Cabinet

8

Report Subject	**Town Centre Vision (TCV)** **Winter Gardens Site Development Plan**
Meeting date	14 October 2015
Cabinet Portfolio	Councillor John Beesley, Leader and 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
Report author	Martin Tiffin, Town Centre Vision Programme Leader ☎ 01202 451138 martin.tiffin@bournemouth.gov.uk
Executive summary	1. Bournemouth's Town Centre Vision is now well underway with £40 million of development completed, over £160 million of development currently in the construction phase and £200-£300 million of development planned in the next 2 to 3 years. 2. Cabinet has approved the Bournemouth Development Company (BDC) Business plan which identified the sites to be developed as its contribution to this ground breaking initiative. One of the sites earmarked for development in 2015/16 is the Winter Gardens car park. The area has had many uses over the years and in recent times has been used mainly as a surface car park. The recent developments in the area including the new cinema complex on former Exeter Road car park and the new Hilton Hotel on Terrace Mount are going to substantially transform the visual and physical connectivity of the site to the central gardens and also shift the entertainment and leisure centre of the town. The impact of the cinemas moving out of Westover Road in October 2016 is also a factor in this expected shift. 3.BDC in conjunction with the Council have explored different development solutions for the site and have concluded that the most appropriate use of the site is a mixed use scheme with an exciting combination of retail, community use and residential

	with significant public realm. The proposal also increases the current public car parking from the current 250 spaces to 400 spaces. 4. Whilst the Winter Gardens site is owned by the Council and constitutes over 90% of the wider assembled site there is potential to acquire an adjoining site in order to fulfil a comprehensive re-development of the area. The precise terms of this potential acquisition are yet to be agreed but options include an outright purchase of adjoining land, a joint venture or land swap all of which are being discussed with the owner. 5. BDC are actively seeking potential operators to develop part of the site fronting Exeter Road into cultural/ leisure uses in order to bring forward the Council's aspiration to create the first phase of the grand garden walk public realm initiative. 6. The legal obligations of the Council and Morgan Sindall Investments, as members of BDC are set out in a limited liability partnership members' agreement ("LLP MA"). The delegations policy contained in the LLP MA requires the individual site development proposals to be approved by the Council. This is termed the *Stage 1 Site Development Plan.*
Recommendations	**Cabinet approves the Stage 1 Site Development Plan for the Winter Gardens a copy of which is attached at Appendix 3.**
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 between 200-400 residential units and building a new 400 space multi storey public car park in the town centre is seen as pivotal to meeting the Council's long term objectives of having more people living in the town centre in good quality accommodation and having state of the art car parking facilities in key strategic locations 2. With extra people living in the town centre the additional spend in the town is expected to add £3 to £4 million to the local economy. The 400 space car park is predicted to generate revenue of between £200-250K pa for the Council. Quality public spaces will ensure that this part of the Grand Garden Walk is a place in which residents and visitors alike will want to spend time.

Background detail

1. The key aims of the development of the site are to deliver the town centre vision objectives of more people living in the town centre in high quality affordable accommodation and in line with the Area Action Plan, provide around 400 public car parking spaces on the site as well as private car parking for the residential element.

2. If Cabinet approves the stage 1 site development plan, BDC will then be authorised to undertake stage 2 of the development process which involves undertaking a detailed market analysis; detailed design work; further consultation; seeking planning permission; seeking funding and develop a detailed development proposal. This proposal will outline the proposed breakdown of uses including the target audiences along with the commercial drivers and business case for proceeding with the development.

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 will be 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. An early priority for the Vision is strengthening the competitiveness of Bournemouth and instilling market confidence that Bournemouth is a great place to invest and do business.

Consultation

4. 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. A public consultation exercise on the development proposals for the Winter Gardens will be undertaken as part of the planning process. BDC will enter into a planning performance agreement. A drop in session for Council Members was held on 24 August and the 30 September to help explain how this proposed development fits into the wider Town Centre Vision and in particular how the returns the Council will enjoy from the Winter Gardens development could be employed in helping to create a world class destination at the Bath Road car park sites.

Options

5. Any leisure facilities such as cafes and restaurants which form part of the mixed use scheme are likely to be situated on the Exeter Road frontage of the site so that these can work in harmony with the leisure offer on the adjacent former NCP car park site at Exeter Road. The precise mix of uses on this frontage may be influenced by the success of the cinema led development which is due for completion in the latter part of 2016 and the findings of the leisure and cultural demand study. It is likely that connectivity will be enhanced via public realm provision within the boundaries of the site.

6. The plan attached at annex 2 shows the extent of the Council's land ownership. The area edged blue is in the ownership of Inland Homes PLC. It is intended that an acquisition of this land will be negotiated, hopefully without the need to employ compulsory purchase powers, in order to bring forward a comprehensive re-development of the enlarged site. There is also the potential for a joint development with Inland Homes as a minority partner or possibly a land swap with an alternative Council site. Equally it is possible for BDC to bring forward a scheme just on the land currently owned by the Council without inclusion of the Inland Homes land.

Summary of financial/resource implications

7. Revenue

The initial sums required to meet the pre construction costs will be met by either Morgan Sindall Investments Limited or the Council providing a loan to BDC. The predicted pre construction costs are estimated to be in the range of £2.8m-£3m. The pre construction costs include undertaking initial design work, a planning application, followed by further design work and undertaking a tender exercise to calculate a fixed price lump sum for the building work. Under the terms of the BDC members agreement MSIL have agreed to loan BDC the sums required to meet the pre construction costs. Equally, the Council could offer to loan these sums in part or whole.

8. Property

Depending on the type of financing arrangement, the Council's land interest in the Winter Gardens may be transferred to a BDC nominated entity (parties to be identified but including the Council and Morgan Sindall Investments). This land transfer will not take place until such time as the building works are due to commence. This is predicted to be in the first half of 2017. Until that time the Council will continue to enjoy the car parking income, however, there will be a need to recognise that ongoing income from this car park will be affected.

9. Land Value

The predicted development surplus which is the difference between the total development value and the total development costs will only be determined once the scheme layout has been settled. The amount of surplus to be attributed to land value will be a matter to be considered by the BDC Board. The final land value will need to be approved by the Council once all of the costs of the scheme are known. This is likely to be once the scheme has planning permission, the detailed design has been completed and the fixed price for building out the scheme has been through a tender exercise. This is likely to be in the first half of 2017. Once stage 2 (securing planning permission and funding and arriving at a fixed price build contract price) is complete a further cabinet report seeking the Council's approval to land value will be submitted.

10. Development Profit

The predicted profit from the scheme is a matter to be considered by the BDC Board once all of the scheme variables become known and fixed. The amount of distributable profit will depend upon what other costs BDC are likely to incur and whether it is seen as prudent to repay outstanding loans such as the loans from MSI to fund ongoing BDC operational costs. The Council is entitled to 50% of any distributable profit. Once stage 2 is complete a more accurate estimate of the level of profit will be available.

11. New Homes Bonus, s106 and other contributions

Provided there is not a change in government policy the Council may be entitled to receive *New Homes Bonus* once the development is completed. The precise level of s106 and CIL contributions will not be known until such time as the scheme layout has been determined and planning permission is granted. There may be significant off-site contributions to meet wider demands for leisure and cultural uses in the Town Centre Master Vision.

12. Finance

The precise financing structure will not be known until a full market testing exercise has been undertaken to ensure that BDC is able to secure the most beneficial financing package. Early indications following a soft market testing exercise undertaken by BDC indicates that there is market appetite to fund the scheme. Detailed funding proposals will be considered by BDC during stage 2 of the development process.

Summary of legal implications

13. The legal obligations of the Council and Morgan Sindall investments Ltd 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.

Summary of human resources implications

14. BDC has board representatives from the Council and also from Morgan Sindall Investments Ltd. These board representatives are responsible for delivering the individual site developments.

15. BDC has appointed Morgan Sindall Investments Ltd as the Development Manager to manage the day to day development activity. The Development Manager is tasked with implementing BDC Board decisions and reporting on progress.

Summary of environmental impact

16. 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

17. 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 and harnessing substantial resources for the provision of homes which are affordable to first time buyers.

Summary of risk assessment

18. As a major programme of the Council, the TCV has been subject to a full Risk Assessment. In relation to this particular development the key risks are;

- Investment Risk including the risk that the development is non profit making. This risk can be mitigated if parts of it are pre sold, in other words the scheme is sold to an institutional investor before construction works on site commence. The Residential element of the scheme does however expose BDC to significant market risk. By undertaking the residential element in stages it is intended that this market risk can be mitigated to avoid creating an oversupply and building units that meet end users/purchaser's requirements.

- Pre Construction Risk including planning, design and funding risks. If BDC fails to obtain planning then the costs incurred will be abortive. Any abortive costs will need to be rolled over to another scheme which will make that scheme either less viable or generate a reduced 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 being held by BDC.

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
15 February 2012, 12 September 2012, 16 January 2013
http://archive.bournemouth.gov.uk/main/Minutes_Agendas/Cabinet.asp

Appendices

Appendix 1
Summary of the Winter Gardens Site Development Plan

Note to Members of Cabinet

Bournemouth Development Company llp is a separate legal entity from the Council.

Development Proposal

A mixed use scheme providing around 200- 400 residential units with cultural/leisure uses, along with a 400 space public car park.

Utilisation of Development Surplus

The BDC Board representatives have yet to agree the split between Land Value and Profit.

Exit Strategy

BDC will enter into a binding construction contract, prior to commencement of construction following a detailed tendering exercise.

Multi Storey Car Park. The objective is that the Council will retain the management of the car park. The funding will be sourced from the Council or through an institutional investor with a Council Lease.

Commercial/Leisure space. The objective is to create a forward funded pre-let assets. Direct engagement with institutional investors has indicated an interest in securing these assets.

BDC will take demand/sales risk on the disposal of the residential units.

Programme

Public Consultation	Q2 2016
Planning Application	Q3 2016
Planning Approval	Q1 2017
Start construction work on site	Q2 2017
Practical Completion of different phases	Q3 2018 - Q4 2020

Appendix 2

Key
Winter Garden Site
Inland Site
Banked Area
Vehicle access
Pedestrian access
0 10 20 30
Scale 1:1000
COMMENT
EXETER CRESCENT
CRANBORNE ROAD
TRINITY ROAD
PRIORY ROAD
BOURNEMOUTH INTERNATIONAL CENTRE ROUNDABOUT

Appendix 3
Copy of the Winter Gardens Site Development Plan

BournemouthDevelopmentCompany

SITE DEVELOPMENT PLAN Stage 1

Site 6
Winter Gardens

01 October 2015

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1. Executive Summary

Site

The Winter Gardens site is approximately **1.86 hectares gross/1.33 hectares net developable.** Additional land (0.15 Hectares) owned by Inland Homes Plc. and currently occupied by two buildings – Keystone House and 20 Exeter Road, is also to be incorporated into the development site, following purchase of this element. This would make the entire site approximately **1.48 hectares net developable**. The overall developable area has been reduced to 1.48ha due to tree and vegetation coverage and steeply banked areas to the boundaries of the site which total 0.53 hectares.

Scheme

The proposal for the site is to develop a high quality landmark **mixed-use scheme** made up of predominantly private ownership apartments and penthouses, with potentially an element of private rented and also serviced apartments, a number of restaurant/retail/community uses, a quality small supermarket/large convenience store along with associated public and residential car parking all set within a high quality hard and soft landscaped scheme and public/private realm. The indicative development appraisal has been predominantly based on a 100% open market residential sales scheme with the private rented and serviced/holiday apartments to be sold as all inclusive but separate lots, similarly (and linked) to the restaurant/retail investments.

Planning

Informal meetings and also presentations and a drop in session have been held with senior members of the Bournemouth Borough Council Planning team and a number of Councillors at which initial design concepts were presented. Their comments were considered very positive and have been taken into account during further design and feasibility work since then. It is intended to support the planning application for the site with a wider Leisure, Entertainment, Retail & Culture demand study of the town.

Development Plan

Initial viability indicates a development appraisal showing:

No. of residential units (inc. PRS & Serviced/Holiday)	400
Commercial (restaurant/retail/community uses)	6-8 Units
Public Car Park (cost/value neutral)	400 spaces
Private Residential Car Park	In the region of 450 spaces
GDV	£132m
Build Costs inc Professional Fees	£87m
S106/CIL/Commuted Sums approx. (+ £6.5m car park re-provided and accounted for in Build Costs above)	£5m
Sales, Marketing & Finance Costs	£10m
Total Development Costs	£102m
Development Surplus (land & profit – under analysis)	£30m

Alternative Scenario Analysis

Given the various historic planning applications/permissions upon the site in recent years we have explored the inclusion of an element of leisure use within the latest development proposals. However, it is felt that inclusion of any leisure element would be detrimental to the scheme as a whole both in terms of design, quality, amenity and land use on the site specifically and to the wider proposals BDC have for the town centre sites generally. It is also questionable whether a further leisure use on the site would be marketable or commercially viable given the commencement of the West Central scheme adjacent to the subject site. Consequently whilst these alternatives for the site have been considered it is the intention to further examine any remaining demand for these in detail through the planning process and via the proposed wider Leisure, Entertainment, Retail and Leisure study of the town in order to support the application for the new development proposals for the site.

Wider Economic Benefits

The development of this site will meet a number of the objectives defined in the Town Centre Vision and the LLP Members Agreement in respect of Regeneration, Design Quality and Delivery. The following knock-on benefits are also anticipated:

- Boost further investment in the town creating and consolidating a high quality residential, commercial and leisure quarter for the Exeter Road area of the town centre when considering this complimentary proposal to the new Hilton & West Central developments.
- Encourage improvements in current housing stock, renewed interest in town centre living, resultant higher footfall and ultimate boost to day and night time economy.
- Improved visuals, aesthetics and architectural style and form from surrounding roads and wider reaching views from the town centre, creating a positive and high quality landmark statement to the surrounding streets and townscape and skyline.
- Local job creation during construction and following completion. Potential to support the BIC in wider conferencing aspirations due to proposals for serviced/holiday apartments and restaurant uses.
- New Homes Bonus for reinvesting into Bournemouth.

Programme

Whilst the programme is potentially dependent upon purchasing Inland Home's interest and definitely upon the time taken for planning and approval decisions, target dates are set for a phased development of the Winter Gardens site as follows:

- BDC approval to Stage 1 – June 2015
- Council approval to Stage 1 – October 2015
- Planning application – Early Summer 2016
- Planning Approval – Autumn 2016
- Option Execute date – 2016
- Start on site – Early 2017
- Practical Completion (Phased) – 01/04/18 -01/10/20

Exit Strategy

The residential units will be sold on the open market. The blocks of private rented, serviced/holiday apartments with commercial/retail uses will be pre-let/pre-sold/forward funded and dependant on construction phasing plan will be developed first in conjunction, ideally, with the multi-storey car park. A structure will be put in place for the management of communal areas and flats and relationship with the commercial and car parking uses and public realm/landscaped areas. A full sales and marketing budget and methodology will be used to manage the phased selling process and minimise risk. A budget of [3.5%] of GDV has been estimated to meet a sales rate of [3.5] units per month for open market sales.

2. Property Details

2.1 Location Summary & Adjacent Land Uses

The site is located on Exeter Road, adjacent to the BIC, Royal Exeter Hotel, new Hilton (& Hilton Hampton) Hotels & Redrow 45 unit apartment development (The Summit) and diagonally opposite the new West Central leisure development (12 screen cinema & 12-15 restaurant units) with a number of other bars and restaurants located in close proximity. The site is also bounded by Tregonwell and Cranbourne Roads which are both predominantly occupied by residential and hotel accommodation. In part hotels located on Priory Road also bound the site at high level as well as a council owned car park which is currently leased to the Fairmount and Collingwood hotels.

Additionally to the Hilton and West Central developments, Taylor Wimpey have commenced on site with a flatted cliff top development named Coast (86 units) on Priory Road. A revised residential planning application has been submitted on a former hotel site on Tregonwell Road and the former Punshion Church opposite the BIC has also been granted planning permission for a residential led scheme of predominantly studio and one bed apartments (107 units – 45 of which are to be holiday apartments) with 2 retail/restaurant units, demolition has now completed and a revision to the planning permission has been lodged to convert the holiday apartments to private sale.. The Trouville hotel located above and adjacent to the site also holds a historic planning consent for the redevelopment of its car park for 40 apartments and a site adjacent to this has historic planning permission for a 'Hotel School' with a revised application to include an extension to the BIC car park.

Bournemouth's mainline railway and bus station are approximately 3km to the east of the site and the main Square is located about 300m from the site.

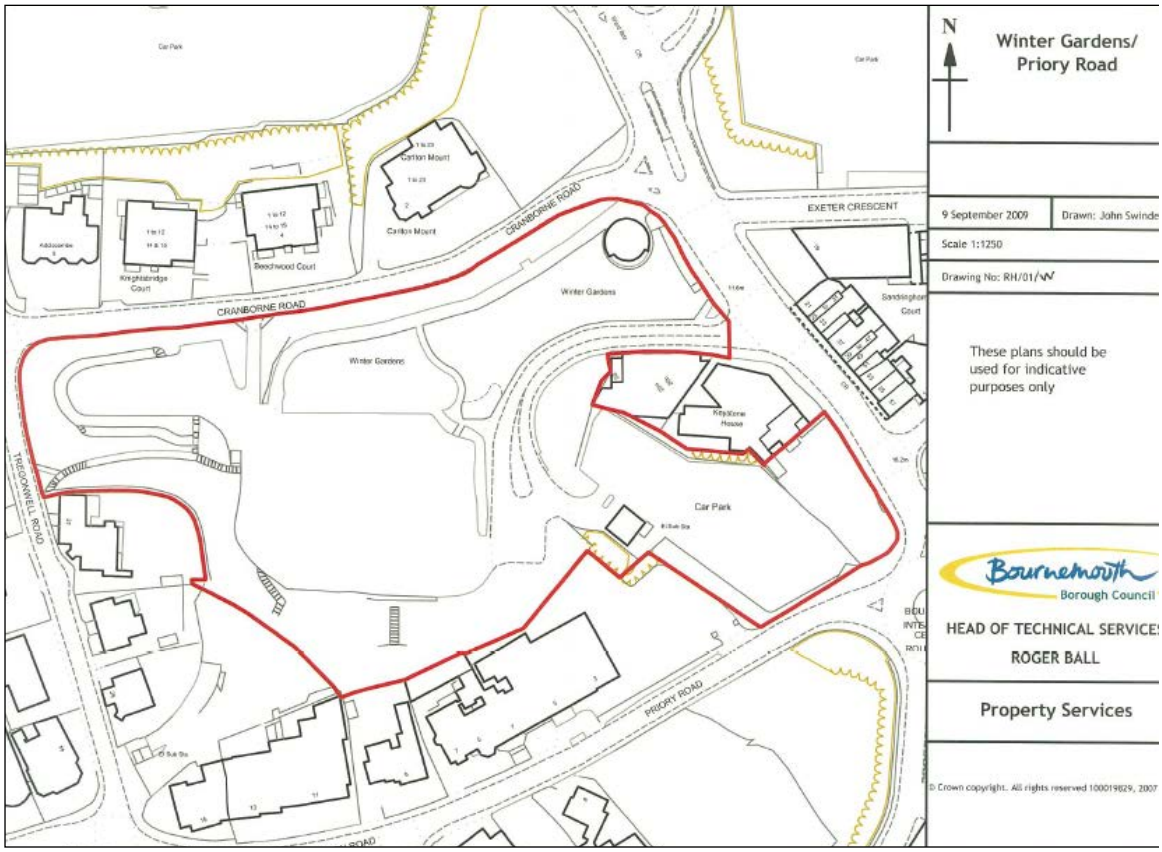


Figure 1: The Winter Gardens Site Boundary Plan

2.2 Description of Property

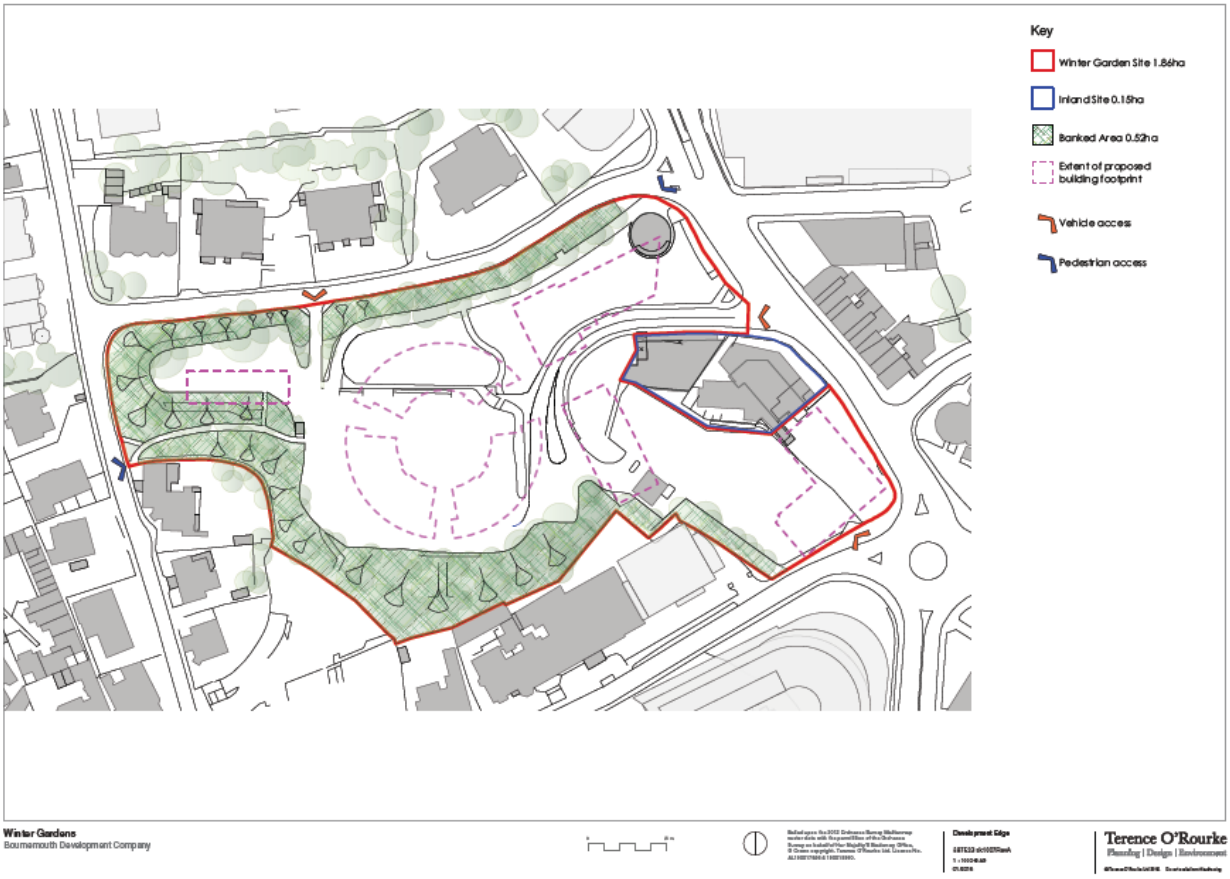
The current use of the site is a temporary, surface public car park, spread over four separate areas due to topography. Additionally a disused crazy golf course occupies part of the site as well as a restaurant unit, two further buildings, one accommodating two restaurants and a bar (20 Exeter Road) and one accommodating a serviced office facility (Keystone House) with additional car park. The Winter Gardens site is approximately 1.86 hectares gross, however 0.53 hectares is covered by steep wooded banks, therefore net developable area is approximately 1.33 hectares. An additional 0.15 hectares developable area is occupied by Keystone House and 20 Exeter Road giving a total potential developable area of 1.48 hectares.

Whilst the site has topographical challenges a re-grading exercise will be undertaken as well as designing built form to also work with the levels where practical, meaning that views across the town centre and lower gardens will be achieved from most levels as well as far ranging sea views from higher levels of the proposed development. The topography of the site gives distinct advantage in that the wooded banks will provide seclusion and privacy to many elements of the proposed development as well as pleasant outlook. However a significant topographical and shadowing study will be needed to ascertain the best solution to maximise views and outlook as well as stabilization of the wooded banks.

2.3 Third Party Land Issues

BDC understands the entirety of the Winter Gardens site is in Council ownership. However a small portion of the overall proposed development site (approximately 7.5%) is occupied by Keystone House and 20 Exeter Road which are owned by Inland Homes Plc. It is intended that this land interest would be purchased early in the project. However interchangeable development proposals have also been designed which would negate the need to purchase this element, albeit purchase would be the preference. There is also a dedicated public right of way running through the main Winter Gardens site which would be beneficially re-routed elsewhere on the site.

Figure 2: The Winter Gardens – Developable Areas



2.4 Title Due Diligence

Other than those detailed in section 2.3 BDC are not aware of any easements, way-leaves or restrictive covenants affecting the site or constraints to development however a full title search will be carried out in due course.

2.5 Land Interest to be Transferred

Bournemouth Borough Council will grant a lease to BDC for a term of 150 years, in the form prescribed by the Option Agreement. The land will transfer to an SPV in the name of BDC.

The land will be drawn down in accordance with the Option Agreement. If different tenures are built, then the site may be subdivided to suit the different structures that may be required.

2.6 Land Assembly

None, other than that proposed by the acquisition of the Inland Homes site. This will either be:

- By way of a negotiated outright purchase early in the project
- By way of a joint venture agreement with a land value paid when planning is achieved and a share of profit paid at the end of the development.
- By way of a masterplan coordinated on or off site land swap.

Additionally the land occupied by the Collingwood and Fairmount hotels and council car park all on Priory Road, at high level above the site, is currently being explored to ascertain if acquisition would be beneficial in terms of both development and alternative access/egress potential and shared Town Centre/West Cliff addresses.

2.7 Surveys

Relatively current topographical and arboricultural surveys have been used (and updated) to guide the layout of the site. Given the previous planning history on the site it is anticipated that all previous survey and technical report data where relevant/up to date will be re-used (assuming reliance and novation/assignment is provided by the relevant consultants) in order to potentially save programme time and cost.

2.8 Car Parking

There is a requirement to re-provide 400 car parking spaces at The Winter Gardens as the site is currently occupied in part by a temporary public car park. It is anticipated that the re-development proposals will provide up to 400 public spaces along with 450+ private spaces (for the private residential) in a multi-storey podium structure below the main residential buildings to the rear of the site. This structure will utilise in part the existing/re-graded levels of the site in order to hide most of the bulk and mass of the car park. The car park will ideally be naturally ventilated with landscaping and private/public realm capping the structure to enhance amenity and setting of the residential above. The multi-level car park structure would then enable elevation of the residential buildings above acting as a platform in order to maximise the unit numbers which will benefit from long ranging sea, townscape, Purbecks and New Forest views.

3. Scheme Details

3.1 Scheme Overview

The proposal is to provide a mix of apartments totalling up to 400 units, predominantly all of these will be of private tenure however an element may be included within both a private rented investment block and also a serviced/holiday apartment block. Additionally there will be 5-8 restaurant/retail units and a convenience food store. The 850 space car park will be hidden to the rear of the site below the development and all elements will be interlinked via extensive hard and soft landscaped public/private realm and gardens potentially interspersed with water features and some public art. These areas in turn will then ideally link with the public realm areas provided by the Hilton and West Central developments giving a wider synergy to this newly developed area of the town.

The current concept indicates a residential mix of up to 400 units (studios, 1, 2 & 3 bed apartments and penthouses)

The residential element of development is designed to attract interest from; young professionals (singles & couples) working in the town and other local centres, families, parents with children at university, active retired residents, second/holiday home owners, with potentially investors to rent (PRS block) & holiday/serviced/conference residents (in one self-contained block) . Other tenures such as key worker homes may be considered depending on financial implications and the availability of grants/ funding, although it is anticipated that an off-site affordable housing commuted sum contribution may be agreed.

The commercial element envisages occupancy of the restaurant/retail units by upper middle market operators to set these apart from the more mainstream restaurant operators to be accommodated in the West Central development. If viable it would be the intention to also re-accommodate the two locally owned Italian restaurants currently operating from the site. A quality small supermarket/convenience store offer would also be provided to service the residents of the development, the wider West Cliff area, and the town centre generally.

The development would be phased with a number of the blocks pre-sold/forward funded to speed capital receipt, ease development finance and mitigate risk.

3.2 Contribution to Town Centre Master Vision Objectives

The proposed development will directly contribute towards Objective 11 of the Town Centre Master Vision; '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.' It will also be in line with Objective 2; 'Ensure new development is sustainable, well designed, and responds to the positive characteristics of the Town Centre.'

The objectives of the Bournemouth Development Company are closely aligned to those of the Town Centre Vision.

The development of this site will be in line with the BDC strategy and meet a number of the objectives defined in the LLP Members Agreement in respect of:

Regeneration:

- By maximising the full economic potential of the site
- Improving Bournemouth's competitiveness as a place to live
- Increasing the number of town centre residents
- Drive the demand for new homes and jobs in the town centre
- Kick-starting (and compliment) wider regeneration in the area
- Improved landscaping

Design and Standards:

- By delivering a development that is innovative in design and quality
- Delivering sustainable buildings integrating social, economic and environmental goals
- Retain, conserve and enhance the architectural style of the town

Delivery:

- To bring forward development on sites in phases within a timescale which responds positively and quickly to market demand

Commercial:

- To deliver an appropriate level of financial return to the Members, both as capital and revenue
- To capture profit through direct development rather than pure land transfer

3.3 Specification Overview

High quality specification and design throughout all elements of the development to maximise aesthetic, design, value and benefit to the town.

3.4 Phasing of Development

It is likely that the development will be phased, with the commercial, PRS & holiday/serviced apartments being completed and sold early in the scheme and the remaining residential potentially phased in blocks. Due to the podium nature and location within the development of the car park it is likely that this would need to also be constructed as an early phase. This phasing will be subject to a more detailed phasing and construction plan.

3.5 Local Market Commentary

Engagement with local agents has indicated the requirement for quality homes for residents within Bournemouth Town Centre.

The Winter Gardens site is located in a part residential/part commercial (restaurant/hotel/leisure) area of the town which is currently going through a major renaissance, improving architectural style and quality, street and townscape, public and private amenity, economic and social benefit. The Hilton and West Central developments have enhanced and added commercial investment value to this area and a number of residential developments ('The Summit' by Redrow and Coast by Taylor Wimpey) are achieving record off plan sales revenues. Strong predominantly off plan sales have also obviously been experienced on BDC's Citrus building elsewhere in the town which is now fully sold and completed.

3.6 Town Planning and Compliance with Council Policies

The Winter Gardens site is identified within Policy A31 of the Bournemouth Town Centre Area Action Plan as a location suitable for a mixed use scheme that primarily comprises of leisure, cultural, entertainment and residential uses. Amongst other things, the TCAAP also states that proposals must:

- Provide a 400 space public car park.
- Ensure the car park has a positive appearance
- Ensure that any transport requirements do not conflict with the Grand Garden Walk, with no vehicle exit onto Exeter Road.
- Provide a strong active frontage and buildings to address Exeter Road.
- Enhance the public realm along Exeter Road.
- Incorporate a new public space as part of the scheme.
- Ensure the existing public right of way is maintained.

The current proposals for the site have been designed to comply fully with the above bullet point items.

In terms of the wider aspirations for the site to incorporate leisure, cultural, entertainment and residential uses it has been discussed in the Executive Summary reasoning for the departure in part away from some of these uses with the current scheme proposals. Whilst the inclusion of all of these uses has been explored within the current scheme it is felt that given the various stalled/extant historic planning applications/permissions upon the site in recent years any major element of leisure use within the latest development proposals would not be viable for a number of reasons. It is also felt that inclusion of any leisure element would be detrimental to the scheme as a whole both in terms of design, quality, amenity and land use on the site specifically and to the wider proposals BDC have for the town centre sites generally. It is also questionable whether a further leisure use on the site would be marketable or commercially viable given the commencement of the West Central scheme adjacent to the subject site.

Consequently this latest scheme for the Winter Gardens site has been designed to factor in a number of these required uses but in different proportions and as part of an overall high quality design proposal. Whilst the scheme will now be predominantly residential led it will also have strong elements of leisure/entertainment with street cafes and upper middle market restaurants with some retail. This will ensure an active and vibrant contribution to the day and night time economy of the locality, much increased footfall, higher concentration of residents living within the central area and a scheme which compliments and enhances the other new developments within the immediate locality and wider town centre generally, working well with the Grand Garden Walk proposals. It is considered that setting the proposals for the Winter Gardens in this way will mean that greater benefit and viability will be enabled on the other central sites being promoted by BDC (Westover Road, Bath Road North & South specifically). Further complimentary town centre uses could then be spread over these sites rather than being focused just on the Winter Gardens/Exeter Road area. It is therefore intended that considerable off site commuted sum contributions will be made available from the Winter Gardens development (subject to minimum profit threshold being met) to bring forward these wider sites in order to aid viability and meet the TCAAP requirements, albeit in a different manner spatially. It is also envisaged that further commuted sums will be made available for off-site affordable housing provision. In these instances it is intended that any application will be supported by a wider leisure, entertainment, retail and cultural demand study for the town (relative to a number of BDC sites). Early and on-going detailed negotiation and dialogue will be entered into with BBC Planning on the overall cohesive mixed-use application for the Winter Gardens whilst also drawing on learnings and data from past applications in order to promote and bring forward a landmark proposal which best meets the current requirements for the wider town centre given recent development activity and provides a catalyst to bring forward other BDC sites and additional investment in the central area.

3.7 Planning performance agreement (PPA)

BDC will enter into a planning performance agreement (PPA) to provide greater certainty and transparency in the process for determining this planning application. This will help to ensure that a clear and efficient process is in place for dealing with an application; encourage joint working between the applicant and the planning authority; and can also help to bring together other parties such as statutory consultees.

3.8 Pre-application Consultation

Following a number of informal discussions with Bournemouth Borough Council we recognise that a comprehensive application will need to come forward on the site. It is also recognised that whilst the development proposals do not on the face of it fully comply with the Town Centre Area Action Plan that in actual fact a large element of leisure provision is now already underway on the West Central development adjacent to the Winter Gardens. It was further recognised that a wider leisure, entertainment, culture and retail demand study will need to be undertaken on a town wide basis to ascertain what/if any further demand existed for these uses and if so the better suitability of other BDC central sites for this such as Westover Road and Bath Road North & South sites. The planning application documentation submitted for the Winter Gardens will therefore deal with this matter in more detail and it is anticipated that a potential commuted sum may be made available as a contribution towards facilitating provision of leisure & entertainment (if demand is identified) on these BDC follow on sites.

3.9 Affordable Housing Provision

The provision for affordable housing will be discussed with the planners, it is anticipated that an off-site commuted sum contribution will be negotiated.

3.10 Communications & Stakeholder Engagement

In addition to consulting with the Urban Design Team, BDC will discuss the scheme with the following:

- Ward Councillors
- Council Officers
- Surrounding land users, businesses and residents
- BCTC
- Dorset Police

Our PR advisers will be engaged to lead a full public consultation in advance of submitting the planning application.

3.11 Alternative Options Considered

In developing a scheme for this site the team have considered alternative uses as well as alternative scenarios, which have been summarised as follows:

<u>Leave as a Surface Car Park</u>

- Does not meet the wider Town Centre Vision objectives

<u>Develop a Leisure led rather than Residential led mixed-use development</u>

- Whilst this would comply more fully with the TC AAP allocation for the site it is felt that given the West Central development adjacent a large amount of leisure demand has been satisfied and that further large scale provision on the Winter Gardens would not be marketable due to lack of further demand and that therefore this would present uncertainty of delivery and commercial risk.

- It is also felt that if future leisure demand did still exist following the completion of West Central then this would be better placed on other BDC sites such as Westover Road and Bath Road North & South therefore ensuring these sites are viable and come forward more quickly and add footfall and vitality to this central area of Bournemouth.
- There is an under provision of quality restaurants within Bournemouth and consequently it is felt that provision of these units on the Winter Gardens would enhance the town's restaurant offer as well as contributing positively to this quasi leisure/dining activity and enhancing and working in a complimentary way with the locality given the Hilton development, quality of the wider Winter Gardens proposals and location of the West Central Development in terms of pre and post film dining over and above the more mainstream/fast food dining offers proposed there.

- It is felt that the number of residential units is important on this site, providing as many homes as possible within the town centre is key to both the regeneration of the area, commercial viability of the site and consequently higher return levels to the partners.

3.12 Wider Economic Benefits

It is considered that The Winter Gardens proposals will have a wider economic benefit to the area surrounding the site and the rest of Bournemouth and will enhance and compliment the other current developments within the locality.

The high quality design will encourage current stock to improve its quality as well as ensuring new stock is built to an equally high standard in order to compete within the market.

There will also be a hard and soft landscaping and public realm solution planned within the scheme which will provide a positive visual impact on the street scene along Exeter Road, working with the wider public realm around the Hilton and West Central developments and providing a landmark focal point on the townscape and skyline.

The project will create many construction related jobs over a number of years and the resultant increased numbers of people living in the town centre will support retailing and local services as well as the retail and restaurants proposed in immediate adjacency.

There will be an economic benefit to the Council in terms of the New Homes Bonus that they will receive which can then be reinvested back into Bournemouth Town Centre.

Tangible benefits

	BDC	***Council***
Land capital receipt		✓
Profit	✓	✓
S106 contributions/CIL/Commuted Sums/Car Park		✓
Domestic/Business rates		✓

Intangible benefits

	Town Centre Vision	***Council***
Third party investment	✓	✓
Public realm improvements	✓	✓
Confidence	✓	✓
Increasing visitors, residents	✓	✓
Increased trade	✓	✓
Job creation – construction phase	✓	✓
Job creation – post construction	✓	✓
Quality of life: health, happiness	✓	✓
Pride in the Town	✓	✓

4. Delivery Strategy

4.1 Strategy for Delivering the Scheme

The land holding tenure will be established and put in place for the draw-down. The land will be subject to a 150 year lease for open market sales.

BDC will work up and submit a detailed planning application at its own risk.

4.2 Design, Professional and Delivery Team (Supply Chain)

The main contractor, sub-contractors, suppliers and consultants will be procured in accordance with the Supply Chain Procurement Policy Option A, as set out in the Members Agreement.

MSIL, acting as Development Manager, will manage the procurement, appointment and performance of the following supply chain for Site 6:

– Main contractor	– Subject to procurement policy
– Construction sub-contractors	– competitively tendered from agreed shortlists
– Architect	– Brightspace (Fordingbridge)
– Planning	– Savills (Wimborne)
– Structural/Civil Engineer	- Calcinotto (Poole)
– Transportation	– Mayer Brown (Woking/IOW)
– Cost consultant/ Employer's Agent	– Ridge (Winchester)
– CDM co-ordinator	– Will run with Architectural appointment
– Building control	–Borough of Bournemouth & Poole (LABC framework)
– Topographical surveys	– tbc
– Arboriculture	– CBA
– Geotechnical Investigations	– tbc
– Acoustic	– tbc
– Tax	– KPMG/tbc
– Legal (PCSA)	– tbc
– Legal (Transaction)	– tbc

5. Development Plan

5.1 Development Appraisals

The indicative development appraisal summary, based on a residential led mixed use scheme, for this site will be made available under separate arrangements.

Scheme Assumptions

- Up to 400 residential apartments to be delivered (mix of studio, 1, 2, 3 bed and penthouses).
- 5-8 restaurant/retail units including a small supermarket/large convenience store.
- The development revenue is based on current day values derived from market comparables.
- Project equity, including land value, is returned to the Members once debt has been re-paid.
- Loan notes and profits will be distributed following agreement by the BDC Board.

Total Development Costs

- Construction costs are estimated to be £77m inc. £6.5m for the re-provision of public car park.
- We have included appropriate allowances for known site specific costs but full site investigation surveys will be required to identify any abnormal requirements, although it is the intention to use existing technical reports and data where possible.
- Professional fees include an allowance for architect, structural engineer, quantity surveyor & EA, mechanical and electrical engineer, planning and transport consultants. The fees have been categorised into advanced sums expended prior to site drawdown and other fees.
- Advanced sums interest has been assumed at 6.5%, 5.5% above Libor. Senior debt interest rate is assumed at 5.5%.
- We have prudently allowed for S106/S278/CIL/Commuted Sums and associated costs at £5m. Although this is provisional and subject to negotiation. The new public car park will also re-provided to the council (build cost £6.5m).
- We have included the Development Manager fee of 5% on all advanced sum costs, except finance, as provided in the Development Management Agreement (DMA).
- The development appraisal is yielding a strong and positive development surplus of £30m which is currently being appraised in more detail and will be further informed in due course. This surplus accounts for the land value (including purchase of Inland Homes site) and profit arising from the development. The profit will be equal to [16%] of the total development costs.

5.2 Viability Test

The viability test for The Winter Gardens will be undertaken for the purposes of the contract post satisfaction of the Funding Condition and prior to the Option Conditions Longstop Date. It will be satisfied at the time if:

- The development surplus will be set out in the development appraisal.
- The DMA Development Fee will be set out in the development appraisal.
- The resultant residual land value having regard to the definition of market value in the Option Agreement is a positive figure.

In addition a value for money report will be prepared by our QS and a viability report will be provided to the District Surveyor if required through planning.

5.3 Existing Use Value

The existing use value of the car park will be provided from the most recent council revenue data. However, we have assumed that the residual value arising from the development appraisal is the market value for the use proposed and agreed through the Site Development Plan.

5.4 Programme

The programme is dependent on the time taken for planning and approval decisions. Target dates for Site 6- The Winter Gardens:

- BDC approval to Stage 1 – June 2015
- Council approval to Stage 1 – October 2015
- Planning application – Late Spring 2016
- Planning Approval – Summer 2016
- Option Execute date – 2016
- Start on site – Early 2017
- Practical Completion(Phased) – 01/04/18-01/10/20

5.5 Exit Strategy

The residential units will be sold on the open market. The proposed blocks of private rented, serviced/holiday apartments with commercial/retail uses will be pre-let/pre-sold/forward funded and dependent on construction phasing plan will be developed first in conjunction with the multi-storey car park. A structure will be put in place for the management of communal areas and flats and relationship with the commercial and car parking uses and public realm/landscaped areas in terms of estate management/concierge. A full sales and marketing budget and methodology will be used to manage the phased selling process and minimise risk. A budget of [3.5%] of GDV has been estimated to meet a sales rate of [3.5] units per month for open market sales.

5.6 Development Risk

Risk is continually reviewed and will continue to be evaluated at all stages. Key risks are summarised as follows:

- Planning – obtaining consent for a scheme which can be implemented within the constraints of the adopted SDP and budget.
- Rights of light; daylight / sunlight and overlooking of adjacent buildings.
- Site Investigation – abnormal site constraints arising from ground instability and cost of remedial substructures; trees and bank stabilisation.
- Construction – inflation is currently forecast in development appraisal.
- Delay by/increase in other abnormal costs.
- Sales – securing the sales on the residential units at completion and pre-sale of commercial (restaurant/retail) PRS & serviced apartments

5.7 Profit

A target profit of [16%] on total development costs is to be set within the development appraisal reflecting both the risks involved in this large scale, phased development and current market conditions.

6. Financial Appraisal

The financial assumptions contained within this Site Development Plan have been structured to maximise the returns to the LABV and its partners arising from the development of The Winter Gardens and to meet the Council's objectives for the regeneration of Bournemouth.

The development appraisal and cashflow adopts current costs and sales values.

6.1 Budget

The indicative financial projection for the scheme will further evolve and includes indicative & estimated numbers which will be further updated once the scheme has been designed and progressed in detail.

An **Advanced Sum Budget of £2.84m** is estimated to be required to work through to the end of stage 3. Included within this budget will be a sum of **£1.26m** relative to design work required to take the scheme through planning. This indicative advanced sums budget is detailed below. It is intended that further accuracy of this required budget will be finalised through a detailed tender process involving the required consultant's/surveys/reports for this stage of the project. Accordingly all core consultants (3-4 parties in each discipline) have been interviewed (with some indicative appointments now made) and fee quotes & proposals are currently being collated.

Description	Stage 1	Stage 2	Stage 3
The Winter Gardens	"Stage 1" Project Appraisal	"Stage 2" to Planning	"Stage 3" Contractor Procurement
Design and Professional Fees		£1.23m	£1.58m
Total Accumulative Costs	£31k	£1.26m	**£2.84m**

(Please note the above does not include any deferred costs accountable within the Development Appraisal and costs are cumulative)

6.2 Financing Structure

The initial working capital requirement on this site, relating to advanced sums required to bring the site forward for development will be funded by MSIL in return for Advanced Loan Notes. It is anticipated that the council will consider making fund available through loan notes for the advanced sums and this will be discussed further at a later date should they so desire.

At Option Drawdown the land will be transferred to BDC and any miss-match will be addressed with a cash match, by either party, to achieve pari passu. Further funding required will be structured as the cashflows are developed.

At sales completion the loan notes will be repaid and profit will be distributed evenly between the two parties.

6.3 Sensitivity Analysis

Key issues to be tested at the next stage will include:

- Quantum of units/mix of uses
- Further analysis of site abnormals/constraints
- Construction costs/methodology & phasing
- Car park strategy
- Planners feedback and any resultant effect on buildability
- BCIS construction inflation
- Market value

6.4 Sales Assumptions

It is assumed that a sales rate of [3.5] units per month is achieved, with sales commencing at the end of construction. It is anticipated that the commercial (restaurant/retail) space, PRS and serviced/holiday apartments are pre-sold, with potentially a further block of 'active retired' also pre-sold.

6.5 Taxation Assumptions

At the next stage there will be a need to obtain specialist tax advise with regards to:

- Direct Tax
- Value Added Tax (VAT)
- Capital Allowances (CA)
- SDLT

KPMG have previously advised BDC and understand the complexities of the BDC structure. It is intended that they will be appointed directly to provide tax advice.