the scheme as it evolves.

26. For the council the “point of no return” is clearly some time away. However, what is required to attract both State funding and stimulate private interest is a clear commitment to the principle of the proposal and the benefits it may deliver **if** the issues of finance, access, employment can be satisfactorily addressed. Hastings needs to be seen as “up for growth” providing it is of the quality and type that will be of long term benefit to the Borough and wider region.

Implications

27. Legal Implications:

There are no legal implications for the council from this report as an “options agreements” will need to be agreed by the Trustees of the Foreshore Trust and the Council in the future.

Legal implications are achieving ‘best value’ in terms of the options agreement for Hastings Borough Council land.

Obtaining permission from the Charity Commission to dispose of any Foreshore Trust land (if at all), achieving ‘best value’ in any disposal of Foreshore Trust land. Overcoming the restrictions that apply to commercial interest on Foreshore Trust Land including any potential land Swap (if at all)

State aid issues (if applicable)

The compromise agreement with the fishermen

Planning Issues

Other future arrangements with Southern Water and other owners/users of land

28. Risk Management:

There are considerable risks in moving forward in such an uncertain environment. Broadly these can be categorised as laid out in the table below:

<u>Risk</u>	<u>Likelihood</u>	<u>Impact</u>	<u>Mitigation</u>
Scheme is unviable	M	H	There are a wide range of finance, legal and environmental reasons which may threaten the viability of the proposal. The council will need these risks assessed and mitigated at each stage – or choose not to support the proposal. A full risk assessment will be produced as part of the first stage Statement of Case [SoC]
Severe Environmental Impact	M	H	The methodology of the access, marine archaeology and land environmental approaches will need to be demonstrated as being sound to HBC, ESCC and statutory consultees as well as to local people.
Lack of local support for scheme	M	M	The council will need to assess the employment, economic and strategic benefits and measure these against any negative impacts. A full programme of engagement will be needed to make sure local residents and business can evaluate the scheme.
The council and its partners are not sufficiently resourced to a manage a scheme of this size	H	M	The scheme (if it proceeds) is so large as to require significant additional resources to ensure a quality scheme, employment, housing, good planning etc. Resources will be sought from the scheme if it gets beyond the SoC stage.
The council lets the opportunity drop because of lack of sufficient ambition or boldness	M	H	The council will need to be clear in its support for a development of this scale in order that the planning, environmental, economic and design quality issues can be addressed.

A full risk assessment will be required as part of the SoC stage to ensure that as far as possible these risks are mitigated or avoided.

29. Environmental Issues:

Will be a key issue in the viability of the scheme and may be positive as well as negative. The council will wish to have oversight of all the reports produced as part of the early work in developing the SoC. However, at this stage there are no implications arising from this report. Of key concern will be the marine environment, the cliffs and the impact upon them and the transport access issues. The development would have impact upon the natural and human environment which will require detailed assessment at all stages of developing the scheme.

30. Economic/Financial Implications:

The report outlines some of the very significant potential in terms of the economy that might be gained. Additionally, the council(s) will benefit from the tax on homes and business developments and new homes bonus if it continues to exist. Such a development would improve our offer to other investors and strengthen the case for enhanced road and rail infrastructure. HBC is not yet aware of the match arrangement HMG and the LEP might make to support the scheme and the details of support they would seek from other partners like the Council.

31. Human Rights:

No implications for human rights arise from this report.

32. Organisational Consequences:

Should work on this proceed beyond the very early stages it will impose substantial burdens on the council throughout finance, legal, planning, housing, regeneration and other services. At the same time there are other significant developments like White Rock which will also impose further burdens. The council will need to seek agreements with the developer to fund the additional skills and time this scale of project will require.

33. Local Peoples Views:

Are likely to be varied and need to be properly informed as information becomes available. Key groups like the Fishermen's Protection Society, Coastal Users Group and officers of the Chamber of Commerce will be briefed before the Cabinet meeting. However, it is critical to stress that the employment, housing, skills, transport and recreational outputs and the impact on the Borough standing make this a matter for town wide engagement. The developers wish to develop relationships with the Chamber of Commerce, trader organisations and other business groups to maximise the complementary impact of the scheme to existing business. Good planning of what will be a new maritime quarter for them is of great interest and concern. Engagement will therefore need to be wide and move beyond the very local residents' and environmental groups which will naturally wish to be involved.

34. Anti-Poverty:

A key judgment in assessing the outcomes of any future proposal is not only the scale of benefits in terms of employment, skills, leisure and housing but how residents of the most disadvantaged communities are going to be enabled to enjoy them.

Conclusion

35. It is important to stress that this proposal is highly speculative at this stage and may come to nothing. However, the Borough has an opportunity to try and attract huge investment in transport infrastructure in particular and strengthening the economic case for extending HS1 to Hastings and further improvements to the A21. Some of the infrastructure and transport work to be undertaken may be of use even if this particular scheme is not ultimately developed. It would seem important to pursue the possibilities that arise from this proposal. As well as potential economic benefits, it will be worth examining how a harbour might offer protection to the cliffs behind and country park above it

Wards Affected

All

Policy Implications

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness

Crime and Fear of Crime (Section 17)

Risk Management

✓

Environmental Issues

✓

Economic/Financial Implications

✓

Human Rights Act

Organisational Consequences

✓

Local People's Views

✓

Anti-Poverty

✓

Additional Information

Appendix 1 – Draft Business Case

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