



Reigate & Banstead
BOROUGH COUNCIL
Banstead | Horley | Redhill | Reigate

REPORT OF:	Head of Property Services
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TO	EXECUTIVE
DATE:	31 March 2016
EXECUTIVE MEMBER:	Councillor Natalie Bramhall

KEY DECISION REQUIRED:	Yes
WARD (S) AFFECTED:	Reigate Central

SUBJECT:	APPROVAL TO TENDER AND BUILD A MIXED USE DEVELOPMENT ON PART OF THE TOWN HALL SITE
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RECOMMENDATIONS:

- (i) The Head of Property Services, in consultation with the Executive Member for Property & Regeneration, be authorised to make the necessary professional consultancy appointments to commence and complete a mixed use construction project, comprising 23 residential units and a c. 857 sq m retail unit subject to all costs associated with the project not exceeding the budget set out in the exempt information at Part 2 of this Agenda;
- (ii) The Head of Property Services, in consultation with the Executive Member for Property & Regeneration, be authorised to make a planning application for approval to build the mixed use development and to enter into any required planning obligations pursuant to any planning permission granted where it is possible to do so;
- (iii) Following a competitive tendering exercise, the Head of Property Services, in consultation with the Executive Member for Property & Regeneration, be authorised to enter into a construction contract with the successful contractor to complete the mixed use development, subject to the all project costs not exceeding the budget detailed in the exempt information at Part 2 of this Agenda;
- (iv) The Head of Property Services, in consultation with the Executive Member for Property & Regeneration, be authorised to conclude negotiations and enter into an Agreement for Lease and Lease with a National retailer based upon terms set out in Annex 1 in the exempt information at Part 2 of this Agenda;
- (v) The Head of Property Services, in consultation with the Executive Member for Property and Regeneration, be authorised to agree the residential sales and individual transfer terms and subsequently enter into individual contracts for the sale of the constructed properties as private market residential dwellings. Subject to overall sale values being within the range set out in in the exempt information at Part 2 of this Agenda;
- (vi) Full Council to make an allocation in the Capital Programme to fund this development based upon the costs set out in in the exempt information at Part 2 of this Agenda.

REASONS FOR RECOMMENDATIONS:

Developing Council owned sites and retaining them as income producing assets maximises the Council's capital receipts and/or revenue income without the need of acquiring fully developed sites.

Proceeding with the recommended option will provide a new purpose built retail facility in the Town Centre.

The recommended option will optimise use of the Town Hall site, providing a significant capital receipt or revenue income stream for the Council, whilst Council operations remain largely unaffected.

The development of part of the site with a pre let to a national retailer is considered to be low risk and an excellent development opportunity for the Council to maximise its assets by taking considered development risks.

EXECUTIVE SUMMARY:

The Council own the freehold of The Town Hall site, which occupies a prime position within the town. The Council is continually looking to identify opportunities to develop its own sites and assets to maximise revenue income and/or capital receipts.

The Council's retained agents have highlighted a national retailer with a specific demand in Reigate that currently cannot be fulfilled due to a lack of suitable units within the town. The proposed development will provide new retail provision within the Town, which will improve service provision to local residents, workers and visitors, whilst allowing the Council to optimise use of its property assets to generate increased revenue, without affecting the usual council activities on the site.

The additional revenue from this mixed use development will help compensate for the reduction in Central Government funding for Local Authorities and will assist the Council's desire to continue to deliver and maintain the level of services its residents currently enjoy.

Comprehensive investigations have been undertaken into the viability of the development including 1) Valuation advice from Savills residential agents and the Council's retained commercial agents, 2) Quantity Surveying advice on the construction cost for the scheme and 3) Intrusive investigations into the ground conditions on the site. Results of these investigations reveal all our assumptions are robust. The development risk for this site is considered small and outweighed by the additional capital receipt and revenue stream anticipated.

Executive has authority to approve the above recommendations with the exception of recommendation (vi) which requires the approval of Full Council

STATUTORY POWERS

1. The Council has no statutory obligation to undertake this work but has general powers of competence under Section 1 of the Localism Act 2011 to undertake any activity which an individual with full capacity may undertake. This includes

improving service provision and the quality of life in identified areas by developing the Council's own land.

2. The Council has the power to dispose of the developed plots in the site under section 123 of the Local Government Act 1972 which places a duty on Local Authorities to dispose of land for best consideration, except in specific circumstances or with the consent of the Secretary of State.

ISSUES

Background

3. Central Government funding for Local Authorities has reduced and is expected to reduce further. To enable the Council to continue to deliver and maintain the level of services its residents currently enjoy, it is essential alternative sources of income are found. The proposed development will provide a revenue stream and an excellent return on Capital invested.
4. The Council has considered a number of development options to maximise use of the Town Hall site in recent years, which due to the configuration of the site and listing of the main Town Hall building have not been financially viable.
5. The development options proposed within this report acknowledge the constraints of the site, hence being purposefully designed as an independent development to the Council offices in the current main car park location as shown in Annex 1. The development options ensure traffic flows around the site integrate with each building's operational requirements as well as the town's one way traffic system and on-site parking provision.
6. As well as increasing the value of, and income derived from, the Council's property and assets, other Council priorities in the Five Year Plan include ensuring the Borough remains an attractive place to live work and do business, to encourage existing businesses to thrive and grow, and to attract new business. The Core Strategy outlines the Council's desire that, by 2027, the unique character and attractiveness of Reigate, and its town centre offer, will have been enhanced.
7. The Council is actively exploring opportunities to enhance Reigate, and to nurture the prosperity of the town. In particular, this is focusing on making the town a more attractive destination, home to top quality retailers, where shoppers and visitors and employees want to spend time; also on addressing some of the problems identified by local people and businesses, for example in relation to congestion and parking.
8. The presence of a national retailer on the Town Hall would make a positive contribution towards achieving these objectives.

Considerations

9. As referred to in (5) above the proposed mixed use development has been designed to consider the constraints of the Town Hall site whilst providing a scheme that meets retailer demand and maximises the Council's financial return.
10. A Nationally branded retailer with an excellent financial covenant has had a long standing requirement for a store in Reigate. The current retail provision in Reigate

does not provide the specific unit size and configuration needed to meet the retailer's requirements. The retailer will enter into a pre-let lease agreement with the Council which will mitigate any post development vacancy concerns if the unit could not be let.

11. The main driver for the development has been to provide an 857 sq m retail unit at ground floor level. However to maximise development opportunities a mixed use development is considered to be suitable for the site. Two options have been considered for the upper parts, office accommodation and residential development.
12. Upon receipt of advice from commercial and residential agents about rental and sales values, the office scheme has been dismissed due to financial viability and site constraints which prohibit a sufficient level of parking being available to meet both the retail and office requirements. However a residential development of 23 units above the retail unit has proven financially viable. The retail rent and residential sales values are detailed in the exempt information at Part 2 of this Agenda.
13. Development Management and the Council's Conservation Officer have been consulted about the proposed design and their observations and comments have been factored into the proposed scheme design, height and overall size. The proposed scheme meets the requirements of both the Planners and Conservation Officer.
14. More generally, the proposed store would help improve the retail offer within Reigate, contributing to wider planning and economic policy objectives including enhancing the attractiveness of the town to local residents, employees and visitors.
15. The Council has realised a number of successful lettings on the Town Hall site, realising significant income gains and reductions in rates and maintenance costs. However, the lettings have also required the allocation of car parking. The creation of the store will reduce the car parking in the main Town Hall site by approximately 50 per cent, from 96 to 49 spaces. Over the whole site (including Redcross and North Car Parks, parking would reduce from 132 to 129 spaces. For a detailed breakdown of current parking allocation, see Annex 2, within in the exempt information at Part 2 of this Agenda.
16. Of the 129 car spaces on the overall site a minimum of 37 spaces must be retained for direct council use and a further 29 spaces for existing tenants. A further 30 spaces will be allocated to the retail unit during shop trading hours, which will leave a surplus of 21 spaces for priority staff. All other staff parking will need to be located off site in the town's public car parking areas.
17. Ways to improve the availability of car parking in Reigate Town Centre is currently being considered with an extension to Bancroft Road car park being investigated as one potential option. It is anticipated this could create between c. 90 to 200 additional car parking spaces in the Town Centre, if constructed.

OPTIONS

18. Option 1 – Proceed with the development of a retail store option only with a pre let agreement to a National Retailer. This option provides a significant financial return

and meets the Councils objectives of providing where possible long standing revenue income streams from its property assets. This is not the recommended option as it is not the most financially viable.

19. Option 2 – Proceed with a mixed residential and retail development, **this option is recommended**. This is the most financially attractive development option creating a larger capital receipt and an income stream to the Council at nil cost.
20. Option 3 – Retain the car parking on site in its existing configuration and create additional car parking spaces where the demolished South Annex used to stand and let all surplus spaces for contract parking. It is anticipated there will be 45 surplus spaces. This is not the recommended option as it will not facilitate a development that maximises capital receipts or revenue income from Council assets.

LEGAL IMPLICATIONS

21. Section 1 of the Localism Act 2011 confers on Local Authorities general powers of competence to engage (inter alia) in commercial activities even if these are for profit making only (with certain provisos).

FINANCIAL IMPLICATIONS

22. Full financial information is set out in the in the exempt information at Part 2 of this Agenda.
23. The recommended option complies with the Council's financial priority to optimise its finances as set out in our medium term financial plan.

CONSULTATION

24. Executive Members and Development Management have been consulted on the proposals both formally and informally.
25. The Legal Services Manager and Chief Finance Officer have been consulted on the contents of this report

Background Papers: None



SCALE BAR

REV. C - 09.03.16 - DRG. ATTACHED TO EXEC. REPORT

Client: REIGATE AND BANSTEAD COUNCIL

Project: RETAIL AND RESIDENTIAL DEVELOPMENT

Site: CAR PARK SITE, REIGATE TOWN HALL, CASTLEFIELD ROAD, REIGATE

Content: GROUND FLOOR LEVEL

date: 19 FEBRUARY 2016

scale: 1:200 @ A1

ALL DIMENSIONS TO BE CHECKED ON SITE

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