

HAVANT BOROUGH COUNCIL

Meeting

Date

CABINET

Wed 24 October 2018

CIVIC PLAZA CAR PARK REDEVELOPMENT PROJECT **Head of Regeneration (South)**

FOR DECISION

Portfolio: Cabinet Lead for Finance and Regeneration Cllr T Pike

Executive Director: James Hassett

Key Decision: Yes

1.0 Purpose of Report

- To seek approval for the progression of **Civic Plaza car park** development project up to the submission of a Planning Application.

2.0 Recommendations

Cabinet agrees:

- 2.1 To delegate to the Chief Finance Officer the power to agree the Funding Agreement from Homes England (HE) relating to the award of a £3.36M grant from the Accelerated Construction fund; including the agreement of project milestones and the setting up of financial mechanisms required to enable the spending of the funds.
- 2.2 To instruct the Executive Director for Operations and Place Shaping and the Head of Regeneration in consultation with the Cabinet Lead for Property, Finance and Regeneration, to proceed with the project for the redevelopment of the Civic Plaza car park;
 - 2.2.1 To write the brief for the development parameters of the site to include reference to the PACEⁱ of development and the use of Modern Methods of Construction (MMCⁱⁱ)
 - 2.2.2 To write the brief for the procurement of a Development Partner
 - 2.2.3 To undertake the procurement of a Development Partner which could include a Joint Venture Partnership (or other appropriate) Agreement or Development Agreement,

- 2.2.4 Alongside the procurement process to draft a business case that sets out the procurement options for a development partner and the draft of a Joint Venture Partnership (or other appropriate) Agreement or Development Agreement to implement the development. The implementation of development will include securing a design and preparing a Planning application in accordance with a detailed project plan to be approved by the Executive Board.
- 2.2.5 That detailed business case is recommended for Cabinet decision at the earliest opportunity and an option to move forward is determined.

Executive Summary

- 3.1 The Opportunity Havant Regeneration Strategy for the Borough 2018-2036 is being presented to Council for Adoption on 7 November 2018. This Strategy sets out the case for the regeneration of the Borough and a process by which a suite of capital development projects known as the **Regeneration Programme** will be brought forward in order to deliver the objectives set out in the Strategy.
- 3.2 The Civic Campus Car Park Redevelopment project has been identified and is being brought forward as the first project in the Regeneration Programme.
- 3.3 The redevelopment of the Civic Campus has been identified in the Local Plan (Core Strategy) since 2011 as an opportunity for the rationalisation of public services, provision of improved facilities, better access to new and existing facilities and the provision of much needed residential accommodation. Phase 1 of that Local Plan allocation, the Plaza refurbishment, is complete; the latest proposal begins the next phase of this established Council policy position.
- 3.4 The public car park at the centre of the Civic Campus has been identified through the Aecom Feasibility Study (One Public Estate Funded) as a stand-alone element of the development of the wider campus. This has the potential for the early delivery of over 100 housing units without compromising the development of the wider campus (which is in multiple ownership and is likely to take significantly longer).
- 3.5 In August 2018 the Council successfully secured a grant from Homes England (HE) under the Accelerated Construction Fund to develop housing the Civic Campus car park.
- 3.6 The grant of £3.36M is to close a viability gap that was identified in the Aecom Study. The viability gap is largely created by the

need to replace the existing car parking capacity. This would be in the form of two or three decked car parks elsewhere on the Council owned land in the wider site. However, an option of building decked housing that sits above or incorporates the car park has been explored. This would allow the majority of the car parking for both the existing facilities and the new housing to be retained reducing the need for re-provision.

- 3.7 The HE grant is based on the development using modern methods of construction (MMC) utilising the latest construction technology and developing residential units that meet the highest energy efficiency standards. The grant is also contingent on the development being delivered at a pace that is faster than the market would undertake without intervention (PACE). The aim is to increase the PACE of delivery of this development by about 50% above what would be the norm in Havant: this will be subject to market testing.
- 3.8 A period of soft market testing has been undertaken where developers specialising in modern methods of construction (including highly energy efficient development) have been invited to demonstrate their approach. This research has helped our understanding of this innovative area of housing construction and will inform the brief when the procurement phase is entered.
- 3.9 The Council now needs to commence the process for procuring a Development Partner in order for the development to proceed in line with the HE programme. This will involve setting selection criteria relating to the delivery of the Council's regeneration objectives for this site. Undertaking this competitive process will enable the Council to consider the various funding, development, construction and disposal options relating to the site.
- 3.10 At this stage, subject to further investigation, it is suggested that the most favourable option would be:
- A development that includes an element of decked or under-croft parking. This should utilise a blend of traditional and modular off-site construction to optimise the amount of high-quality residential accommodation and provide an attractive environment. This would meet the HE targets around MMC and PACE and would allow the retention of the parking, reducing any funding gap.
 - Entering into a long lease with a development partner for the car park and/or air rights.
 - Structuring a Development Agreement or Joint Venture Partnership Agreement in such a way that by virtue of the Council donating the long leasehold of the site (but retaining the freehold), it retains a financial stake and benefits from ongoing rental income from the housing proportionate to this

investment in perpetuity. Ensuring that the financial uplift from the HE grant remains with the Council (to avoid any state aid implications)

- 3.11 A detailed business case setting out the delivery strategy and financial model will be presented to Cabinet to inform the procurement of a development partner, drafting of a Joint Venture Partnership Agreement or Development Agreement and detailed design work have been completed, but before the submission of a Planning Application for the site.
- 3.12 The Council may wish to structure any Development Agreement to ensure that the properties would remain for rent in perpetuity. It is suggested that the resulting housing development could be managed and maintained by the developer, or possibly rolled into a management company set up by the developer for this purpose. This approach would negate concerns around State Aid and Right to Buy while allowing the Council to take a revenue income from the development.
- 3.13 It is recommended that decisions on the detailed delivery of this project, including management and spend of the budget, and the preparation of a Planning application be delegated to the Executive Director for Operations and Place Shaping in consultation with the Cabinet Lead for Property, Finance and Regeneration and managed through the Executive Board.

4.0 Additional Budgetary Implications

- 4.1 The financial management of this project will be conducted in line with the Treasury Management Strategy and the MTFS. This will be done in consultation with the Chief Finance Officer.
- 4.2 The Accelerated Construction Fund grant from Homes England for the Civic Plaza development is for £3.36M. This will cover the cost of design and Planning and some of the up-front infrastructure costs (including a contribution towards the decked car parking). The grant is paid quarterly in arrears. This means that a funded cost centre would need to be set up to enable the funds to be spent in accordance with the agreed milestones. This would then be recouped from the grant funding.
- 4.3 Numerous pieces of work are already underway, either being commissioned or being undertaken at risk by interested developers as part of a period of soft market testing.

5.0 Background and relationship to the Corporate Strategy and Directorate Business Plan/s

- 5.1 The Opportunity Havant Regeneration Strategy for the Borough 2018-2036 is due to be adopted by the Council on 7 November 2018. This Strategy sets out the case for the Council taking an interventionist approach in the regeneration of the Borough. This project comes forward as the first in a series of projects that will make up the **Regeneration Programme**. This is a suite of projects that have been identified and developed to deliver the objectives of the Regeneration Strategy.
- 5.2 The current Corporate Strategy 2017-2022 (approved July 2017) promotes the borough's regeneration throughout. Regeneration projects are key to achieving the strategy as highlighted by a *Focus our project structures on our ambitious regeneration and financial targets* and *Adopting a rigorous, commercial and evidence-based approach to evaluating projects and new initiatives, while maintaining our key ethos of social responsibility and democratic accountability*
- 5.3 The Corporate Strategy confirms that it 'complements our Local Plan'. The regeneration programme is fully aligned with the existing and emerging Local Plans.
- 5.4 There are now references in the Corporate Business Plans (2018 -2019) to the regeneration projects, particularly in the Operations and Place Shaping Directorate as this agenda has gained importance. The Business Plans for 2019 -2020 will need to consider how every team in every directorate will contribute to the regeneration programme as it will need to become a core function for every team.

6.0 Options considered and reasons for the recommendation

- 6.1 The alternative option to the above is for the council to leave the regeneration of this site to market forces. This would reduce the financial risk to the Council, but would not follow through on an existing Local Plan allocation and be a missed opportunity to utilise Council property assets in a way that provides much needed housing, promotes regeneration and provides a commercial return to the Council. The Council has stated its intent to take an interventionist approach and directly invest in a commercial way to drive regeneration.

7.0 Resource Implications

- 7.1 **Human Resources Implications:** This project will require a dedicated project manager and a project delivery team. The delivery team will be made up of officers who undertake specific duties as part of their substantive post. The Project Manager will however need to be a dedicated resource. The cost of these

roles should be considered as part of the development cost and be factored into the business case for the project. It is expected that some of this cost could be re-coped through the HE grant.

- 7.2 **Other Resource Implication:** It is important that staff within the Council get involved in the regeneration programme. Every member of staff impacts on the regeneration of the borough. There will be a need to invest in IT and other project resources. This should be included in the delivery cost as part of the business case.

8.0 Legal Implications

- 8.1 Legal support will be required throughout this project. This may be required urgently and at short notice. This will include review of procurement procedures, contract negotiations and the production and negotiation of development agreements.
- 8.2 Where resources are not available in-house, it may be necessary to source external capacity and expertise.

9.0 Risks

- 9.1 The increased risks involved in the Council taking a more interventionist position in the regeneration of the borough must be balanced with not being involved undermining the future prosperity of the borough. Certainly, development carries risks in terms of increasing build costs and a reliance on the wider market to achieve expected sales values. With the right expertise and development partner arrangement these risks can be minimised.
- 9.2 A reliance on the market has not delivered any change in the borough, we have seen the same sorts of housing development occur that have always been the case. The Council's Local Plan relies on a change in housing delivery to achieve the 1,600 new homes in the regeneration areas through high density developments rather than the traditional 2-3 bed family homes. Demonstrating that the Council is behind the regeneration is powerful evidence that will be essential in achieving a sound local plan.

10 Consultation

- 10.1 This site is identified as a potential housing site in the emerging Local Plan, which is subject to a full public consultation programme. The Local Plan is at a relatively high level and therefore when detailed proposals emerge for the project then additional consultation will be planned. When any planning

application is submitted that is subject to statutory public consultation.

- 10.2 Consultations with local councillors will be central to this project as members are the representatives of the communities.

11 Communication

- 11.1 Communication is crucial for the delivery of this project. This will need to be integrated into the communications and marketing team's work programme to provide support, using the normal council media methods and increasingly social media to access the full demographic of the borough.
- 11.2 A high-level Timeline for the Civic Plaza Redevelopment Project will be developed in partnership with HE and will be monitored through the Regeneration governance arrangements set out in the Regeneration Strategy.

Background Papers:

[Havant Corporate Strategy 2017 -2022](#)

[Havant Local Plan](#)

Draft Regeneration Strategy

Agreed and signed off by:

Monitoring Officer: 19 October 2018

S151 Officer: 8 October 2018

Director: 8 October 2018

Portfolio Holder: 8 October 2018

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ⁱ PACE is a Ministry of Housing, Communities and Local Government term for build out rates in excess of the historic norm in the particular location. In this case the increase in PACE that is aimed for is at least 50% quicker than is the norm in Havant. This will be subject to market feedback.

ⁱⁱ Modern Methods of Construction (MMC) is the use of factory-built homes or house components e.g. bathroom pods. The aim in this case is to achieve a panelised construction to increase the speed of

construction and make a significant change to the housing construction format in the borough.