

Agenda Item No:

Report To:

Cabinet

Date of meeting:

14th March 2019

Report Title:

Redevelopment of the Mecca Building and the Vicarage Lane Car Park

Report Author & Job Title:

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Portfolio Holders:

Cllr Galpin, Portfolio Holder for Corporate Property

Cllr Shorter, Portfolio Holder for Finance and IT

Cllr Clarkson, Leader of Ashford Borough Council



**ASHFORD
BOROUGH COUNCIL**

Summary:

As part of the Council's regeneration agenda, the Council acquired the Mecca bingo hall in March 2018. Mecca had served a break notice to end its lease of the building prior to the Council's acquisition and subsequently vacated the property in September 2018. The property remains unoccupied.

The property was acquired with the intention of redevelopment which would also incorporate the Council owned Vicarage Lane car park and with the aim of regenerating the lower High Street and the wider town centre.

The scheme will, if planning permission is obtained, deliver a mix of residential and commercial uses together with improved public realm, outdoor performance space and community facilities. The project is aligned with the Council's strategic objectives and priorities to create a new vibrant town centre with the aim of supporting wider economic benefits, attracting investment, increased town centre footfall and job creation.

Ongoing town centre car parking provision will be secured/protected/enhanced by a separate but related project to build a new multi-storey car park behind Station Road.

This report seeks Cabinet approval for the delivery of the proposed Scheme by way of the delivery route herein described.

Key Decision: YES

Significantly Affected Wards: Victoria Ward

Recommendations: That Cabinet is asked to recommend to Council that it:

- i. note the advice contained within this report;
- ii. approve that the planning application for the Scheme is progressed and submitted in accordance with the Indicative Delivery Programme;
- iii. authorise the Head of Corporate Property and Projects in consultation with the Portfolio Holder for Corporate Property to negotiate and secure the ownership of Third Party Land required for the delivery of the Scheme
- iv. agree that a tender and procurement exercise is carried out with a view to the Council making the external appointments required to submit the planning application and deliver the Scheme including a Development Management Partner to deliver the Scheme in accordance with the Indicative Delivery Programme optimising both the financial and social value returns for the benefit of the Council
- v. authorise the Head of Corporate Property and Projects in consultation with the Chief Executive, Leader of the Council, the relevant portfolio holders, the Director of Law and Governance and the Head of Finance to negotiate and agree the commercial terms of the Development Management Agreement
- vi. authorise the Chief Executive in consultation with the Leader of the Council, the relevant portfolio holders, the Director of Law and Governance, the Head of Finance and the Head of Corporate Property and Projects to take the necessary steps to finalise and complete the legal documentation as it relates to the appointments and the delivery of the Scheme including the Development Management Agreement.
- vii. allocate funding in accordance with the Scheme Financial Appraisal to ensure the delivery of the Scheme with such funding to be met from the use of reserves and borrowing the extent of which is to be determined

by the Director of Finance and Economy in conjunction with the Chief Executive.

- Policy Overview:** The Council's five-year Corporate Plan identifies encouraging economic investment and growth and providing quality housing and homes as key priorities.
- Financial Implications:** The financial implications which are considered in detail in this report in the Scheme Financial Appraisal relate to the price already paid for the acquisition of the Mecca building, the land value attributable to the Vicarage Lane car park, the Gross Development Value of the proposed scheme together with the project/build/delivery costs.
- Legal Implications:** Legal advice is being sought from the Council's legal team in respect of the necessary Procurement exercise and on the Development Management Agreement, build contract and the land and property matters which will arise as a consequence of the delivery of the Scheme.
- Equalities Impact Assessment:** Please find attached.
- Other Material Implications:** None
- Exempt from Publication:** **Appendix 1 and 4** are not for publication by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 and the public interest in maintaining the exemption outweighs the public interest in disclosing the information
- Appendices:**
- Exempt Appendix 1** – Scheme Financial Appraisal
 - Appendix 2** – Ash Sakula Concept Design
 - Appendix 3** – Scheme Design Brief
 - Exempt Appendix 4** – Examples of Registered Provider Housing Schemes
 - Appendix 5** – Indicative Delivery Programme
- Background Papers:** None
- Contact:** stewart.smith@ashford.gov.uk

Report Title: Redevelopment of the Mecca Building and the Vicarage Lane Car Park

Introduction and Background

1. In late 2017 the then owners of the Mecca building brought the property to the market for sale. The Council considered the property critically important for strategic town centre regeneration purposes and saw the opportunity for realising the potential marriage value from its ownership of the adjoining site, Vicarage Lane car park. The Council subsequently agreed terms to purchase the property and the transaction completed in March 2018.
2. At the time of purchase the property was let in its entirety to Rank Group Plc (“Rank”) who operated the premises as a Mecca bingo hall. Rank had however served a notice to break its lease prior to the Council acquiring the property. Consequently the building is now vacant with Rank having vacated in September 2018.
3. The Council acquired the building in the knowledge that Rank were vacating and that there was little market for re-letting the property as it currently stood. The Council was unwilling to let the building sit vacant, mindful of the hugely negative impact that this would have on the lower High Street, and thus made the decision to acquire the property with the intention of redeveloping the Mecca site together with the adjoining Vicarage Lane car park. The Council sees this as an opportunity to deliver a scheme which will create a new vibrant area within the town centre increasing footfall and attracting inward investment. The Scheme is just one of many initiatives which the Council intends to implement as part of the Ashford Town Centre Framework 2019 – 2025. This Framework, which is the subject of a separate report on this Cabinet agenda, sets out a vision and objectives to ensure the success and vibrancy of the town centre for future generations. Responding to the findings from the town centre consultation and the significant challenges facing the High Street, it sets out an ambitious and exciting programme of projects, events and activities to be implemented over the next five years. This Scheme is a crucial part of this bigger vision.
4. On the basis of the above the Council prepared a Scheme Design Brief (attached at **Appendix 3**) and asked designers to work up ideas in response to it. Ash Sakula, the winning bidder, was subsequently appointed to prepare a Concept Design (attached at **Appendix 2**). It is the case that the Concept Design was prepared following Member and Officer feedback and that the scheme has subsequently been met with Member approval.
5. It should be noted that in preparation of the Scheme Design Brief and as part of the wider consideration of the scheme more generally, consideration was given to using the existing building as a theatre. Further, this matter was the subject of a petition considered by Members at Full Council on 13 December 2018. This consideration

included taking consultants advice on the feasibility and viability of a theatre use for the existing building and on the cultural and arts offer (both existing and how this might change over time as the Borough grows) within the town. Whilst for numerous reasons, including viability and the design impracticalities, it was concluded that this use would not be appropriate, it is the case that the exercise confirmed that Ashford may be able to accommodate a theatre and the Leader of the Council has confirmed that the search for a more suitable location is now a sharp focus.

6. Any redevelopment of this site will involve the loss of High Street parking provision which it is proposed will be displaced to the proposed new multi-storey car park behind the Hollywood Bowl on Station Road. It is intended that the new car parking is brought on stream broadly in line with when the redevelopment of the Vicarage Lane car park will take place to ensure uninterrupted town centre parking provision. This multi storey car park is the subject of a separate report on this Cabinet agenda.

Proposal/Current Position

7. A copy of the Ash Sakula Concept Design is attached at **Appendix 2**.
8. The proposal identifies the site as a key town centre regeneration opportunity and proposes a mix of residential and commercial uses together with improved public realm, outdoor performance space and community facilities described in greater detail below (the "Scheme"). The Scheme entails the partial demolition of the rear of the existing Mecca building (the bulky rear auditorium) with the façade and first-floor rooms fronting the High Street (currently the old ball room) being retained and converted to provide for a community event space. At ground floor level the existing foyer will be knocked through to accommodate an arcade forming a pedestrian link between a large outdoor performance space (included within the existing footprint of the Mecca auditorium) and the lower High Street. The outdoor performance space will be surrounded with new food and beverage and retail outlets.
9. On that part of the site which is currently the Vicarage Lane car park and fronting Station Road there would be a low density residential development of around 61 homes with a mix of houses and flats. Included in this area would be some studio/work spaces primarily along St John's Lane.
10. The architect's proposal has had input from the planning service and there has been a pre-app meeting with Kent Highways. Some additional land is required to deliver the Scheme ("Third Party Land") the provisional cost of which has been identified in the Scheme Financial Appraisal.
11. The Mecca building and a part of the rest of the site is in a conservation area and as such, any demolition will need planning consent. A detailed condition and demolition survey has been undertaken to inform the development process. Advice on costs has being taken from Quantity Surveyors and advice on values has been

obtained from residential and commercial property agents. A Phase 1 desktop ground conditions survey has been undertaken and whilst there are some indications of previous contaminative uses on the site these are not considered sufficiently serious to significantly impact on a redevelopment. In addition, archaeological issues have been identified but most of these are situated in an area which under the current proposal remains largely undeveloped. In addition to the due diligence already undertaken this process will continue once Cabinet authority to proceed is obtained.

12. An Indicative Delivery Programme is attached in **Appendix 5**.

Delivery options considered and recommended

13. Various delivery options were the subject of reports to the Economic Regeneration and Investment Board (“ERIB”) on the 6th of December 2018 and the 18th of January 2019.

These delivery options considered included;

- a) Selling the site to a developer. Control over the delivery of the Scheme would primarily be by way of the Local Planning Authority (the site being sold with either outline or detailed planning permission) ensuring design and build quality through the planning process. However, this level of control is limited to a greater extent than is otherwise possible with the alternative delivery options considered. It would be within the gift of the developer to apply to either amend or obtain a new planning permission.
- b) Developing the site with internal resources. The Council would retain overall control for delivering the Scheme and would need to ensure sufficient resource with sufficient expertise and experience would be available. The risk and potential reward would be solely that of the Council.
- c) Developing the site with a specialist Development Manager. The Scheme would be delivered by the Council with the support of a procured and appointed Development Manager overseeing the development process. The Council would control the design and delivery of the scheme and again the risk and reward would be the Councils. The Council would need to ensure the availability of sufficient resource to oversee and deliver the Scheme.
- d) Negotiating a Joint Venture (JV) with a third party to share risk/rewards. The Scheme would be delivered jointly with a selected development partner. The costs, rewards and risks would be divided between the parties on commercial terms agreed between them. The parties would jointly (depending on the terms agreed) make decisions regarding design and build quality.

14. Soft market testing of each of the above options (as appropriate) was undertaken and confirmed an active market with a reasonable number of potential partners.
15. Of the two preferred and recommended delivery options (c and d), feedback from the ERIB meetings expressed a clear preference for option c), developing the site with a specialist Development Manager. The justification for the preference was on the basis of the following:
 - it was considered that the Council wants to retain as much design and quality control as possible
 - it was considered that the Council, with the assistance of a Development Manager, has the necessary skills to deliver such a Scheme
 - it was considered that the Council has already de-risked the project to a high degree by work to date as well as by the purchase of the Mecca building and should therefore realise the benefit of this
 - the view was taken that the opportunity existed to de-risk the project by seeking a pre-sale of part/all of the Scheme and that this should be further explored (soft market testing having already identified such demand).
16. The financial implications of the Scheme have been addressed in the Scheme Financial Appraisal attached at **Exempt Appendix 1**. The Scheme Financial Appraisal references the sources of the data relied upon therein. The appraisal identifies the costs and development values associated with the Scheme but does not take into account the holding costs of the Mecca building which the Council would incur if it remained undeveloped and unoccupied.

Implications and Risk Assessment

17. There are a number of risks associated with development and the proposed route for delivery although there does exist the opportunity to mitigate these.

Development Risks

- 17.1 The Council will carry all of the development risk. If there is a market down turn and/or over supply in the market and the Scheme doesn't achieve the projected sales the profit will be eroded.
- 17.2 The costs of the Scheme could increase due to unknowns in the ground or other factors such as force majeure that any contractor will exclude from a fixed price contract.
- 17.3 The lack of certainty over Brexit could result in a market down turn and higher than average build cost inflation.
- 17.4 There are planning and highways risks associated with any development scheme. These risks could result in planning permission not being obtained or in increased development costs.

Possible Mitigation

- 17.5 A large proportion of the development risk has already been taken by the Council, notably the purchase of the Mecca building, Scheme design and several stage 1 surveys. Risk can be further mitigated by undertaking further detailed surveys ahead of tendering the construction package.
- 17.6 The Scheme will be proactively marketed with the expectation of achieving a proportion of pre-sales on the residential and potential pre-lets on the commercial.
- 17.7 The Council has the option ahead of construction to further de-risk the Scheme through a bulk forward sale of the residential to an investor, subject to the deal structure, in addition to removing the residential market risk the construction contract could transfer to the end purchaser.
- 17.8 Through a soft market testing exercise demand has been identified from the Registered Provider sector. These organisations are increasingly undertaking private development for commercial reasons to fund their social activities. It is considered likely that a pre-sale of all or part of the residential element could be secured. Such a transaction could allow for significant de-risking and funding benefits:
- the deal could involve a 'land value' payment up front
 - the construction would be paid for by the purchaser in stages
 - the construction contract might be direct between the purchaser and the contractor meaning a lower risk
- 17.9 It should be noted that this approach would probably result in the transfer of a high degree of ownership to the third party, either by way of a freehold or a long leasehold sale and the Council ultimately losing overall control of the Scheme post delivery.
- 17.10 There are many examples of Registered Providers developing open market, private schemes and some examples are included in **Exempt Appendix 4**.
- 17.11 Pre-app planning advice has been taken from the Local Planning Authority and pre-app highways advice taken from Kent County Council. This has influenced the design of the Scheme and advice will continue to be taken throughout the design and pre-application process.

Reputation

- 17.12 It is a wholly Council project and if the development failed to be a success or significantly over ran on budget, the Council's reputation could suffer.
- 17.13 Generally, council-led and managed schemes are less attractive to buyers than schemes delivered and managed by established developers.

Possible Mitigation

- 17.14 The Council has in the past successfully delivered schemes and entered in to construction contracts directly, therefore having credibility in the market place. In addition, the appointment of an experienced development manager with a robust contract will enable the council to perform to a high standard in terms of design, programme, budget, marketing and future management.
- 17.15 The Council's property company 'A Better Choice for Property' would have the opportunity to buy the residential scheme enabling a separation of brand, marketing and future management. This would provide the Scheme with a more exclusive and private sector feel, giving more confidence to buyers and renters. Similarly, the Council has the option to sell the residential element of the Scheme to an investor if it lacked the appetite to deliver the Scheme itself.

Scheme Design

- 17.16 Whilst the Council has control of the design through its appointment of the architect and professional team and through it being the Local Planning Authority, viability constraints could lead to the Council needing to review the scheme design and density to improve financial viability.

Possible Mitigation

- 17.17 An appropriate contingency will be retained in the viability appraisals to account for this risk with a view avoiding it becoming necessary to revisit the design of the scheme to improve viability.
- 17.18 It has been acknowledged that maximising a development profit is of lesser importance than delivering a high-quality scheme that reflects the aspirations of the Council.
- 17.19 The Scheme could qualify for the Future High Street Fund which, if made available, could provide the opportunity to deliver quality public realm earlier and spread the benefits from the site to the wider Lower High Street, addressing this part of the town which needs re-investment as the shopping focus has moved away and westwards. This is currently being explored as an option for the Council however it should not be assumed that funding will be made available.

The Multi-storey Car Park

- 17.20 There is a loss of town centre surface car parking in the delivery of the Scheme and a re-provision through a multi storey car park proposed for behind the Hollywood Bowl on Station Road. A separate report to Cabinet will consider the proposed scheme in greater detail.
- 17.21 This Scheme is dependent on the delivery of the new multi storey car park and a delay in its delivery through planning or financial viability could have a knock-on effect to the programme for this scheme.

Possible Mitigation

- 17.22 The two project programmes and respective teams will interlink to align and mitigate risk.

Equalities Impact Assessment

18. Please find attached.

Consultation Planned or Undertaken

19. The Council held a public exhibition/consultation to share the Ask Sakula conceptual design ideas. The exhibition was opened to the public from 18 February to 4 March. Members of the public had the opportunity to look at the proposed designs for the site and give feedback either through a paper form which was anonymously posted, or through an online survey. In total there were 187 responses received. A letter representing the views of Ashford Baptist Church members was also received. The salient points arising from the feedback are as follows. Positively received aspects of the proposals were:

- Accessibility and visibility of St Mary's Church;
- The proposed multi-use community space and performance space;
- Attractiveness of the proposals;
- The retention of the Mecca Frontage.

Additionally, further consideration should be given to the impact of:

- The loss of parking at Vicarage Lane Car Park;
- Additional housing and new parking for residents;
- Vacancies at new retail units;
- Light and accessibility to the Ashford Baptist Church.

This feedback will be used to inform the next stages of the project. Where appropriate, issues arising have been discussed in the Equality Impact Assessment attached. The designs were also shared with stakeholders and businesses at the Town Centre Stakeholder event held in October 2018. Further public consultation, including with residents local to the scheme, will form a part of the planning process.

20. It is also the case that the precise use to which the community event space in the old ball room of the Mecca building will be put will be determined by the Council after it has carried out a public Call for Ideas exercise. This will provide the opportunity for the residents of the Borough and potential end users to come forward and say how they would like the space to be used.
21. As has already been mentioned a petition went to the Council meeting of 13th December 2018 to discuss the future use of the Mecca Bingo building as a theatre. Whilst the decision was taken that this was not a viable or preferable proposition for

the reasons already given this provided another opportunity for debate and consultation.

Other Options Considered

22. In response to the Council Scheme Design Brief many design ideas were submitted from which six architects were shortlisted and given the opportunity to present their schemes to a panel of Council Officers and Members. The submissions were subsequently scored and it was unanimously decided that Ash Sakula should be appointed to deliver the Conceptual Design.
23. As has been referred to above, a total of four delivery options were considered both by Officers and Members at the Economic Regeneration and Investment Board before the recommendation to proceed by way of the appointment of a Development Manager was decided upon as the recommended route for scheme delivery.

Next Steps in Process

24. The next stage of the process will require the following:
 - i. further professional appointments are required to prepare the necessary documentation to support a planning application. This will include the procurement of an architect and planning consultant to prepare the necessary drawings and undertake the work required by RIBA stages 2 and 3,
 - ii. if the planning application is successful, the selection, procurement and appointment of a Development Manager will be required to be undertaken,
 - iii. legal advice will be required on the selection and procurement of the consultants and on the form of appointments,
 - iv. further investigations and site and build due diligence will be carried out in conjunction with an appointed Quantity Surveyor,
 - v. further analysis of market values and trends will be undertaken,
 - vi. negotiations will continue with a view to securing Third Party Land identified as necessary to deliver the Scheme.

Conclusion

25. There exists the opportunity for the Council to deliver an exemplar town centre regeneration scheme which will tackle some of the issues surrounding the future of the High Street. This Scheme, which will provide high quality residential accommodation together with commercial uses, improved public realm, outdoor

performance space and community facilities, is part of a far larger programme of town centre initiatives identified in the Town Centre Framework 2019-2025, the intention of which is to regenerate the lower High Street. The Framework sets out a vision and objectives to ensure the success and vibrancy of the town centre for future generations. Responding to the findings from the town centre consultation and the significant challenges facing the High Street locally and nationally, this framework document sets out an ambitious and exciting programme of projects, events and activities to be implemented over the next five years.

26. It is considered that the risks identified in delivering the Scheme can be mitigated and are significantly outweighed by the political, economic and social benefits which will be delivered.

Portfolio Holder's Views

27. The repurposing of the Vicarage Lane car park to bring new residents and businesses into Ashford Town is an important project. It also provides vibrant town spaces and improved access to cultural assets and performance areas. Ash Sakula have given us an exciting preview of the possibilities.

The decision to utilise a Development Management process, under our control, considerably de-risks a project where the risks have already been mitigated. It also allows the residents of the Borough to receive an improved return on their investment thereby underwriting service delivery. (Cllr Galpin)

28. This project will transform not only the lower high street but the wider town centre. By bringing residential activity and small scale commercial opportunities into this area a lively sub culture will be created providing a destination for visitors and locals alike. In addition it will create a new desire line for railway travellers to the town centre so assisting with the regeneration of Ashford.

By retaining control of the design of the project due to its delivery model, not only will residents benefit from the financial return, profit will not outweigh the design and social benefit for the town. (Cllr Shorter)

29. This project is part of the transformation of the town centre and I commend the report. (Cllr Clarkson)

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