



REPORT OF:	HEAD OF PROPERTY
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TO	EXECUTIVE
DATE:	28 JANUARY 2016
EXECUTIVE MEMBER:	COUNCILLOR NATALIE BRAMHALL

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

SUBJECT:	MARKETFIELD WAY – ACQUISITION OF LONG LEASEHOLD INTEREST AT 18/34 HIGH STREET REDHILL TOGETHER WITH OTHER INTERESTS ASSOCIATED WITH THE DEVELOPMENT OF THE SITE
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RECOMMENDATIONS:

- (i) That the acquisition by agreement of the long leasehold interest at 18/34 High Street Redhill together with the other leases and leasehold interests for properties identified in the exempt information at Part 2 of this Agenda be approved, in accordance with the acquisition costs and contingency allowance set out in the same exempt information
- (ii) That the Head of Property be authorised, in consultation with the Leader, Deputy Leader, and Executive Members for Finance and Property & Regeneration, to agree Heads of Terms for the acquisition by agreement of a long leasehold interest at 18/34 High Street Redhill together with the other leases and leasehold interests for properties identified in the exempt information at Part 2 of this Agenda
- (iii) Subject to approval of (ii) above, that the Head of Property be authorised to take all of the necessary steps to subsequently acquire the long leasehold interest at 18/34 High Street Redhill together with the other leases and leasehold interests for properties identified in the exempt information at Part 2 of this Agenda.

REASONS FOR RECOMMENDATIONS:

The development of the Marketfield Way site is a key element of regeneration plans for Redhill Town Centre, and will enhance the economic, environmental and social prosperity of one of Reigate & Banstead's primary towns. Land on this site is currently in multiple ownership and, in order to progress this scheme, it is vital that the Council acquires all of the necessary interests.

EXECUTIVE SUMMARY:

Marketfield Way is a principal regeneration site in Redhill Town Centre. The development scheme originally approved by the Executive in February 2015 will significantly improve the economy of Redhill, and in particular the night time economy, through the provision of cinema, restaurant, retail and residential units, and will provide much needed town centre housing.

Stage 1 of the project was completed, viability of the scheme confirmed, and approval received to proceed to Stage 2, in October 2015. Stage 2 involves progression of the scheme design and agreement for leases with tenants, and will culminate in the submission of the Planning Application.

This report seeks authority to acquire the Long Head Leasehold interest at 18/34 High Street together with other leases and leasehold interests associated with development of the Marketfield Way site in Redhill. In October 2015, the Executive approved the principle of the Council's willingness to use compulsory purchase powers to acquire this site. However, a negotiated settlement has been reached in respect of the Long Head Leasehold interest at 18/34 High Street and the Council now has the opportunity to acquire this without the use of compulsory purchase powers.

The acquisition of this interest would give the Council a direct contractual relationship with holders of the other necessary interests, thereby improving the Council's ability to acquire these through negotiated settlement also, which is the preferred method of acquisition.

This acquisition would also benefit the Council by providing a short-term revenue income stream. The total cost of the acquisitions necessary to the Marketfield Way development was approved as part of the financial information outlined in Part 2 of the Executive Agenda for 15 October 2015, and the individual costs are detailed further in the exempt information at Part 2 of this Agenda.

Executive has authority to approve the recommendations.

STATUTORY POWERS

1. The Council has wide ranging powers to promote the economic, environmental and social well-being of the Borough. These powers are derived from the Local Government Act 2000 and also include the powers of general competence under section 1 of the Localism Act 2011 to do anything that individuals with full capacity generally may do, subject to the provisions of the Act.
2. Section 120 of the Local Government Act 1972 empowers local authorities to acquire land by agreement for the purpose of either (a) any of their functions under this or any other enactment, or (b) the benefit, improvement or development of their area.

BACKGROUND

3. In February 2015, the Executive approved the taking of an active role by the Council in a development scheme at Marketfield Way, Redhill, in support of Town Centre regeneration.

4. The Marketfield Way scheme represents a significant opportunity for the Council to influence the economic and environmental well-being of Redhill. The development will improve the night time economy, enhance the attractiveness of the town centre as a retail and leisure destination, and provide much needed housing in a central urban location. As such the scheme meets a number of the Council's corporate objectives. In addition the project will, as an ancillary benefit, enhance the financial value of this site and the overall scheme will produce a significant revenue income for the Council.
5. In October 2015, the Executive received confirmation that Stage 1 had been completed and that the scheme remained viable, and approved the continuation of the project to Stage 2. Stage 2 will progress the development to the point of submission of a Planning Application. As part of this stage, the scheme design is currently being developed, and agreements for lease with the prospective tenants are being pursued. The Council is at the same time endeavouring to agree the acquisition of all of the interests needed to undertake the development.
6. Although significant parts of the proposed development site are in the ownership of the Council, there remain leasehold and other interests that will be necessary to acquire in order to enable the project to progress.

ACQUISITION BY AGREEMENT

7. Details of the leasehold interests that need to be acquired in order to progress this development are included in the exempt Part 2 of this report. Acquiring the leasehold interests by negotiation at this stage would avoid the Council becoming involved in a protracted Compulsory Purchase Order process.
8. In October 2015, the Executive approved the principle of the Council's willingness to use compulsory purchase powers under Section 226(1)(a) of the Town and Country Planning Act 1990 (as amended) to acquire or appropriate third party land and buildings for planning purposes, and such other incidental and adjoining interests in land which would facilitate and enable viable and deliverable development of this mixed use scheme in order to improve the Borough's economic, environmental and social wellbeing.
9. The use of Compulsory Purchase Order (CPO) powers, however, is a method of ensuring that local authorities are not prevented from progressing developments where there is a compelling case in the public interest, and is subject to the Council using reasonable endeavours to assemble the development site by agreement/private treaty in the first instance.
10. The Council's priority is therefore to acquire the necessary interests through agreement with the landowners. As such it has begun engaging in negotiations with all of the relevant parties, and an agreed purchase price has now been reached in respect of the long leasehold interest at 18-34 High Street, Redhill.
11. The detailed acquisition costs for this and the estimated cost of reaching a negotiated settlement in respect of all other necessary interests are set out in the exempt information at Part 2 of this Agenda, and are equivalent to the estimated cost of acquiring each interest through CPO.

12. The acquisition of the long leasehold interest at 18-34 High Street would give the Council a direct contractual relationship with holders of the other necessary interests, thereby improving the Council's ability to acquire these through negotiated settlement also. If a negotiated settlement proves to be unachievable for any reason regarding any of the other interests set out in the Part 2 report, then a further report will need to be presented to the Executive seeking authority to make a Compulsory Purchase Order.
13. In becoming the long leaseholder of 18-34 High Street at this time, the Council will moreover benefit from the receipt of rental income from the continued lease of this site until such time as it is necessary to vacate and demolish it in order to begin the proposed mixed-use redevelopment. This will contribute towards the Council's revenue budget, which supports the provision of vital and valued public services within the borough.

OPTIONS

14. Option 1 – Acquire all of the necessary interests through negotiated settlement where possible, and proceed with the acquisition of the long leasehold interest in 18-34 High Street as soon as possible. This will give the Council control of the interests, which is required to progress the Marketfield Way development that is vital to the regeneration of Redhill Town Centre, and will provide a significant short-term revenue income stream. **This is the recommended option.**
15. Option 2 – Pursue a CPO in respect of these interests. The process for achieving a CPO would take between 6 and 18 months, meaning that the Council would receive less or no rental income from this site. It is not guaranteed that the Council would be able to acquire the necessary interests via this means, as there is a risk that a CPO would not be confirmed, or if confirmed would be subsequently challenged. Any such challenge would introduce a delay to the timetable for redevelopment of Marketfield Way. **This is not the recommended option.**
16. Option 3 – Delay the acquisition of any interests until after re-confirmation of scheme viability at Stage 3 (following receipt of construction contractor tenders). The Council would not receive the benefit from the short-term revenue income stream from 18-34 High Street. There would be a risk that a negotiated settlement would no longer be possible, reintroducing the necessity to use a CPO, at a higher cost to the Council. **This is not the recommended option.**
17. Option 4 – Do nothing. If the Council does not acquire the necessary interests for this site, it will not be able to progress the Marketfield Way development that is a key element of regeneration plans for Redhill Town Centre. **This is not the recommended option.**

RISK MANAGEMENT

18. The Marketfield Way scheme is being governed by key stage sign-off, as agreed by the Executive, in order to mitigate the risks associated with project development. This will involve viability being proved between each stage.
19. There is a risk in proceeding as recommended that the scheme could become unviable at a future stage. However, this is unlikely due to work currently being undertaken at Stage 2; the Council expects to have agreed heads of terms for the

full pre-sale of the residential element, and for the lease of the cinema element, prior to completion of these acquisitions. Significant progress has also been made towards agreeing leases for all of the restaurant and retail units.

20. If the scheme were to become unviable, ownership of the long leasehold interest in 18-34 High Street would continue to provide the Council with an additional valuable income producing asset in its portfolio.

LEGAL IMPLICATIONS

21. The Council has wide ranging powers to undertake development activity for the well-being of the Borough as highlighted above.
22. The agreed purchase is subject to the usual investigations to confirm there are no problems with the Legal Title.

FINANCIAL IMPLICATIONS

23. The Executive has previously recommended Capital Programme provision on 26 February 2015, subsequently updated on 15 October 2015, to resource anticipated costs for this development, including the acquisition of the necessary leasehold interests in the site.
24. The necessary capital expenditure on the Marketfield Way scheme is being funded through debt finance.
25. The income stream anticipated to be achieved from 18-34 High Street is set out in the exempt information in the report at Part 2 of this Agenda. The rental income received through acquisition of the leasehold interest in this site will contribute towards the Council's revenue budget for 2016/17, and potentially also for 2015/16, dependent on the timing of completion. This will support the Council's delivery of vital and valued services to borough residents.
26. Further details relating to the financial implications are set out in the exempt information at Part 2 of this Agenda.

EQUALITIES IMPLICATIONS

27. An equalities impact assessment will be produced for the Marketfield Way development as the scheme progresses. The development will include provisions to allow disabled access to all parts of the buildings.

CONSULTATION

28. The Leader and Deputy Leader of the Council and Executive Members for Finance and Property & Regeneration have been consulted.

POLICY FRAMEWORK

29. Regeneration of Redhill Town Centre has been a corporate priority for this Council for a number of years, and will be greatly advanced by the successful completion of the Marketfield Way development. This scheme will also support the Council's 5 Year Plan 2015-20 by creating new jobs, thus supporting our residents into employment and ensuring a resilient, vibrant local economy. It will also contribute

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towards the financial self-sufficiency of the Council by increasing the value of, and establishing a significant revenue income stream from, a key property asset.

Background Papers: None