

RECORD OF EXECUTIVE DECISION

Monday, 21 December 2009

Decision No: (CAB 09/10 1664)

DECISION-MAKER:	CABINET
PORTFOLIO AREA:	Cabinet Member for Economic Development
SUBJECT:	Eastpoint Redevelopment
AUTHOR:	Sue Jones, Regeneration Team Manager

THE DECISION

- (i) Continue to support the principle of the redevelopment of the Eastpoint site by Eastpoint Centre Ltd; with Eastpoint Centre Ltd building the new Eastpoint on 1.5 acres as identified in Appendix 1 and, through a revised Tripartite Legal Agreement, Itchen College retain an option to develop on the site at a future date;
- (ii) Request Council (subject to the conditions listed below) to approve a sum of up to £3,000,000 to be added to the Economic Development Portfolio Capital Programme as a payment to Eastpoint Centre Ltd as compensation for the surrender of their current unexpired lease, to enable them to fund the building and servicing of their new Community, Training and Conference Centre. The Council will gain 5.19 acres with Itchen retaining an option to locate to the site until March 2011 or such other later date as may be agreed by the Chief Executive;

Recommendation (ii) is subject to the following:

- (a) Government Office for the South East (GOSE) and Department of Communities and Local Government (DCLG) approving funding allocation and release of the £2.5 Million in the Thornhill Plus You Delivery Plan for 2010-11, in time to allow Eastpoint to let its contract for the construction of the new Eastpoint and complete the spend of the TPY grant to Eastpoint before the end of the NDC programme in March 2011.
- (b) A Revised Eastpoint Business Plan being approved by both the Head of Finance and IT and GOSE, in addition to any final approvals required from GOSE and DCLG;
- (c) Eastpoint concluding any s106 agreement in order to achieve planning consent and issue of the decision notice and confirmation that there are no planning issues outstanding from the links with the Itchen College outline planning consent;
- (d) the successful completion of the revised Tripartite Legal Agreement, which sets out the land deal for the Eastpoint site, the option for

Itchen College to still locate to the site and the Council's position

- (iii) Grant to Itchen College an option to locate to the site until March 2011, or such other later date as the Chief Executive may decide, upon such terms as the Solicitor to the Council considers reasonable;
- (iv) Approve subject to Council recommendation (i) below, expenditure of up to £3,000,000 for the surrender of the Eastpoint Lease;
- (v) Request Council to add £130,000 to the Capital Programme for the demolition of the old Eastpoint centre following the construction of the new Eastpoint building and services, and the vacation of the old Eastpoint Centre.
- (vi) Require Eastpoint Centre Ltd (and Itchen College should it in future go ahead on the Eastpoint site) to submit to the Council a Community Plan setting out how the facilities developed on the site will be available for the use of the wider community. This plan will cover the ten year period commencing when the facilities are open for use and will include both recreational and educational activities. The outline of this plan, covering the key principles, will be in place before the land transactions are completed respectively for each development;
- (vii) delegate authority to the Assistant Chief Executive (Economic Development and Regeneration), following consultation with the Cabinet Member for Economic Development and Regeneration, Executive Director of Resources, the Solicitor to the Council and Head of Property Services and Procurement to negotiate, and agree conditions of the redevelopment in the general terms outlined in the report, to resolve and implement anything necessary to effect the proposals contained in this report, including agreeing amendments to the Tripartite Legal Agreement underpinning the land deal for the site;
- (viii) To note that this Cabinet decision supersedes all previous Cabinet decisions regarding Eastpoint redevelopment.

REASONS FOR THE DECISION

1. Revisions required to the funding of the new Eastpoint due to Itchen College loss of funding source.
2. Value for money for the Council's Funding.
3. Sale and Lease back agreement between Thornhill Plus You and Eastpoint Centre Ltd.
4. Benefits to the Council of Gap Funding Eastpoint.
5. Future Council responsibility for the vacated Eastpoint Centre.
6. Need to secure the Council's commitment at this time.
7. Revised Eastpoint Business Plan.
8. Revision to the Land Deal: The Tripartite Legal Agreement.
9. December 2009 decision to supersede all previous Eastpoint decisions.

DETAILS OF ANY ALTERNATIVE OPTIONS

The Council Does Not Approve the Funding

If the Council does not approve the funding to enable the transaction proposed, in this report, then it is doubtful that the new Eastpoint will be built. It is unlikely that Eastpoint could attract the level of commercial borrowing required, and the banks would wish to secure the first charge on the property, thus, reducing the security of TPY's funding. TPY would be left in the last year of their programme with a large sum of unallocated money, which they would be unlikely to be able to re-programme, and the funding would be lost to the benefit of the Thornhill community. TPY's successor body would lose the opportunity to gain a regular source of income from the proposed sale and lease back agreement currently agreed between Thornhill Plus You and Eastpoint Centre Ltd. They would also have to find and pay for new office accommodation and its support. If Eastpoint is not built then the Thornhill community loses a valuable new community asset and an important flagship building, which is going to be visible proof of the regeneration of the area and a boost to local morale.

Funding the financial gap with alternative grant funding

There are currently no grants available to meet the size of the funding deficit. Also due to State Aid regulations the conference and training centre cannot be funded using public grant money. It must be money to pay for a commercial transaction like the one proposed in this report.

Seeking Commercial Funding to cover the gap

It is highly unlikely that the application for a commercial loan of this magnitude would be successful, since the enterprise although run as a commercial business has local community regeneration and social benefit as the recipient of its profit. Eastpoint Centre Ltd have prepared bids to two banks, but further work on this has been postponed, since it required further investment of £50,000 in order for the banks to consider them. As previously stated previously commercial lenders insist on having the first charge on property and therefore, other investors, such as TPY in this case, have little protection for their investment.

Council sells the site on the open market

There is no guarantee within the short timescale available that a successful outcome could be achieved. The timing of selling the site would not be good given the fall in property prices and activity due to the economic recession and a site would not necessarily realise its value.

OTHER RELEVANT MATTERS CONCERNING THE DECISION

Confidential Recommendation (ii) (e) as set out in the report approved.

CONFLICTS OF INTEREST

None.

CONFIRMED AS A TRUE RECORD

We certify that the decision this document records was made in accordance with the Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2000 and is a true and accurate record of that decision.

Date: 21st December 2009

Decision Maker:
The Cabinet

Proper Officer:
Judy Cordell

SCRUTINY

Note: This decision will come in to force at the expiry of 5 working days from the date of publication subject to any review under the Council's Scrutiny "Call-In" provisions.

Call-In Period expires on 31 Dec 2009

Date of Call-in *(if applicable) (this suspends implementation)*

Call-in Procedure completed *(if applicable)*

Call-in heard by *(if applicable)*

Results of Call-in *(if applicable)*