

**Report to:** Cabinet

**Date of Meeting:** 5 March 2018

**Report Title:** Harold Place Redevelopment Site

**Report By:** Peter Grace  
Assistant Director Financial Services and Revenues  
(Chief Finance Officer)

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### **Purpose of Report**

To determine the future redevelopment of this important site in the town centre.

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### **Recommendations**

- 1. Cabinet agree to redevelop the site for a restaurant operation (excluding fit out ) for a cost of up to £860,000, subject to planning permission and an agreement to take the finished property on a long lease, from the preferred bidder (Option 1 in the report). This figure to be included within the Capital programme and be included as part of the Commercial property investment Income stream.**
- 2. Cabinet determine in the absence of a firm agreement (as detailed in recommendation 1 above) by the date of this meeting to demolish the site and cover the existing basement area temporarily at a cost estimated at some £105,000.**

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### **Reasons for Recommendations**

The Council has marketed the site, has received acceptance of the heads of terms for a long lease from a relatively well known and quality restaurant if the Council builds out the site to provide a building with a minimum of 2,200 square feet of accommodation on the ground floor. Architects working for the Council have revised the drawings and sent these back to the interested company. Their answer is awaited.

The Council has looked at options for straight disposal of the site for numerous uses, ranging from offices to a small hotel. There appears to be a distinct preference to retain the ownership of the site to ensure that the Council can retain some control of

what is developed on such a key site in the centre of the town. The creation of a restaurant offering would appear to be most financially viable proposal received to date and one which can provide further employment opportunities within the town as well as regenerating the area concerned

The Council has had one significant company pull out due to a change in its acquisition and expansion strategy and it is always possible that before completion the deal could fall through in which case alternative options would need to be determined – or the site could remain an eyesore for months or years to come.

## The Redevelopment Site

1. The Harold place site is very prominent, is a standalone building, and will set the tone for anyone entering the town from the seafront direction and visually from the main road. The ability to create a quality offering at a key location could transform the space from one which is under used for such a prominent location.
2. Following the decision to close the toilets for operational and costs saving purposes, the council commissioned an options appraisal for the site last year. Following this the site was marketed through Dyer and Hobbis who continue to work as the Council's agents.
3. Following an expression of interest in taking on a long lease should the Council develop the site out itself, drawings were commissioned on what a redevelopment could look like. The report and artists impressions are reproduced in Appendix 1.
4. There are numerous options and uses for the site. Given that the Council is seeking to continue, within its limited resources, the regeneration of the town and make it a more attractive place to live and work, as well as generate additional income, the option for the Council to redevelop the site in partnership with others, or for others, was included in the marketing particulars. The spending of money in simply demolishing the site is not a preferable option if the site can be made attractive, provide employment and considerably enhance the town and the environment. As such this latter option is the one that has been pursued to date.

### Option 1

5. Cabinet agree to redevelop the site for a restaurant operation for a cost that is estimated at up to £860,000, and is the subject of planning permission and an agreement to take the finished property on a long lease, from the preferred bidder. This would be for the smaller scale redevelopment of the building retaining key structural elements and avoiding significant demolition costs. The bidder would be responsible for the fit out costs.

6. The Council would fund the building itself through prudential borrowing on what is envisaged would be a 15 year lease at a rental of not less than £60,000 p.a. this represents a yield of around 7% gross.
  7. Borrowing the money at an interest rate of some 2.75% over 40 years would result in a surplus of some £15,000 p.a. and the Council would also receive a proportion of the business rates – estimated at some £11,000 p.a.
  8. The timescales remain dependent upon the receipt of planning permission and the receipt of tenders. The use of a procurement framework agreement may reduce the timescales involved. A 12 to 18 month project timescale should be expected – subject to normal planning timescales.
9. **Other Options**

In the event that the existing interested party ceases to be interested or the heads of terms (already agreed) are not actually signed prior to the commencement of build, the council has a number of other options:

#### **Option 2**

Continue to develop the site itself – the capital expenditure is then at some risk if a tenant can-not be secured. Borrowing costs could be up to £45,000 per annum. However there is an opportunity for income generation, regeneration of a site that has been problematic in recent years with antisocial behaviour.

#### **Option 3**

Demolish the site – ready for a larger development. A quote obtained last year amounted to £90,700 (plus Vat) but did not include making the site in anyway attractive. A figure of £105,000 is included for estimate purposes and to allow for a contingency. Given the statutory notice periods required the timescale for demolition work to commence is some 14 weeks.

#### **Option 4**

Demolish the site – and landscape either permanently or with a view to develop in the longer term. Additional costs of properly landscaping the site could increase the costs considerably. A figure of some £55,000 has been included as an estimate

#### **Option 5**

Actively remarket the site and reconsider whether to sell the site or to seek a development partner.

The Council has previously received offers for the building and site in the region of £100,000. There would thereafter be no certainty that the site would be developed out in a reasonable timescale or in a way that complements the

neighbouring conservation area.

## Risk Management

10. The interested party has a business that appears to be successful in what has been a difficult trading period for some restaurant/Café operators. The financial results of the business would indicate that it has sound financial management practices in place.
11. There is nothing to currently suggest that the interested party will not wish to complete an agreement for lease – consequent on the Council developing the site. Plan B could be to demolish the site to remove the eyesore prior to the key summer months with a view to reviewing the opportunities for the site at a future date. It is recognised that option 1 would still carry some risks as even with the best will in the world many redevelopments do not follow those initially envisaged.
12. The costs included in this report are estimates and would be subject to full tender – save where competitive quotes have been obtained.
13. Planning permission timescales are currently uncertain given the Wealden DC planning issues regarding Ashdown Forest and the knock on implications for authorities in the South East.
14. The potential determination of an extension to current conservation areas could potentially increase costs and timescales.

## Financial Implications

15. The Council does have an agreed income generation strategy in place, with the potential returns and risks identified (as far as possible) from the various investment options.
16. This property development would fit well with the regeneration and economic development for the town and would not preclude other investment opportunities in the town. The returns achieved would match those currently being achieved if a successful development was completed.

## Legal Powers

17. The Council has powers under the Localism Act and general power of competence to undertake such projects.

## Policy Implications

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

Equalities and Community Cohesiveness	No
Crime and Fear of Crime (Section 17)	No
Risk Management	Yes
Environmental Issues	No
Economic/Financial Implications	Yes
Human Rights Act	No
Organisational Consequences	No
Local People's Views	No
Anti-Poverty	No

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## Additional Information

Appendix 1 –Saville's report

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## Officer to Contact

Peter Grace  
pgrace@hastings.gov.uk