

DECISION-MAKER:	CABINET		
SUBJECT:	CHAPEL RIVERSIDE – APPOINTMENT OF A DEVELOPER		
DATE OF DECISION:	21 OCTOBER 2014		
REPORT OF:	LEADER OF THE COUNCIL		
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STATEMENT OF CONFIDENTIALITY

Appendices 2 & 3 of this report are not for publication by virtue of category 3 (financial and business affairs) of paragraph 10.4 of the access to information procedure rules as contained in the Constitution. It is not in the public interest to disclose this information because it comprises financial and business information that if made public would prejudice the Council's ability to operate in a commercial environment and obtain best value during negotiations.

BRIEF SUMMARY

This report advises on the outcome of marketing the former Town Depot Site, now known as Chapel Riverside, and seeks authority to appoint a development partner for the site. The site is shown edged red in Appendix 1.

RECOMMENDATIONS:

- (i) To approve the sale of the site to the recommended bidder, Developer A, as set out in confidential Appendix 2 and to delegate authority to the Head of Development, Economy and Housing Renewal to negotiate the final terms and conditions, and;
- (ii) In the event that Developer A withdraws or does not complete a Development Agreement with the Council within an agreed timescale to approve the sale of the site to the reserve bidder, Developer B, set out in confidential Appendix 3, provided that the Head of Development, Economy and Housing Renewal, in consultation with the relevant Cabinet Member, considers this to be in the Council's best interests; and to delegate authority to the Head of Development, Economy and Housing Renewal to negotiate the final terms and conditions.
- (iii) To authorise the Head of Legal and Democratic Services and the Head of Property Services to make all necessary arrangements to make the site available for sale and to enter into the required legal documentation.

- (iv) To Authorise the Director of Place to take any further action necessary to give effect to the decision of Executive in relation to this matter.

REASONS FOR REPORT RECOMMENDATIONS

1. The site is surplus to Council requirements and there is potential for major development which will have wide ranging economic, social and financial benefits.
2. There is the potential for the development to act as a catalyst for further regeneration of the Itchen waterfront in accordance with the emerging master plan for this area. This identifies a package of measures designed to grow and support the maritime sector and wider economic growth in Southampton.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

3. Sell the site unconditionally for immediate capital receipt. It is most likely it would be used for open storage or industrial uses which would not respond to either City Centre Master Plan or City Centre Action Plan objectives.
4. Retain ownership and rent the site: As above, this would not offer a long term solution and the potential for wider economic, social and financial benefits.

DETAIL (Including consultation carried out)

5. Chapel Riverside has an area of 3.6ha and 500m of water frontage along the River Itchen. It was previously the site of the Town Depot which was moved to Dock Gate 20 in 2011. An area of the site remains occupied by the Street Cleansing and Community Payback Teams. The site is currently being rented for short term temporary parking associated with the port. This is a challenging site in terms of potential contamination, it also accommodates three large water tanks and a pump house which are managed by Southern Water. The plan in Appendix 1 shows the sale boundary in red, the area that remains occupied edged green and the water tanks/pump house edged purple.
6. In 2010, the site was marketed for a regional leisure facility. The developer withdrew from the project due to problems with scheme feasibility. In 2013, a new, alternative brief was prepared for residential and marine related uses as a catalyst for longer term regeneration of the Itchen Riverside.
7. Priorities for the site are public access to the waterfront, links to the surrounding area, high quality/ sustainable design and the need to overcome a significant number of constraints, notably, a solution for the water tanks so that new development can be sold around them. Following further marketing under an EU compliant process, 24 parties expressed interest, 4 responded to a pre-qualification questionnaire and 2 bid for the site.
8. The 2 bids have been evaluated and Heads of Terms for both an Exclusivity Agreement and Development Agreement have been discussed and agreed in principle with both parties. As part of the evaluation, discussions have taken place with key stakeholders such as Southern Water, The Environment Agency, Southampton Sea Scouts, Southampton Rowing Club, St Mary's Church and the owners of American Wharf, the historic grade 2

listed building to the north of the site.

9. It is recommended that the Council appoints Developer A (details set out in confidential Appendix 2) and proceeds to finalise the Exclusivity Agreement and Development Agreement. As developer B's proposals are similarly credible (confidential appendix 3), it is further recommended these are reconsidered and approved if developer A withdraws or fails to sign the Development Agreement within an agreed timescale, likely to be within one year. This would be subject to an assessment, in consultation with the relevant Cabinet Member that this was in the best interests of the Council. The signing of a new Exclusivity and Development Agreements with the Council would follow.
10. There are a number of significant abnormal development costs. Neither party has offered an upfront receipt, instead, there is the prospect of a share of any financial surplus once the development is completed. It is envisaged that LEP and DEFRA funding for flood mitigation will assist and other funding opportunities will need to be explored. The Council will seek to partner Developer A through the Development Agreement to maximise these opportunities when they arise.
11. It is expected that the site will be vacant and available to Developer A under a building lease from the end of October 2016. The Street Cleansing and Community Payback Teams that occupy part of the site will need to be relocated in advance of this date. The remaining part, currently let on a temporary basis for parking associated with the port, will be available from 31 October 2016.

RESOURCE IMPLICATIONS

Capital/Revenue

12. Due to the necessary commitment from the developer to pay heavy infrastructure costs to set the site up for development, including a solution for the water tanks, there is no upfront capital receipt available to the Council. Instead, any surplus amount once developer profit is taken into consideration, will be shared with the Council once the scheme is built.
13. The delivery of the scheme will be managed by the Council's in house City Development Team with support from Capita (Property and Procurement Services) and Pinsent Mason (Legal Services). A project budget has previously been agreed by Cabinet, totalling £116,000, to support the Council's external costs. However, the appointed developer will reimburse the Council's total projects costs (internal and external) up to a maximum of £250,000, and it is estimated that costs will not exceed this amount.
14. The site is currently let to Southampton Cargo handling on a temporary fixed term lease until 31 October 2016 generating a current income of £93,750 rising to £125,000 per annum from 1 November 2015.

Property/Other

15. The disposal is consistent with the Corporate Property Strategy as the site is surplus to requirements. As the value of the site is driven by the obligations in the Development Agreement and there are no guarantees of any receipt to the Council, the sale could be deemed to be at less than best consideration.

The potential undervalue is not expected to trigger the need for Secretary of State approval but there will be a need to appropriate the land to the relevant holding powers such that it can be sold under the General Disposal Consent Order (England) 2003. Part of the site is held under the Public Health Acts and this will need advertising to appropriate to an alternative holding power.

16. Options for relocating the Street Cleansing and Community Payback Teams on alternative sites are currently being investigated, including City Depot. The implications of relocating these services will be addressed in a separate Cabinet report to be presented in early 2015.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

17. The relevant powers for disposal will be either s.123 of the Local Government Act 1972 or s.233 of the Town and Country Planning Act 1990.

Other Legal Implications:

18. The Procurement process for the site has been undertaken in accordance with EU procurement law

POLICY FRAMEWORK IMPLICATIONS

19. The development of the site is in accordance with the Council's City Centre masterplan (Itchen Riverside) and the City Centre Action Plan, Policy AP 27 Town Depot.

KEY DECISION? Yes

WARDS/COMMUNITIES AFFECTED:	Bargate
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SUPPORTING DOCUMENTATION

Appendices

1.	Site Plan
2.	Information on Developer A – Recommended appointment
3.	Information on Developer B

Documents In Members' Rooms

1.	
2.	

Equality Impact Assessment

Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.	No
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Other Background Documents

Equality Impact Assessment and Other Background documents available for inspection at:

Title of Background Paper(s)

Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)

1.		
2.		