

Management Committee

13th December 2016

Weymouth Town Centre Masterplan – Site update - Peninsula

Appendix 1 to this report is not for publication by virtue of Paragraph 3 of Part 1 of Schedule 12A of The Local Government Act 1972, as amended. The public interest in maintaining the exemption outweighs the public interest in disclosing it.

For Decision

Briefholder

Cllr Jeff Cant

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Statutory Authority

Legal power to dispose of the land – s123 (2) and s 128(1) Local Government Act 1972 and Circular 06/03 Local Government Act 1972 General Disposal Consent (England) 2003.

Purpose of Report

- 1 To advise Management Committee on the investigations undertaken to-date in determining the issues, options and financial viability for progression of the leisure led Peninsula re-development.
- 2 To seek agreement to refine the details in all scheme areas, including potential phasing, in order to confirm if the site redevelopment can move forward to the next phase.

Officer Recommendations

- 2 (a) To note and accept the findings of the work undertaken by Cushman & Wakefield which is set out and contained in this report and the confidential appendix (Appendix 1).
- (b) To agree that Cushman & Wakefield undertake and progress the outstanding investigations and issues noted in this report, utilising the current scheme budget allocation.
- (c) To receive a report in February 2017 detailing the economic impact of the proposed scheme on the Borough.
- (d) To receive a report in March 2017 on traffic management proposals linked to the scheme.

- (e) To receive a report in April 2017 addressing the issues identified in section 47- Next Steps, including scheme phasing and financing options.
- (f) To note that the progression of a “meanwhile uses” strategy for the existing peninsula buildings to bring buildings back into use has been successful with all available buildings having potential short term occupiers, with those lettings now being progressed.

Reason for Decision

- 3 To appraise members of positive progress to date, and to determine the further work required to progress the scheme.

Background

- 4 A report was submitted to the September 2016 Management Committee where it was agreed that work would be undertaken to progress in more detail a leisure led redevelopment scheme on the Peninsula site.
- 5 Cushman and Wakefield were commissioned to progress these issues, and a budget was allocated in the sum of £200,000. It was further agreed that a report on progress would be made back to Management Committee in December, and this report and summary presentation sets out findings and results to date.
- 6 Specifically it was agreed that a number of elements of the scheme needed investigation in order to finalise the viability and other development issues including:
 - 1) Commission scheme concept and visuals for discussion with planners and occupiers
 - 2) Engagement with potential occupiers
 - 3) Pre-application planning submission
 - 4) Services and ground condition surveys
 - 5) Engagement with the Environment Agency
 - 6) Transport study
 - 7) Update of the financial viability analysis including production of a cost plan, and detailed due diligence by the council's finance team.

The resultant information would then collectively allow better consideration of the risks, costs and viability of any potential scheme, and the ability to deliver the redevelopment being considered.

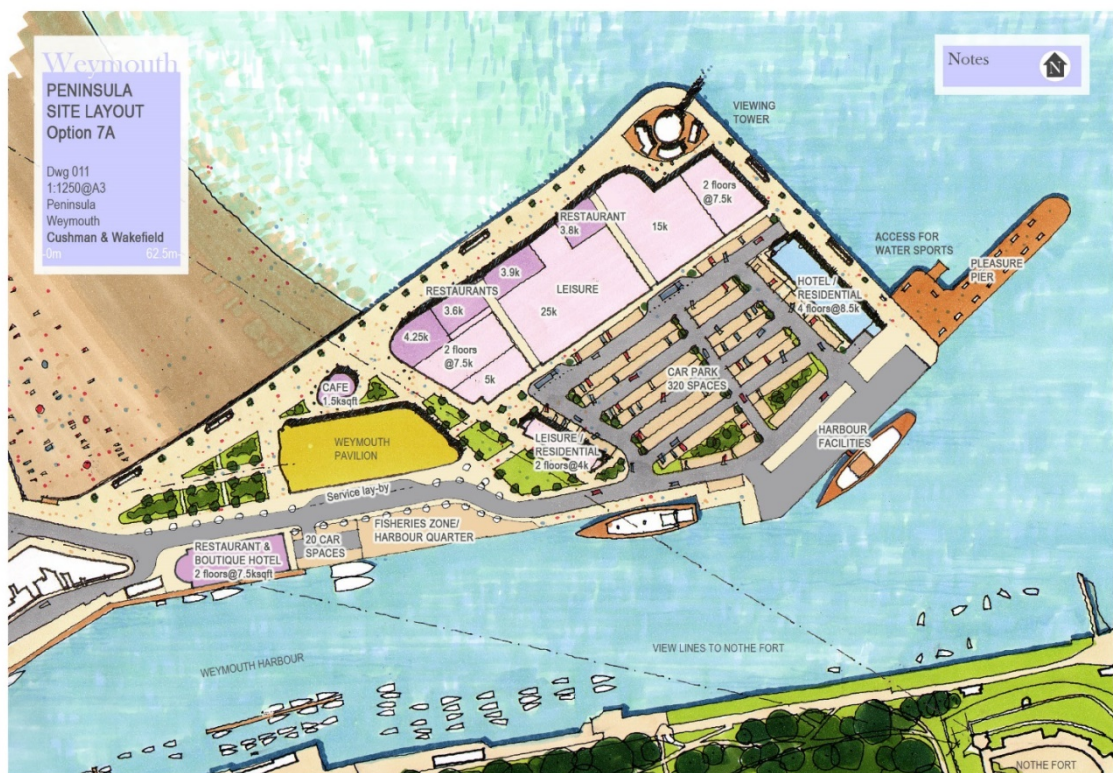
Good progress has been made to date, but the full results have yet to be received or concluded. Details of the current information are set out below.

Scheme content and layout

- 7 A concept scheme has been drawn up and the indicative site layout plan has been reproduced below.
- 8 A layout plan similar to the plan below was also provided to potential occupiers in the soft marketing exercise that was undertaken, as well as

the Environment Agency, the Local Planning Authority, and Historic England when seeking initial responses to the scheme concept.

- 9 The plan will need further revision to deal with access, servicing issues and potential user requirements but gives an initial view of the concept scheme. The detailed design phase will also include consideration of a wider mix of uses and exploration of how best improve the visual appearance of the Peninsula from the Esplanade and the Nothe. It is worth noting that the design facilitates phased development if appropriate.
- 10 The design includes a waterside walkway around the Peninsula which , with appropriate signage and design treatment, would link to the Esplanade and other walking and cycling routes around the town, as envisaged in the Weymouth Town Centre master plan.



Engagement with potential occupiers

- 11 Cushman Wakefield have approached a full spectrum of leisure operators, and interest in the site has been positive. Across the range of potential restaurant, cinema, gym, and activity leisure operators the site has generated sufficient interest to give confidence that the vision of a high quality and diverse leisure destination can be realised. The spread of occupiers, if realised ,would strengthen the towns leisure and tourism offer and lengthen the tourism season.
- 12 Demand for additional hotel accommodation in Weymouth has been established through the LEP funded tourism study, and this is borne out by direct approaches regarding sites on the Peninsula. In addition Cushman

and Wakefield continue to engage with hotel developers to better understand the most appropriate hotel solution for the site.

13 The initial response is very encouraging with more potential occupiers expressing interest than the number of units proposed. The conclusion is that there is sufficient occupier interest to proceed to the next stage, assuming all other scheme aspects can be satisfied.

Pre-application Planning Submission

14 A pre-application planning submission was made and a response was received from the local planning authority on an indicative scheme similar to that shown on the concept scheme plan, but with the inclusion of potentially some small residential units mixed around the harbour area. This was partly because the original planning brief was to consider a mixed use scheme including residential but also to seek some views from the Environment Agency on such uses on the Peninsula.

15 The response overall from the planning authority is that the proposed leisure and hotel uses accord with policy. Consideration should be given to how proposal might be received locally - it should not be seen as a self-contained destination with visitors having little engagement with the wider town.

16 Further residential use is acceptable subject to resolving flood risk issues, which limit the suitability of the site for this use. Both the hotels and any other enabling uses such as some small residential perhaps at the Town end of the site would therefore need further work for those elements. However because the site is allocated, flood risk sequential and exception tests are not required.

17 While not necessarily proposed at this time planners have indicated that a decked car park would be acceptable, provided it is well designed. No other comment on parking was provided but the resolution of parking, numbers of spaces and the traffic issues arising from the intended uses will still need to be factored in, and will influence any final scheme design.

18 Planners indicate that a statement on the cessation of ferry services needs to be included in the application. It will be seen that there are still intended to be Harbourside facilities and the scope, content and users will again need to be factored into the final scheme, as well as the financial and other considerations for these elements.

19 Finally with regards to layout and the visual impact of any scheme that there is a tension between a modern or a traditional design approach which needs to be justified in the planning submission. There would be a need for further design work required on the visual impact of the development on views of the Nothe Fort from the Esplanade and general views from Nothe Fort itself.

- 20 There might be a need to obtain a Marine Licence and thus some additional planning issues may arise as a result of this.

Engagement with the Statutory Consultees

Comments below are the initial responses from statutory consultees.

- 21 The site is in part medium and part high flood risk zoning, and climate change will exacerbate the position. Hotel and residential are classified as 'more vulnerable' uses and a Flood Risk Assessment will need to demonstrate the design flood level can be managed safely for occupants and users. This will need to deal with and set finished ground levels, quay wall heights and floor levels as part of mitigation strategy and how people can evacuate the site during a flood event. The Environment Agency also recommend a Flood Warning and Evacuation Plan should be provided.

Historic England

- 22 The setting of the Nothe Fort is the key concern with regards to both views of the Nothe and also views from there. Historic England were supportive of the low height development in general, but do have concerns over the height of the 4-storey hotel building because of impact on Nothe Fort. The improved public realm in front of listed terrace is however welcomed. They do comment that they would like to see the railway tracks retained in some way within the public realm, which could be a challenge to the current scheme design.

Natural England

Natural England have confirmed they do not foresee any substantive issues at this location that would affect their remit but suggest consideration is given to how the proposals might help promote and interpret the Jurassic Coast World Heritage Site.

Dorset County Council

- 23 As the flood authority DCC have indicated that the surface water can discharge to sea, albeit via petrol interceptor traps. With regards to flooding capacity needs to be sufficient to cope with 1 in 100 year event plus climate change. This needs further clarification and work to determine the impact this would have on the concept scheme.

Stakeholder initial consultation

- 24 A stakeholder and community consultation event was held to ask for views on the indicative layout plan provided. The response overall were positive in that there is support for a better quality leisure offer in Weymouth (provided this complements the theatre and the town centre), the proposed building heights were seen to be reasonable (providing views to the Nothe are preserved) and the realignment of the road to create better public realm, particularly the continuation of the promenade along the beach side. The retention of car parking was seen to be essential for the commercial survival of the theatre and for beach users.

25 The following suggestions were made:

- a. The addition of an outdoor performance venue would be welcome, providing it complements the theatre's programme of events.
- b. Harbour uses and integration requirement will need to be considered as the design develops. Weymouth's fishing fleet are also keen to part of the development and that too will be factored in.
- c. Access to the water for watersports and other water based activities would be welcome. The heritage of the Peninsula should be celebrated.
- d. Both the community and cultural elements were perceived to be lacking by the community groups. Funding options for these elements will be explored as part of the next phase of the development. Clearly however the Pavilion does provide considerable cultural offer for the Town.
- e. A suggestion was that the development could include flexible, informal community spaces and there could be an opportunity to put Weymouth on the cultural map, as the Turner Contemporary has done for Margate. If arts and other funding was available similar to that scheme then this could indeed be considered.
- f. A public realm and public art strategy, including procurement of designers and artists, was also suggested.
- g. At the detailed design stage the appearance of the rear of the leisure units should be considered further.

Services and Ground Conditions

26 In broad terms, following the site investigations undertaken, the current development proposals are considered deliverable, with some areas of risk that could be managed through considered design, further investigation and a robust procurement strategy.

27 Investigations of previous bore holes and surveys were reviewed, a full topographical survey was undertaken, including current services and a detailed report and costing exercise concluded. At this time the costings are indicative since the final design and costs will be determined according to the final scheme design.

28 The contaminates in the site are relatively localised near to the former ferry area and those can be dealt with either by removal or capping, and the costs are reflected in the financial models. Piling will be needed as anticipated and the costs of this too have been included in the overall development appraisal. The harbour walls condition has been assessed using the relatively recent survey that was commissioned by the Council. The walls are serviceable for what is intended as there is no direct additional loading. Further to allow for future potential works the concept scheme is currently designed to allow a 10 metre access strip which will allow works to be undertaken in the future should these be needed.

29 Services to the site are limited with these currently running to the Pavilion, and more detailed investigations to those will be undertaken to determine if there is a possibility of enhancement there. That would then allow the potential to undertake an earlier phased approach to that general area of the site were that to be possible.

30 To the remainder of the site there are limited services only. It is envisaged that new services would need to be run to new restaurants and leisure units etc, and those costs have been included within the development financial appraisal as a budget figure at this time.

Transport

31 The draft report produced by Vectos has been received and is being reviewed by Dorset County Council. The draft report concludes that the number of parking spaces proposed is appropriate for this development based on trip generation data, and that the traffic generation will be no worse than the current situation compared to the existing situation during the busy Summer months. It is however accepted that the development may give rise to more traffic than the existing car park during the off peak months whereby background traffic flows will be considerably lower within the town.

32 In order to reduce the demand for car borne journeys and reduce the traffic along the Esplanade, the report makes the following recommendations:

- a. Improvements to the Alexandra Gardens gyratory to improve traffic flow and improve the environment for pedestrians
- b. Introduce Variable Messaging Signing (VMS) to advise when the Peninsula car park is full to avoid unnecessary journeys
- c. Provide a new bus stop within the development
- d. Provision of a safe cycling route to the Peninsula with secure cycle storage facilities
- e. Appropriate car parking charging system

33 Taking account of the Vectos report and the LEP funded Parson Brinkerhoff report on traffic and parking in Weymouth it is proposed to bring forward recommendations to improve traffic flow in the town for early implementation.

Legal Issues

34 There are currently two occupational leases relating to the site, being the Tower (occupied by Merlin) and the Pavilion Theatre. Both are anticipated to remain as part of the redevelopment.

35 There are three key restrictions on portions of the site related to previous uses of the Peninsula. The Council would need to agree with, variously, the Crown, the Crown Estate's Commissioners and the Board of Trade that these restrictions and requirements are no longer appropriate and may be released.

36 The Department of Transport has confirmed that the railway lines are redundant. A decision will need to be made whether these are removed, covered or retained within the public realm. As part of the next stage of works, the location of the tracks will be laid over the concept plan to agree the best course of action.

37 Due to harbour usage along one frontage of the site, consideration is being given as to how the Peninsula site land has previously been held, and any implications arising from the transfer of the assets from the Harbour Board to the corporate Property Services function dealt with as part of the harbour budget setting process. Given the cessation of the restricted areas associated with the ferry operation formal notice of discontinuance, if required, will be dealt with. This may need to follow a regulatory procedure but this matter is being investigated further by the legal team to seek clarification.

Financial Viability Analysis

38 A financial appraisal has been undertaken By Cushman & Wakefield based upon a relatively detailed Cost Plan and Schedule of Estimated Rental Value. In addition to the construction costs for the buildings, the cost plan also includes allowances for abnormal costs and external works such as hard and soft landscaping.

39 The project was then appraised on two methodologies (as reflected in the September 2016 report), these being the traditional developer approach and an alternative a long term cash flow assuming Council borrowing.

40 A detailed financial analysis is attached as a confidential appendix 1 to this document. This is commercially sensitive as it indicates potential rental levels, construction costs, return on investment, plus tenant incentive packages, which will vary.

41 The conclusion of the financial appraisal is that the traditional developer approach remains unviable without the gap funding indicated in confidential Appendix 1.

42 The use of a long term cash flow does however produce a positive income stream depending on interest rate, the cost of the scheme, the assumed income, and the length of the repayment term.

43 Further more detailed financial analysis is required concerning potential funding options given the Council's existing levels of borrowing and future affordability.

44 As might be expected on a scheme of this scale and complexity, further work is required to properly evaluate all options available to the Council. These options include :-

- a. Capital injection (from Council or other sources) to de-risk the site and reduce traditional developer funding deficit and improve scheme viability;
- b. Phasing the scheme to enable disposal of initial phases to facilitate subsequent phases;
- c. Phasing of scheme to assist delivery, together with interim uses on undeveloped areas;
- d. Opportunities for partnering potentially utilising other assets;
- e. A review of the brief and occupier mix to determine the extent to which an element of enabling uses would assist scheme viability.

45 This work will be carried out by officers and Cushman & Wakefield within the funds already allocated to the project.

Overall Summary of Concept Scheme to-date.

46 A considerable amount of work has been undertaken in progressing the scheme and while there is still a lot to do the results thus far are encouraging. This will then allow a conclusion to be drawn on the overall scheme viability, and delivery issues.

Next Steps

47 In order to progress the scheme, officers have identified the following further actions which are commended to Management Committee to endorse.

- a. Commence discussions to seek agreement with third parties on title restrictions and railway line.
- b. Council officer team, with Cushman & Wakefield, to review all financial opportunities for funding in more detail
- c. Consider opportunities for capital injection of funds to reduce traditional developer funding deficit to improve scheme viability
- d. Consider opportunities for partnering
- e. Consider phasing of scheme to assist delivery, together with interim uses on undeveloped areas
- f. Review brief and occupier mix to determine the extent to which an element of enabling uses would assist scheme viability
- g. Produce an economic impact assessment of the development on the wider town centre.

Implications

Corporate Plan

Development of the sites within the Weymouth Town Centre master plan and the local plan are supported by way of employment gain and a mixed scheme development.

Financial

The LEP has approved use of £81,500 from the funding for Western Dorset Growth Strategy studies to facilitate the ongoing work to bring forward this development. This, together with the balance remaining of the £200,000 budget approved by Management Committee for these initial phase investigations, will be utilised to deliver the next steps identified above.

Equalities

There are no equalities issues and any development would be fully DDA compliant.

Environmental

The delivery of a new mixed leisure or other scheme offers the opportunity to enhance the current Peninsula environment. Any scheme will be subject to the usual planning and other environmental and statutory checks and requirements.

Economic Development

There is the potential from a successful scheme to provide additional employment, and to add to the economic prosperity of Weymouth. The production of the economic impact assessment of the development on the local area will provide further evidence of the wider benefits of the scheme.

Risk Management (including Health & Safety)

The risk of any council undertaking a development scheme is potentially high, but with further detailed studies to assist in this decision the risk will be reduced. The council will, with that more detailed information and advice, be able to decide then if it wishes to commit to progressing the scheme. The risks and costs will be set out and so each decision will be based upon the best information available at that time.

Human Resources

None directly arising

Consultation and Engagement

Asset Management Group.
Town Centre Master Plan has been subject to consultation

Background Papers

Weymouth town centre master plan

Footnote

Issues relating to financial, environmental, economic and equalities implications have been considered and any information relevant to the decision is included within the report.

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