

Subject:	Waterfront Project Conditional Land Acquisition Agreement: Standstill Agreement Extension		
Date of Meeting:	3 December 2020		
Report of:	Executive Director Economy, Environment & Culture		
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Ward(s) affected:	Regency, East Brighton, Queens Park, Rottingdean Coastal		

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 This report seeks Members agreement to extend the Standstill Agreement as approved by the Policy & Resources Committee on 5 December 2019, in relation to the Conditional Land Acquisition Agreement (CLAA) signed in April 2019 with Aberdeen Standard Investments (ASI).
- 1.2 Progress on a revised proposal has been slower than anticipated and as a consequence ASI and the City Council are keen to extend the Standstill Agreement by an additional year, in order that a workable proposal can be worked up and agreed between the parties to enable a Project Brief to be established.
- 1.3 This will be addressed in a series of workshops between November 2020 and February 2021, which will enable key objectives and outputs to be identified and incorporated into a report to be submitted to the Policy & Resources Committee in Spring 2021.

2. RECOMMENDATIONS:

- 2.1 That the Committee authorises the Executive Director for Economy, Environment and Culture to extend the current Standstill Agreement for the period of one year from 16 December 2020 to 15 December 2021.
- 2.2 That the Committee notes that steps will be taken to develop a project brief which sets out the key principles necessary to enable the preparation of a revised masterplan for the Central site, as set out at 3.4, and note that a report and recommendations will be presented to this Committee for approval in Spring 2021.

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 As previously reported in December 2019, the City has long sought a replacement for the Brighton Centre, which is a venue of national standing and a major asset for the city. An agreement was reached in March 2019 which,

following a series of conditions being met, would ultimately allow for the purchase of the current Brighton Centre site by ASI.

- 3.2 Under the terms of the existing CLAA the aspiration of ASI to acquire the seafront site allowed the Council to negotiate a number of key provisions in order to de-risk the Council's cost exposure to delivering the new venue, whilst retaining the flexibility to both construct and own the new building. As joint landowner of the Churchill Square shopping centre and adjoining landholdings, ASI remain well placed to undertake a central site redevelopment comprising a new, high quality venue and an accompanying mix of uses.
- 3.3 The original purpose of the Standstill Agreement was to allow time for ASI to further explore the opportunity for a new conference and entertainment venue on the Central site as part of a wider mixed use redevelopment instead of the Black Rock site and respond with a detailed proposal (including revised commercial and legal terms). The Agreement was signed on 16 December 2019 and expires on 15 December 2020.
- 3.4 Progress has been slower than anticipated in terms of formulating a revised proposal for a central site venue and mixed-use development. This is due to a combination of factors which include, the disruption caused by Covid-19 and also recognition that, in commencing the exploratory process with ASI, it became clear that a detailed project brief would need to be prepared in order to address in more detail the characteristics of the development and its operation on a single central site. This has involved planning a series of workshops with ASI to establish key project objectives, vision, scope for the new venue and its mix of uses, design criteria, innovation and sustainability strategy.
- 3.5 As a consequence of the above and in order to provide adequate time to conduct workshops, Officers and ASI are supportive of a one year extension to the current Standstill Agreement, as opposed to an extension of the current CLAA agreement. This enables both parties to reach agreement on key master vision principles, to consult with Members (importantly to get direction from the Property Board), produce a Project Brief and make key recommendations to the P&R Committee possibly in Spring 2021. This is with a view to achieving the best possible development for the future of the city.
- 3.6 As reported to the 5 December 2019 Committee, if a workable solution can be established for the Central site, then it would replace the proposition to use the Black Rock site for the new venue location. It should be stressed that the proposed extension of the Standstill Agreement will not in any way undermine the LEP funded enabling works currently in progress at Black Rock. Importantly, there will be no amendments to the current agreement, other than the one year extension.
- 3.7 Officers and ASI are confident that a central site solution can potentially be delivered. Assuming it can, then the current CLAA agreement will need to be amended to reflect the change from a two site to a single site solution. This will be the subject of negotiation between the parties over the course of the next 12 months.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 For the reasons stated in 3.4 above, there is a positive opportunity for both parties to work up an agreed masterplan and commercial solution for the central site new venue and mixed use scheme. A one-year extension of the Standstill Agreement is, therefore, considered to be more appropriate than a re-negotiation of the CLAA, as the single site solution is not certain and it keeps open the option of pursuing a two site solution as an alternative.
- 4.2 The two site solution, as encapsulated within the CLAA, contains a range of commercial and legal safeguards for both parties which the Standstill Agreement (and extension) does not provide for. In the circumstances these will need to be an agreed process for revisiting key provisions and amending the CLAA over the next 12 months as required.

5. COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 As the strategy and plans are further developed, a series of community and business consultation events will be organised in order to obtain wider feedback.

6. CONCLUSION

- 6.1 The City worked for over ten years to explore how to re-provide a venue of national standing on the current central site and also to produce a robust business case to support its re-provision. ASI are well placed to continue to assist in the process of re-appraising this long-held aspiration, on the basis that their own interests and that of the City Council remain largely aligned. ASI are seeking a long term performing mixed use asset to support the growth of their pension fund, whilst the City Council is seeking an large-scale, signature venue to continue generating significant value for the regional economy and prestige for the city. On this basis and together with an extension of the Standstill Agreement, it would suggest that there is everything to be gained by both parties working together to explore the single site option in more detail.
- 6.2 A single site integrated redevelopment solution would be less complicated than a two site option on a number of fronts, not least potential lower build and infrastructure costs in a world where public funding is extremely restricted. Local Authorities face difficult choices on spending options and if a single site solution can reduce both risk and cost profile, then it would be prudent for a Council to explore especially if improved viability reduces the call on future public funds.
- 6.3 As stated in the December 2019 Committee report, if a central site solution can be delivered on commercial and legal terms that are acceptable to the Council, then this will also create the opportunity to revisit an alternative development strategy for the Black Rock site. At this point, the enabling works project will have been completed, which will enable a commercial proposition to be explored with the objective of meeting the aspirations of both the city plan and seafront strategies for a signature high quality scheme. This will be a key focal point in the long-term regeneration of the eastern seafront.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 The Brighton Waterfront scheme includes the re-provision of a conference centre for the city at an estimated cost of £143.6m. The existing financial plans for this included funding the new conference centre through a combination of capital receipts from the site; Local Enterprise Partnership funding; and borrowing with the financing costs funded from improved financial performance of a new centre, and increased business rates retained in the city.
- 7.2 The proposals to extend the standstill on the existing scheme and pursue a single site option has the potential to drive down infrastructure costs and provide economies of scale and therefore potentially improving the robustness of the business case. Nearly £78m of the capital cost is funded through increases in business rates over a 20 year period. The methodology for future retention of business rates by local authorities is currently under review with the government plans for implementing an amended scheme has been further deferred until at least 2022/23. The proposed new business rates scheme includes resets which could result in the potential loss of part or all of the additional business rates income generated and therefore represents a significant risk to the funding of the project. Officers will continue to explore whether a separate deal could be struck with the Government for this project. Similar deals have been struck by other councils. If an alternative scheme reduces the capital costs of the project, this will help mitigate the risks to the current funding model.
- 7.3 Any council costs incurred during the standstill period and in connection to the evaluation and development of a revised single site proposal will be met from this reserve which currently stands at £2.6 million. The extension to the standstill agreement is not expected to impact on the enabling works at Black Rock or the LEP funding for those works.

Finance Officer Consulted: James Hengeveld

Date: 20/11/20

Legal Implications:

- 7.2 The legal implications of the current CLAA are set out in full in the report to Policy & Resources on 6 December 2018. If the parties do not agree a further standstill period and the first condition set out in the CLAA is not met, either party would be entitled to terminate the CLAA. The legal and particularly the procurement implications of alternative proposals will need to be carefully considered and reported to Committee in due course.

Lawyer Consulted:

Alice Rowland

Date: 3/11/20

Equalities Implications:

- 7.3 The project is not advanced enough to prepare a robust assessment, but bearing in mind the current uncertainties around Brexit, Covid-19 etc. it will be essential to ensure that the equalities implications of this project are properly dealt with in terms of the design, innovation and sustainability of the venue, with

all of its varied uses. The City Council will also have an interest in the wider mixed-use development.

Sustainability Implications:

- 7.4 As the project masterplan evolves it will be critical to incorporate a clear strategy for sustainable development moving forward including, zero carbon aspirations and the future proofing of building design to ensure flexibility and adaptability for different uses as required.

Brexit Implications:

- 7.5 None identified

SUPPORTING DOCUMENTATION

None

