

HOOK ROAD CAR PARK AND SGN SITE UPDATE

Head of Service:	Mark Shephard, Head of Property and Regeneration
Report Author	Mark Shephard
Wards affected:	(All Wards);
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	
Appendices (attached):	Exempt Appendix 1: Confidential Briefing Note

Summary

This report recommends the procurement of specialist property regeneration, financial and legal advice to support the Council's future negotiations to facilitate the wider redevelopment of the Council's Hook Road Car Park and SGN Site.

Recommendation (s)

The Committee is asked to:

- (1) Approve a budget of up to £150,000 to cover the initial costs of the appraisal and feasibility work, to be funded from the Corporate Projects Reserve;
- (2) Note that the Director of Environment, Housing & Regeneration and Head of Property & Regeneration, in consultation with the Chief Finance Officer and Chief Legal Officer, have express authority to take all necessary actions further to the above decisions being made that commit resources, as is necessary and appropriate.
- (3) Note a report will be brought back to Committee at the earliest opportunity following completion of the work.

1 Reason for Recommendation

- 1.1 To facilitate the redevelopment of a prime town centre brownfield site and allow the Council to progress and support its strategic plans and priorities.

2 Background

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- 2.1 The Council-owned Hook Road multi-storey car park is located directly adjacent to the former Southern Gas Networks (SGN) gas holder site. Both sites formed a larger historic coal / gas manufacturing works dating from at least the 1870s.
- 2.2 At its meeting on 19 June 2024, this committee agreed to work collaboratively with the SGN developer (by entering into a mutual deed of easement) to facilitate, through potential future redevelopment, the enhancement of future public realm and connectivity across the Hook Road Car Park and/or SGN site.
<https://democracy.epsom-ewell.gov.uk/ieListDocuments.aspx?CId=132&MId=1754>
- 2.3 At its subsequent meeting on 23 July 2024, it was further agreed by this committee for the Council to work collaboratively with the SGN developer, to investigate the level of contamination and consequent environmental implications for potential development on any part of the wider gas works site. This work is ongoing and will be reported to committee as soon as it is available.
<https://democracy.epsom-ewell.gov.uk/ieListDocuments.aspx?CId=132&MId=1679>
- 2.4 On 20 August 2024, the Council (in its capacity as the Local Planning Authority) received the following submission (ref: 24/01107/FUL) from the SGN developer (Zencap Holdings):
- 'Hybrid Planning Application for the phased redevelopment for a) full planning permission for the demolition of existing buildings and structures, site wide remediation and the erection of five residential buildings (ranging between 8-12 storeys), new access arrangements, parking, hard and soft landscaping, open space and other associated works and b) severable outline planning permission, with all matters reserved except access, for the separate development demolition and re-provision of a Performing Arts Centre and Education building, hard and soft landscaping and other associated works.'*
- 2.5 The three principal stakeholders in the potential redevelopment of the wider gas holder site are:
- a) Zencap Holdings - SGN landowner / developer
 - b) EEBC - Hook Road Car Park adjacent landowner
 - c) Laine Theatre Arts - Commercial tenant on the current SGN site
- 2.6 Laine Theatre Arts forms a prominent part of Zencap's planning application underlining their commitment to remain on the SGN site post development.
- 2.7 The Council's regeneration role (as landowner of the adjacent Hook Road Car Park) comprises two potential opportunities:

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- To facilitate a new Performing Arts Centre on Zencap Holdings' SGN site - supporting the Council's Future40 objective to further Epsom's creative arts and culture offer.
- To consider the inclusion of the Council's Hook Road Car Park site in a wider gas holder site redevelopment with Zencap Holdings.

2.8 The two regeneration roles are considered below.

3 Facilitate a new Performing Arts Centre

- 3.1 A new Performing Arts Centre on Zencap's SGN site would be a standalone commercial building with Laine Theatre Arts as the commercial tenant i.e. separate to the residential buildings.
- 3.2 For the commercial building to be viable i.e. its gross development value (GDV or 'end value') has to be sufficient to cover all its associated development costs, Zencap would seek a purchaser on completion. As with any commercial property acquisition, the purchaser would be paying a capital sum (the purchaser price) for the right to receive a future rental income stream from the tenant.
- 3.3 A confidential note is attached at Exempt Appendix 1 to update Committee on facilitation discussions between Laine Theatre Arts and the Council. It is considered commercially sensitive due to information provided in confidence by Laine Theatre Arts to the Council.

4 The inclusion of Hook Road Car Park

- 4.1 The SGN site offers a well located, town centre brownfield redevelopment opportunity and for this reason, has been included in previously adopted and currently proposed, draft planning policy documentation:-
 - The gas works were included in the Council's 2011 "Plan E" Epsom Town Centre Area Action Plan (a strategic policy document) as part of the wider "Utilities Site", which also included the Council's car park and Thames Water site.
 - More recently, the Reg 18 March 2023 consultation of the Draft Local Plan and November 2023 consultation of the Epsom Town Centre Masterplan (with the Final Epsom Town Centre Masterplan approved at LPPC Committee on 24 September 2024), both included the Council's car park and the former Gas Works site as a potentially deliverable redevelopment opportunity.

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Paragraph 4.12 (page 82) of the Draft Local Plan states; *“There is the opportunity to redevelop the site into a prominent, high density, mixed use development, which would result in an improved, attractive and better utilised environment to the eastern gateway of the town centre. New development would offer the opportunity for a better connected and rejuvenated area that would attract new residents and businesses to Epsom Town Centre.”*

- 4.2 Gas works are some of the most contaminated sites in the UK with the Council’s car park situated above a concrete capped former tar pit. Tar pits have a very high level of contamination, and it is possible that the car park is located above the most contaminated part of the wider gas works site.
- 4.3 While there is no current surface contamination risk to either the Council’s car park or the SGN site; the Council is conscious that there could be a potential risk to either its car park, the SGN site or both sites, if redevelopment proceeded on the SGN site with associated development cost risk.
- 4.4 The risk reflects the reality of the situation i.e. both sites were once part of the larger gas works site and the land will eventually (be it redevelopment or possibly, a future environmental obligation enforced by legislation) need to be decontaminated.
- 4.5 For the Council to explore and understand the implications of the Hook Road Car Park site’s inclusion in a wider redevelopment, specialist external development and financial advice and risk assessment is required.
- 4.6 An advisor will not only inform the Council of the options available but will also represent the Council in any future negotiations with Zencap Holdings or Laine Theatre Arts to ensure Best Value is achieved.

5 Specialist regeneration and development consultancy support

- 5.1 Consultancy support is being requested as it represents the most cost and time efficient route to the Council understanding the options and associated risks of property development. This is particularly relevant to the Council for the following reasons:
 - **Size** – the Council is relatively small with an in-house Property Team of only 5 staff which cannot offer the resilience and expertise of larger specialist property companies / housing associations.
 - **Cost / expertise** – property development encompasses many professional specialist skills and appointing a consultant allows the Council to access these skills as and when necessary, at a competitively procured rate.

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- **Knowledge** – specialist property consultants offer up to date knowledge as they are advising clients on a daily basis. They will be aware of relevant existing / pending legislation, financing implications and market sentiment – all necessary to fully understand risk.
- **Risk** – property development is a high risk activity with many publicised examples of failure in the public and private sectors. It is inconceivable that the Council would not seek external expert consultancy support.
- **Speed** – appropriate consultancies have the capacity and resource to undertake instructions in a specified timeframe.

5.2 The work will include advice relating to all aspects of the redevelopment opportunity including (but not limited to):

5.2.1 The Council's ownership of Hook Road Car Park supported with an analysis of the asset's existing value and potential redevelopment value. The asset currently provides the Council with an important car park income stream which must be maintained or alternative solutions identified.

5.2.2 An assessment of the wider redevelopment of both land ownerships i.e. development implications, risks and the financial benefit to the Council and the community of a combined scheme.

5.2.3 Funding options and the potential acquisition of the Laines commercial building.

5.2.4 Funding options and the potential acquisition of residential units.

5.2.5 Financing structures, financial risks and delivery mechanisms (development agreement / joint venture / land sale etc).

5.2.6 Regeneration and property development legal advice / support.

5.2.7 Negotiations - representing the Council and ensuring it achieves Best Value.

5.3 The specialist advice will allow the preparation of future Committee reports to be brought back to this Committee for consideration and approval.

5.4 The above opportunities provide the Council with the ability to not only influence (via the Local Planning Authority), but to actually participate as landowner and benefit from active 'place changing'.

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6 Consultancy procurement and budget requirement

- 6.1 To comply with the Council's Contract Standing Orders and ensure it has access to the best consultants in the industry at competitive rates, it is proposed to use an existing Professional Services Procurement Framework.
- 6.2 Procurement Frameworks are considered 'best practice' as all suppliers have competitively bid to establish tendered rates in compliance with public procurement regulations.
- 6.3 The budget requirement is dependent on future Committee / Council decision making, but it is anticipated an initial budget of up to £150,000 will be required for the necessary provision of property development, valuation and funding / financial / legal structuring advice, risk assessment and representing the Council in negotiations with Zencap Holdings and Laine Theatre Arts.
- 6.4 The specialist advice will enable the Council to make an informed decision about its future involvement in the redevelopment of the wider gas holder site.
- 6.5 If Council decides at a future Committee / Full Council meeting to progress the redevelopment, then the initial budget of up to £150,000 will be added to any further future participation costs (for example, legal documentation preparation / negotiation and ongoing development management support). The costs would ultimately be refunded as part of any viable redevelopment proposal.

7 Risk Assessment

Legal or other duties

- 7.1 Equality Impact Assessment
 - 7.1.1 Not applicable
- 7.2 Crime & Disorder
 - 7.2.1 Not applicable
- 7.3 Safeguarding
 - 7.3.1 Not applicable
- 7.4 Dependencies
 - 7.4.1 Not applicable
- 7.5 Other

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7.5.1 The Asset Management Plan's key property strategies will ensure value for money, maximise asset performance and minimise the Council's exposure to avoidable loss of income.

7.5.2 There is a risk that if the scheme is found to be unviable and/or not ultimately delivered, the £150,000 investment would become a sunk cost that is not subsequently offset or replenished by future returns.

8 Financial Implications

- 8.1 The four year financial plan includes a continuing commitment to the review of property retained by the Council for service delivery or investment purposes.
- 8.2 It is proposed to fund the £150,000 budget from the Corporate Projects Reserve, which currently holds an available balance of £1.83m.
- 8.3 Allocating £150,000 would reduce the balance available for other projects to £1.68m.
- 8.4 Council has agreed to retain a minimum uncommitted balance of at least £1m in this reserve.
- 8.5 In addition, there would be an estimated £6,750 per annum reduction in treasury management income, assuming investment returns of 4.5%, which will need to be factored into the Council's future treasury forecasts.
- 8.6 **Section 151 Officer's comments:** Financial implications are set-out in the body of the report.

9 Legal Implications

- 9.1 **Legal Officer's comments:** Legal support has been and shall continue to be provided by external solicitors instructed by the Head of Property & Regeneration further to the agreement of the Head of Legal and Monitoring Officer.

10 Policies, Plans & Partnerships

- 10.1 **Council's Key Priorities:** The following Key Priorities are engaged:
- Effective Council
 - Opportunity & Prosperity
- 10.2 **Service Plans:** The matter is included within the current Service Delivery Plan.
- 10.3 **Climate & Environmental Impact of recommendations:** Not applicable.

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- 10.4 **Sustainability Policy & Community Safety Implications:** Not applicable.
- 10.5 **Partnerships:** A collaborative approach has been adopted with Zencap Holdings (SGN site developer) to maximise the community benefits of a wider redevelopment.

11 Background papers

11.1 The documents referred to in compiling this report are as follows:

Previous reports:

- Strategy & Resources Committee 23 July 2024
<https://democracy.epsom-ewell.gov.uk/ieListDocuments.aspx?CId=132&MId=1679>
- Special Meeting, Strategy & Resources Committee 19 June 2024
<https://democracy.epsom-ewell.gov.uk/ieListDocuments.aspx?CId=132&MId=1754>

Other papers:

- Strategic Asset Management Plan to S&R Committee 28 July 2020
<https://democracy.epsom-ewell.gov.uk/ieListDocuments.aspx?CId=132&MId=770>