



Reigate & Banstead
BOROUGH COUNCIL
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REPORT OF:	PROPERTY SERVICES MANAGER
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TO	EXECUTIVE
DATE:	26 February 2015
EXECUTIVE MEMBER:	Councillor Natalie Bramhall

KEY DECISION REQUIRED:	YES
WARD (S) AFFECTED:	Redhill East and Redhill West

SUBJECT:	Marketfield Way – The construction of a mixed use development comprising cinema, A1, A2 and A3 retail, together with 93 residential flats and undercroft car parking.
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RECOMMENDATIONS:

- (i) That the development of the Marketfield Way site be progressed, subject to the strategy set out in this report and further key stage sign off by the Property Services Manager in consultation with the Portfolio Holders for Finance and Property and Regeneration.
- (ii) To approve the Marketfield Way development within the Capital Programme on the basis of the resource requirements of the project as set out in the exempt report at Part 2 of this agenda.
- (iii) That the project be progressed in accordance and within the financial parameters set out in the exempt report in Part 2 of this agenda.
- (iv) That the Property Services Manager be authorised, in consultation with the Portfolio Holders for Finance and Property and Regeneration, to:
 - (a) make suitable arrangements to finance the Marketfield Way development subject to key stage sign off being determined by the Executive.
 - (b) to agree terms and sign Development Management and Project Management service agreements with property Developer Coplan Estates Limited (including members of the professional team identified in the bid), and within the budget envelope set out in the exempt report in Part 2 of this agenda.
 - (c) to procure necessary consultants to enable an application for planning permission for the scheme to be made, and the tendering of the project to suitable main construction contractors, subject to the Council’s and OJEU procurement requirements and key stage sign off set out in this report and the

budget envelope set out in the exempt report in Part 2 of this agenda.

(d) to agree terms and conclude conditional agreement for leases and leases with commercial tenants including cinema operators, A1, A2 and A3 occupiers;

(e) to agree and conclude necessary disposal, ground lease and funding agreements with suitable developers/investors/end user organisations for the development of the residential housing;

(f) to undertake, if judged necessary, preparatory work for the making of a Compulsory Purchase Order ('CPO') subject to a further Executive report to approve the principle of CPO.

(g) to report further to the Executive to progress the appropriation of the Council's land interests as may be necessary to progress the scheme.

REASONS FOR RECOMMENDATIONS:

Marketfield Way is one of the principal regeneration sites in Redhill Town Centre. Provision of a cinema together with a selection of restaurant, retail and residential uses will enhance town centre provision and will have a significant impact on improving the night time economy.

This report requests Executive authority to enable a key Council objective by placing the necessary building contracts, professional appointments, agreement for leases, leases, land transfers and budgetary provisions to enable the construction of the development, site assembly and funding that is required to support the Corporate Plan objective.

EXECUTIVE SUMMARY:

The Council has undergone an OJEU compliant procurement exercise to appoint a Commercial Developer experienced in mixed used development of town centre sites culminating in this report.

The recommendations mean the Council will be taking an active development role in the project with the associated commercial risks. Risk will be carefully managed with key stage sign off. The anticipated financial forecasts are set out in the exempt report in Part 2 of this agenda.

Significant preliminary market work has been undertaken to prove demand from occupiers. A potential list of occupiers is set out in the exempt report in Part 2 of this agenda.

Recommendations (i) and (ii) are subject to approval by full Council. Executive has authority to approve recommendations (iii) and (iv).

STATUTORY POWERS

1. The Council has no statutory obligation to undertake this work. However the Council has wide powers under sections 120-122 of the Local Government Act 1972 to acquire, compulsory purchase and appropriate land for its functions, this would include in these circumstances, for planning purposes.

ISSUES

2. The Redhill site is a long standing regeneration objective for the Council and will make a strong positive contribution to the environmental, social and economic well-being of the area. Whilst the scheme originally looked to be uneconomic for the Council it is now considered that the project will be economically successful and provide ongoing revenue generation. However, given the size of the project it is likely to require the Council to take debt to fund the development. Debt is available from the funding market or the Public Works Loan Board (PWLB). It is likely debt will be taken from the PWLB.
3. The income stream anticipated to be achieved is set out in the exempt report in Part 2 of this agenda. Costs will be carefully managed by key stage sign off.
4. Project development has risks, although in the last few years the Council has gained a strong reputation in this area. The project has key milestones before development will start, viability proved through pre-lettings of the cinema, A1, A2 and A3 occupiers, evidence of demand for the residential probably from investors who will seek to fund the residential, and build budget cost management. Additionally the project may involve CPO and the appropriation of landed interests to facilitate the development.
5. CPO, if proved necessary, represents one of the most significant project risks. Again the Council has recently managed the CPO process associated with landed interests in Preston and Merstham.

PROCUREMENT

6. The Council has undertaken a competitive dialogue procurement exercise resulting in the recommendation in this report to appoint Coplan Estates. Coplan Estates are an experienced property and construction developer recently working with other public sector organisations on a mixed use development.
7. The Council was advised on the procurement process by consultants Gooch Cunliffe Whale with Tenders sought based upon previous property development and construction development experience, track record, financial/covenant strength and recommendations based on contracts undertaken for other local authorities.
8. Each of the tenderers was issued with the tender documentation incorporating the Council's information and requirements. This process was later expanded to include the option of the Council funding the development.

9. One of the tenderers withdrew from the tendering late on in the process.

DESIGN

10. A planning application has yet to be submitted. However the OJEU tender bid from Coplan Estates assumes the following outline scope;
- 26 one bedroom flats.
 - 61 two bedroom flats
 - 7 three bedroom flats
 - 30% affordable housing comprising 20% shared equity and 10% rent
 - 2112 sq m retail on ground floor
 - 2473 sq m retail on first floor
 - 1196 sq m restaurant
 - 1822 sq m cinema
 - Undercroft car parking
11. The scheme is indicative currently and subject to change which may arise as a result of individual tenancy requirements but will be finalised before a planning application has been submitted.
12. Those commercial tenants that have expressed an interest in the scheme are outlined in the exempt report at Part 2 of this agenda.

IMPLICATIONS AND CONSIDERATIONS

13. Stage 1 comprises proof of viability. Principally this will involve establishing tenant demand through negotiations of lease terms with tenants who have expressed an interest in the scheme, scheduling meetings to discuss terms and embarking on the marketing strategy for the scheme. This stage will also include preliminary discussion with potential residential developers and the private institutional rented sector investors to try and agree terms for funding the residential element of the scheme. We are also likely to see some scheme design and undertake site surveys. Acquisition of landed interests by negotiations and appropriation will be progressed, and the possibility of CPO will be examined if judged necessary. Viability will need to be reconfirmed once this exercise has completed followed by Portfolio Holder sign off.
14. Stage 2 – Scheme design will be progressed in conjunction with agreement for leases and leases with the tenants. We would endeavour to agree the acquisition of all the interests needed to undertake the development. Pre application consultation on planning will also be conducted involving community presentations and Portfolio Holder approval. This stage will culminate in the submission of the planning application, planning approval and an update of the cost plan for the construction.
15. Stage 3 – Tender action. This will involve the appointment of the full design team necessary to design the development and obtain construction contractor tenders.
16. Stage 4 – Implementation and contract award.

Provisional Dates	Milestone/Activity
First quarter 2015	Stage 1
Second/Third quarter 2015	Stage 1 and Stage 2
Fourth quarter	Stage 3
First/Second Quarter 2016	Stage 4

OPTIONS

17. Option 1 – Approve the recommendations in this report and proceed to take an active development role in the project. **This is the recommended option.**
18. Option 2 – The Council does not progress the development but seeks a developer and funder to do so. This would substantially reduce the anticipated revenue income and potential capital receipt to the Council as set out in the exempt report at Part 2 of this agenda. **This is not the recommended option.**
19. Option 3 – Do nothing. The regeneration of this key town centre site will not happen. **This is not the recommended option.**

LEGAL IMPLICATIONS

20. The primary purpose of this scheme is for the regeneration and promotion of the economic, environmental and social well-being of the area and its residents. The Council has the powers to enter into the proposed development in its own capacity. It has wide powers to acquire land including compulsory powers where there is a statutory function and a compelling case in the public interest to do so. In this instance the relevant function would be our planning function (for regeneration).
21. Should it be the case that compulsory powers or appropriation is required to deliver this scheme, then that assessment will be made after planning consent has been granted. Separate detailed reports will be presented to Executive on those matters. So whilst members are being informed of the possibility of those powers being required in the future, they do not have to make any decisions about them at this point. Further work has to be done to develop the planning case.
22. The procurement of consultants and contractors required to perform the contract will comply with the Council's CPRs and any applicable EU legislation.

FINANCIAL IMPLICATIONS

Capital Implications

23. This scheme will need to be funded through debt finance and incorporated into the Capital Programme. It is proposed therefore to amend the capital programme to include this scheme, as set out in the exempt report at Part 2 of this agenda.

Revenue Implications

24. Further details of the scheme's finances are set out in the exempt report at Part 2 of this agenda.

EQUALITIES IMPLICATIONS

25. An equalities impact assessment will be produced as part of the Council's development of the scheme design.

CONSULTATION

26. Public consultation undertaken to date has supported the development of Marketfield Way. Further public consultation will be undertaken during the design and development of the project.
27. The Executive Members for Finance and Property and Regeneration have been closely involved throughout the design and procurement process.

Background Papers:

Executive report 9 January 2014