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Ward (s) affected	All	Key Decision	Yes
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Subject	The Swan Centre – Development & Asset Management Initiatives
<p>RECOMMENDATIONS</p> <p>The Executive is asked to approve the allocation of up to £190,000 from the Transform Leatherhead budget to commission a Development Strategy and Viability Study for the Swan Centre, with supporting surveys.</p> <p>The Executive is asked to add a £1.115m scheme to the capital programme for some short-term asset management initiatives to improve the centre, which include:</p> <ol style="list-style-type: none"> a) phased works costing £815,000 to create up to 4 new units which are estimated to increase the rental income by £69,000 pa, (8.5% return). b) selected short-term works to improve the car park totalling £300,000. These works respond to public consultation by making the car park more user friendly, and are estimated to increase the income by £40,000pa, (13.3% return). This income has the potential to be increased further with the introduction of long-term parking, subject to the agreement of key stakeholders. <p>The short-term initiatives referred to in the Annex, have been carefully considered in light of the likely future development options for the Centre. It is anticipated that the two will be complimentary. The areas for proposed expenditure have been focused to directly address the issues raised in the Transform Leatherhead public consultation.</p>	

CORPORATE PRIORITIES
<p>ENVIRONMENT - A highly attractive area with housing that meets local need</p> <ul style="list-style-type: none"> • The proposed improvements directly respond to the concern of residents (expressed through recent consultation regarding Transform Leatherhead) that the town lacks suitable retail units and this is reducing the attractiveness of Leatherhead town centre. In addition there was a strong view expressed that Swan Centre car park should be improved to make it more user-friendly.

PROSPERITY - A vibrant local economy with thriving towns and villages

- Continue to drive the transformation of Leatherhead Town Centre.
- Adopt a pro-business outlook across the District, addressing infrastructure needs, in particular parking provision which balances the needs of residents and local businesses
- Look for innovative ways to minimise the cost to taxpayers of Mole Valley District Council whilst protecting services.
- Taking a direct approach to making a difference by improving the Swan Centre is an ongoing indication of intent by MVDC to improve the town centre.

Community Wellbeing - Active communities and support for those who need it

- As part of the Transform Leatherhead consultation, some of the key concerns raised were that the Swan Centre car park is not customer friendly, and the Leret Way façade is uninviting. The modifications proposed address both these concerns.

The Executive has the authority to determine the Recommendations

1.0 BACKGROUND

- 1.1** The Transform Leatherhead Masterplan adopted by the Council in July 2016 identified a number of core areas for significant development / regeneration within the town and sets out:-
- The ambition for the High Street Retail and Leisure Quarter is to enhance its role as the heart of the town and a focal point for the majority of the retail and leisure offer.
 - The Swan Centre dominates the retail offer in the town at present and is a key anchor to the wider historic High Street
 - The short-comings of the Swan Centre need to be addressed through remodelling of the centre and other development to establish a stronger anchor role for the eastern end of the High Street.
- 1.2** MVDC acquired the Swan Centre in 2016 and since then a number of long-term remodelling opportunities have been identified. It is now recommended to undertake a detailed viability study to create a Development Strategy and Masterplan for the Swan Centre.
- 1.3** Public consultation responses found a strong desire from local people to have a better shopping offer in Leatherhead town centre and see improved levels of accessibility and improved car parking. In advance of the remodelling, and subject to any contractual obligations on MVDC, it is recommended to undertake some short-term improvements to the centre and car park to offer immediate opportunities for increased footfall and help make the centre more visible and welcoming.

- 1.4 The improvement of The Swan Centre supports the phased approach set out in the Transform Leatherhead Masterplan and is a natural progression from the Church Street improvements. The improvements offer the opportunity to demonstrate MVDC's credibility and commitment to Transform Leatherhead with further physical works, whilst responding to the Public Consultation.
- 1.5 Public feedback has highlighted concerns that the redevelopment of Bull Hill will adversely affect the High Street. Addressing the short-comings of the Swan Centre as a priority gives the potential to unlock latent demand and ensure that the heart of the town centre and High Street remains a competitive retail location. The redevelopment of Bull Hill will then be a natural progression to follow on from an improved High Street.

2.0 SWAN CENTRE ASSET INITIATIVES

- 2.1 The proposals, if implemented, would support the expenditure options identified at the time of purchase. These were:
 - To reconfigure the upper levels of the car park and simplify access to make it more user friendly and accessible and review the pedestrian areas of the scheme.
 - To consider options enhancing the rear elevation of the car park fronting Leret Way to make it more attractive and enticing.
- 2.2 A number of improvements are underway, which are recoverable from the Tenants of the Centre under the Service Charge. Additional expenditure is recommended to improve the asset and ensure tenant retention and make the centre attractive to new target tenants. The proposed asset initiatives have been split in to long and short-term.
- 2.3 **Long-Term**
 - 2.3.1 The objective of the long-term strategy is to enlarge the Centre by adding floor space, which will add value by increasing the rent roll. This offers the opportunity to respond to public consultation and market demand by identifying opportunities for leisure and larger retail units whilst considering the potential for incorporating residential / affordable housing within the Centre.
 - 2.3.2 The executive is asked to approve the expenditure for a Development Strategy and Viability Study. This will enable the formation of a Business Plan for the Centre, which can then form a baseline business plan for considering future phased implementation.
- 2.4 **Short Term**
 - 2.4.1 In order to maintain momentum and continue to build public support, delivery of the short-term initiatives need to be increased.
 - 2.4.2 Existing improvements are already underway or planned within the Service Charge. These include:
 - Events, communications and marketing.
 - New passenger lifts programmed for, subject to the outcome of the procurement process underway, late 2017 / early 2018.
 - Pigeon deterrence programme and improved mall lighting.
 - Essential maintenance

2.5 Additional short-term expenditure has been carefully considered so that it responds to public consultation, and to safety requirements. A number of 'big ticket' items have been excluded, which are better incorporated within the long-term proposals, for example – CCTV, Vehicle Management Systems and full scale resurfacing.

2.6 Therefore, approval is sought for additional expenditure to include:

- Improvements to the car park to include better navigation, decoration, lighting, signage and a more user-friendly payment system – a summary of all short term car parking initiatives is annexed. It is anticipated that these works would enable the car park to achieve the national 'Park Mark' standard.
- Subject to any necessary consents, relocation of the WC's to the lift and stair core to allow creation of new retail units near Leret Way. Around £25,000 of this will be funded by the Swan Centre service charge.
- Discussions with tenants to improve the frontages opposite the entrance to Sainsbury's.

Financial Implications

2.7 The summary of financial position is as follows:-

	<u>£ 000</u>
<u>Capital Expenditure</u>	
<u>Short Term Asset Management</u>	
<i>Leret Way Enhancements</i>	
- Build Costs	650
	(25)
- Less Swan Centre contribution	190
- Leasing Costs / Void (new units)	<u>815</u>
Total	69 (8.5%)
Potential Annual Income Uplift	
<i>Car Park Improvements</i>	<u>300</u>
- Build Costs	40
Potential Annual Income Uplift	(13.3%)

2.8 The rate of return estimated for these initiatives makes each one a suitable addition to the Council's capital programme and in line with the criteria for new projects contained within the Medium Term Financial Strategy.

2.9 The funding of £190,000 for the Development Strategy and Viability Study is available within the Transform Leatherhead Development Reserve – an allocation of £1m from the Council's reserves that was agreed by Council on 12 July 2016.

- 2.10 To date, the agreed allocations from the £1m have been £100,000 for a development brief for Claire & James House (approved by Executive 19 July 2016) and £30,000 for a study into delivery methods for affordable housing (approved by Council as part of the 2017/18 Budget). (The proposal to commit a further sum to produce a planning application for Claire House and James House is included on this Executive agenda).

Other financial factors

- 2.11 Approval is sought to commission the Development Strategy and Viability Study.

In the meantime, the proposed short-term improvements would demonstrate a viable stand-alone business case, whilst contributing to maintaining and upgrading the overall asset. Investment in the centre offers the opportunity to enhance rental levels of the existing units either at rent review or by re-gearing Leases at expiry.

The detail supporting the costs and potential income uplift is summarised separately.

Planning Considerations

- 2.12 Initial discussions have been held with planning and conservation officers, and they are supportive of an improvement to the centre, and would want to see development of a Masterplan to ensure a coordinated approach. The challenge identified is to accommodate the development within the constraints of the site, whilst respecting the surrounding properties and conservation area. A brief for a planning consultant will form part of the brief for the Development Strategy and Viability Study.

Legal Implications

Procurement and Contract

- 2.13 It is proposed to outsource to a consultancy the project management and other professional construction disciplines required to procure and manage the delivery the car park works and the reconfiguration and increase of the units in the Swan Centre.
- 2.14 If the estimated value of that project management/professional services (construction) contract is in excess of £164,716, the contract will have to be advertised at a European level in the OJEU, in accordance with the Public Contract Regulations 2015, unless a framework agreement is identified which is appropriate for MVDC's requirements.
- 2.15 If the estimated contract value is below the EU threshold but is in excess of £25,000 the contract must be advertised nationally, unless a CSO waiver is available and granted, or as above, a suitable framework is identified.
- 2.16 As it is proposed that the works be delivered, subject to securing the necessary consents, in this financial year, and as the Swan Centre is a relatively constrained site, it may be more practical for one consultant to project manage both sets of works, use of a framework as a result of the increase to the contract value, may be the preferred route to enable the proposed timetable for delivery to be met.
- 2.17 Frameworks can be single supplier or multi-supplier, but their main advantage is that the suppliers are pre-qualified, the risks of challenge, provided the framework terms and conditions are adhered to, is reduced, and social value considerations are typically built-in, supporting MVDC to discharge the requirement to have regard to social value under the Public Services (Social Value) Act 2012 when procuring service contracts. Use of a framework still requires MVDC to demonstrate that it is obtaining value for money and a mini-competition is typically required in respect of multi-supplier frameworks.

- 2.18 The estimated contract value for the works, whether taken separately or together, is below the EU threshold of £4,104,394.
- 2.19 It is proposed that the appointed consultancy will advise and support MVDC in the preparation of the construction and tender documents for the works, in the securing of any planning or other statutory consents, and the procurement of one or more contractors to deliver the works.
- 2.20 The final procurement strategy to secure contractors for the works contracts will be subject to the approval of the Deputy Chief Executive (in the absence of a Corporate Head) prior to the works contracts being advertised and awarded.
- 2.21 In relation to the proposed commissioning of a Swan Centre Development Strategy and Viability Study, the rules set out above relating to service contracts apply and it is anticipated that these will be advertised at OJEU or UK level, as required.

Planning

- 2.22 To the extent that planning consent for the works is required, as members will be aware, MVDC as the local planning authority has to determine each application in accordance with the local development plan together with any other material considerations and in this case, would be referred to MVDC's development control committee for determination.

Property

- 2.23 The main legal property specific related implications of the proposals are likely to be the need to:
- Review the relevant existing legal agreements to assess (i) what occupation, access and/ or other rights exist in favour of third parties that are relevant to the proposals, and (ii) whether there are sufficient reservations or other rights in favour of MVDC in respect of each aspect of the proposals (and that any works are carried out within the remits of any such reservations where reservations apply),
 - Ensure agreement is first reached with the appropriate third parties where this is required, and that any such agreement is properly documented,
 - Consider the most appropriate form re the necessary legal agreements that will be required with third parties in respect of the grant of additional retail space to existing or new tenants, and
 - Attend to any title issues that may be necessary to ensure that future tenants are able to register their leases,

Next Steps

- 2.24 Commission the multi-disciplinary Development Strategy and Viability Study to analyse the potential returns generated by the long-term ideas.
- 2.25 Progress with the short-term car park improvement works.
- 2.26 Progress with the Leret Way enhancement works.

3.0 OPTIONS

3.1 The options available to the Executive are summarised as follows:-

3.1.1 proposed, which are:-

- Commission the Development Strategy and Viability Study to identify a long-term business plan for future phased redevelopment for the Centre.
- Undertake in relation to the car park and enhancements to Leret Way.
- Commission the Development Strategy and Viability study and not pursue the short term initiatives on the basis that it is better to have a large scale remodelling rather than carry out works in stages.

3.1.2 Only carry out the short term initiatives on the basis that these provide a clear business plan that justifies the expenditure.

3.1.3 Do not progress with either the Development Strategy and Viability study or the short-term initiatives.

3.1.4 Undertake a full scale redevelopment of the centre including demolition and rebuilding a new structure

3.2 Option 1 is the recommended course of action with the rationale set out in the risk implications below.

4.0 CORPORATE IMPLICATIONS

Monitoring Officer commentary

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

S151 Officer commentary

The s151 Officer confirms that all relevant financial risks and implications have been taken into account in this report.

Risk Implications

1. The Asset Initiatives

- a. The risk implications of the construction works have been addressed by engineers and quantity surveyors. The risk implications of letting the units have been outlined by a Chartered Surveyor and contingencies have been included in the viability assessment; the works to increase the pay and display car park income are supported by parking officers and; the increase to the income as a result of the new post payment system is based on research undertaken following a trial of the system by Tunbridge Wells Borough Council. There is un-met demand for long-term parking in Leatherhead, and this can be incorporated at the top levels of the car park following stakeholder engagement.

- b. The requirements of modern retailers are for larger units. In order to attract and retain quality operators, they need to be presented with the long-term plans, which will ensure their ongoing commitment to the Centre,.

2. The Development Strategy and Viability

The Swan Centre is a workable asset and its value is at risk unless it is actively asset managed. There is a window of opportunity to make improvements to the centre prior to lease expiries. There is over £360,000 pa (41%) of income with breaks or expiries before the end of 2019. If we do nothing, this could be at risk.

3. Short Term Initiatives

By not progressing the long-term strategy it would risk reputational damage to MVDC in terms of the Council's credibility in delivering Transform Leatherhead. Before considering retail proposals to bolster retailing in the town securing the attractiveness of the Swan Centre with a reasonable retail offer will mean that it will be complimentary to retail on Bull Hill rather than in competition.

4. Neither the Development Strategy and Viability or Short Term Initiatives.

Not having plans to improve the Swan Centre would risk reputational damage to MVDC in terms of the Council's credibility as a property landlord, and in improving the town centre as part of Transform Leatherhead.

5. Redevelopment

Advice from two retail specialists recommends phased redevelopment / asset management of The Swan Centre, as the current value in the existing Leases renders wholesale redevelopment unviable.

Equalities Implications

Whilst there are no equalities implications directly related to this report, an equalities impact assessment will be undertaken prior to carrying out improvements to the centre and the car park. As a service provider we are under a duty to make reasonable adjustments to assist disabled people (s29(7) Equality Act 2010).

Employment Issues

There are not thought to be any formal employment ramifications relating to this report. MVDC provides the Civil Enforcement officers for the Swan Centre on a shift rota basis (having transferred one across on TUPE terms) therefore any increase or decrease in demand for parking enforcement during the works will need to be absorbed within the current workload of the current team. Similarly any decrease in demand during this period will lead to additional resource within the team.

Sustainability Issues

Choices on the use of materials, processes and contractors will be influenced by sustainable factors

Consultation

Long Term development options have been formulated based on both feedback from Transform Leatherhead consultations and considered commercial decisions.

As part of the Transform Leatherhead consultation the proposals have been outlined to the public and to centre tenants.

Communications

Redevelopment and improvement of Swan Centre is part of the Communications plan for Transform Leatherhead. It also has its own Marketing strategy under the Service Charge.

BACKGROUND PAPERS

None

ANNEX - SWAN CENTRE CAR PARK, RECOMMENDATIONS & COSTINGS

Circulation

Cut back kerb entry to car park entrance

Ramps

Cut back structure and introduce railings

Cut back parking spaces opposite ramps

Paint kerbs and chamfer

Paint bottom section of wall around ramps

Add in dashed line to guide motorists

Rubber strips to columns

Rubber strips to walls

Spaces

Redistribute disabled bays and create larger bays

Introduce dual white lining

Pedestrian Routes

Pedestrian signage / artwork

Repaint sections of car park

Deck numbering

Anti-slip edges to stair case

Epoxy floor finish to common areas and paint stair cores

Signage

New vehicular signage

Lighting

Improved lighting to car park

Improved lighting to stair cores

Payment

New user friendly post payment system