

Meeting: Council

Date: 10 May 2017

Wards Affected: All wards

Report Title: Delivery of student accommodation on part of Upton Place (Torquay Town Hall Car Park)

Is the decision a key decision? Yes

When does the decision need to be implemented? Immediately

Executive Lead Contact Details: Gordon Oliver, Mayor and Executive Lead for Regeneration and Finance, mayor@torbay.gov.uk / Richard Haddock, Executive Lead for Business, richard.haddock@torbay.gov.uk

Supporting Officer Contact Details: Pat Steward, Regeneration Programme Director, (01803) 208918, pat.steward@tedcltd.com / Kevin Mowat, Executive Head of Business Services, kevin.mowat@torbay.gov.uk

1. Proposal and Introduction

- 1.1 On 6 April 2017 the Council agreed a Transformation Strategy for Torbay's Town Centres, as an appendix to the 2013 – 2018 Economic Strategy, and the principles for delivery of that strategy. One element of that strategy included the delivery of student accommodation at Upton Place (part of the Torquay Town Hall Car Park), subject to approval by Council of a business case. This report presents that business case to the Council and seeks support for delivery of student accommodation on part of Upton Place.
- 1.2 Town Centre Regeneration is one of the Council's most important transformation projects. It has two key objectives:
- To deliver and enable significant and successful regeneration of Torbay's town centres, as a key part of Torbay's overall growth and place making agenda
 - To generate income to support the Council's budget in order to deliver local services.
- 1.3 The proposal is for the delivery by the Council of a turnkey 300 bed student accommodation building on part of Upton Place (Torquay Town Hall Car Park), for use by full time students based in Torbay. The proposed building would include accommodation, a dining area, social space and a gym. The education provider also needs some external space, close to the student accommodation, and has

requested use of the redundant basketball / netball courts on Upton Park, which it would bring back into use in line with the Upton Park Masterplan.

- 1.4 The headlines of that proposal are that the Council would prudentially borrow up to £14.2m to construct a student accommodation building, with the provider entering into a 25 year lease and paying an annual rent to the Council. The building is proposed to be ready for the start of the academic year in September 2019, subject to Council approval and planning permission.
- 1.5 The education provider has recently confirmed its interest to move forward with the project, to enter into a lease and has confirmed its acceptance of the principles of the proposal. They have not yet entered into any contract or formal agreement to lease.
- 1.6 Further work is needed, over the next two months, to refresh previous site investigation work (e.g. ecology, arboriculture, heritage), to produce more detailed designs and refine the costs of the proposed building. That work will ensure costs and income streams can be better defined, but design and appraisal work to date is based on a good knowledge of the site and is considered to be as robust as it can be at this stage.
- 1.7 The business case is included as Exempt Appendix 2 to this report. The figures within the Business Case in themselves provide a good case for delivery of student accommodation at Upton Place.
- 1.8 The financial returns, coupled with significant town centre regeneration benefits, opportunities for local businesses and the availability of alternative car parking near Upton Place, presents a very compelling case for delivery of this project. The development will result in a very small loss of car parking income, estimated at around £24,000 per annum under the current parking regime, with the majority of car parking being displaced to other nearby car parks. But this loss is a very small figure in comparison to the income that could be generated by student accommodation and, in any event, could be covered by displacement and/or changes to the existing parking regime.
- 1.9 This site has been the subject of, and gained planning permission for, redevelopment proposals including significant office / commercial space. The proposed student accommodation uses the same footprint and is of a very similar scale to the previously approved office / commercial space (see concept sketch drawings attached as Appendix 1). Based on these concept drawings it is anticipated that 104 of the current 190 car parking spaces would be retained following development.
- 1.10 The use of this site by a large format food retail store has also been explored previously. Subsequently the site has been identified for various forms of development in the Local Plan, in the Torbay Town Centre Masterplan and in the emerging Torquay Neighbourhood Plan.

2. Reasons for Proposal

- 2.1 The proposal is in accordance with the Council's Policy Framework including the Corporate Plan, Economic Strategy and the Transformation Strategy for Torbay's Town Centres. The proposal will help transform Torquay's town centre, as part of a wider place making agenda, which includes change and growth in Torbay.
- 2.2 The proposal will generate additional footfall and spend in Torquay Town Centre, with the knock on benefit of attracting further investment in the town centre.
- 2.3 The proposal will help meet the needs of a key business, in a key sector, in Torbay and will promote Torbay.
- 2.4 The proposal will generate significant revenue income to the Council, to help support town centre regeneration.
- 2.5 The proposal will not result in a significant loss of income from car parking and other car parks, in close proximity to Upton Place, have the capacity to absorb diverted demand.

3. Recommendation(s) / Proposed Decision

- 3.1 That prudential borrowing of up to £14.2 million to support the design and build of the student accommodation at Upton Place be approved.
- 3.2 That the Council enter into a 25 year full repairing and insuring lease, as detailed in the Business Case, subject to further negotiation, and with an option for the Council to sell the building within the lease period to the education provider.
- 3.3 That power be delegated to the Chief Executive, in consultation with the Chief Financial Officer and the Executive Head of Business Services, to agree the final details of the lease, following more detailed design work and further discussion with education provider.
- 3.4 That it be agreed, in principle, for the exclusive use by education provider of the redundant basketball/netball courts on Upton Park and that a final decision be made in accordance with the Constitution following further discussions with the provider.
- 3.5 That it be agreed, in principle, that some of the income from this project be used to finance the refurbishment of the Lower Union Lane Multi Storey Car Park and/or targeted public realm improvements (as set out in the Council's Transformation Strategy for Torbay's Town Centres), subject to Council's subsequent approval of separate business cases for the refurbishment and public realm works.

Appendices

Appendix 1: Concept sketch drawings of student accommodation at Upton Place

Appendix 2: Business Case for Upton Place

Section 1: Background Information

1.	What is the proposal / issue? 1.1 There is a need to secure purpose build accommodation for 300 students for the start of the academic year in September 2019. 1.2 A proposal has been made for the delivery by the Council of a turnkey 300 bed student accommodation building on part of Upton Place (Torquay Town Hall Car Park). The headlines of that proposal are that the Council would prudentially borrow up to £14.2m to construct a student accommodation building, with the provider entering into a 25 year lease and paying an annual rent to the Council. The building is proposed to be ready for use in September 2019, subject to Council approval and planning permission. 1.3 Further work is needed to refresh previous site investigation work, undertaken for past planning applications and development proposals, to produce detailed building designs and to refine the costs of delivering a student accommodation building. This will then allow further discussion and agreement with the provider, refinement of costs and the submission of a planning application. 1.4 Pace is critically important in the delivery of town centre regeneration. The Council has agreed (in April 2017) a Transformation Strategy for Torbay's Town Centres, including a package of proposals for each town centre, to help deliver growth and change in accordance with the Economic Strategy, Culture Strategy, draft Destination Management Plan and Local Plan. This proposal is in accordance with those strategies. It is important, especially with the provider's support for the proposal, to move forward with pace on the delivery of this project. 1.5 This report includes financial information and an impact assessment which shows the proposal is: <ul style="list-style-type: none">• A commercially attractive proposition for the Council, in terms of income generation• An important project to support town centre regeneration, with no overall adverse impact on parking capacity
2.	What is the current situation? 2.1 The Council has approved (April 2017) a Transformation Strategy for Torbay's Town Centres. The development of Upton Place, for student accommodation, forms part of that strategy. 2.2 The site has been the subject of soft market testing, since October 2016, with some investor / developer interest but also some concerns

	<p>about viability of development given perceptions of residential sales values.</p> <p>2.3 The site has previously been promoted for commercial / office use (with the benefit of planning permission) and for food retail purposes. There was insufficient market interest in food retail to support delivery.</p> <p>2.4 The site is currently used for car parking, generating income of just over £165,000 per annum at present. The car park is heavily used by commuters, many paying only £1 a day (via the Annual Commuter Permit) to park during office hours.</p> <p>2.5 The Homes and Communities Agency (HCA) is due to take possession of the Magistrate's Court site, from the Ministry of Justice, during the course of Summer 2017. The HCA will be seeking to deliver residential development within two years.</p> <p>2.6 A Masterplan has been produced for Upton Park. It has been supported by the community. The Masterplan seeks greater use of and safety within Upton Park, including new uses and lighting.</p>
<p>3.</p>	<p>What options have been considered?</p> <p>3.1 A range of options have previously been considered for Upton Place, including office / commercial space and for a large format food store. None of these options have been delivered, due to insufficient market interest.</p> <p>3.2 A number of new options have been considered for this site, as part of the work of the Town Centre Regeneration Programme Board. These include:</p> <ul style="list-style-type: none"> • Do nothing – continued use of the land as a car park. The Board is keen to ensure there is sufficient parking capacity to serve town centres, to support growth and regeneration. The Board recognises the importance of perception, by visitors and businesses, of a sufficient number of parking spaces. However, the Board is also aware of significant capacity in a number of Council owned car parks serving town centres. Consequently the Council's strategy for town centre transformation includes development on some Council owned car parks, including Upton Place. • Mixed use – soft market testing has included the option of residential (85 apartments) and commercial space (500 sq mts). Sketch schemes showed a similar form and footprint of buildings has gained planning permission for office / commercial space. This form of development gained some investor / developer interest, but there were also concerns about viability and sales values.

	<ul style="list-style-type: none"> • Health & Wellbeing Hub – The Torbay and South Devon NHS Foundation Trust has previously expressed an interest in delivering a Health and Wellbeing Hub on the site, perhaps alongside student accommodation. However, the Trust is not able to progress this proposal for 2 – 3 years. In addition, it is the sort of use that is more suitable in a High Street location. <p>3.3 The Town Centre Regeneration Programme Board has explored a number of delivery mechanisms for the site, including sale, a joint venture partnership for packages of sites and development partnerships for individual sites. In April 2017 the Council agreed that, as a first principle, the Council should seek to direct deliver development on its own sites.</p> <p>3.4 The option of sale of the land / building to the education provider has also been considered. The Council’s preference, at the moment, is for revenue income. As such, it is proposed to lease the building to the provider. The Council may decide, in the future, that it needs a capital receipt. Consequently, it is proposed to keep this option open to the Council and the provider.</p>
<p>4.</p>	<p>How does this proposal support the ambitions, principles and delivery of the Corporate Plan 2015-19?</p> <p>4.1 Town Centre Regeneration supports the ambition of creating a Prosperous and Healthy Torbay with the creation of vibrant and attractive town centres identified as a specific action in the Delivery Plan for “Working towards a more prosperous Torbay”.</p> <p>4.2 The proposed delivery of student accommodation on this site accords with the Council’s Transformation Strategy for Torbay’s Town Centres.</p>
<p>5.</p>	<p>Who will be affected by this proposal and who do you need to consult with?</p> <p>5.1 The proposals for this site will have a direct impact on adjoining land owners / residents. Those people will be consulted as part of the formal planning process.</p> <p>5.2 The proposals for this site will have an indirect and positive impact on property owners, tenants and investors in Torquay Town Centre. There has already been widespread engagement with residents, businesses and other organisations – resulting in significant support for town centre regeneration.</p> <p>5.3 The proposal may also involve the relocation of users of buildings alongside the existing library. There are ongoing discussions with those users, which will be informed by further design work.</p>

6.	<p>How will you propose to consult?</p> <p>6.1 The proposal for this site is included within the Council's Transformation Strategy for Torbay's Town Centres. The Strategy flows from the adopted Town Centre Masterplans for Torquay and Paignton, and the concept plan produced by the community for Brixham Town Centre. There has been a huge amount of community and business engagement on all those plans.</p> <p>6.2 There will also be informal engagement, with a range of Council services and partners, on the more detailed design work as it progresses over the next few months, subject to Council support to proceed.</p> <p>6.3 As firm proposals emerge for the site these will be subject to further engagement and consultation, specifically in the build up to and as part of the formal planning process.</p>
-----------	--

Section 2: Implications and Impact Assessment

7.	<p>What are the financial and legal implications?</p> <p><u>Financial Implications</u></p> <p><u>Car Park Income</u></p> <p>7.1 The Town Hall Car Park provides around 190 car parking spaces. The mean occupancy is 119 spaces. It is over 90% full on 86 days and full on 108 days of the year. It is one of Torquay's busiest car parks, but this is in large part due to the high number of commuters (9 – 5 workers) using the car park rather than shoppers or visitors. Consequently the car park has a relatively low turnover of spaces during the day and generates less income than it could do if turnover of spaces was higher.</p> <p>7.2 The car park currently generates around £165,000 p.a. net income to the Council. Over the next 10 years, and assuming 2% growth in income per annum (which would represent significant growth), the car park could generate just over £197,000 pa in ten years' time. Delivery of student accommodation (300 beds) on the site will result in the estimated loss of 86 parking spaces – 44% of the total number of spaces. That would lead to a loss of parking income from the Town Hall Car Park. However, evidence shows that up to 85% of the revenue lost at the Town Hall Car Park would be recouped at Lower Union Lane and Union Square car parks. Therefore, an overall loss of 15% of car parking income equates to an average of £24,300 p.a. over the next 10 years.</p> <p>7.3 The remaining 104 spaces will be used to capacity, under current</p>
-----------	---

parking usage arrangements, on 233 days per annum. This is not considered to be an issue, as displaced parking will be absorbed by Lower Union Lane MSCP (Multi-Storey Car Park) and Union Square, where evidence shows there is capacity when the Town Hall Car Park is full.

7.4 There are three key mechanisms the Council should put in place to increase income from the remaining spaces and reduce commuter use of those spaces.

- Firstly it should limit the number of spaces available at Upton Place to commuters and Annual Commuter Permit holders.
- Secondly, it could support the refurbishment of Lower Union Lane Multi Storey Car Park to ensure it is more attractive to use, especially for commuters.
- Thirdly, effective electronic signage / wayfinding is needed to show spaces available at key car parks subject to a further business case.

These measures will increase visitor satisfaction, improve safety, increase use / space and drive up car park income. The measures will ensure the remaining spaces at Upton Place (Town Hall Car Park) perform in much the same way as the surface level shoppers' car park at Lower Union Lane. It is expected that a report on the business case for refurbishment of Lower Union Lane MSCP will be presented to Council in or before July 2017.

Student accommodation

7.5 The financial details of the proposed development are included within the attached business case (Exempt Appendix 2).

7.6 The business case sets out the initial rental income and that it would rise every 5 years, in line with inflation. The education provider has indicated its acceptance of these terms in its confirmation of interest in the site / development.

7.7 The cost of servicing prudential borrowing (of around £14m) over 25 years is just under £20,000,000 with the rental income over the same period more than covering this. The clear difference in income over expenditure is shown in the Business Case and provides flexibility, to account for changes to construction costs / building specification or to contributions to refurbishment of Lower Union Lane Multi-Storey Car Park and /or targeted public realm improvements for example.

7.8 Council should note that the construction cost appraisal indicates an estimated construction cost of £12.3m. Prudential borrowing of up to £14.2m is recommended to cover additional costs, including a project contingency, project management costs, professional fees and legal costs.

	<p>7.9 The use of the building is unlikely to attract business rates, but further assessment will be required – over the next few months – on the use of the dining room and gym areas and whether those are to be run as businesses.</p> <p>7.10 Student accommodation does not attract Council Tax. However, the development is likely to include ten units which may attract some Council Tax. This is assumed to be at Band A (£1,089.00 per annum) for the purposes of this assessment. A 50% discount normally applies to this type of accommodation, where occupation is linked to work requirements. As such it is assumed that the Council will receive £5,000 p.a. in Council Tax.</p> <p>7.11 The Council will retain an asset of significant value at the end of the lease period. There is also the option of the Council converting the student accommodation to open residential use, at the end of the lease or if the education provider ceases use of the building.</p> <p>7.12 It is anticipated that the footfall and spend by students in Torquay will generate more confidence in the economy and encourage further investment to support town centre regeneration.</p> <p>7.13 The income to the Council from student accommodation, coupled with the direct and indirect benefits, to local businesses and to town centre regeneration, together present a very compelling case for delivery of student accommodation at Upton Place. Car parking spaces lost to the development can be accommodated by capacity within nearby car parks, especially Lower Union Lane Multi Storey Car Park. There could be some small loss of income from car parking, but this could be made up by implementation of a different parking regime and – in any case – the loss of income is a very small percentage (less than 2%) of the likely income gained through the proposed development. Income from student accommodation could support the business case for refurbishment of the Lower Union Lane Car Park, which will help achieve another regeneration outcome and wider town centre regeneration benefits.</p> <p><u>Legal Implications</u></p> <p>7.16 The TDA, acting on the Council’s behalf, will ensure all proper procurement and legal requirements are followed in appointing consultants and contractors, including local labour supply, apprenticeships etc, and in securing the lease.</p> <p>7.17 Use by the provider of part of Upton Park, especially if that results in exclusive use of part of a public park, will be the subject of a new lease and will follow all required statutory processes.</p>
<p>8.</p>	<p>What are the risks?</p>

	<p>8.1 A full risk register will be produced as part of the project management process, if the Council supports the recommendations in this report.</p> <p>8.2 There are risks associated with seeking planning permission. It is a reasonably sensitive site, adjacent to listed buildings and valuable trees. An inclusive design process will be followed, to reduce risks.</p> <p>8.3 There are risks of cost overruns in the construction process. It is suggested that a design and build contract is used, with responsibility for cost overruns assigned to the contractor</p> <p>8.4 There are risks of delays to the development programme. That is part of the justification for asking Council to support the proposal at this point in time. A forty week construction period is envisaged, so it's important to accelerate the design, planning and legal elements of the process.</p> <p>8.5 There are risks in relation to the future value of the building. The use of a clause, to allow disposal of the asset by the Council, will help overcome that risk. In additional, it is proposed to use a construction technique that will allow relatively easy conversion of the building to open residential use, if necessary.</p> <p>8.6 The tenant will be required to sign a formal agreement to lease (a binding contract) before the construction contract is awarded or further significant cost is incurred by the Council. This formal agreement will commit the tenant to signing a lease for the accommodation on completion.</p>
<p>9.</p>	<p>Public Services Value (Social Value) Act 2012</p> <p>Not applicable.</p>

Equality Impacts

10	Identify the potential positive and negative impacts on specific groups			
		Positive Impact	Negative Impact & Mitigating Actions	Neutral Impact
	Older or younger people	The economic and social benefits of town centre regeneration are significant and well evidenced such that it is envisaged that there will be a positive benefit for all residents and all those with protected characteristics. This proposal is likely to support investment that will have particular benefits for younger people		
	People with caring Responsibilities	As above		
	People with a disability	As above		
	Women or men	As above		
	People who are black or from a minority ethnic background (BME) <i>(Please note Gypsies / Roma are within this community)</i>	As above		
	Religion or belief (including lack of belief)	As above		
	People who are lesbian, gay or bisexual	As above		

	People who are transgendered	As above		
	People who are in a marriage or civil partnership	As above		
	Women who are pregnant / on maternity leave	As above		
	Socio-economic impacts (Including impact on child poverty issues and deprivation)	As above		
	Public Health impacts (How will your proposal impact on the general health of the population of Torbay)	Town centre regeneration will improve the economy of Torbay. Economic prosperity helps create healthier communities and by supporting regeneration projects we will be able to improve health inequalities which currently exist across Torbay. This project will have health, safety and wellbeing benefits to the students that use it.		
14	Cumulative Impacts – Council wide (proposed changes elsewhere which might worsen the impacts identified above)	Town centre regeneration will take account of proposals which are being put forward in relation to integrated transport and other regeneration projects and capital investments to ensure that a coherent approach is taken to creating a prosperous and healthy Torbay. This project will encourage and support investment in Torbay.		
15	Cumulative Impacts – Other public services (proposed changes elsewhere which might worsen the impacts identified above)	Town centre regeneration will take account of issues which positively impact of reducing the amount of crime and disorder therefore making our town centres safer and more attractive places for residents, workers and businesses.		