Cabinet

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Report Subject	**Town Centre Vision (TCV)** **Durley Road Site Development Plan**
Meeting date	15 October 2014
Cabinet Portfolio	Councillor John Beesley, Council Leader and Portfolio Holder for Resources
Corporate Lead	Bill Cotton, Executive Director, Environment & Economy
Service Director	Roger Ball, Director, Environment & Regeneration Services
Status	Public
Classification Key Decision Impacts on Key Policy Framework	For decision Yes No
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Executive summary	1. This report sets out the development proposals for a landmark residential scheme of up to 80 units on Durley Road Cark Park A copy of the Site Development Plan which sets out the detail and development assumptions is attached at Appendix A. 2. Bournemouth's Town Centre Vision is set to transform the town centre into a more vibrant and attractive place for leisure, living, learning and business. Bournemouth Development Company llp ("BDC"), the joint venture between the Council and Morgan Sindall Investments Ltd, has so far completed two development projects at Madeira Road and is due to complete the development at Leyton Mount in the spring of 2015. 3. In January 2014 Cabinet approved the BDC Business plan which identified the sites to be developed as part of the next phase of this ground breaking initiative. One of the sites earmarked to start the development process in 2014/15 is Durley Road car park.
Recommendations	**Cabinet approves the Durley Road Site Development**

	Plan, a copy of which is appended at *Appendix A.*
Reasons for recommendations	1. The Town Centre Vision is a key priority for the Council, as part of its Thriving Economy and Improving Environment priorities. Delivering a landmark building at an important gateway into the town centre is seen as central to the recognition of Bournemouth as a World Class destination and a demonstration that the Council is working with the private sector to build a better Bournemouth. 2. Bournemouth Development Company ("BDC") a joint venture between the Council and Morgan Sindall Investments Ltd ("MSIL") is by way of a Limited Liability Partnership ("LLP"). The LLP Members' Agreement provides that the Council must approve certain stages in the process of the development of sites in the town centre, and this is why Cabinet is being asked to consider and make the decision as set out above in the recommendations. 3. Stage 1 of the process must be approved by the Cabinet on behalf of the Council, and this relates to approval of a Site Development Plan (SDP). If the Durley Road Site Development Plan is approved by the Council, it will enable BDC to commit substantial resources into project development. 4. If the Site Development Plan is approved BDC will undertake stage 2 in the process. This consists of a number of pre construction tasks including pre application consultation and submitting a planning application. Such an application is likely to be submitted in the summer of 2015. 5. Once planning permission is granted there will then be clarity over the detail of the scheme. Stage 3 of the process will be when BDC seeks approval from Cabinet for the proposed Site Lease Value (commonly known as Land Value) and any other property transactions such as granting a long lease. It is anticipated that this report would come before Cabinet towards the end of 2015.

Background detail

1. Durley Road is the latest development to be brought forward by BDC. The proposal is for a residential apartment block of between 50 and 80 units made up of 1, 2 and 3 bed apartments and associated car parking in line with the recently adopted Area Action Plan.

2. The key aims of the Durley Road development are to deliver a number of objectives of the Town Centre Vision:

   "*ensuring new development is sustainable, well designed and responds to the positive characteristics of the Town Centre"; "provides an overall mix of uses in order to encourage people to come to the Town Centre more often and stay longer"; "ensure the Town Centre becomes a more attractive place to live for a wider range of people, by offering a mix of quality new homes and community facilities that support an increased population".*

   This development aims to meet a number of objectives in terms of:

   - Regeneration (including maximising the town's full economic potential, competitiveness, and creating a great place to live);
   - Design and Standards (by bringing forward a contemporary design to this important strategic gateway to the town centre);
   - Delivery (including responding positively and quickly to market demand for a good quality landmark residential scheme);
   - Commercial (delivering an appropriate level of financial return both as capital and revenue, and capturing profit through direct development).

   A key requirement of both the Town Centre Vision and the Area Action Plan is to ensure that the number of car parking spaces across the town are maintained at around 6,400 spaces and demand currently stands at around 60% of capacity. There are approximately 5000 off street spaces in the town centre of which 112 are currently situated at Durley Road car park. The AAP provides that car parking numbers of certain sites within the town centre are to be increased (such as at West Hill) allowing other car parks to be developed. Under the Area Action Plan, Durley Road car park is one of the sites that has been identified as a site where public car parking is to be removed to allow development to take place. At present Durley Road car park is predominately used as a short term car park and the usage depends on the time of year. A detailed demand survey has been undertaken, the results of which are set out on page 8 of the SDP.

Purpose of the Development

3. As a long-term programme shaping the future of Bournemouth town centre, the Vision will be delivered through a number of different processes. The

Council's own role is central in setting the Vision, defining planning policy, funding public amenities and developing an attractive public realm as well as providing leadership for the Vision.

4. Development of the Durley Road site is an opportunity to deliver a landmark scheme which promotes best in class architecture at this very important gateway to the Town. The strategic significance of creating a well recognised building of high architectural merit on the western edge of the town centre, with its close proximity to the beach is key to demonstrating to the development community and to other potential investors that Bournemouth is leading from the front and raising the standard of architecture and building quality.

5. An early priority for the Vision is strengthening the competitiveness of Bournemouth and market confidence in Bournemouth as a place to invest. One sector that BDC has identified as capable of attracting investment into the Town Centre is a high quality residential scheme close to Bournemouth's award winning beaches and gardens that adopts not only the most innovative construction techniques and materials but also reflects the way people like to live. Market expectations have risen and people demand a lot more from their homes and the way that they function. BDC aims to set the bar high with this landmark development which it is hoped other developers and investors will seek to follow and in time, better.

6. Following consultation with Council Officers, BDC appointed Stubbings Property Management, a niche residential consultancy to undertake a market appraisal of residential development of this site. The report concluded that "with correct marketing, Durley Road could be very successful; it has the potential for a good mix of apartments and prices for the market place"

7. The proposal is based on the premise that BDC will take full demand risk on the project. Based on the recent success of the sales of units on the Leyton Mount residential scheme in which 34 out of 64 units have been sold/reserved at 8 October 2014, BDC feels confident that such demand risk is within acceptable limits despite recent soundings that the market is consolidating after a relatively buoyant 12 months.

8. Whilst the site is close to large scale residential developments of up to 14 storeys in height, the Durley Road car park sits within a conservation area. BDC has therefore carried out a detailed development appraisal for both a low rise scheme and a high rise scheme. A decision will be made in consultation as to which scheme best fits the needs of this important strategic site.

9. Two draft development appraisals have been prepared based on a high rise elegant landmark development, and a low rise development. The development appraisals present the outline view and will require further work to arrive at the final business case stage. The draft development appraisals are prepared to ensure the finances of the development make it worthwhile. The Council benefits from the release of the value of the land which it provides to BDC in the form of a loan note and a 50% share of the

distributable profits. At this early stage, the value of the land depends on the agreed final development appraisal and is subject to negotiation. The draft development appraisals therefore talk about the benefits of the development in terms of a combined land value which represents the Council's investment in the project, and the development profits that are shared. Therefore the higher the land value the lower the profits and vice versa.

10. The draft development appraisal based on a high rise elegant landmark development is set out in first section of appendix A of the SDP. This shows that the likely sum available to meet the Council's land value and BDC profit is circa £4m.

11. The draft development appraisal based on a low rise development is set out in the second section of Appendix A of the SDP. This shows that the sum available to meet the Council land value and BDC profit is circa £3.2m.

12. In addition to land value, the Council would also benefit from a 50% share of the BDC distributable profit and potentially the New Homes Bonus, if this initiative continues into the next government. With these returns comes an exposure to the risk of selling homes into the open market. This risk will be managed by Bournemouth Development Company. As part of the planning process an independent assessment will be undertaken by the District Valuer to ensure that BDC complies with the Council's affordable housing policy.

13. One of the issues facing BDC is planning risk. Following a pre-application meeting with Planning and Urban Design Officers, BDC is relatively confident that planning permission will be achieved for a modest 4/5 story scheme which uses the vast majority of the site footprint. Thus far there has been no formal pre-application discussions regarding a taller and more elegant landmark building. Such a building will take up a smaller building footprint which will allow more of the site to be used to enhance the street scene and greatly increase the land available for landscaping and also capture the increased value that will flow from residential units that will have the benefit of far reaching coastal views from the Isle of Wight to the Purbecks. Although it is difficult at this stage to determine with any great certainty how the planning authority will view such an application and where public opinion will fall, BDC is prepared to take sensitive steps and undertake a transparent process in order to deliver a landmark building. BDC aims to run a comprehensive consultation exercise once scheme outline designs have been signed off against strict viability criteria. Only once this consultation exercise is complete will a decision be made as to what type of residential scheme will be submitted for planning, which is anticipated to be in the summer of 2015. BDC will enter into a planning performance agreement with the local planning authority.

Consultation

14. An initial consultation process with the public regarding the Town Centre Vision was undertaken in the summer and autumn of 2008. Comprehensive consultation was also undertaken on the Town Centre Area Action Plan which

established the development framework for the Town Centre. Further public consultation will be undertaken as part of the Durley Road planning process.

Options

15. BDC has considered other options for the site, which is identified in the AAP for residential or tourist accommodation. Detailed viability analysis of a care home scheme was conducted, testing a number of assumptions as to density and massing. Carterwood, a specialist care home advisor, carried out an initial market analysis and concluded that there was demand for such a scheme. However, because of the location of the site and its important role in defining the western gateway to the town it was felt that such a proposal did not contribute to the overall vision of creating a town for the 21st century.

Summary of financial/resource implications

16. The financial and resource implications for BDC are;

    Initial Development Costs

    Morgan Sindall Investments Ltd on behalf of BDC will be responsible for managing the initial development stages which will include submitting a detailed planning application and carrying out design to RIBA stage D. The cost of undertaking these activities are estimated to be between £600-£750k. These costs will be met by BDC either from its own resources or by way of a loan from Morgan Sindall Investments.

17. The financial and resource implications for Bournemouth Borough Council are;

    Land Value

    The Council will receive a land value for the car park which will become the development site and it is likely to be invested into a subsidiary of BDC as loan capital. The amount of the loan capital will be determined when there is more certainty over development revenues and costs. Unlike a conventional capital receipt on the sale of land, the Council will have to wait until the completed development has been sold before it receives the capital receipt.

    Car Parking Income

    Until that time the Council will continue to enjoy the car parking income. The gross income received from the car park averages £58K per annum and this will be forgone once the construction work commences, placing a pressure on the revenue budget of the Council. There may be some displacement of car parking income to other Council car parks in the vicinity such as West Hill Car Park. It would be prudent to assume therefore that there could be a loss of up to 50% of the current income as drivers find alternative parking solutions. The Council would therefore have to forgo a loss in car parking income, but will gain a capital receipt and potentially a

significant profit on the development. In addition to the potential loss of income there is also the need to consider the capital cost and timing of replacing lost spaces.

A more detailed report outlining the final proposed development and a more detailed estimate of the land value and Council's profit share will be presented to Cabinet prior to the final sign off of the development. At this stage these financial implications are intended to provide an outline of the total financial returns of the proposed developments.

18. Development Surplus

The latest development appraisals prepared by Morgan Sindall Investments who are acting as the BDC development manager show that there is a development surplus in the range of £3.2-4.0 million. This development surplus will be used to meet the Council's land value and to meet BDC's profit. As the Council is a joint owner of BDC, the Council will be entitled to 50% of any distributable profit from BDC.

Summary of legal implications

19. The legal obligations of the Council and Morgan Sindall as members of BDC are set out in a limited liability partnership members agreement which was negotiated as part of an EU Procurement Process undertaken in 2009/10. The delegations policy contained in the limited liability partnership Members' Agreement requires the individual site development plans to be approved by the Council. The Council is not obligated to release the land for development until such time as the viability tests set out in the option agreement between BDC and the Council are met which is estimated to be in the later part of 2015.

Summary of human resources implications

20. Under the terms of the BDC Members' Agreement, the Council and Morgan Sindall have delegated authority to the six board representatives. There are three from the Council and three from Morgan Sindall. These board representatives are responsible for delivering the individual site developments.

21. BDC has appointed Morgan Sindall Investments as the Development Manager to manage the day to day activity for all town centre developments undertaken by BDC, including the Durley Road scheme. The Development Manager is tasked with implementing BDC Board decisions and reporting on progress.

Summary of environmental impact

22. A key objective of the TCV is to reduce the town centre's carbon footprint, whilst improving its competitiveness. The Vision presents many

opportunities to do this, including the possibility of combined heat and power systems facilitated by a large scale and planned programme of world class design and innovation to deliver buildings and places in sustainable ways. Associated transport solutions will also promote sustainable modes including greater use of public transport, cycling and walking. Environmental impact analysis indicates that the process is likely to have a positive impact both in terms of the public realm and carbon footprint.

Summary of equalities and diversity impact

23. The Equality Impact Needs Assessment indicates that the TCV provides substantial opportunities to create a positive Equalities Impact, particularly by improving accessibility of the town centre.

Summary of risk assessment

24. As a major programme of the Council, the TCV has been subject to a full Risk Assessment. The key development risks are;

    - Investment Risk including the risk that the development is non-profit making. This risk will sit with BDC.

    - Pre Construction Risk including planning, design and funding risks. If BDC fails to obtain planning then the costs incurred will be wasted and the abortive costs will need to be rolled over to another scheme which will make that scheme either less viable or reduce the profit.

    - Construction Risk including late completion and cost overruns. BDC will enter into a fixed price lump sum contract with the building contractor to mitigate the effects of such risk falling into BDC account.

Background papers

Reports to Cabinet
Town Centre Master Vision
25 February 2009, 17 December 2008, 8 October 2008, 18 June 2008, 20 February 2008, 22 July 2009, 23 June 2010, 17 November 2010 29
http://archive.bournemouth.gov.uk/main/Minutes_Agendas/Cabinet.asp
15 February 2012, 12 September 2012, 16 January 2013
http://www.bournemouth.gov.uk/CouncilDemocracy/Councillors/BoardsPanels/Cabinet.aspx
After selecting the appropriate cabinet date and report, please select ‘files’ from the toolbar.

Appendices

Appendix A

Stage 1 draft Durley Road Site Development Plan