

# Extraordinary Cabinet

08 April 2020



<b>Title</b>	Tender report for Staines Development		
<b>Purpose of the report</b>	To make a Key Decision		
<b>Report Author</b>	Richard Mortimer		
<b>Cabinet Member</b>	Councillor Helen Harvey	<b>Confidential</b>	Yes
<b>Corporate Priority</b>	Economic Development & Financial Sustainability		
<b>Recommendations</b>	<p><b>To award the tender and grant a long lease of the Hanover House and Bridge Street Car Park to Bidder B for the development of a hotel and mixed use scheme.</b></p> <p><b>To authorise the Group Head of Corporate Governance to finalise the terms and enter into all legal documents required for the transaction.</b></p>		
<b>Reason for Recommendation</b>	<p>The recommendation is based on the outcome of a full (Competitive Dialogue) procurement process to identify a Preferred Bidder for the development of the Hanover House and Bridge Street Car Park sites (the 'Waterfront' site).</p> <p>The recommended Preferred Bidder proposes a high quality upscale/4-star, hotel-led design, and attractive commercial (income) arrangements in accordance with the detailed brief and procurement process.</p>		

**This report contains exempt information within the meaning of Part 1 of Schedule 12A to the Local Government Act 1972, as amended by the Local Government (Access to Information) Act 1985 and by the Local Government (Access to information) (Variation) Order 2006 Paragraph 3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information) and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information because, disclosure to the public would prejudice the financial position of the authority in a competitive procurement process by allowing other bidders to know the financial position of the Council and other bidders. This in turn prejudices the Council by (i) distorting the procurement process and (ii) prejudicing the opportunity for the Council to achieve a competitive price and good value for money and (iii) might dissuade organisations bidding for the Council's tenders if their commercial information was put into the public domain**

## **1. Background**

- 1.1 Following a previous competitive procedure the Council entered into a Development Agreement for the freehold disposal of the Bridge Street Car Park site to Bellway Homes. The conditionality under the Development Agreement was not fulfilled and on the 21 December 2016 the transaction did not proceed
- 1.2 In September 2017 Cabinet approved the purchase of Hanover House for redevelopment purposes. This provided the Council with a much larger site and with the benefit of this marriage value enabled the Council to consider a much more ambitious and place-making development.

## **2. Vision**

- 2.1 In summer 2018, the Council appointed CBRE Hotels to undertake an assessment of the hotel market and an appraisal of the financial opportunity for developing a hotel on the combined site.
- 2.2 It was established that the Borough does not have an upscale hotel with banqueting and conference facilities which meets the needs of the business community in the area.
- 2.3 The assessment identified the site as '...a prime strategic riverside location in the centre of Staines-upon-Thames, benefitting from good visibility and accessibility...the site and location present a strong opportunity for hotel development'. The report also noted that other hotels, within a 3-mile radius of Staines, are positioned as limited service (rather than full-service) hotels and that any full-service hotels are generally of poorer quality.
- 2.4 Staines-upon-Thames has a high number of medium and large enterprises (British Gas, Bupa, Ricoh, Samsung) and the wider Borough of Spelthorne also benefits from BP, Wood Group and dnata. The planned expansion of Shepperton Studios recognises the Borough's commercial opportunity. The report states these thriving multinational corporations generate strong levels of midweek accommodation trade, reflecting the Borough's determined focus on business growth. Many such organisations use facilities in central London or around the airport due to a lack of a suitable offering in the Borough.

- 2.5 In addition to this business need the development of the site would not only create demand for its own high quality leisure attractions; it also offers accommodation for leisure-seekers visiting the many local attractions such as Windsor, Ascot racecourse, Thorpe Park and Legoland, all within easy commuting distance from the site.
- 2.6 Bringing this business into the Borough will help stimulate and grow the local economy and supports the corporate aim of Economic Development.
- 2.7 The Council has experience of developing residential properties, but the hotel industry is complex and after seeking advice from industry advisors including Colliers and Cushman & Wakefield it was clear that to bring forward this vision a hotel developer / operator was required. In order to develop and operate the site (be it through an owner/operator model or through a developer and licence arrangements) that the market would expect at least a long leasehold interest in the site so that they could put in place the relevant funding arrangements.

### **3. Objectives**

- 3.1 The brief provided to bidders as part of the procurement process detailed the Council's objectives for the project based on the market intelligence of the commercial advisors:
  - (a) an upscale hotel with a minimum of 200 beds, The hotel brand of a good quality upscale standard offering as defined by Smith Travel Research (STR) or a 4-star hotel standard, as defined by the AA (or equivalent);
  - (b) the hotel is to provide Restaurant, Bar and Leisure facilities appropriate in size and quality with the standard of the hotel. In addition, the hotel will provide Meeting & Conference and Business Centre facilities capable of hosting corporate & leisure events with a minimum capacity of 200 persons;
  - (c) serviced apartments of a good quality upscale standard offering as defined by Smith Travel Research (STR) or a 4-star hotel standard, as defined by the AA (or equivalent) ;
  - (d) a minimum of 75 residential units (in line with the current Supplementary planning document (SPD) for the site);
  - (e) takes into account the challenges posed by the site location, the surrounding built environment (e.g. the conservation area) and natural barriers (the river; height restrictions), and proposes suitable arrangements for access; and
  - (f) the proposed design and layout maximise the potential of the river frontage and enhance the river and presents a credible solution for managing this challenge.

### **4. The Procurement Process**

- 4.1 A project team was established to undertake a competitive tender exercise to bring forward a developer for the site in line with the Council's objectives.

- 4.2 Legal advice confirmed that this tender exercise had to be undertaken in accordance with the Public Contracts Regulations 2015 as under those regulations this is a works contract. In order that the Council obtains the best solution from the tender process, a Competitive Dialogue process has taken place.
- 4.3 To initiate interest in the site a soft-marketing event was held and invitation were issued to a range of organisations including developers, owners and operators within the hotel industry.
- 4.4 The formal process was initiated with the placing of an advert in the Official Journal of the European Union (OJEU) on the 29 July 2019.
- 4.5 Bidders were requested to express an interest in the opportunity and to respond to a selection questionnaire (pre-qualification). Nine bidders expressed an interest. Following the shortlisting process, four Qualified Bidders were selected, and were subsequently issued with the Invitation to Participate in Dialogue (ITPD).
- 4.6 Following the issue of the ITPD, dialogue sessions commenced in November 2019 and concluded in February 2020. During the dialogue process two of the four bidders de-selected themselves from the process, citing their own internal commercial reasons for doing so.
- 4.7 The Dialogue sessions were conducted by the project team, with support from external advisors for the sessions as necessary. The subject of each of the sessions reflected the qualitative and commercial questions outlined in the ITPD, to which Qualified Bidders would be required to respond in the Final Tenders.
- 4.8 The Qualitative element of the bid was weighted as 70% of the scores and each of the sub-sections carried its own weightings within each section. The qualitative elements reflected the objectives of the Council to ensure that the developments put forward would achieve the overall vision of a gateway development that generated economic growth. The Commercial Offer was weighted as 30% of the scores as it is imperative to also ensure that this development produced a sustainable income for the Council.
- 4.9 Cushman and Wakefield provided hotel and market intelligence throughout the process, and attended all dialogue sessions. Clyde & Co provided legal advice (both Property and Procurement) throughout the development of the competitive dialogue documents and led the third Dialogue session.
- 4.10 The two remaining Qualified Bidders were issued with Invitations to Submit Final Tender (ISFTs) on 4 March. The ISFTs required Qualified Bidders to submit their Final Tenders by 12 noon on 18 March 2020. One of the Qualified

Bidders requested an extension of time to submit and the tender return date was extended to 12 noon on 20 March.

- 4.11 Both Qualified Bidders submitted Final Tenders by the tender return deadline of 12 noon on 20 March 2020.

## 5. Evaluation

- 5.1 The ITPD published at the start of the procurement, set out the evaluation criteria along with the scoring guide and evaluation methodology as required under the Public Contracts Regulations (2015).
- 5.2 There was a split of 70% quality and 30% commercial for the evaluation.
- 5.3 The qualitative element was divided into criteria and then sub-criteria. The main criteria and weightings were as follows:

<b>Qualitative Criteria</b>	<b>Section Weighting</b>
Understanding the site and the requirement	30%
Funding and financial viability and commercial arrangements	25%
Structure of scheme delivery	25%
Planning and development of the public realm	10%
Working with the authority and delivering social value	10%

- 5.4 The bidders proposed the following mix of use on the site:

<b>Use</b>	<b>Bidder A</b>	<b>Bidder B</b>
Hotel rooms	163	342
Serviced apartments	42	29
Banqueting	200 people	500 people
Residential units	272	214

- 5.5 Bidder A proposed a mixed use scheme with ground floor conferencing facilities and a large publically accessible leisure centre. A bar/restaurant is included in the design which has a greater mass at the rear staggering downwards towards the river.

- 5.6 Bidder B has proposed a mixed use scheme with bars and restaurants looking out onto the river frontage, with the residential block being a separate building to the hotel. Spa and leisure facilities have also been included.
- 5.7 Both bidders fulfilled the Council's core requirements.
- 5.8 A detailed assessment of the financial offer of both bidders has been undertaken by the Council's consultants Cushman & Wakefield. The Council has requested an annual ground rent subject to a CPI increase. A profit share on any residential sales was also required from bidders. Cushman and Wakefield have also assessed the financial credentials of both bidders and both have good credentials in relation to the scale of their proposals.
- 5.9 The highest scoring bidder is Bidder B. This bidder scored highest in both the commercial element and the qualitative element. For the reasons set out in the confidential tender report, it is recommended that Bidder B is awarded the tender and is granted a long lease of the waterfront site.

## **6. Legal Structure**

- 6.1 The development agreement is a complex legal document which will govern the relationship between the parties. A development agreement offers a well-know and understood structure with high level risks being passed to the developer.
- 6.2 The development agreement will contain the following:
- (a) An obligation on the developer to apply for planning permission;
  - (b) An obligation on the developer to undertake site surveys;
  - (c) A list of specific matters and conditions which would deem a planning permission unsatisfactory;
  - (d) Matters which the developer needs to get approval by the Council;
  - (e) Provisions to deal with disputes;
  - (f) Events of default; and
  - (g) Provisions to ensure that the developer and the Council meet regularly to keep all parties up to date with the progress of the development.
- 6.3 All relevant legal protections have been incorporated in the Development Agreement to ensure the development progresses in a timely manner.
- 6.4 There are deeds which are supplemental to the development agreement including the lease itself. The bidders' responses to all the legal documents have been deemed a pass by the Council's legal advisors Clyde and Co.
- 6.5 An option agreement has been included which give the Council the option to purchase any residential units built on the site for market sale.

## **7. Options analysis and proposal**

- 7.1 To proceed with the recommendation to award the tender and to grant a long lease of the Waterfront site to Bidder B in accordance with the procurement process. If the Cabinet were minded to agree the recommendation, each

bidder will be notified of the decision and the mandatory 10 day standstill period will start in compliance with the Public Contracts Regulations 2015.

- 7.2 Subject to no objections, the development agreement and ancillary documents will be finalised.
- 7.3 Not to proceed with the tender process. The Council is able to stop this procurement and not to award the contract pursuant to this tender process. If this decision was taken, then the Council would need to undertake a similar tender process for the disposal and in uncertain times it is unlikely that the Council will receive a bid as commercial as that currently proposed. The site could for the foreseeable future remain in its current state as an underused car park and an empty office building and is a poor use of town centre brownfield land. It is also unlikely that the current bidders would undertake the procurement process again as it is a very expensive exercise for them. Furthermore, the proposed uses provide high quality facilities which are not currently available in the Borough. This kind of infrastructure would also make Staines-upon-Thames more attractive to businesses looking at relocating into the area thereby increasing local employment prospects. It would also pump prime the regeneration of the town centre.

## **8. Financial implications**

- 8.1 Tenders were requested on the basis of a 10 year cumulative annual ground rent offer made up of fixed income and a percentage of turnover. Bids also included a sales income split for the residential units. Full details of the commercial offers received are detailed in the confidential Financial Analysis.

## **9. Other considerations**

- 9.1 Specialist advice has been obtained throughout the process to ensure the robustness of the process and to enable the Council to obtain the most economically advantageous tender. The Council has used specialist external lawyers to assist with the procurement process and the finalisation of the development agreement.
- 9.2 Any procurement process is subject to a risk of challenge from an unsuccessful bidder. Any challenge under the Public Contracts Regulations 2015 must be brought within 30 days of the date on which the unsuccessful bidder knew or ought to know that there was a breach of the regulations or the date of the decision. The Council has conducted the procurement in line with the 2015 regulations in order to minimise this risk.

## **10. Sustainability/Climate Change Implications**

- 10.1 One of the evaluation criteria for this project was social value including how local labour would be engaged in the construction and operational aspects. The development itself will be subject to all environmental provisions within the planning regime.

## **11. Timetable for implementation**

- 11.1 The Development Agreement and associated documents will be signed as soon as possible following the decision, following which a planning application will come forward.

**Background papers: There are none**

**Appendices:**

**Waterfront Tender Evaluation report**

**Financial Analysis – TO FOLLOW**