

Report to: Cabinet

Date of Meeting: 3 September 2018

Report Title: Site at West Marina

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

Purpose of Report

To determine a preferred bidder and agree the way forward in order to make a recommendation to cabinet in the autumn to accept or reject a developer for the site.

Recommendation(s)

- 1. To reject the offer from Charterhouse; and**
- 2. To agree County Gate/Sunley are the preferred bidder and to instruct our agents to negotiate further to agree Heads of Terms in order to make a recommendation to Cabinet.**

Reasons for Recommendations

The site has been vacant for some 30 years and the Council has looked to develop the site a number of times over the period. In the last few years, with changing economic circumstances, improvements to property values, and a number of reports and investigations to de-risk the site, the opportunity is available to develop the site and provide a mixed development including 152 residential units (25% affordable) as identified in the local plan.

The actions taken over the last three years have managed to identify, engage and retain the interest of major development companies resulting in a viable and attractive proposition to transform the West Marina site into a destination point in line with the objectives of the seafront strategy, provide enhanced leisure opportunities and see much needed investment in the area.

The Council's agent, Carter Jonas, recommends proceeding with the offer from County Gate/Sunley.

Background

1. At Cabinet on 2 November 2015 it was agreed to add the site to the Land and Property Disposal Programme and to appoint agents to market the site.
2. Carter Jonas were subsequently appointed as our agents.
3. In June 2015 Carter Jonas produced an indicative masterplan and accompanying report for the site demonstrating two redevelopment options; Scheme A, an apartment led scheme and Scheme B, a housing led scheme. It was concluded that Scheme B was the more viable approach for the site.
4. They then carried out soft market testing across a range of national, regional and local developers in 2016 to identify interest for the site. It was confirmed that there was sufficient interest in the site to commence marketing.

Result of First Round Bids

5. Full marketing commenced in June 2017 and the deadline for the first round of informal tenders was 2 March 2018. A total of four bids from three developers/joint developers were received by the required deadline.

- Charterhouse:
- Countygate/Sunley
- Igloo

Igloo declined to provide a financial offer for their bid and as a result were non-compliant. McLaren who had been shortlisted from the Expression of Interest (EOI) stage of the process declined to bid due to securing an alternative site in Hastings.

6. After analysing the bids it was agreed to proceed to a second and final round of bidding with Charterhouse and Countygate/Sunley.

Result of Best and Final Bids

7. The bidders were invited to submit bids on the basis of a Capital sum or alternatively revenue streams based upon the Council retaining ownership of some parts of the development. The option remaining that the Council further invests its own monies for housing acquisitions as identified in the current Capital programme.

Three compliant bids were received as summarised below:

8. **Bid 1 - Charterhouse**

Bid 2 - Countygate/Sunley

9. Bid 3 - Countygate/Sunley

10. Both parties were able to improve from their original offers and offer a guaranteed base rent on the income offer. The parties were asked to provide an offer of income and/or capital. In order to compare these on a like-for-like basis the NPV has been calculated and this shows CountyGate/Sunley's income offer being the highest, followed by their capital offer and lastly Charterhouse's mixed offer.

Final Presentations

11. Numerous meetings have taken place with the bidders, legal advisors, and Carter Jonas who were engaged by the Council to support this process. A summary of the outcomes and the bids are included in a letter of recommendation from Carter Jonas dated 19 August 2018 which is included in a Part 2 report on the agenda
12. At the end of the process, it was considered that there was still insufficient information on how the west Marina site would become a destination site and draw people along the whole seafront. The bidders made an additional presentation and provided additional material to support their bid as included in the Appendices within the Part2 report.
13. Whilst the Charterhouse scheme incorporates a large proportion of commercial space, it was considered that there was not a strong mobilisation strategy for this element and a lack of diversity of commercial uses. Further, the scheme is suggesting a 10% affordable housing provision which is below the policy compliant requirement of 25% and also solely on a shared ownership tenure. Charterhouse have suggested this be reviewed against the benefit elements of the scheme e.g. community facilities and subsidised commercial units.

Timetable of Next Steps

14. There are a number of actions

Please include a list of key actions and the scheduled dates for these:

Action	Key milestone	Due date (provisional)	Responsible
Cabinet	Agree the preferred bidder.	3 September	Assistant Director/Chief Finance Officer
Heads of Terms	Prepare and agree draft heads of terms	For Cabinet/Council October 18?	Estates Manager

<p>Negotiate further on the technicalities of the offer to form an offer that meets HBC requirements in terms of design and income/capital. Clarify the commercial elements, highways access and design and utilisation of the slipway.</p>		<p>For Cabinet/ Council October 18?</p>	<p>Estates Manager/ Chief Finance Officer/ Council officers in conjunction with leader and deputy leader of the council</p>
<p>Full Council</p>	<p>Agree the Proposal</p>	<p>For Cabinet/ Council October/ November 18?</p>	
<p>Exchange of Contracts/ Sale/ Development Agreement Completion</p>		<p>November/ December 2018</p>	<p>Chief legal officer/ Estates Manager/ Chief Finance Officer</p>

Risk Management

15. The risks to the scheme include

(i) Bidders – pull out due to level of constraints placed on the scheme, delays in decision making.

(ii) Economic Downturn – whether long or short term as a result of uncertainty on Brexit. This could result in the bidders pulling out, the scheme becoming unviable.

(iii) Bidders failing to start or complete the developments
The development agreement under the sale terms will seek to ensure this risk is mitigated. Reversionary ownership arrangements will be in place.

(iv) Planning and Consultation Processes
Whilst much of the work has been undertaken to de-risk the site in terms of environmental reports, flooding, etc, these may need updating once the full planning permission process starts in earnest. Consultation processes will no doubt result in changes to the final development scheme.

(v) Local Opposition

This is a prime site on the seafront and as with most new development proposals there are concerns raised. The case for new housing is already made, and the site is included within the agreed local development plan. The design and mixed use elements will be determined finally through the proper planning processes and genuine concerns will need to be addressed.

Financial Implications

16. These are outlined in the report and the Carter Jonas recommendation report of 19 August 2018. Given that the Council requires revenue income the option of an ongoing revenue stream, though the Council owning assets on the site is attractive rather than a Capital receipt. The argument for a Capital sum would be that it is more certain and given the urgent requirement for capital receipts and certainty on income streams this option may shortly become a necessity for the Council.

Local People's Views

17. The initial public meeting held at the Royal Victoria hotel in January 2016 highlighted the interest in the scheme and the divergent views on no development, site improvement and what should be developed on the site e.g. leisure and recreation only, park and play facilities.
18. As a result of that early feedback the Council has been particularly conscious of the need to incorporate leisure facilities and leisure opportunities, retention of the play facilities, mixed commercial units in order to encourage and enable art and cultural offerings to flourish in the locality and make the area a destination in its own right.
19. Whilst there was significant feedback from those attending that the site should not be developed for housing, the site is in the approved Development plan. House prices have risen significantly over the last 3 years as have the number of people seeking accommodation. The need for affordable and quality housing within the borough, for those seeking to stay in Hastings and those currently in temporary accommodation is critical – especially given the costs and lengths of time people are now having to stay in such accommodation.
20. The submission from Countygate/Sunley provides significant leisure opportunities e.g. new slipway, playground, beach huts, along with mixed commercial developments, café, artist studios that the Council would seek to ensure are incorporated within the scheme/Heads of Terms that are presented to Cabinet for determination.
21. The planning process and public consultation events on what will eventually become a specific development proposal will take account of local people's views and the wider needs of the whole community.

Wards Affected

West St. Leonards

Implications

Relevant project tools applied? Yes/~~No~~

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

Equalities and Community Cohesiveness	
Crime and Fear of Crime (Section 17)	
Risk Management	x
Environmental Issues	
Economic/Financial Implications	x
Human Rights Act	
Organisational Consequences	
Local People's Views	x
Anti-Poverty	

Additional Information

Appendix 1 Presentation by Countygate & Sunley
Appendix 2 Presentation by Charterhouse
Appendix 3 Final recommendation letter from Carter Jonas

Officer to Contact

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