

Subject:	Brighton Waterfront		
Date of Meeting:	16 December 2014		
Report of:	Executive Director, Finance & Resources Executive Director, Environment Development & Housing		
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Ward(s) affected:	Regency/Queens Park/Rottingdean Coastal/East Brighton/All		

Note: The special circumstances for non-compliance with Council Procedure Rule 23, Access to Information Rule 5 and Section 100B (4) of the Local Government Act as amended (items not considered unless the agenda is open to inspection at least five days in advance of the meeting), are that officers have endeavoured to present as much up to date information as possible, but due to ongoing negotiations and discussions with Standard Life and Venue Ventures and the application of leading counsel's advice it was not possible to finalise the report before the print deadline.

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 This report seeks agreement for officers to continue negotiations and feasibility work in partnership with Standard Life Investments (SLI) and Venue Ventures to allow for a future integrated redevelopment of the council owned Brighton Central site (currently occupied by the Brighton Conference Centre) and the Kings West site (owned by Standard Life Investments). At the same time, the council owned Black Rock site (a vacant seafront site adjacent to Brighton Marina) will be progressed with SLI and Venue Ventures, Standard Life's Development Partner, in order to deliver a major new multipurpose venue at Black Rock. Both sites will be developed in tandem to deliver high quality development that will aim to secure a future for conferencing in the city long term, grow the entertainment offer, and also ensure that the current Churchill Square retail offer is able to deliver the Regional Shopping status which the city has always aspired to (and is contained within the City Plan). Both sites will make a major contribution to the housing shortage in the city by delivering new homes.
- 1.2 The proposition currently under discussion has the ability to generate 2,000 FTE jobs for the City and surrounding areas, an overall development value of approximately £540m, generate net additional spending in the city in the region of circa £150m and an estimated £4.6m per annum to the City Council (a proportion of which will be ring-fenced to support the project).

1.3 The proposed scheme also supports the delivery of the City's Economic Strategy, and the Coast to Capital LEP's Strategic Economic Plan and would enable further significant investment in the City's Seafront. Bids for Local Growth Fund to support investment in transport, seafront infrastructure, and public realm works are also proposed to support the delivery of the scheme.

2. RECOMMENDATIONS: That the Committee:

2.1 Agree the draft Heads of Terms as summarised in Appendix 1 as the way forward for ongoing negotiations with Standard Life on the basis that final Heads of Terms will be submitted to this Committee for approval in due course.

2.2 Note the key financial information as contained in paragraphs 7.1 to 7.11.

2.3 Agree that:

a) The current conference subvention budget is retained by the council to support conferences held within the city during any closure period and to attract conferences to the new venue once it is opened.

b) The income generated from the sale of the current Brighton Centre site, the rent from the venue operator, the net savings achieved on the current Brighton Centre budgets and up to 25% of the forecast future income stream identified in Table 1 in paragraph 7.3 of the financial implications are earmarked to fund potential council investment in the new venue.

c) The Brighton Centre Redevelopment Reserve can be used to fund project development costs incurred by the council on the central and Black Rock sites as set out in paragraph 7.11.

2.4 Note the overall procurement approach and various roles in relation to both sites as per paragraph 7.12.

2.5 Note the staffing situation and that all staff potentially affected will be kept fully informed on an ongoing basis and in particular after project timescales and any TUPE implications are confirmed.

2.6 Agree that a third party operator would run the new venue on terms to be agreed by a future meeting of this committee

2.7 Welcomes and notes the progress made on essential, preliminary work to develop an emerging Transport Strategy for the project proposals, and requests that the Executive Director of Environment, Development & Housing, continues to identify and review all potential transport and highway opportunities presented by the project, in conjunction with the project partners and the Project Board, and reports back to this Committee when required.

3. BACKGROUND

The existing Brighton Centre

- 3.1 The existing Brighton Centre, located on Brighton seafront, opened to the public in 1977 and since then has offered conferences and entertainment for over 30 years to audiences of up to 5,000 people. The bold decision to fund and build a conference centre over 35 years ago, established Brighton & Hove's reputation as a conferencing city and raised its profile in the UK and abroad. In its time, as one of the UK's most enduring conferencing facilities, the Brighton Centre has been successful in ensuring the city has benefited from the positive economic impact to be gained from conferencing. It has long been an aspiration of the City Council (as enshrined in many strategies including the City's Economic Strategy and City Plan) to ensure that a future is found for conferencing, whether this is on the current central site, or elsewhere in the city.
- 3.2 In more recent years the Brighton Centre has become increasingly unable to compete. Its design, specification and flexibility of use, when compared with newer and recently constructed venues, such as Liverpool, Edinburgh and Glasgow, is no longer as attractive to conference organisers as it was in the past. Conference staff have to work harder to attract the same level of conferencing and price more competitively to achieve this. The business case sitting behind the centre is no longer sustainable and with newer, larger, and more modern conference and entertainment facilities to compete with throughout the UK, the Brighton Centre can no longer attract the same market share of this business as it did in the past.
- 3.3 In addition to the changing market, the 37 year old building and much of its fabric, fittings and equipment are of an age where they are at the end of their useful life. They are costly to maintain, costly to replace, and do not compare to some of the newer facilities on offer in other venues. A Condition Survey undertaken in 2012 by Northcroft identified items required to provide a 1-5 year and 15-30 year life span for the building. It identified the need to replace and upgrade items such as roofing, glazing, cladding, and all mechanical and electrical services.
- 3.4 A previous report to Cabinet (09 December 2009) approved funds from the Brighton Centre Reserve Account to Maintain the Economic Impact of the Centre and to prevent further decline. This was approved by Members on the understanding that whilst expenditure would be needed to keep the current facility operational and competitive, officers would continue to explore the feasibility of a more long term economically sustainable position. This would in all likelihood require a full scale redevelopment of the Brighton Centre and the adjacent site.
- 3.5 Post 2009, and following the demise of the Brighton International Arena scheme at Black Rock in July 2012, council officers maintained an ongoing informal dialogue with Standard Life Investments and latterly also with their development partner, Venue Ventures. In 2013, the Developer Team

(SLI/VV) proposed a potential resolution to the problem of the Brighton Centre's future by proposing the option of a new venue which would combine conferencing and entertainment in the one building and relocate it to Black Rock, enabling an expansion of Churchill Square onto the Brighton Centre and Kings West sites.

- 3.6 A Cross Party Project Board was established in May 2014 with a remit to work with officers to review proposals from the developer team. The project has now reached a point at which it is the view of the Project Board and the officer team that this Committee needs to review and make initial decisions on the overall proposition. This will enable the developer Standard Life Investments to gain some formal commitment from the city council before embarking on the next and more intensive (and resource intensive) stage of the project when significant funds will be expended.
- 3.7 The next stages will involve officers and the Project Board in key areas of work which will include:
- Further feasibility and design work to support a final concept scheme on the Central site including in relation to design aspects and height and location of tall buildings
 - Further feasibility work on the East (Black Rock) site, particularly in relation to transport matters
 - Once final schemes for both sites are agreed, a formal valuation process to be led by specialist valuers, to ensure that the Council receive best consideration for its freehold interest in the Brighton Centre and Black Rock sites.
 - Engagement with key stakeholders regarding both sites.

Current proposed schemes

- 3.8 The overall working proposition is to deliver a major new multi- use event and conferencing venue on the Black Rock site, alongside new homes. This would be funded in part through the sale of the Brighton Centre site to Standard Life Investments, which would then be used to extend the Churchill Square shopping centre onto the Brighton Centre site (and along to the Kings West site). New homes would also be provided. The new homes would both help fund the project and deliver much needed new units of housing for the city.
- 3.9 The new 10,000 capacity venue would attract a wide range of entertainment and conference events to the City and this would reinforce and build upon the already established reputation of the city as a major conference destination, but also expand the entertainment opportunities and attract more visitors overall.
- 3.10 The extended shopping centre would ensure the city is supported in becoming a regional shopping destination (as outlined in the approved City Plan) there by, strengthening Brighton and Hove's position in the South East and on the south coast and ensuring competing shopping centres do not erode the

market share. Churchill Square is a very well performing shopping centre and it is Standard Life's intention that expansion will further strengthen the Centre's appeal by delivering a new type of retail offer within a more leisure and food and beverage centred environment. The Centre will protect existing jobs and create new ones. It will also significantly enhance the attractiveness of the seafront in this important and very visible part of the city, further strengthening the attractiveness of the city to tourists, one of the city's most important economic sectors.

- 3.11 Current working assumptions for the main construction elements of the two sites assume the following is capable of being delivered within the funding envelope under discussion:

Waterfront Central (Brighton Centre and Kings West)

- Retail – 238,000 sqft (additional retail)
- Anchor unit – 90,000 sqft
- A3 units – 45,000 sqft (restaurants and cafes)
- Cinema - 30,000-40,000 sqft
- Net additional 150-250 retail car parking spaces (estimated)

Residential accommodation

- 319 apartments (estimated)
- Net additional 140 residential car parking spaces (estimated)

Waterfront East (Black Rock)

- A new multipurpose venue capable of housing conference, exhibition and entertainment events in the same physical space – 215,000 sqft

Residential accommodation

- 144 apartments (estimated)
- 136 residential car parking spaces (estimated)
- Ancillary A3/A4 (bars and restaurants)
- Public realm/Plaza providing connectivity to the Venue, Marina and Seafront

Coast to Capital Local Enterprise Partnership Strategic Economic Plan

- 3.12 Securing ongoing investment in internationally competitive conferencing facilities is identified as a priority of the City's Economic Strategy 2013-18. Enabling the regeneration of both the Brighton Centre and Black Rock sites is also identified as a priority in the Coast to Capital Local Enterprise Partnership's [LEP's] Strategic Economic Plan [SEP] and Growth Deal Investment Plan.

3.13 The SEP provides the LEP and local authorities with the opportunity to bid for and secure additional funding to invest in the city. A series of Local Growth Fund [LGF] bids are currently being developed in discussion with the Coast to Capital LEP to support the overall Waterfront proposal. The developer team have worked closely with the council to begin to formulate bids around a series of themes, which have yet to be confirmed but will include:

- Supporting seafront connectivity e.g. via seafront bus route connecting back to Brighton Station
- Infrastructure works and pre-construction de-risking activity at Black Rock
- Supporting improvements to Madeira Drive and Dukes Mound
- Enabling more efficient use of existing transport infrastructure and parking via use of smart and 'intelligent' technology, such as Variable Message Signing for drivers and traffic signals
- Reconstruction of the West Street Shelter Hall seafront structure and improvements to the A259 / West Street junction

All will be subject to further discussion and refinement before submission to the LEP's Local Growth Fund for the 2016/17 bidding round.

Economic & regeneration benefits – wider seafront area

3.14 The seafront remains of vital importance to the tourism industry in the city and plays a major role in attracting business visitors as well as the promotion of the wider city region. The Brighton Waterfront proposition makes best use of two council owned seafront development sites (Brighton Centre and Black Rock) and will ensure they deliver balanced, high quality development which meet the needs and aspirations of the city.

Black Rock

3.15 The Brighton Waterfront project at Black Rock will encourage year round activity and its presence is expected to help to unlock investment in the seafront from the Palace Pier along to the Black Rock site and into the Marina. Development will centre around the new venue and offer a moderate amount of A4/A3 uses (cafes/bars) with an estimated 144 apartments, including, a current estimated 25% of affordable housing. It will need to work as a destination that draws people along the seafront, and it is anticipated that its presence will improve footfall to the Marina. A redesigned pedestrian route through from the new Venue to the Marina will form part of the proposal. External areas will be designed to allow for winter protection immediately adjacent to the venue. It will be important that the arrival and exit routes for people using public transport are well protected from the elements. The wider re-development is expected to offer the prospect of regeneration to the Kemp Town area adjacent to the site and new business opportunities for bars/restaurants/retail both within the Marina and Kemp Town itself.

3.16 The rejuvenation of this important area of the seafront and the presence of a new venue is expected to be a draw for the higher spending overnight visitors.

They will be attracted by the entertainment and conferencing offers and the option of trying a new Venue, as well as other offers in the city. With completion of the Brighton i360 to the west, and a new rejuvenated shopping offer with seafront access in the centre, this will offer a major opportunity for the city's present attractions and hotels to start to build a broader offer for tourists. Joint ticketing, joint promotions and similar marketing will become more feasible, and improved connectivity, via new improvements such as a seafront bus service, will all improve the tourism offer of the city and protect it longer term.

Churchill Square Shopping Centre and Brighton Centre site

- 3.17 The Kings West and West Street areas of the city Centre have long been regarded as areas in need of physical regeneration. The public realm remains tired and outdated and the pedestrian experience is not a positive one around either the lower end of West Street, Russell Road or Cannon Place areas.
- 3.18 The Churchill Square shopping centre, which currently begins at the Western Road main access point, runs down towards the sea and stops abruptly at the anchor store. The aspiration would be to continue the mall down to the seafront, thereby allowing for a glass façade at the end, and some sea views, with a new or replacement anchor store taking two floors of this space. Food and Beverage would be a feature. There remains the option to extend the retail outlets along the seafront providing sea views.
- 3.19 In summary, the economic and regeneration benefits of the Brighton Waterfront project would:
- A new high-quality conference and entertainment venue for an estimated 560,000 people visiting each year (more than double the current Brighton Centre attendances) making it one of the most attractive and visited venues on the south coast.
 - Draw additional investment into the immediate vicinity of both sites, acting as a catalyst for regeneration of the surrounding areas at both Black Rock (Madeira Drive, Marina & Kemptown) and Brighton Central (West Street/Seafront A259 corridor and Cannon Place/Russell Road).
 - Improve the retail offer by delivering an expanded shopping centre with a new anchor store and public realm.
 - Increase revenue to the city council of an estimated £4.6m.
 - Deliver further high value overnight stays worth eight times more to the local economy than day visitors and also grow high value business tourism visitors (conference delegates spend on average 2.5 times as much as leisure visitors).
 - Raise Brighton & Hove's profile particularly with overseas visitors, as a vibrant, modern city on the south coast with a varied tourist offer.

Community benefit package

- 3.20 The community benefits will include:

- 2,000 new full time equivalent jobs
- 1,200 construction jobs, with associated training, work experience and apprenticeship opportunities, linked to the City Council's Local Employment Scheme
- Improvements to the public realm in the areas surrounding Churchill Square, West Street and Black Rock

Business Continuity

- 3.21 Funding for the new venue would come partly from the sale of the Brighton Centre site so it is unlikely both could be delivered at the same time. To minimise the period of no provision, the Brighton Centre would work with existing and future clients and local stakeholders to ensure that the City offers exciting alternatives during this period and where feasible relocates its existing business once a timescale is confirmed. The current subvention budget would support this.
- 3.22 The importance of the existing Brighton Centre's visitors to local business is regarded as paramount. A programme of investment in events and other venues during any closure period would therefore be developed. Once the new venue has opened, there would be considerably more visitors staying longer and spending more, and longer term this will benefit the tourism, leisure and retail businesses in the city.

MANAGING RISK TO THE COUNCIL

- 3.23 Risk to the council will be mitigated in the following ways:
- Valuation and Cost advice will be provided by CBRE, advisers to many public sector clients including the council, who are accustomed to specialist valuing and appraising of retail, venue and housing projects. They will also be ensuring that the financial modelling is of industry standard and all assumptions are correctly catered for and will work in conjunction with council's Property team.
 - Due Diligence will be undertaken by DWF solicitors, the in-house Council Legal Team, in-house financial resourcing and CBRE.
 - A separate and independent due diligence on the part of the Coast to Capital Local Enterprise Partnership will also be undertaken (in common with all projects which attract LEP funding).
- 3.24 With regard to the council's position, and also the wider economic implications and investment opportunities for the city's seafront, the headline risks are mitigated in the following ways:

Risk	Mitigation
Financial Risks	<p>In order to minimise financial risks and ensure best value is achieved the Council needs to:</p> <ul style="list-style-type: none"> • Carry out due diligence on the appraisals for the development sites and the business case for the operation of the venue with the advice of external advisers as required. • Establish what the net saving will be from the closure of the existing Brighton Centre and therefore what can be used to fund borrowing costs associated with investment into the Black Rock site by reviewing existing budgets for the Centre, determining staff transfer costs and any required new future budgets for Council costs including provision for the maintenance of any new public realm. • Agree a funding envelope for the overall project which is affordable to the Council and forms part of the Development Agreement whereby the project will not proceed if the costs to be met by the council fall outside the envelope. • Ensure that SLI and Venue Ventures remain committed to the development of the new conference centre and arena until the costs of developing the site are virtually fixed i.e. there is a fixed price contract in place for the development of the Black Rock site and agreement has been reached with a housing developer to establish the value of the enabling development. • Develop a borrowing and cash flow strategy to minimise exposure to interest rate risk, deliver the estimated investment through council borrowing and address any temporary shortfalls in cash. • Ensure best consideration is achieved for the disposal of all sites and the granting of relevant leases also ensuring that appropriate overage clauses are included. • Ensure that any compensation to SLI if the project does not proceed only reflects any increase in value of either site created by development work undertaken and paid for by SLI.
Construction risk.	<p>Construction risk on the Central site will sit with Standard Life and their development team.</p> <p>Construction risk on the Black Rock (East) site will be addressed via the Building Construction Contract. A fixed price contract will be entered into via an OJEU process, with an established building contractor. The experienced Venue Ventures development management team will be incentivised to ensure that all of the risks are managed.</p>

Risk	Mitigation
Development risk	The main development risk for the project up to the point of a secure planning permission rests with Standard Life Investments. SLI will be funding the work being undertaken by all parties, including the lead role from Venue Ventures who are working to deliver the Council's venue on the Council's behalf. Experience of delivering venues elsewhere (Leeds, Liverpool and Copenhagen) places Venue Ventures in a good position to progress this work and they have been chosen as Development Partners by Standard Life. The circumstances in which any "claw back" provisions will apply allowing refunding of abortive costs to SLI are currently being negotiated as part of the overall Heads of Terms for the project.
Future of Conferencing	The council will be ensuring by entering into an operator service agreement that the venue diary retains a mix of conferencing and entertainment for the term of any lease.
Ensuring business continuity during redevelopment	A comprehensive strategy to maintain economic impact during redevelopment has been scoped and initial discussions undertaken with the Project Board. It is most likely that some of this work will be undertaken by existing Brighton Centre staff. Work will be timed to begin once project timescales are firmed up (in future months). This work is regarded as a high priority once timescales are agreed and the project is live. As it develops there will be further consultation with the Project Board and also with key stakeholders in the city.
Design and Architecture	<p>An excellent standard of design quality is considered key to the success of all three seafront sites. See Para 3.38-3.42.</p> <p>Right Solution work directly for the city council in relation to conferencing advice and have worked alongside the Brighton Centre officer team to mitigate any risk relating to the design aspects of the new venue. This is to ensure the new venue meets the needs of conference delegates and entertainment visitors alike. A set of Facilities Requirements has been drafted and costed to demonstrate that the building can work for both types of event. A fully collaborative approach to this has involved Venue Ventures (working with Standard Life), the Council, and Right Solution as well as input of a third party operator to ensure that the new venue, as a building, would be a commercial proposition for which a rent would be payable. The venue design would attract a commercial level of rent which will then be fed into the business model to support the wider development.</p>

Risk	Mitigation
Planning	Meetings with Planning Officers early in the development of the scheme will allow key planning issues to be scoped out and addressed. Close working with the City Council's Transport Team to address and mitigate parking and travel impact from the schemes and to improve accessibility and public realm is also seen as critical. Opportunities to set up a design panel to explore the potential and opportunities for securing excellent standards of design on both sites is also regarded as good practice and will ensure the two developments achieve wider support and achieve the level of design quality the city will expect. The developer will be advised to devise a coherent and robust consultation strategy, prior to submission of the planning application.
Legal	DWF, external lawyers, will work with the in-house team to ensure that once agreed the Heads of Terms will be used as a basis for completion of the suite of documents.
State Aid	To ensure state aid compliance the council has sought initial counsel advice from James Goudie QC. Provided that the best consideration rules in s123 Local Government Act 1972 are complied with in respect of the land transactions, leading counsel has confirmed that it is unlikely that any state aid issues will arise.
Section 123 Best Consideration	The council is working with CBRE and legal advisers DWF to ensure it maximises the commercial nature of the deal and receives best consideration. Final terms will be negotiated which balance this risk with the overall requirements of the project.

Risk and Opportunity Register

- 3.25 The key risks are outlined in the main body of the report and in paragraph 3.24 above.
- 3.26 Council officers will continue to develop the Risk and Opportunity register for the project going forward which will apply the council's approved Risk Management Strategy methodology and be used for reporting purposes.
- 3.27 It should also be noted that maintaining the seafront as an asset to the city is identified as a priority in the council's Strategic Risk Register, and this includes seafront, highway structures such as the West Street Shelter Hall site, to the south of the Waterfront Central site.

Seafront regeneration and two strategic sites

- 3.28 The Kings West and Brighton Centre sites reside in the heart of the seafront. Sections of the seafront are supported by highway structures supporting the road and promenade above and a number of these are now about 125 years old. Their condition is regularly monitored to identify those which are in a fragile condition. For example, the structure below Kings West/West Street, known as the West Street Shelter Hall, is currently empty and urgently requires rebuilding. The opportunity offered by the current Waterfront proposal provides the chance to address these broader issues concurrently and to co-ordinate these with allocations from, or bids to, other funding sources such as Local Transport Plan [LTP] funds and Coast to Capital Local Growth Fund.
- 3.29 The Seafront Infrastructure Scrutiny Panel has recently also highlighted the need to ensure redevelopment of significant seafront sites in order to act as catalysts for renewal of the seafront more generally. Madeira Drive (leading to the Black Rock site) and the A259 corridor along the front of the Brighton Centre/Kings West sites are both areas identified as in need of investment. The uplift created by this proposal, if it were to be realised, would be very considerable, and encourage business confidence and a new willingness to invest in the wider area. It will also support the work being led by the council's Transport Division to reconfigure and improve the southern section of the wider Valley Gardens project, which includes the existing Aquarium Roundabout junction.

Transport

- 3.30 The city has demonstrated that it can successfully enable significant increases in activity and movement associated with planned development growth to be achieved safely and sustainably, including large retail and recreational/leisure attractions. For example, the Travel Management Plan for the 30,000 capacity AmEx Community Stadium has been developed and delivered jointly by many local, regional and national partners and stakeholders. It has also been adapted and updated to reflect and address changes in circumstances over time, whether planned or evolved. Although the local environments, circumstances and constraints of these two more central sites are recognised, the lessons learnt from the AmEx Stadium can be applied to the Waterfront project to ensure it can be delivered successfully and achieve the wider objectives that it will be expected to meet for the city.
- 3.31 The redevelopment of both sites as part of the Waterfront project, which has the potential to transform this section of the seafront and city centre, presents opportunities and challenges for transport and travel which need to be seized and overcome respectively.
- 3.32 The opportunities include:-
- improvements to the public realm around each site; creating permeability through each site; providing enhanced and new sustainable transport routes and services; improving links with Brighton Station; overcoming the perceived

distance between the Marina and the city centre; connecting the Black Rock site more directly with the Marina; strengthening funding bids for transport infrastructure, especially from the Local Growth Fund.

3.33 The challenges include:-

managing the increased demands to and from each site on the city's transport network safely and sustainably; minimising any adverse effects on the designated city centre Air Quality Management Area; ensuring compatibility with existing and emerging planning policies; addressing the potential loss of the previously protected direct public transport connection between Madeira Drive and the Inner Harbour site and centre of the Marina; assessing the potential loss of coach parking spaces on Madeira Drive.

3.34 An analysis of both sites has resulted in an emerging Transport Strategy that has been developed to manage the different needs and demands created by the type and size of development proposed on each site. These include event-based Park + Ride, additional bus services, cycling and walking infrastructure, public realm improvements and on-site car parking and servicing.

3.35 Locations and routes that will require specific consideration include connections between the sites and the city centre; the Marina; Brighton Station; hotels; the event-based Park + Ride sites; car parks; Madeira Drive; Cannon Place; West Street; and the A259 and the highway structures that support it. For example, the West Street Shelter Hall structure is directly adjacent to the Waterfront Central site, and the A259/West Street junction, which is a key part of the pedestrian and cyclist route to/from and along the seafront (especially from Brighton Station) and provides direct access to a number of city centre parking spaces, including Churchill Square. It was built in the 1880s and supports the upper promenade at the junction of the A259 (King's Road) and West Street. It was assessed in 2013 and was found to be potentially dangerous and is now empty and supported by a complex, internal scaffold structure (at an approximate cost to the council of £100,000 per year).

3.36 The West Street Shelter Hall structure is currently the next priority for reconstruction within the council's LTP capital programme. A successful bid to the LEP's LGF could enable it to be constructed earlier and quicker than planned, and would reduce pressures on the LTP programme, and therefore work on its design needs to start as soon as possible. The pressing need to rebuild this particular structure presents an opportunity to fully assess this section of the seafront and the associated highway structures, and the operation of the junction. This could be undertaken separately, but with due regard to the current status of the Waterfront project proposals and its subsequent progress, would enable design options to be developed that would be consistent with, and enhance, the wider project. This is an example of one such project that recommendation 2.7 of this report seeks to enable officers to progress alongside the Waterfront project.

Planning Considerations

- 3.37 The redevelopment schemes will be assessed against policies in the City Plan Part One, in particular policies DA1 (Brighton Centre and Churchill Square) and DA2 (Brighton Marina, Gas Works and Black Rock Area) that include strategic land-use allocations for the sites. Policies within the National Planning Policy Framework, particularly in relation to the location of new retail and assembly and leisure uses, will be relevant to this assessment. It will also be important that both development sites are linked and that concurrent planning applications and decisions are made.
- 3.38 The key planning issues for the schemes include consideration of the uses proposed on the two sites; design and massing of the schemes; and scope for wider benefits for the area. There are significant opportunities and sensitivities in terms of architecture and design as both sites are located close to townscape of historic importance.

Design and Architecture

- 3.39 The development of these two major sites (Brighton Centre & Kings West and Black Rock) represent, with the exception of the King Alfred and Shoreham Harbour sites, a final opportunity to enhance and improve the seafront which is the city's most valuable asset in terms of visitor numbers and attractions and the effects this has on the city's economy.
- 3.40 The central site (Brighton Centre & Kings West) is a key City centre site that must be of an exceptional design bringing together the seafront and the heart of the City. The scale, proportions, materials and design impact of this site are vital to the whole experience of the city and will transform the area and improve the experience of citizens living and visiting the seafront.
- 3.41 The current proposals remain at an early concept stage. It will take considerable work on the part of the developer team, in partnership with the council, to take the project from a workable concept to a deliverable scheme.
- 3.42 Challenges include:
- To deliver excellent, high quality, sustainable standards of design on both sites
 - To provide buildings of a height and mass, which deliver affordability but respect the limitations of the 2 sites and the adjacent conservation areas
 - To integrate schemes on both the Central and Black Rock sites which will ensure that each works on its own merits
- 3.43 Opportunities include:
- Public realm improvements between the central and eastern sites which would include the immediate areas such as West Street and Madeira Drive

- Redevelopment of a vacant semi derelict seafront site
- Rejuvenation of a currently unused and undeveloped area of seafront and possibly its adjacent neighbour, the Marina.

3.44 It is therefore vital that the design of these sites is championed by a reputable design champion in conjunction with the council's project partnership and design team.

Development Agreement sign off

3.45 An indicative timetable would suggest that the Development Agreement is finalised in Spring 2015, which would entail intense negotiations between all of the partners involved in the project. If this were achieved, the aim would be to submit a planning application by the very earliest in Winter 2015. In the event of the Committee agreeing these recommendations, a further report will be brought to a further P&R committee with final agreed terms. This will allow for a projected site commencement in 2017. *It must be stressed that as the project remains in its infancy, all projected dates are indicative at this stage.*

Monitoring and reporting

3.46 Policy and Resources Committee will be provided with general progress reports as the project progresses particularly at key milestones. Project updates will also be given to the Economic Development and Culture Committee as part of the regular Major Projects Update.

Audit

3.47 Given the extent of borrowing required for this project, the Audit and Standards Committee will expect to have oversight of the complete proposal. This would set out the approach being taken to risk management and due diligence and also the assurance role for Internal Audit over the project as a whole.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 Officers, together with expert financial advisers, have considered a range of options that might enable funding a suitable and comprehensive redevelopment to be achieved at the current Brighton Centre, but the scale of the problem presented by such re-provision (estimated as costing £105m in 2006) is not able to be addressed without significant private sector leverage or a revised and expanded business case which supports growth. The opportunity to re-provide a new centre on the existing site is not considered to be a financially achievable option for the city council at a time of significantly reduced budgets and grants. The option being presented, on the contrary (as set out in the Financial paragraphs) is one which creates very significant additional revenue for the city from a range of sources and at the same time, reduces the reliance on the public purse long term and hence the pressure on resources which the present situation supports.

4.2 If the Committee decides *not* to proceed with negotiations, the following outcomes are anticipated:

- The Brighton Centre will continue to require annual investment but without any additional income to fund this. Delay will not resolve the ongoing problem of how to provide a sustainable economic future for the Brighton Centre building.
- Construction inflation will add to project costs.
- New investment to protect the seafront and grow business and investment income for future years will be significantly held back.
- Future business rates income in the region of £3.5m per annum and a total net income of approximately £4.6m for the council will not be realised.
- Public realm improvements to the seafront/A259, Russell Road, Cannon Place will not be achieved in the medium term.
- Black Rock as a derelict site will continue to deter investment in the area and impact upon plans at the Marina and for Madeira Drive and the Seafront.
- Existing scarce resources will have to be re-prioritised from current and future revenue and capital service budgets to continue to resource the Brighton Centre maintenance and operational budgets.

5.0 COMMUNITY ENGAGEMENT & CONSULTATION

5.1 A process of consultation with the business and wider community is planned to take place as the proposal develops to ensure key stakeholders remain fully engaged going forward.

6. CONCLUSION

6.1 Alternative funding options have been fully explored by all parties, but at the present time no alternative fundable option is available to enable a solution to the Brighton Centre. Two key strategic seafront sites have also remained undeveloped for many years and are likely to remain so without an injection of private sector funding that can support the development of a project, or a combined project, to the point of planning submission. The joint aspirations of Standard Life Investments as a key landowner at the central site and the council as joint landowner at the central and Black Rock sites, provides a unique opportunity to deliver, by the regeneration of the two sites, a series of important outcomes which work for both interested parties, namely, a new council owned venue which can be funded using new income to the city (generated by the complete proposal) in conjunction with a revised shopping offer and new shopping centre extension along with the regeneration of the Kings West site. These are outcomes the city has sought for many years and therefore must be viewed as a serious proposition for the city council to consider at the present time.

6.2 Despite the excellence of service offered by the Brighton Centre, the constraints of the building and the inability to compete with newer venues in

future years mean that the building cannot increase its turn over sufficiently to justify further long term investment. The Council's financial position cannot support continual calls for investment year on year at a time when budget constraints are increasing and calls upon council funds from other core services are also increasing.

- 6.3 To maintain the Brighton Centre in its current location is not financially viable. Even if it were, it would not generate the additional funding, jobs and other improvements that the present proposal offers the city. Previous proposals have explored this option and were found to be financially unfeasible at the time. The estimated £105m (in 2006) that is required for the build cost of a new centre on the current site is also not affordable for the city (as explained under Financial Implications) and no new income streams would be generated to support borrowing for this purpose if the council decided to pursue redevelopment on the current site.
- 6.4 A 'do-nothing' option has considerable negative reputational, physical and financial impacts on the city long term and the regeneration, business uplift and job impacts will not occur. The current proposal meets important objectives for the city that are included within the Economic, Tourism and draft Seafront Strategies.
- 6.5 Associated investment in Seafront Infrastructure, such as the highway structures supporting the A259, which also offer opportunities to continue and enhance the unique commercial offer of the seafront, would also help to address issues raised within the council's Strategic Risk Register. This project proposal, in tandem with other recent developments such as Brighton i360, could assist considerably in meeting wider objectives that will benefit the city in the long-term.

7. FINANCIAL & OTHER IMPLICATIONS

Financial Implications

- 7.1 The council is seeking to develop proposals that could be achieved within existing budgets and that do not require additional resources other than the value of the land already owned by the council. The proposals have the potential to generate substantial future income streams for the council from increased business rates, New Homes Bonus and council tax income and the council will need to decide how much of this new income stream should be set aside to meet the borrowing costs if the projected funding gap is to be closed. Current costings, income forecasts and funding options are set out below using a base case offer. However, there are a range of different options that will continue to be explored in order to achieve the preferred outcomes for the council within a best value funding strategy.
- 7.2 Officers have explored options to refurbish the existing Brighton Centre and have had the building surveyed by Northcroft and essential works identified and costed in 2012. The building is now over 37 years old and is in need of major works to its structure including the roof, windows, doors and

replacement of mechanical and electrical plant including the lifts and the air conditioning system. The investment estimated in 2012 varied from £25m to refurbish and extend the life of the conference centre to £50m for a full refurbishment with remodelling improvements to functionality and flexibility. The refurbishment works would have limited impact on reducing running costs and generating additional income whilst the remodelling would generate insufficient new income to pay for the investment, so the council would have to identify additional resources from an already over-committed capital programme. The Brighton Centre would also have to close for 18 to 36 months to enable the works to be carried out.

Forecast Financial Benefits to the council

- 7.3 The forecast economic benefits and new jobs created by the proposals are set out in the body of the report, but in addition the council will receive direct financial benefits as forecast in the table below. Whilst these new income streams are likely to be retained by the council they are not guaranteed as a new government could make changes to the current local government finance system after the election next year. It is also unclear what would happen when the business rates retention system is reset in 2020. The council also needs to be mindful of the additional services it needs to provide to the residents of the new housing. Allowance has been made within the costings of the proposals to cover S.106 contributions towards the provision of new school places.

Table 1: Forecast direct financial benefits for the council

	Forecast £ million
Central site:	
Net Additional Business rates – 49% council share	3.0
Additional council tax	0.3
New Homes Bonus (payable for 6 years)	0.4
Eastern site:	
Net Additional Business rates – 49% council share	0.5
Additional council tax	0.2
New Homes Bonus (payable for 6 years)	0.2
Total forecast of additional annual revenue	4.6

- 7.4 The forecasts shown above are just estimates at this stage based on the preliminary development proposals on each site at a point in time. The council tax and New Homes Bonus figures are based on just over 400 new housing units being constructed across the 2 sites. All the numbers will be refined as the proposed number of housing units and the level of the commercial & retail development are also refined.

Provisional Development Costs and Proposed Funding

- 7.5 The current proposals result in a total development value of approximately £540m of which £165m relates to the eastern site and £375m to the central

site. Appendix 2 in Part Two of this report sets out the indicative funding arrangements for the eastern site. The council must ensure that the amount received for the Brighton Centre site achieves “best consideration” and has employed CBRE to review and advise on the central site appraisals. An initial headline review of the latest appraisals supplied to the council has identified the following issues:

- The nature of the scheme and its impact on the rest of Brighton will be critically dependent upon the identity of the anchor tenant.
- The treatment of affordable housing in both schemes is key to the final valuation.
- The agreement for lease with the third party operator will need to be independently verified to ensure a commercial rent.
- How best consideration is certified in the context of a five year pre-commencement development period and how development management costs are expended as the project progresses (as these form part of the final council value) will also need to be more fully worked through.

7.6 CBRE have confirmed that they will be able to make swift progress in the new year with respect to their viability assessment once all information is available in relation to the linked schemes. This will include a detailed review once the proposals have been refined and further developed in the new year.

7.7 Appendix 2 in Part Two shows that there is currently a funding gap of between £5m and £26m on the development of the eastern site. These figures are derived at a point in time and will change as the proposals are developed and refined. This gap can be funded if the council is willing to set aside some of the additional income stream to fund additional borrowing costs.

Operation of the new Conference Centre and Arena

7.8 An indicative rent is based upon an outline business case developed by a third party operator for the operation of the venue and indicative Heads of Terms have been negotiated. It is intended that the rental agreement will include an overage clause if the venue delivers higher profits than allowed for in the business case. The business case does allow for a capital payment towards the fit out costs and for business rates of £0.5m per annum but does not currently make provision for any costs arising from TUPE. It also assumes that the council will retain its current conference subvention budget at existing levels of just over £1m per annum and the council needs to commit to the retention of this budget. The business case will need to be reviewed in detail with specialist external advisors once it has been received by the council.

7.9 There will be significant operational and maintenance savings to the council compared to the existing Brighton Centre budget which will be used to fund borrowing costs as set out in Appendix 2. Further work needs to be done to identify precisely what these savings will be and any additional costs arising from the maintenance and upkeep of the new public realm areas around the conference centre and arena.

Proposed Financial Envelope

- 7.10 Taking the upper range of the provisional funding gap of £26m additional borrowing by the council would be needed in order to deliver the project. This equates to the potential earmarking of just over 25% of the forecast additional income stream to fund the additional borrowing costs. Under this scenario council borrowing would be funded by the rent from the Operator, the net savings achieved on the current Brighton Centre budgets and a proportion of the additional income streams identified in paragraph 7.3. The proposals will be developed and negotiated with a view to minimising risk to the council and maximising benefits. Members are recommended to agree that up to 25% of the forecast additional income stream could be used to fund additional borrowing.
- 7.11 The development of the project will need dedicated internal resources and appropriate specialist external advisers for example to evaluate and test proposed transport solutions. This expenditure can be met from allocations from the Strategic Investment Fund (SIF). The Brighton Centre Redevelopment Reserve, currently estimated to be £3.7m at the 31 March 2015, is being used to fund SIF allocations for the redevelopment of the Brighton Centre and it is recommended that with the linked projects this is extended to cover the Black Rock site as well. In addition to the subvention budget the Redevelopment Reserve could also be available to help fund conferences and events during any closure period before the new venue is completed.

Finance Officer Consulted: Mark Ireland / James Hengeveld Date: 8/12/14

Legal Implications:

- 7.12 The overall project is a complex transaction and entails a number of interlinked contracts being entered into. A summary of the current draft Heads of Terms is in Appendix 1. In essence, the council will enter into land transactions with (a) SLI in respect of the Centre, (b) a housing developer re part of the Black Rock site and (c) a commercial operator in relation to the new Venue. The building contractor for the Black Rock site will be procured in accordance with the EU Procurement Rules. VV's services contract with SLI will be such that it may be assigned to the Council at the appropriate time.
- 7.13 It is proposed that officers continue to work with the Project Board and that the final Heads of Terms for all of the required documentation are agreed by Policy & Resources Committee, so that the appropriate documentation can be entered into.
- 7.14 Whether or not there is a TUPE transfer involved in this transaction is a matter of law. Further consideration to this key aspect will need to be given once the respective Heads of Terms are agreed.

Equalities Implications

- 7.16 A full equality impact assessment will be undertaken as part of the next stage of the project. Delivery of the combined projects to a high standard will include the capacity for all residents and visitors alike the ability to access new high quality exterior and interior public realm, regardless of income or social class, including also access to previously unobtainable sea views. A future report will address specific equalities issues arising from the proposal that the venue be operated by a commercial operator.

Sustainability Implications

- 7.17 Building standards will need to comply with the minimum standards set out in the City Plan in terms of BREEAM. The opportunity to ensure both developments are District Heat Network ready will also be explored. Commitments to the promotion and provision of sustainable transport options that minimise carbon emissions and mitigate any effects on air quality levels and congestion will also be critical to ensuring that the project is successful.

Any Other Significant Implications

- 7.18 All significant implications are dealt with in the main body of the report.

SUPPORTING DOCUMENTATION

Appendices

Part I

Appendix 1 Draft Heads of Terms summary

Part II

Appendix 2 Waterfront East – Conference Centre & Arena estimated development cost and funding options

Documents in Members' Rooms

None

Background Documents

None