

Meeting: Council

Date: 14 May 2018

Wards Affected: All

Report Title: Procurement of a development partner - South Quay, Paignton Harbour

Is the decision a key decision? Yes

When does the decision need to be implemented? Immediately

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1. Proposal and Introduction

- 1.1 Transformation of Torbay's Town Centres is one of the Council's most important activities, as a key part of Torbay's overall growth and place making agenda.
- 1.2 On 6 April 2017 the Council agreed a Transformation Strategy for Torbay's Town Centre. One element of that strategy included the delivery of a mixed use redevelopment at South Quay, Paignton Harbour, subject to approval by Council of a business case. The Transformation Strategy is based on and linked to the Economic Strategy, the Local Plan, Culture Strategy, Ports Masterplan, Destination Management Plan and emerging Neighbourhood Plan.
- 1.3 On 19 October 2017 the Council agreed to establish a £25m Town Centre Regeneration Programme Fund, to deliver five of the projects set out in the Transformation Strategy, one being the redevelopment of South Quay, Paignton Harbour. The details of each of the projects were appended to the main report as outline business cases, in order to give the Council comfort that the projects were viable, subject to further due diligence and approval of full business cases. The outline business case for South Quay, Paignton Harbour is attached to this report at Appendix 1.
- 1.4 The Council's decision on 19 October 2017 authorised work to procure a development partner, to produce more detailed designs and costs, to define the terms of a development partnership and to work with existing tenants that want to remain on South Quay.
- 1.5 The Council's decision on 19 October 2017 did not cover the terms of a development partnership. That is the purpose of this report, namely to set out the terms on which a development partner will be procured.

1.6 Since October 2017 the Council and TDA have:

- Devised a Procurement Strategy that would attract innovative developers with a track record in delivering high quality mixed use residential led development, leveraging in the requisite skills and resources.
- Taken legal and procurement advice, to ensure the proposed development partnership approach is robust.
- Worked with potential development partners to ensure the proposed process works for all parties.
- Undertaken site survey work and taken legal advice on leases, covenants and other site specific matters.
- Met with a range of local organisations to discuss the potential redevelopment.

1.7 The concept proposal is to redevelop South Quay Paignton and Roundham car park to provide a mix of uses, with commercial spaces at ground floor level and residential units above. The concept proposal illustrates what might be possible on the site. This now needs to be tested by an experienced, well-resourced development partner. That development partner, once selected, will work in partnership with the Council, complete further due diligence work and will generate development options. The Council will be presented with, and will be asked to make a decision on, a preferred development option, allowing it to assess the outcomes of development. The developer will be working at risk until the Council agrees to move forward with the preferred development option.

1.8 The Town Centre Regeneration Programme Board has reviewed a range of development options against the requirements:

- To retain and improve Paignton Harbour's offer;
- To ensure the harbour becomes more of a destination;
- To ensure there is sufficient space for the current businesses and sports uses that want to remain at the harbour;
- Introducing a new uses to the mix such as restaurants and shops etc. An illustrative concept plan is included in Appendix 1.

1.9 The outline business plan (see Appendix 1) identified that the Council is not resourced to deal with the risks of developing mixed use residential led scheme and therefore should seek to secure a development partner to enable delivery at pace.

1.10 Discussion with property agents and soft market testing with investors / developers revealed that many of those developers / investors would not be interested in the project if the procurement of a development partner followed the full requirements of the Office of European Journal (OJEU). This is simply due to the time required to complete a full OJEU process. Subsequent procurement and legal advice has enabled the creation of a legally robust Procurement Strategy (Appendix 2), that requires the disposal of a long lease interest in order to attract requisite developer / investor interest and support. This is a much less time consuming process than the

full OJEU process and allows the Council to move forward at pace, with certainty and to obtain the clarity it needs on value.

- 1.11 The Council could, at this point, decide not to proceed with procurement of a development partner and, in effect, decide that there will be no redevelopment of South Quay. However, the Council has already committed significant resources to progress the project to its current position. There is no significant risk or cost to the Council in procuring a development partner, producing development options and assessing – at that point – the outcomes of a preferred development option. If the Council does not undertake this next stage in the project then it will not know what development options and outcomes are possible.

2. Reason for Proposal

- 2.1 The proposal will allow the procurement of a development partner, on clear, robust terms and will allow the Council to assess and better understand the outcomes of mixed use redevelopment of South Quay, Paignton Harbour. Without the proposal the Council will not know what those outcomes could be.
- 2.2 The proposal will provide a development partner with some comfort and certainty, helping to reduce the cost and time risks associated with the first phase of work (to identify a preferred development solution).
- 2.3 The proposal allows the option for either party to withdraw from the partnership if it becomes evident, at the assessment of the preferred development solution stage, that a redevelopment will not deliver the outcomes required by either party.
- 2.4 The Council approval to this procurement route is now required before the site is marketed.

3. Recommendation(s) / Proposed Decision

- 3.1 That the Council agrees to enter into a development partnership for the redevelopment of South Quay, Paignton Harbour and Roundham car park, on the basis of a long leasehold interest (between 125 – 250 years), with that appointment being made within 5 months of the Council's decision.
- 3.2 That the Council agrees the Development Partner Procurement process set out in Appendix 2 of the submitted report.
- 3.3 That a further report is presented to the Harbour Committee and Council, within 6 months from the date of appointment of a development partner, when a preferred development solution has been identified, such that the Council can assess the outcomes of such a solution and make a decision at that time about whether to proceed with the redevelopment and, if so, on exactly what terms (in accordance with the process set out in Appendix 2).

Appendices

Appendix 1: Outline Business Plan

Appendix 2: Procurement Strategy

Section 1: Background Information

1.

What is the proposal / issue?

See also section 1 of the Outline Business Case (Appendix1).

Town Centre Regeneration is one of the Council's most important activities to enable the delivery of significant and successful regeneration of Torbay's town centres, as a key part of Torbay's overall growth and place making agenda. South Quay Paignton Harbour is identified as one of a number of projects to help deliver growth and change.

The Programme Board has reviewed a range of proposals for this site, concluding that a redevelopment scheme that includes Roundham Car Park is required to ensure viability.

A redevelopment proposal is likely to include improvements to the public realm around South Quay. It also complements the proposed re-use of the Harbour Lights restaurant.

Since the Outline Business Case (19 Oct 2107) was presented to Council recent legal and procurement advice has led to the creation of a robust Procurement Strategy (Appendix 2). This requires the disposal of a long leasehold interest in the site. The Councils Procurement Team and its advisors have approved this approach, whilst recognising a Full Business Case will be brought back to Council once the selected developer has worked up development options in partnership with the Council and a preferred development option has been identified.

2.

What is the current situation?

See also section 2 of Outline Business Plan (Appendix 1).

Since October 2017 the Council and TDA have:

- Devised a Procurement Strategy that would attract innovative developers with a track record in delivering high quality mixed use residential led development, leveraging in the requisite skills and resources.
- Taken legal and procurement advice, to ensure the proposed development partnership approach is robust.
- Worked with potential development partners to ensure the proposed process works for all parties.
- Undertaken site survey work and taken legal advice on leases, covenants and other site specific matters.

	<ul style="list-style-type: none"> Met with a range of local organisations to discuss the potential redevelopment. <p>Soft market testing has encouraged and revealed interest, from developers and investors, in this site. The proposed procurement process, to secure a development partner, has been informed by advice from those developers and investors, as well as by the Council's Procurement and legal advisers.</p>
3.	<p>What options have been considered?</p> <p>See also section 3 of Outline Business Plan (Appendix 1).</p> <p>A number of options have been considered, including a do nothing option and a smaller site area.</p> <p>The do nothing option is far less likely to result in the delivery of improved facilities that the sports and social clubs, and businesses, at South Quay have said they want to see.</p> <p>Since the Outline Business Case (19 Oct 2107) was presented to Council recent legal and procurement advice has led to the creation of a robust Procurement Strategy (Appendix 2). This requires the disposal of a long leasehold interest in the site. The Councils Procurement Team and its advisors have approved this approach, whilst recognising a Full Business Case will be brought back to Council once the selected developer and TDA team have worked up development options in more detail.</p> <p>The Council could, at this point, decide not to proceed with procurement of a development partner and, in effect, decide that there will be no redevelopment of South Quay. However, the Council has already committed significant resources to progress the project to its current position. There is no significant risk or cost to the Council in procuring a development partner, producing development options and assessing – at that point – the outcomes of a preferred development option. If the Council does not undertake this next stage in the project then it will not know what development options and outcomes are possible.</p>
4.	<p>How does this proposal support the ambitions, principles and delivery of the Corporate Plan?</p> <p>See section 4 of Outline Business Plan (Appendix 1).</p>
5.	<p>Who will be affected by this proposal and who do you need to consult with?</p> <p>See section 5 of Outline Business Plan (Appendix 1).</p>

	<p>Meetings have been held with tenants of the properties that would be removed as a result of redevelopment. Those meetings were generally positive, but usefully identified a number of issues that would need to be resolved as part of a redevelopment.</p> <p>Consultation meetings with Paignton Town Centre Community Partnership and with Paignton Chamber of Commerce have been positive and there is a good level of support from these organisations, with a clear message of “just get on with it”.</p> <p>Recent engagement with Paignton Harbour Users Group has indicated this Group is against the proposed redevelopment, wanting incremental improvements and minor changes to South Quay. It is evident that further engagement is needed, following the appointment of a development partner, to better understand the needs of tenants and users, but also to help tenants and users better understand the benefits a redevelopment could bring to the Harbour.</p>
6.	<p>How will you propose to consult?</p> <p>See section 6 of Outline Business Plan (Appendix 1).</p> <p>In addition to the consultations outlined in Appendix 1 the development partner, with the TDA / Council, would work with current tenants and end users as part of the next stage of feasibility and design work.</p>

Section 2: Implications and Impact Assessment

7.	<p>What are the financial and legal implications?</p> <p>See section 7 of Outline Business Plan (Appendix 1).</p>
8.	<p>What are the risks?</p> <p>See section 8 of Outline Business Plan (Appendix 1).</p>
9.	<p>Public Services Value (Social Value) Act 2012</p> <p>A procurement exercise will be undertaken and a competitive tendering process followed to identify a suitable development partner.</p>
10.	<p>What are key findings from the consultation you have carried out?</p> <p>The Town Centre Regeneration team have met with a range of local organisations to discuss the potential redevelopment.</p> <p>Meetings with Paignton Town Centre Community Partnership and with Paignton Chamber of Commerce have been positive and there is a good level of support from these organisations, with a clear message “just get on with it”.</p> <p>The Paignton Harbour Users Group are against the proposed redevelopment, wanting incremental improvements and minor changes to South Quay.</p> <p>The Harbour Committee considered the proposal at its meeting on 2 May 2018 and supported the procurement of a development partner to identify a preferred and viable solution for the redevelopment of South Quay, Paignton Harbour and asked for a further report to be presented once details are available.</p>
15	<p>Identify the potential positive and negative impacts on specific groups</p> <p>See section 10 of the Outline Business Case in Appendix 1.</p>