

Corporate Policy & Resources Committee



8 July 2024

Title	<i>Waterfront Site</i>
Purpose of the report	To make a decision. To seek authorisation to agree the transaction and enter an Agreement to Lease.
Report Author	<i>Richard Mortimer – Development Advisor</i>
Ward(s) Affected	Staines
Exempt	Report and Appendices 4 & 5 – No Appendices 1 through 3 and 6 - Yes
Exemption Reason	Appendices 1 through 3 and 6 contain 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 any contract or other type of negotiation with the proposed contractor who could then know the position of the Council.
Corporate Priority	Resilience (economic)
Recommendations	<p>Committee is asked to recommend to Council:</p> <ol style="list-style-type: none"> 1. Approval of the Heads of Terms for the Council to enter into an Agreement for Lease with the proposed tenant for the Waterfront Site, Bridge Street, Staines-upon-Thames to facilitate the delivery of a new hotel led regeneration on this prime riverside site. 2. Delegate authority to the Chief Finance Officer in consultation with the Leader to agree any minor variations to the Heads of Terms and the final terms of the Agreement for Lease subject to valuation advice received. 3. Delegate authority to the Group Head of Corporate Governance in consultation with the Leader to finalise and enter into the Agreement for Lease and any other documentation in connection with the grant of the Lease to Arora. 4. Note the Local Government Act S.123 ‘best value’ valuation undertaken by Cushman & Wakefield in respect

	of the proposed terms of this transaction. This is included in Part 2 of this report.
Reason for Recommendation	<p>This prime riverside site forms an important gateway into Staines-upon-Thames. Its development as a much-needed high quality hotel led facility for a gateway site will help kick-start and set the tone for wider town centre regeneration. Currently, there are no other upscale +4* hotels in the borough which leads to a loss of spend and employment to other adjoining and competing boroughs. Furthermore, it will act as a catalyst for further commercial and tourist led economic activity in the borough. It will also provide important facilities for the Borough's existing businesses including international companies.</p> <p>The proposed Heads of terms reflect the usual Landlord & Tenant controls around the demise and user clause whilst providing a stable income for the Council on a long-term basis.</p>

1. Summary of the report

What is the situation	Why we want to do something
<ul style="list-style-type: none"> • This prime riverside site has a chequered history of developer interest without any progress being made for over a decade. • Hanover House is vacant and currently incurs significant monthly holding costs. The car park is also under-utilised with other vacant parts such as the former Sea Cadets building. • Options are limited for the site given emerging local plan aspirations and potential flooding concerns. 	<ul style="list-style-type: none"> • The site is run down, under-utilised and offers negative townscape impacts for a prime riverside site that acts as a gateway into Staines-upon-Thames. • The proposed tenant's proposal will not only pump-prime town centre regeneration but also provide high quality facilities that are not currently available within the Borough. This will benefit local businesses/residents/the tourist economy.
This is what we want to do about it	These are the next steps
<ul style="list-style-type: none"> • Maximise benefits to local residents and businesses by delivering a high-quality gateway development that will set the tone for future development in Staines. Approve the Heads of Terms so an Agreement to Lease can be 	<ul style="list-style-type: none"> • Enter into a legal agreement with the proposed tenant. This will provide the certainty to allow them to undertake public consultation, develop their designs and submit a planning application. Agree the Heads of Terms.

<p>entered with the proposed tenant.</p> <ul style="list-style-type: none"> • Subject to planning, the revised proposals allow for sympathetic regeneration of the site providing a high quality upscale 4* hotel led landmark regeneration at the entrance to the town. 	<ul style="list-style-type: none"> • Finalise an Agreement for Lease and obtain an external view on the site's value. • Whilst not anticipated, should there be any material variations, such as increasing the heights, these would be referred back to the Committee for approval. • Once the Agreement is signed, the proposed tenant will undertake wide stakeholder consultation and submit a planning application within 12 months for a scheme that sits within a demise envelope that limits height/massing.
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1.1 This report sets out the current status of the site as well as the options and rationale for progressing the transaction with the proposed tenant.

2. Key issues

History

2.1 The Council have enjoyed long term ownership of the site on a freehold basis and operated it as a car park. In 2018, the adjacent Hanover House was acquired to help facilitate a wider more comprehensive regeneration. However, for over a decade, the Council has sought a suitable development partner without success. Previously, Bellway Homes pulled out of a controversial scheme to build a 12-storey scheme comprising 205 apartments. The most recent tender was held in 2019 for a hotel led mixed regeneration scheme. Arora were awarded the contract in 2020 to deliver a high density hotel led regeneration scheme. However, due to the pandemic, the Moratorium and other local challenges at that time, the scheme did not progress. The Development Agreement expired on 31 December 2023.

Current position

2.2 Due to the lack of interest to progress a development on the site, it is considered appropriate to progress redevelopment of the site with the single interested party and obtain an independent S.123 'Best Value' valuation to demonstrate the transaction represents a good level of market return for the Council. Heads of Terms have now been agreed with a third-party hotel developer/operator to progress a redevelopment of the site into a hotel led scheme, which will retain some ancillary uses consistent with a hotel business. The Heads of Terms will not permit any residential use on the site.

- 2.3 Initially an agreement for lease will be entered into which will contain agreed terms that the proposed tenant must adhere to and discharge, prior to a long-term lease being entered into. For example, obtaining planning approval of a building that is contained within a specified building envelope and for use as a hotel (Use Class C1). As part of the planning process, the proposed tenant will be required to undertake public consultation in accordance with the Local Planning Authority's own policies.
- 2.4 The proposed tenant for the new Agreement for Lease has confirmed they are committed to delivering a lower density hotel led scheme (with heights within agreed parameters, which will not exceed 6 storeys or a total building height of 30 metres. The current scheme proposals are estimated at 28.4m. They have spent significant sums in respect of design fees and are fully invested and committed to delivering a high-quality scheme that is financially viable and complies with local plan and emerging local plan aspirations including proposed Design Codes. The proposed tenant has provided assurances they wish to work closely with Spelthorne Borough Council to progress this important regeneration scheme, albeit via a different form of arrangement than the previous 'works' contract, under the proposed Landlord and Tenant lease arrangement.
- 2.5 The market for new higher end hotel development remains limited with most developers remaining highly cautious and selective. The proposed tenant is one of the most dominant investor/operators in the local and Heathrow markets and brings the certainty and financial resources to deliver a high-quality proposition. For these primary reasons, there are no benefits in remarketing the site. An external valuation in Part 2 of this paper justifies this from a S123 Best Value perspective.
- 2.6 The demise envelope will restrict new development within a defined footprint and vertically up to 6 storeys and no higher than 30 metres. This means that if the proposed building design breaches this envelope, then the proposed tenant will be unable to commence construction works due to being unable to enter the long-term lease until this is rectified. Also, any requested increases, however minor in height would need to be referred to this Committee for approval. The proposed scheme also includes a landscaped area adjacent the riverside footpath that will not only be for hotel residents but for the public to enjoy too and the lease will contain rights of access to this area for the local community.
- 2.7 The agreement for lease will contain strict provisions to ensure the scheme is progressed in a timely manner i.e. the proposed tenant will need to obtain an implementable planning permission within 24 months of entering the Agreement for Lease. As well as ensuring a scheme is brought forward in a timely manner, from the grant of the lease the tenant will be fully responsible for all running costs of the site.

Next Steps

- 2.8 The Council's Development Sub Committee have already approved referral of this report to this Committee (CPRC). An independent valuation has been obtained to confirm that the proposed transaction demonstrates best value for the Council.

- 2.9 The report will also be referred to Full Council (due to the overall value of the transaction) for final approval. Assuming these are approved, then officers would proceed to enter into an Agreement to Lease subject to the proposed tenant obtaining planning consent for their scheme.
- 2.10 The proposed tenant have indicated their commitment to extensive public and stakeholder consultation as part of their planning application to help inform their scheme proposals. As a minimum, they will need to comply with the Local Planning Authority's own requirements for major planning applications. They have also committed to submitting their planning application within 12 months of signing this Agreement for Lease but they will not be contractually obliged to do so.

3. Options analysis and proposal

- 3.1 **Proceed With Agreement For Lease To Proposed Tenant – Recommended Option.** Through continued discussions, the proposed tenant has demonstrated their commitment to develop the site and work closely with the Council. They have also indicated their commitment to fully engage in wider pre-application public consultation. This will ensure the design significantly improves the site and sympathetically responds to its riverside setting whilst enhancing and preserving the Conservation Area in which the site is situated. It will also act as a catalyst to create linkages between the riverfront and town centre which will support future plans to strengthen the economic offer within Staines.

The proposed demise envelope also ensures that not only is the footprint limited but the height of any future scheme is also constrained to a maximum of 6 storeys and capped at 30 metres. Their financial offer for the hotel is commercially confidential and is set out in the confidential Part 2 paper of this report.

The completed scheme will not only offer high quality facilities that will benefit the Borough's existing residents and businesses, but also help increase local tourism and employment.

- 3.2 **Do Nothing - Not recommended.** This prominent gateway site has been under-utilised for over 10 years. Furthermore, Hanover House was acquired in 2018 as part of a site assembly to facilitate a more comprehensive regeneration. Doing nothing and leaving the site to deteriorate will adversely impact Staines townscape rather than acting as a stimulus for further investment and regeneration in the town centre.
- 3.3 If the site continues to remain vacant and underutilised, this places increased financial pressures on the Council's revenue budget and could mean further costs on the site would need to accrue to the Revenue Budget. The Council would also be responsible for all holding costs.
- 3.4 **Remarket The Site For Alternative 4*+ Hotel Led Uses – Not Recommended.** There is a general lack of funding in the market for new quality hotel development due to current market conditions. Therefore, there is limited competition for new build opportunities if the site were marketed and is likely to result in any interest being for lower quality budget hotels of which there is currently a sufficient supply of within the Town and wider Borough. Having been to market in 2019/20 when the market was a more buoyant environment, a limited number of bids were made. The market has declined

since then. The proposed tenant is one of the most dominant brands in the surrounding area and Heathrow markets.

- 3.5 **Remarket For Alternative Uses** – not recommended. Due to more stringent and recent EA flood modelling that indicates circa 50% of the site is functional floodplain, mitigation measures for a residential development would be more onerous than a hotel led scheme. It is anticipated there would not be a viable planning approved scheme that would be acceptable for any form of residential development. Other uses such as offices are unlikely to be viable due to lack of identifiable demand and highly selective speculative funding. Retail warehousing would compete with the town centre, may also be unacceptable in planning terms and would provide an uninspiring visual gateway to the town centre. It would also have a negative impact on activating the river frontage for increased public use/benefit.

4. **Financial Terms**

- 4.1 Please refer to the confidential Part 2 paper (Appendix 1).

5. **Risk Management**

- 5.1 **Rental Forecasts** - the external independent S.123 valuation provides the Council with comfort around the cashflow forecasts and the value of its interest in the proposed hotel post practical completion.
- 5.2 **Planning** – the Agreement for Lease will be subject to the proposed tenant obtaining planning consent for their scheme. They will be responsible for all costs and risks associated with obtaining this consent. Furthermore, the proposed tenant will need to comply with any consultation requirements of the Local Planning Authority and will need to obtain an implementable planning permission within 24 months of entering into the Agreement to Lease. This application will need to demonstrate its compliance with relevant national and local planning policies.
- 5.3 **Design Codes** - The Council is aiming to have a Design Code in place by the end of 2024. This planning document will be a material planning consideration for any planning application on the 'Waterfront' scheme which has not been determined by planning committee by the time the Design Code comes into effect.
- 5.4 **Building Heights/Massing** – if the tenant's completed building exceeds the lease demise then enforcement can be actioned not only via planning but also contractually through the lease terms. Therefore, they have a strong incentive to minimise these risks and build within the proposed demise envelope which limits both footprint and height. The tenant, their funders and advisors will be highly cognisant of the need to manage and mitigate this risk.

6. **Procurement comments**

- 6.1 The Council's internal Procurement team and specialist external solicitors have been consulted and are satisfied that the agreed Heads of Terms are fully compliant with Public Contracts Regulations 2015 and the Council's Contract Standing Orders.

7. **Legal comments**

- 7.1 Further to sections 120-123 of the Local Government Act 1972, the Council has the powers to acquire and dispose of land for the purpose of any of its

functions. Any disposal will need to satisfy the valuation requirements of S123 of this Act.

- 7.2 Legal Services have worked in collaboration with external legal advisors to ensure the Heads of Terms are legally robust and adequate to inform the Agreement for Lease.
- 7.3 Legal Services and their external advisors will continue to provide professional advice and assistance in drafting the Agreement to Lease and the long lease that will ultimately be entered into.

8. **Other considerations**

None at this stage.

9. **Equality and Diversity**

- 9.1 The proposed tenant will be required to be fully compliant with all planning requirements to ensure the needs of a wide range of visitors are met. It is expected that they will meet equality and diversity requirements in due course with all the staff they employ when the hotel is built.

Sustainability/Climate Change Implications

- 9.2 The proposed tenant will be required to comply with both local and national planning policy requirements and Building Regulations compliance. In addition, they have indicated that their scheme will include mature landscape in order to enhance biodiversity features. They will also need to achieve the 10% Biodiversity Net Gain on site.

10. **Timetable for Implementation**

- 10.1 Once all the Council's internal approvals are in place, the Agreement for Lease will be progressed to its completion. The proposed tenant would then have 24 months from the date of the Agreement for Lease to obtain an implementable planning consent; if the tenant submits their planning application within 12 months as they have indicated this could be in Quarter 3/2025 (calendar year).

11. **Contact**

- 11.1 Richard Mortimer (Assets Team)
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Background Papers

Appendix 1 – Confidential Part 2 information

Appendix 2 – Confidential Part 2 Information

Appendix 3 – Confidential Part 2 Information

Appendix 4 – Proposed Publicly Accessible Landscaped Areas (Part 1 Information)

Appendix 5 – Development Sub Committee Latest CGI Hotel Schematic
Presentation

Appendix 6 – Further Information Note for Committee (Confidential)