

BABERGH DISTRICT COUNCIL

COMMITTEE: CABINET		REPORT NUMBER: BCa/18/34
FROM:	Cabinet Member for Economy Cabinet Member for Assets & Investments	DATE OF MEETING: 13 SEPTEMBER 2018
OFFICER:	Jonathan Stephenson, Strategic Director	KEY DECISION REF NO. CAB33

HAMILTON ROAD QUARTER (DEVELOPMENT PROSPECTUS)

1. PURPOSE OF REPORT

- 1.1 This report presents information on the opportunity for the Council to develop the Hamilton Road Quarter, a key project within the recently endorsed Sudbury Vision for Prosperity.
- 1.2 The report provides background on the Hamilton Road Quarter and further details on the next steps, with regards to the marketing of the development through a development prospectus.

2. OPTIONS CONSIDERED

- 2.1 Babergh District Council, supported by Carter Jonas and Alan Baxter acting as consultants, undertook two stages of work in 2016 and 2017 to lay the groundwork for the Development Prospectus. The objective of these stages was to create a clear baseline of information about the various economic, environmental and cultural aspects of the Hamilton Road Quarter and its potential future role in the town centre.
- 2.2 From this baseline, various redevelopment options were tested and reviewed by the Council. The plan presented in the prospectus is very much informed by this baseline work and site testing and reflects a realistic but flexible development approach for the regeneration of the area.
- 2.3 This work included a first stage 1 report which provided a review of the planning status of the Hamilton Road area, a “health check” of Sudbury town centre, and a design and transport analysis. It also examined land ownership and potential options for the development of the site.
- 2.4 A workshop took place in December 2016 to help scope and evaluate various development options for the site. The workshop included various councillors and officers from the district and town council.
- 2.5 Three broad options were prepared as part of Stage 2 work, as detailed below, in late 2016/early 2017 by the consultant team, as informed by local stakeholders. At the time of developing the options, a cinema-led scheme (Option 2) was a potential way forward to provide an anchor use within the area. The main difference between the three options was the location of a public open space and the configuration of the proposed cinema.

Option 1: Cinema and mixed-use development (Preferred Option)

- Cinema on-site
- [Borehamgate] with residential/retail
- Quirky residential around Bank Gardens
- Older People housing/high quality
- Spa/healthy living & Leisure

Option 2: Culture/leisure led

- Cinema off-site
- Retail/food & beverage complementary uses on-site
- Bank Gardens remains as is (no new buildings)
- Off-site surface carparking consolidated into a multi-storey

Option 3: Commercial led option

- Large food and beverage offer [and large format retail]
- Large cinema – six screen
- Outdoor space complements active use
- Red route – remove vehicles [along Great Eastern Road]
- Heavy servicing requirements

- 2.6 The Stage 2 work also included high level development options, plans and sketches as well as market feedback around a preferred development option. The preferred option (June 2017), Option 1, put forward recommended a cinema as an anchor use on part of the site alongside residential (townhouses and flats) and ground floor commercial uses.
- 2.7 The preferred option also included a new public space in the form of a new public square at the back of the Borehamgate Centre along with a pedestrian mall connecting the market with Great Eastern Road and the rail station beyond. The market testing feedback revealed that while a cinema could be delivered on part of the site, there was only limited interest at the time to deliver the cinema. However, at this stage no specific use has been ruled out, therefore a cinema may still be an appropriate and viable option, hence the draft prospectus keeps open the potential for a cinema and describes such a use as “leisure” for the purposes of setting out potential land uses.
- 2.8 Other key elements of the work to date includes re-provision of the bus station as well as future changes to the Borehamgate Centre. The prospectus sets out a proposal to re-locate the bus station in the form of two bus laybys within the town. Also, parts of the Borehamgate Centre may have to be removed to facilitate the proposals as set out in prospectus.

3. RECOMMENDATIONS

- 3.1 That the Hamilton Road Quarter (Sudbury) development prospectus (appendix A) be endorsed, to enable the document to be marketed nationally to attract development interest and investment to the scheme.
- 3.2 That delegated authority be given to the Strategic Director, with responsibility for Assets and Investments, in consultation with the Cabinet Members for Economy and Assets and Investments, to make any necessary changes to the prospectus prior to the publication being marketed.

REASON FOR DECISION

This decision will assist the opportunity, within Sudbury, to gain much needed investment to deliver part of the Council's Vision for Sudbury, with the development of the Hamilton Road Quarter.

4. KEY INFORMATION

4.1 The headlines of the development prospectus (Appendix A) that are of most importance in relation to the council's objectives and interests are as follows:

- The prospectus will be marketed nationally to a selected group of parties who are most likely to have the experience and interest to help deliver the proposals;
- Not all land within the boundary of the Hamilton Road Quarter are within the council's ownership, in particular lands owned by Harcourt Williams along the Eastern Road frontage. Hence, delivery of part of the scheme will be dependent on acquisition, or joint venture of some form, with this land owner to enable the realisation of the entire scheme as set out in the prospectus;
- The county council and bus operators are an integral part of the change proposed to relocate the bus station and the timing of the re-provision of the bus bays is being carefully considered;
- Terminating leases and demolition of specific buildings currently forming part of the Borehamgate Centre will be carefully managed. Other remaining tenants in the centre will have to be informed and communications carefully managed as and when any future works are formalised and progressed;
- Redevelopment of the Hamilton Road Quarter will be subject to formal planning approval;
- The exact form of delivery of the Hamilton Road Quarter will be subject to feedback from interested parties and negotiations, which will be explored as part of a full marketing exercise.

4.2 There are several potential delivery options for the transformation of the Hamilton Road Quarter that are available to the Council. At this stage it is best to provide flexibility as to the type of delivery model chosen given the need to still secure a development partner through the development prospectus. The method of delivery is influenced by three matters: the potential risks, the level of control, and the finance/funding options.

4.3 The four delivery options that are being considered include:

- 1) The sale of land either with the benefit of planning consent or conditional on securing; satisfactory planning consent;
- 2) Council led self-development;
- 3) Delivery under a Development Agreement;
- 4) Delivery under a Joint Venture (either with a 'JV Development Partner' or a 'JV Investment Partner')

- 4.4 Each option has pros and cons which will influence the decision as to which should form part of the agreed delivery strategy for the scheme.

Option 1 would take the form of a conditional land sale where offers are invited which oblige the purchaser/ developer to invest in securing planning permission, at risk, that maximises the site's value through using their own design and planning team's expertise. The agreed purchase price (payable on the grant of a satisfactory planning permission) would be based on a specific scheme with an adjustment mechanism to reflect the actual outcome. The alternative approach would see the Council securing satisfactory planning permission in conjunction with known or assumed end occupier requirements with the land disposed of thereafter.

Option 2 (self-development) could be undertaken directly by the Council or through an existing Council development / investment company (unless a new and bespoke company is required for this specific scheme).

Option 3 delivery under a development agreement can take a number of forms, but essentially require a more significant investment by the landowner into the development process in return for greater share of the proceeds of the development. This type of approach can have significant regenerative potential and offer the opportunity to see a greater investment in the quality of scheme delivered.

Option 4 the final delivery option considered (joint venture) will take the principles of a development agreement further by setting up a special purpose vehicle(s) that reflect the investment of land, time and money through revenue and equity-investment share-based structures.

- 4.5 For the benefit of the development prospectus the Council is inviting interest in options 1, 3 and 4, with the Council led self-development, option 2, excluded with this option being considered alongside external bids, prior to making a final decision on the most appropriate development route for the site.
- 4.6 The development prospectus will be finalised and published on the 1st October. The table below (Table 1) provides key milestones to understand the next steps within the process. The intention is that a further paper will come back to Cabinet early in 2019 to provide an update on progress and enable a decision to be taken with regards to the preferred development partner.

4.7 **Table 1**-Development Prospectus - key milestones

ACTION	DATE
Final amendments to prospectus undertaken.	September
Prospectus published and launched to the market (deadline for expressions of interest 12 th November)	October
Summary of responses received prepared	November
Individual meetings / interviews with interested developers to discuss proposed scheme.	December

Soft Market Testing concludes with a preferred development partner identified	Early 2019
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5. LINKS TO JOINT STRATEGIC PLAN

5.1 The Refreshed Joint Strategic Plan developed in 2016 establishes the framework for the Councils priorities: Economy and Environment; Housing and Strong and Healthy Communities. The strategic outcomes which can be effectively supported by the Asset and Investment Strategy include:

- Investment in land and property to generate income and regenerate areas
- Manage our corporate assets effectively
- Making best use of land and buildings across the Suffolk System
- Financially sustainable Councils
- Community led solutions to deliver services and manage assets
- Existing estate regeneration

5.2 The Medium Term Financial Strategy 2016 – 2020 outlines the Councils ambitions to create an investment strategy that maximises incentivised and other funding streams e.g. New Homes Bonus and Business Rates and that delivers additional income and savings in the future e.g. doing things on an 'Invest to Save' or 'Profit for Purpose' basis.

6. FINANCIAL IMPLICATIONS

6.1 There are no additional financial implications at this time as the commitment for Stage 3 (Development Prospectus) has already been agreed as part of the original procurement for this programme. Further financial implications will be considered, following the expression of interest stage, with detailed financing options reviewed.

7. LEGAL IMPLICATIONS

7.1 Wide ranging legal support will be required, commencing with a formal review of any Heads of Terms, Agreements for Sale or Lease, potential support through the planning process, construction contracts support, and finalising commercial lease arrangements post construction.

7.2 The Council will engage further with the legal support team once expressions of interests have been gained. Considerations will also need to be made, subject to expressions of interest options, with regards to the possibility of a Compulsory Purchase Order (CPO) to deliver the development.

8. RISK MANAGEMENT

8.1 This report is most closely linked with the Council's Corporate / Significant Business Risks. Key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
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4a. Failure to invest in property to generate income and regenerate local areas	3	3	Develop new capital investment strategy; Consideration of commercial opportunities; Alternative investment of cash balances
5f. Failure of the Councils to become financially sustainable in response to funding changes	2	4	Continued development of the strands within the Medium Term Financial Strategy (MTFS) / Alignment of resources to priorities / Use of one-off funding to change the business model and support functions during change / Early identification of initiatives for the 2017/18 budget / Engagement of councillors to understand options / Modelling and analysis to understand impact
Failure to gain an appropriate investment/development partner	2	4	Soft marketing has taken place ahead of the formal marketing of the development prospectus.

9. CONSULTATIONS

9.1 Development of this opportunity has included the following consultation:

- Babergh Cabinet Member Briefings
- Cabinet Member for Economy
- Cabinet Member for Assets and Investments
- Officer consultations including the former MD BMS Invest and the Current Strategic Director

9.2 The final development prospectus is also anticipated to be shared with the local ward councillors, Sudbury Town Council and Suffolk County Council prior to being published.

10. EQUALITY ANALYSIS

10.1 Initial Equality Impact Assessments (EQIA) have identified positive equality impacts associated with all of the options. A full EQIA including consultation with relevant groups with equality expertise will be conducted for the final agreed scheme.

11. ENVIRONMENTAL IMPACT ASSESSMENT

11.1 The development of the Hamilton Road Quarter will consider all environmental impacts. Officers will also ensure any necessary procurement and construction briefs includes the requirement to demonstrate high levels of carbon reduction and that the

buildings construction ensures it is as energy efficient as possible using modern design principles. A full Environmental impact assessment will be undertaken against all the proposed options as part of the evaluation process.

12. APPENDICES

Title	Location
(a) Draft Development Prospectus (Hamilton Road Quarter)	Attached