

## Agenda Item 10

<b>Executive Member</b>	Councillor Simon Edge – Executive Member for Economic Development & Transform Leatherhead
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<b>Date</b>	26 September 2017

<b>Ward (s) affected</b>		<b>Key Decision</b>	Yes
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\* A key decision is one which is likely to result in expenditure or savings of at least £100,000 or have a significant impact on two or more Wards within the District.

<b>Subject</b>	Claire House and James House, Leatherhead – Development Strategy
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### RECOMMENDATIONS

The Executive is asked to approve a budget allocation of up to £620,000 from the Transform Leatherhead Development Reserve to procure a professional services team, via the national Pagabo framework to:

- a) produce an outline planning application, and associated documentation, for the replacement of Claire House and James House, Leatherhead; and
- b) promote that outline planning application through the planning process. The planning application will be on the basis of a significant, high quality design building, incorporating a food/beverage facility on the ground floor, with residential units above (likely to be in the range of 40-50), likely to achieve a positive financial return on the development

### CORPORATE PRIORITY

#### ENVIRONMENT

##### **A highly attractive area with housing that meets local need**

- Protect and enhance the natural and built environment and ensure our areas of natural beauty are well looked-after
- In consultation with the community, develop plans for how land is used in Mole Valley. We will set out proposals for residential, leisure, and commercial development, which balance residents' needs with protection of the Green Belt
- Pursue policies that encourage the creation of affordable housing
- Work with other agencies to protect the District from the effects of climate change and environmental pollution, paying particular attention to flooding and air quality.

#### PROSPERITY

##### **A vibrant local economy with thriving towns and villages**

- Continue to drive the transformation of Leatherhead Town Centre and support the market-town culture and economy of Dorking
- Look for innovative ways to minimise the cost to taxpayers of Mole Valley District Council whilst protecting services.

## **COMMUNITY WELLBEING**

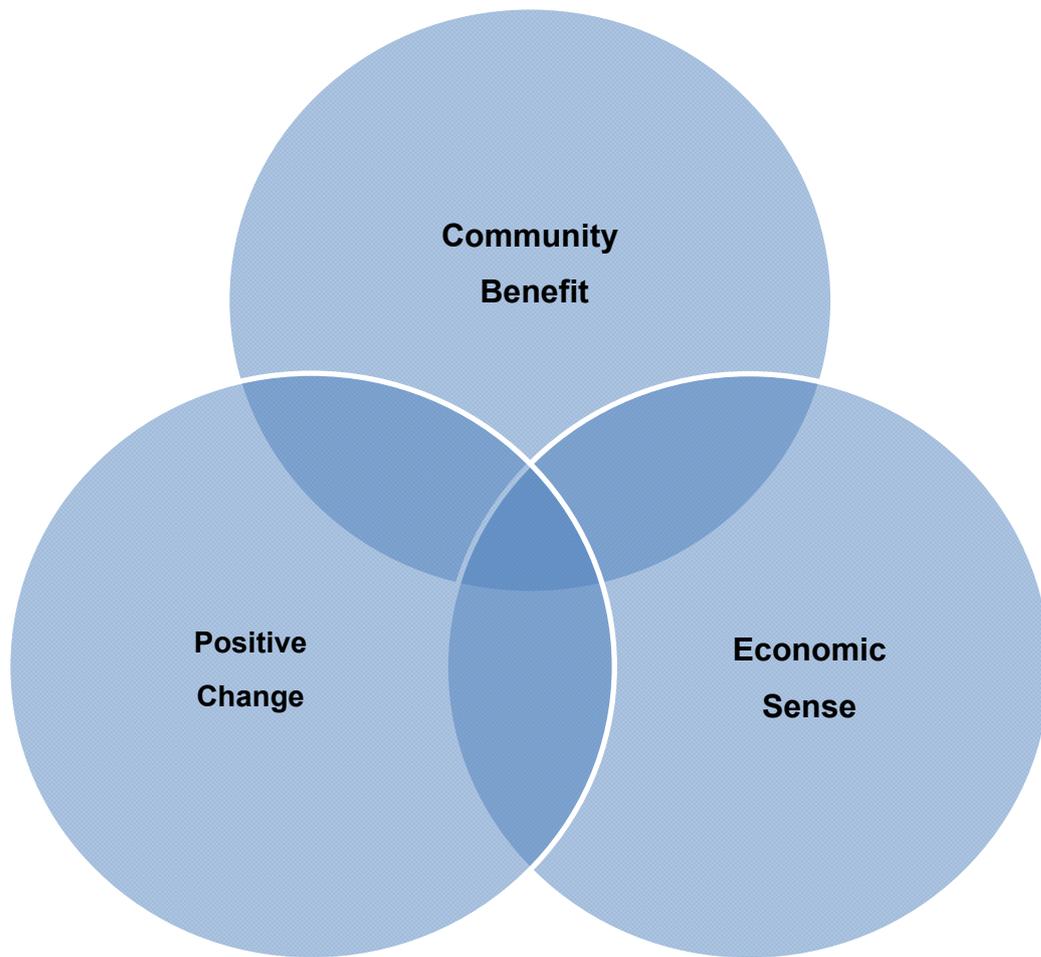
### **Active communities and support for those who need it**

- Work with cycling and other leisure groups to encourage healthy lifestyles, and responsible enjoyment of our parks, open spaces, countryside and roads.

## **The Executive has the authority to determine the Recommendations**

### **1.0 BACKGROUND**

- 1.1 The Transform Leatherhead Masterplan, adopted by MVDC in July 2016, following significant public support, identified a number of core areas for significant development/regeneration within the town. One of these areas was identified as the 'Riverside Quarter', comprising the river frontage at the bottom of Bridge Street and the surrounding buildings.
- 1.2 The ambition for this quarter is to create a leisure destination in its own right, based around the river, and to, in some way, address the broader Transform Leatherhead objectives of improving the leisure/retail/residential offering of the town centre.
- 1.3 In anticipation of this outcome, MVDC had already acquired Claire House and James House, the most significant property assets in this area, capable of supporting the regeneration agenda.
- 1.4 Consequently, also in July 2016, the Executive agreed to the allocation of £100,000 from the Transform Leatherhead Development Reserve, to create a 'Development Brief' for Claire House and James House Leatherhead. The purpose of such a Brief is to analyse the possible forms of development, and in particular to consider the planning implications alongside the commercial/financial analysis of each option. This work has been completed and leads to the identification of the 'most appropriate' form of development, prior to the significant expense of a planning application.
- 1.5 In this context, 'most appropriate' means a development which:
  - contributes to the creation of the Riverside Quarter as a leisure destination;
  - contributes to the broader Transform Leatherhead agenda;
  - contributes to the objectives of the Coast to Capital Local Enterprise Partnership, (LEP). These are the creation of jobs, commercial floorspace and homes. (Note: the LEP has supported this project through the provision of £1.6m funding);
  - is considered consistent with national and local planning policies;
  - is consistent with other MVDC policies such as affordable housing policies;
  - is financially viable, creating a financial return for MVDC.
- 1.6 Overall the recommended solution has to represent the optimum balance between the three imperatives of the Transform Leatherhead Programme: driving positive change, delivering community benefit and making economic sense.



### **Development Options**

- 1.7 The Development Brief considered the options for redeveloping the two office buildings Claire House (four storeys) and James House (three storeys) at the east end of Emlyn Lane. The full document, which is available to all Member on Moss, can be summarised as follows:
- 1.8 The consortium considered numerous possible development options, many of which were fairly quickly rejected. For example, although clearly an option, the conversion of the existing shell from office use, to residential use, under Permitted Development Rights was quickly discounted, as the desire to prevent this form of development was one of the reasons for MVDC initially purchasing the buildings. It was also identified that there was no other commercially viable option based on retaining the existing buildings.
- 1.9 Ultimately 6 main options were considered and analysed in depth:
  1. Mixed use – residential units and office use
  - 2-4. Residential use – varying number of units
  5. Hotel use
  6. Office use

1.10 All of these options, apart from the office use option, included a café/restaurant facility for the ground floor, as part of delivering a leisure destination for the Riverside Quarter.

### **Commercial Viability**

1.11 The consortium identified the optimum design solution for each option, leading to the likely construction costs for each option. The consortium also considered market conditions, and local demand, resulting in an estimate of the commercial value of each option. By comparing the cost with the ultimate commercial value, the consortium arrived at a likely financial return for Mole Valley tax payers, arising from each option.

1.12 The financial modelling was based on industry norms and contingencies. At this stage the financial modelling cannot include any exceptional costs that cannot reasonably be anticipated, (for example discovery of significant ground pollution when the subsoil is exposed). Such costs would inevitably reduce the anticipated financial benefit, and this risk needs to be recognised.

1.13 Detail of the commercial analysis is included in the full report on Moss, and is summarised at Annex 1.

1.14 The commercial viability analysis concludes that:

- the only form of development that is likely to create a commercially viable scheme, and a financial benefit for Mole Valley tax payers, is residential, (with a café/restaurant on the ground floor);
- the commercial viability of residential options is highly dependent on the number of units developed, with 40-50 units likely to be necessary to give confidence of a commercially viable scheme;
- the commercially viability is materially improved by including the affordable housing element of the scheme within discrete floors, (rather than market housing and affordable housing on the same floors). This approach is compliant with MVDC policy/practice.

1.15 Based on this commercial analysis, it is recommended that MVDC pursues a residential development with a café/restaurant on the ground floor, on the Claire House/James House site.

1.16 To provide visual context, a photograph of the existing building, together with an artists impression of what the Riverside Quarter could look like with this form of development is shown at Annex 2. It is important to recognise that the scale, bulk, massing and appearance of such a development is not yet determined. That determination is one of the purposes of a subsequent planning application.

1.17 It is proposed that the financial return generated from the residential development will be invested in the development of the Riverside Quarter, in order that the area becomes a leisure destination in its own right.

### **Planning Considerations**

1.18 Planning legislation requires that applications for planning permission must be determined in accordance with the Local Plan, unless material considerations indicate otherwise. In this case, any applications to redevelop Claire House and James House will be considered in the light of the provisions of the MVDC core strategy and the saved policies of the Mole Valley Local Plan, which constitute the Development Plan. The National Planning Policy Framework is a material

consideration in the decision making process.

- 1.19 The consortium has identified the key planning issues that will need to be addressed as part of the development of any detailed design and any potential planning application, should the recommended development approach be adopted.
- The impact of the reduction in town centre office floor space on the local economy;
  - The effect of what is expected to be a larger and taller replacement building on the proposed appearance and character of the surrounding area;
  - The impact of the proposed development on the heritage assets of the locality, including the Grade 2\* listed building, (The Running Horse public house), the Grade 2 listed Town Bridge, and the Leatherhead Conservation Area;
  - The effect of a replacement building on the amenities of the adjoining residential properties, especially those in Emlyn Lane which back onto the site;
  - Access and parking;
  - Flooding.
- 1.20 These issues have been discussed with MVDC's planning officers who have highlighted that the height and scale of the development that would be required to accommodate 40-50 dwellings present significant planning challenges, particularly in the context of the heritage setting of the building and the impact of the development on the amenities of the adjoining dwellings.
- 1.21 At this stage it is inappropriate to prejudge any future planning decision. The future of the site can only be decided when a formal outline planning application is submitted for consideration by MVDC's Development Control Committee, although an indication of what could be achieved will emerge through pre-application discussions. This is standard practice in the lead up to the submission of a planning application for a development of this scale.
- 1.22 However, it is the consortium's conclusion that given a high quality design, and appropriate mitigation measures to address the sensitive planning issues, there is scope to achieve a successful planning outcome for the site's redevelopment in line with the recommendations in this report.
- 1.23 Consequently it is recommended to move towards an outline planning application for the redevelopment of Claire House and James House, on the basis of the predominantly residential basis identified above, (paragraph 1.15).

### **Next Steps**

- 1.24 The work necessary to support an outline planning application on this site is complex and extensive. It will include the following specialisms:
- Project Manager
  - Quantity Surveyor/Cost Manager
  - Architect
  - Civil and Structural Engineer
  - Building Services Engineer
  - Lead Designer

- Principal Designer
- BIM Co-ordinator
- BIM Information Manager
- Planning Consultant
- Commercial Designer
- Landscape Designer
- Transport Analyst
- Development Advisor

1.25 The following studies will be necessary as confirmed by MVDC's planning officers:

- Topographical Survey
- Site Investigation Desk Study
- Ecological Survey
- Flood Risk Assessment
- Archaeological Desk Study
- Sunlight/Daylight Study
- Impact Assessment on Neighbouring Properties
- Rights of Light Assessment
- Traffic/Transport Desk Study
- Heritage assessment
- Flood Alleviation

1.26 In all it is likely that this work will take approximately one year prior to a planning application being ready for submission, (subject to the timing of ecological studies).

1.27 Faithful & Gould, (F&G), who have project managed the consortium that produced the Claire House/James House Development Strategy, have provided an indicative fee proposal.

1.28 Major construction projects are generally designed and taken through planning processes according to core development stages identified by the Royal Institution of British Architects, (RIBA). There are industry standards for the broad fees that apply to each of these stages, based on the likely construction value of the development. To achieve a full planning application involves the first four stages:

- Stage 1 – Strategic brief
- Stage 2 – Concept design
- Stage 3 – Developed design
- Stage 4 – Technical design

1.29 To achieve an outline planning permission does not require stage 4, technical design, and in practice sits somewhere between stages 2 and 3. Discussions with the local planning authority suggest that for Claire House and James House the planning

application is likely to require work up to or far closer to stage 3 than stage 2. Furthermore, in order to develop the stage 3 design to achieve a planning permission it could be necessary to provide supporting evidence, in terms of some elements of the technical design that would normally be in stage 4.

- 1.30 Based on the expected industry norms for the specialisms involved in each stage, and the likely cost of the input of each of these specialisms, F&G have identified the likely level of fees necessary to achieve a planning approval.
- 1.31 The costs have been further reviewed. An estimated total of £480,000 would be required to reach stage 3 of the RIBA stages in order to progress the planning application for the development of this site. However, given the nature of the site, and to address the issues (set out in paras 1.19 and 1.31) further allowances have been included to undertake, if required, more detailed surveys that would normally be considered at stage 4 (para 1.25). This produces a total estimate cost of £620,000 that includes PAGABO fees and the cost of the additional surveys (if needed) in the amount sought for approval now by the Executive, so that progress towards achieving a planning permission can be made without delay.
- 1.32 The above figure comprises the indicative cost for the core design team disciplines and for the supporting professional disciplines that will be required. It also incorporates the indicative cost for the necessary site surveys, reports and investigations.
- 1.33 A tender competition will be undertaken in relation to the majority of the appointments for the core design team disciplines and the supporting professional disciplines. In this way MVDC obtains reassurance that the cost of producing the outline planning application has been market tested, and represents value for money, without going through a full blown procurement process, which would itself be expensive and would lead to a considerable delay.
- 1.34 Until such time as the tendering exercise has been completed, the fees are to be regarded as indicative only. Accordingly, a prudent approach is recommended in relation to the anticipated fees based upon industry standards and taking the project up to the completion of RIBA stage 3 (Developed Design).
- 1.35 An additional £20,000 will need to be allowed to cover the costs payable to MVDC for the planning application. Consequently the Executive is recommended to approve a budget allocation of up to £620,000 from the Transform Leatherhead Development Reserve, to procure, (via the Pagabo Framework) the full professional services team necessary to produce, support and submit an outline planning application for Claire House and James House.

### **Financial Implications**

- 1.36 The Financial implications of this issue are discussed above, as part of the core report.

### **Legal Implications**

- 1.37 Both the procurement legislation and MVDC's own contract standing orders permit MVDC to directly award a contract to F&G under the Pagabo National Framework Agreement for Professional Services in Construction and Premises, provided that MVDC and F&G comply with the terms of the framework. A contract award decision will need to be published in the OJEU by MVDC's Procurement Officer and, given the value of the contract; it is recommended that a ten day standstill period be observed prior to completing the call-off contract with F&G. As with any procurement, there is always a risk of challenge but use of an established framework should reduce that risk.

## 2 OPTIONS

2.1 As alternatives to the recommended residential form of development, The Executive could consider:

- Proceed with one of the alternative, non-residential focussed options identified in the development strategy. However, all these options carry a significant risk of being uneconomic, and in some cases a considerably uneconomic. As well as the financial implications of this outcome, it would risk reputational damage to MVDC in terms of MVDC's credibility in successfully driving forward subsequent Transform Leatherhead projects.
- Do not progress with an outline planning application and retain the building for its current office use. This is not a feasible option. Many elements of the building are beyond their usable life, and as a minimum the building will require a comprehensive refurbishment/renovation. Given: the cost of this; the likely difficulties in finding a long term tenant; and the subsequent rentable value, (as reflected in the significant loss associated with the office rebuild option above), this is not a commercially viable option. It also does nothing to contribute to the development of a riverside park destination, (the Riverside Quarter), or other Transform Leatherhead ambitions.
- Convert the existing building to residential use, using Permitted Development Rights. This is undoubtedly a commercially viable solution, but it would lead to two unattractive, dated office buildings being converted into two unattractive dated residential buildings. This would do nothing to contribute to Transform Leatherhead ambitions. The prevention of this outcome was a key driver of MVDC's original decision to buy these buildings.

2.2 For these reasons, none of the alternative courses of action are recommended.

2.3 A credible alternative to a direct appointment of the professional team via the Pagabo Framework would be for MVDC to undertake a full OJEU procurement process. This could possibly lead to a lower quote to undertake the work. However, on balance, given the significant cost of running an OJEU procurement process, (and up to six months in delay), combined with the fact that the indicative fee proposal provided by F&G, via the Pagabo Framework, is in line with industry norms, a full OJEU process is not recommended.

## 3.0 CORPORATE IMPLICATIONS

### **Monitoring Officer Commentary**

The Monitoring Officer is satisfied that all relevant legal implications have been taken into account.

### **S151 Officer Commentary**

The financial and risk implications are included within the body of the report, and the paragraphs below.

### **Risk Implications**

The report identifies the fact that both the financial return to tax payers, and the planning challenges will increase as the size of any proposed development increases. The most significant risk arising from the development of Claire House and James House is that planning constraints will ultimately limit the development to such an extent that it is not commercially viable.

However, the advice of the consortium is that with high quality design and other mitigation, it should be possible to obtain a planning permission for a development of around 40-50 units, which is the level likely to be necessary, to achieve financial viability.

Only the formal submission of a planning application will ultimately determine the acceptability of a particular design solution, (and indeed, offering views on particular solutions at this stage risks predetermining/prejudging the outcome of that process, and must be avoided).

However, the creation of a planning application for a major development is an organic, incremental process. The professional team designing the building will be in very regular contact with MVDC's planners, to test ideas and obtain advice. This leads to a far greater likelihood of any final application being acceptable to the planning authority. Equally, it provides many points in the process where the commercial viability can be regularly tested and confirmed.

Consequently, while the possibility of a planning refusal must always be recognised, officers are confident that with the right design, and effective engagement with the planners, a solution can be developed which achieves both a planning permission and a solid financial return for tax payers.

### **Equalities Implications**

Equalities issues will be considered as part of the design of the proposed building

### **Employment Issues**

There are no employment issues associated with appointment of the professional services team.

### **Sustainability Issues**

Sustainability measures will be considered as part of the design of the proposed building

### **Consultation**

The proposed development of Claire House and James House follows directly from the extensive public consultation that led to the creation of the Transform Leatherhead Masterplan.

### **Communications**

Updates on the development of Claire House and James House will be included within the ongoing Engagement and Communications Strategy for Transform Leatherhead.

## **BACKGROUND PAPERS**

None

