

Bringing the upper floors of the Arcade in Bognor Regis back into use as new homes

Feasibility Study and Investment Case for Arun District Council

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1. Executive Summary

[to be prepared]

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2. Introduction

2.1. Background

Arun District Council (the Council) acquired the Arcade in Bognor Regis for investment and regeneration purposes in November 2017. The Council's initial focus was on improving the ground floor retail experience and some initial emergency repairs (see below). Consideration then moved to how the upper floors, which have been derelict and largely unused since acquisition, could be brought back into use.

The Council's preference is residential accommodation and whilst feasibility studies were prepared in 2019, viability was a barrier to reuse at that time. However, an opportunity has now arisen to access grant funding from the One Public Estate (OPE) Brownfield Land Release Fund (BLRF). An application was submitted in March 2023 and the outcome is expected to be known shortly.

2.2. Report scope and structure

The Council appointed Jon Sawyer Consultancy Limited in October 2022 to prepare a Feasibility Study and Investment Case and to submit a OPE BLRF grant funding application.

The remainder of this report considers the:

- Context and potential of the Arcade's upper floors (see Section 3);
- Proposed scheme (see Section 4)
- Viability of the proposed scheme (see Section 5)
- Benefits of the proposed scheme (see Section 6)
- Approach to delivering the proposed scheme (see Section 7).

2.3. Clarifications to the report scope

This report only refers to the existing ground floor retail use for context and because demolition of part of it is proposed. It does not consider the Council's asset management of or investment return from the ground floor. We have not reviewed any retail leases.

Various inspections of the upper floors (see below) have been undertaken with a view to understanding the Arcade's constraints and potential in order to inform the recommendations made. This report or the appendices do not represent a formal condition or structural survey.

The residential layout options, cost estimate, development appraisal and revenue projection are based on the information currently available and various stated assumptions. Neither the development appraisal nor the revenue projection represent a formal Red Book valuation.

This Investment Case is not a 5-case HM Treasury Business Case.

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2.4. Information sources

The preparation of this report has been informed by:

- Various meetings and discussions with Council officers responsible for business and economy, regeneration and technical services;
- Reviewing a variety of information supplied by the Council and sourced online (see Appendix 1);
- Inspecting the accessible areas of the Arcade's upper floors on 3rd November 2022, 1st December 2022, 15th February 2023 and 19th April 2023¹; and
- Reviewing OPE's BLRF grant funding guidance as well as informal discussions with OPE staff.

2.5. The team preparing this report

The team preparing this report has been led by Jon Sawyer, who has been a Chartered Planning and Development Surveyor for over 20 years. He has:

- Recently advised another local authority on improvements to a Victorian retail arcade, including releasing the potential of its upper floors;
- Advised a number of local authorities and other clients on the feasibility and successful delivery of a wide variety of high quality residential developments, including refurbishment schemes; and
- Secured OPE grants on three occasions for another local authority.

Jon has also subcontracted and been supported by a multi-disciplinary consultancy team:

- Nick Moss Architects, who has prepared an Architect's Design Pack including site context, residential layout options and a CGI created with Ambiente (see Appendix 2);
- We Are Sum cost consultants, who have prepared cost estimates for the abnormal enabling works and main refurbishment and new build works (see Appendix 3);
- Ridge surveyors and engineers, who have prepared advice on ground, structural and mechanical & electrical engineering and building maintenance (see Appendix 4);
- Savills property consultants, who have both advised on an appropriate investment yield for the development appraisal (see below) and prepared a long-term revenue projection (see Appendix 5).
- Darren Wisher, who has identified the economic benefits of bringing the Arcade's upper floors back into use, quantifying these benefits where possible (see Appendix 6).

Drawing on the above, a development appraisal has been prepared (see Appendix 7), which has also been informed by informal advice from Cubitt & West estate agents.

¹ At our suggestion, a significant area of the first and second floors above Howard's Coffee Shop was opened up for inspection that had not been accessible for some time.

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2.6. Sharing of this report

This report is private and confidential and is only to be shared with the Council's Elected Members, officers and, if applicable, other advisors assisting the Council to bring the Arcade's upper floors back into use. It is not intended to be shared with OPE or other grant funders, though information has been drawn from it to prepare the BLRF grant funding application and similarly information could be drawn from it to prepare future applications.

2.7. Queries

We would be happy to answer any queries about this report, which can be directed to:

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3. Context and potential of the Arcade's upper floors

3.1. Location of the Arcade

The Arcade lies in a central, prominent location in Bognor Regis town centre, with car parking, buses and trains all within walking distance². High Street forms the northern boundary and Belmont Street lies to the south. Part of the Arcade's western wing also extends across to York Road. A red line plan can be found in the Architect's Design Pack in Appendix 2.

The Arcade's distinctive northern facade (see below) forms the terminating view at the end of London Road. Immediately to the south of the Arcade are the recently improved Place Saint-Maur public square and the Regis Centre & Alexandra Theatre, for which improvements are planned³. Beyond these lie the seafront. Any proposals to bring the Arcade's upper floors back into use need to complement this wider context.

3.2. History and evolution of the Arcade

The Arcade's construction started in 1901 and it was completed and opened in July 1902. It is a handsome early Edwardian building, with distinctive three storey turrets either side of the High Street entrance, brick construction and a pitched glazed roof. It originally had 24 retail units in two eastern and western wings, with offices⁴ and a caretaker's flat above⁵.

Whilst not listed or located within a Conservation Area, the Arcade is locally listed and valued locally for its heritage character. There are also other locally listed buildings in the vicinity on York Road⁶. Any proposals to bring the Arcade's upper floors back into use need to be mindful of both its own heritage and the wider historic setting.

Two significant changes have occurred to the exterior of the Arcade since it was built:

- Between 1912 and 1934⁷, a single storey building was added to the Arcade's south east corner. This is now known as 10 Belmont Street, which is currently occupied on a short term flexible lease by Citizen's Advice. In the 1950s several retail units were combined within this newer building into a single unit. Post-dating the original Arcade, this large, prominent extension is incongruous with and does not complement the locally listed character of the original Arcade. Its demolition and replacement is proposed below; and

² The Arcade has postcodes PO21 1LH, PO21 1LW and PO21 1BJ.

³ The Council has secured grant funding towards the latter through the first round of the Government's Levelling Up Fund (LUF). Submission of a planning application is anticipated soon.

⁴ The former offices in the eastern wing were known as 'Arcade Chambers'.

⁵ There is also reference to a second former upstairs flat in one of the background documents supplied by the Council.

⁶ Both 6 and 8-10 York Road are locally listed buildings.

⁷ The exact date is not known, but it can be narrowed down to this range from historical maps included in the Architect's Design Pack (see Appendix 2). Links to historic photos and other information about the Arcade's background can be found in Appendix 1.

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- In 1930, a fire caused significant damage to shops and led to a large part of the second floor of the eastern wing being removed. However, fortunately the distinctive turret on High Street survived the fire. Subject to structural engineering advice, this presents the opportunity to replace accommodation on the second floor of the eastern wing to increase the scale and impact of the development.

3.3. Current use and condition of the Arcade

3.3.1. Ground floor

Over time a number of the ground floor retail units have been merged, particularly for cafe/restaurant uses, such that there are now 19 retail units. 15 of these were occupied on our last inspection, offering a typical mix of local independent retailers. This includes a strong and growing food and beverage (F&B) offer comprising:

- A Turkish restaurant;
- A Caribbean restaurant, which is potentially about to grow into a large corner unit on the corner of Belmont Street and York Road;
- A burger restaurant; and
- Howard's Coffee Shop.

Other retailers include⁸:

- Hair/beauty salon;
- Newsagent/vaping;
- Jewellers;
- Clothes;
- Gifts;
- Phone shop; and
- Charity shop.

In addition to the Caribbean restaurant, the Council is understood to be in dialogue with a number of parties about occupying the vacant retail units. As well as taking steps to improve the retail occupation and mix it has also improved the approach to asset management⁹.

Recent photos of the Arcade, including ground floor retail, can be found in the Architect's Design Pack in Appendix 2.

3.3.2. Upper floors

⁸ Citizen's Advice also occupies a unit on a short term, flexible basis.

⁹ The Council has appointed Stiles Harold Williams as property manager for the Arcade as well as a wider portfolio of assets. This includes managing all service contracts including security, fire, cleaning, waste services and pest control.

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The upper floors above the eastern and western wings are currently physically separate, touching at the southern end. The gross internal areas are:

- Eastern wing: c.760 sq m;
- Western wing: c. 790 sq m, including c.210 sq m above Howard's Coffee Shop, which had not been accessed for some time and is in particularly poor condition; and
- **Total: c.1,550 sq m**

The space comprises a warren of rooms off a central corridor in each wing, with numerous staircases connecting into the Arcade or externally.

The building interior is in poor condition, including:

- Roof damage - whilst most of the upper floors are weatherproof, following some emergency repairs completed by the Council after acquisition, some significant roof repairs are needed to prevent water ingress and further damage. This comprises an area of flat roof on the eastern wing, which has been planned for some time, and the pitched roof to the turret on the western wing¹⁰;
- Water damage/damp - arising from the current roof damage, particularly in the area above Howard's Coffee Shop where the western wing turret roof has been leaking for some time;
- An asbestos survey revealed the potential presence of asbestos;
- Outdated mechanical & electrical equipment, which would need removing and replacing to comply with modern health and safety / Building Regulation requirements; and
- Old and poor condition windows, which would need improving/replacing to meet the needs of the building's proposed new use and comply with its local listing.

The interior condition of the upper floors is very poor and this and planning and building control requirements (see below) prevent any comprehensive reuse of the upper floors without significant investment in refurbishment.

As a result most of the upper floor space is vacant with small areas currently used as:

- Toilets for some traders - it is understood that this use would need to remain somewhere within the Arcade, though it could be relocated and a ground floor location would be more practical and release space on the upper floors;
- Storage by¹¹:
 - The Council for a small number of old / unused Christmas decorations - it is assumed that, if required to be retained, these would no longer be stored in the Arcade; and

¹⁰ The lack of access to this area disguised its very poor condition.

¹¹ It is understood that an area temporarily used for storage by the Turkish restaurant when we were first commissioned has now been brought to an end by the Council.

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- The clothes shop - this is currently accessed from a staircase within the retail unit, with no access at the upper floor level. However, the potential to bring this space into the upper floor proposals is explored further below.

3.3.3. *Building exterior and outdoor space*

There is evidence of concrete spalling to the columns at the Arcade's southern facade. This appears to be as a result of water ingress leading to corroded and hence expanding steels. Initial structural investigation by Ridge indicates that this requires prompt repair to prevent further long term damage, but does not currently represent a structural risk to the building.

A service yard/bin store is located behind the eastern wing, which is essential for the Arcade's retailers and would need to be retained¹². This area is, however, both unsightly and not particularly clean, which has the potential to attract vermin. Reuse of the upper floors, which would both overlook and make use of these facilities, requires improvements to be made (see below).

There is no on site car parking currently or proposed as part of the development project¹³.

3.4. Potential future use of the Arcade's upper floors

3.4.1. *Offices*

Offices have the potential to create/retain jobs and the upper floors have previously been used for offices, which should simplify any approvals. However, to provide modern office accommodation, significant investment would be needed, which, given office values in the town, would be unviable on a commercial basis. Therefore, to reuse the upper floors for offices, the Council would realistically need to:

- Make a capital contribution - the Council is willing, in principle, to invest capital in preserving the Arcade asset;
- Take office space itself or take development risk / enter into a head lease with a developer - It is understood that the Council has no need itself for office space in the town. It also does not have the appetite to develop speculative office space or to take a head lease and lettings risk. Initial discussions with local agents have not identified any occupier interest for in excess of 1,500 sq m of space in a town centre location and have

¹² A gate on the eastern side of the service yard suggests that at least one adjacent retailer may have explicit or acquired rights and that such access may also need to be preserved for them. Background information supplied by the Council suggests that this has historically been used by both the adjacent Cubitt & West Estate Agents and Barclays (adjacent to Cubitt & West). Informal discussions with Cubitt & West indicate that the gate is for their fire egress only and Barclays has no access. Whilst further legal checking is needed in due course, the working assumption is the gate needs to stay.

¹³ Traders and visitors make use of existing town centre car parking / public transport. There is not space within the service yard to accommodate car parking for the upper floors, so future occupants would also need to make use of existing town centre car parking / public transport.

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indicated that there are better locations for businesses with more modern space and on-site car parking; and

- Secure grant - If a third LUF round or other funding targeting job creation/retention is launched, the Council is likely to have other strategic priorities.

On this basis, office reuse of the upper floors has been discounted as demand is unproven and it is unlikely to be commercially viable.

3.4.2. Retail

As has been the case previously with the Turkish restaurant and currently with the clothes shop, there are a small number of retailers that may value some upper floor back of house space (for storage etc). However, it is unlikely that this would either make full use of the in excess of 1,500 sq m upper floor space at the Arcade or that the cost of the works to create such space would generate an investment return given the limited additional retail rents created¹⁴. Whilst there are grant schemes that support office and residential uses, they don't typically support retail. Therefore, retail reuse of the upper floors has been discounted as it neither realises the full potential of the upper floors nor is it likely to be commercially viable.

3.4.3. Residential

Having discounted office and retail - and as demand for other potential uses, such as hotel or health, have not emerged during the course of this feasibility study - a residential use creates the most obvious and practical solution for the Arcade's upper floors. Potential tenure options include:

- Market sale - there is strong demand for new and second hand homes for sale in the town. The latter is demonstrated at Mountbatten Court adjacent to the Arcade and overlooking Place Saint-Maur and the seafront. However, a high developer's profit to reflect market sale risk contributes to the viability challenges faced by the project and makes this a challenging development to deliver for market sale, even with OPE BLRF grant. Sales are also one-off, limiting the scope to capitalise on value growth over time;
- Market rent - there is also strong demand for new and second hand homes for market rent in the town, with local estate agent Cubitt & West reporting a waiting list. Again a developer's profit contributes to the viability challenges faced by the project, although a developer's profit for market rent would be lower than market sale. If developed by the Council there is the opportunity to capitalise on rental value growth over time. We also believe that there is a potential opportunity for the Council to develop homes for market

¹⁴ Other considerations include how the retailer would access the upper floor space - installing stairs in their unit could affect their tradeable area and rent payable. On a Victorian arcade where we advised another local authority, all of the upper floors are vertically configured with the retail units below, making it sensible in that case to support retailers to make use of the upper floors (e.g. a florist has explored using the upper floor in its unit as a floristry training room). However, at the Arcade the upper floors are configured horizontally, with limited connections to the retail below, making it sensible to retain them as a single horizontal use.

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rent itself and act as a progressive landlord offering a variety of letting options to meet the full range of local demand, including 12 month+ leases and AirBnB style holiday lets, as well as standard 6 month tenancies;

- Student housing - the Arcade is some distance from the University of Chichester's Bognor Regis campus and from our own experience and discussions with Savills and local agents we don't believe this location would be of strong interest to student housing operators. The Council reached a similar conclusion itself in the previous feasibility work undertaken in 2019, initially considering student housing and then moving away from this to apartments for market sale/rent;
- Affordable housing - OPE BLRF grant funding can be blended with Homes England Affordable Homes Programme (AHP) grant or Right to Buy receipts. Whilst the Council manages its own existing Council housing, it is understood that it does not currently have the appetite to deliver new Council housing. We have not contacted local Registered Providers as our concern would be that, whilst meeting housing need, it would not maximise the wider economic benefits the project could generate when compared with market sale or rent. Also the Registered Provider would potentially benefit from any long-term value uplift;
- Older people's accommodation - whilst there is scope to add a lift to the new building proposed for the south east corner of the site (see below), the layout of the existing upper floors still contains some stairs between the first and second floors on the western wing and within the two turrets. Therefore, this development is not well suited to being a specialist older people's accommodation offering. However, there is still likely to be some demand from older people given the proximity to the High Street and seafront and therefore it would make sense to target older people within a scheme which is available to all age groups;
- Supported living - whilst we have not contacted them ourselves, it is understood from the Council that there has previously been interest from the adjacent Aldingbourne Trust in refurbishing the western wing of the Arcade for supported living. However, we do not believe that splitting the wings would realise the Arcade's full potential. In addition, along with the Trust's existing accommodation on York Road, a concern would be a concentration of supported living in a single location. As with affordable housing, our concern would be that, whilst meeting housing need, it would not maximise the wider economic benefits the project could generate when compared with market sale or rent. Also the Trust would potentially benefit from any long-term value uplift;
- Holiday accommodation - whilst the Borough/town have a wide tourism offer holiday accommodation is unlikely to guarantee full accommodation throughout the year. This need would better be met through a diverse market rent offer;
- Specialist accommodation, such as key worker or former military accommodation - no demand for these specialist uses have emerged through this study; and
- Self finish - whilst the Council does operate a register evidencing demand for self build and finish homes - and OPE does offer BLRF grant funding towards it - this would be much more complex to implement. It is unlikely that the Council would be able to prioritise the necessary staff capacity.

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In summary we believe bringing the Arcade's upper floors back into use as market rent accommodation, potentially developed by the Council to support viability (see below), is the strongest option.

4. Proposed scheme

4.1. Scheme brief

The proposed scheme to bring the Arcade's upper floors back into use needs to meet the following brief:

- Generally minimising adverse impact on the existing downstairs retail trade, including:
 - Retaining a trader toilet somewhere within the proposed scheme, preferably on the ground floor, which should be available throughout the works;
 - Preserving access for ground floor retailers in the Arcade (and Cubitt & West for fire egress) to the service yard/bin store behind the eastern wing;

However, it is acknowledged that:

- Some works may need to take place in the occupied and vacant retail units (see below); and
- Citizen's Advice is occupying the ground floor retail unit in the south east corner of the site on a short term flexible lease and they will need to relocate prior to its demolition (see below);
- Any new ground floor accommodation created should be retail to animate the streetscene;
- Upper floor accommodation should be high quality residential accommodation suitable for market rent;
- The development needs to meet Planning requirements. This would particularly focus on the design quality and respecting the building's locally listed heritage and the wider context, including Place Saint-Maur and the Regis Centre & Alexandra Theatre¹⁵. It is assumed that the Nationally Described Space Standards (NDSS) would not apply, due to this primarily being a refurbishment project.
- The development also needs to meet Building Regulations requirements. This would particularly focus on fire, acoustic separation and energy. From an access perspective, it is assumed that a lift would not be required, due to this being both a three storey building and primarily a refurbishment project;
- Responding to local agent's advice adopting a mix of approximately 70% one bedroom apartments and 30% two bedroom apartments¹⁶. However it is acknowledged that the layout of the existing building (e.g. window locations) may impact the precise mix;
- Improving the service yards/bin store for the benefit of retailers and new residents;
- Creating rooftop outdoor amenity space for all apartments (including additional private amenity space for some apartments) as well as sea views for some apartments;

¹⁵ Having regard to both its existing offer and proposed improvements.

¹⁶ Studio and three bedroom apartments, which are in relatively less demand, should ideally be avoided unless the layout of the building necessitates it.

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- To score highly on innovation and maximise the potential to secure OPE BLRF grant funding, it is proposed to also potentially make use of Modern Methods of Construction (MMC) for the new build elements and include sustainable technology; and
- As with the current use of the site, it is expected that car parking would not be included within the proposals.

4.2. Potential scheme options

The previous feasibility studies commissioned by the Council in 2019 retained two separate wings at the upper floor level. However, we don't believe this realises the full potential of the Arcade's upper floors. We have, therefore, considered the following options:

- Option 1 - use of the eastern and western wings individually, to align with the previous feasibility studies;
- Option 2 - connect both wings at the first floor by punching through where they touch at the southern end of the Arcade;
- Option 3 - demolish the retail unit in the south east corner of the site and create a new three storey building that connects to the two existing wings; and
- Options 4 - as Option 3 plus potential light weight new build on the eastern wing flat roof where fire damage previously occurred.

The design layout options in the Architect's Design Pack in Appendix 2 result in the following number of potential new homes for each option:

	Studio apartment	1 bedroom apartment	2 bedroom apartment	Total
Option 1	1	16	6	23
Option 2	1	14	7	22
Option 3	0	21	7	28
Option 4	0	28	7	35

In Option 1¹⁷, two separate wings with their own entrances is likely to lead to management challenges and higher operating costs. This option could possibly work if there were two parties each seeking to develop/manage only the accommodation in a single wing. However, whilst it is understood that Aldingbourne Trust has expressed an interest in taking on the western wing, our concern would be that the smaller eastern wing would not be of a sufficient scale to be of interest to developers/operators or to be viable as a potential

¹⁷ Option 1 delivers fewer homes than the previous feasibility studies, which considered primarily one bedroom apartments in one case and studio apartments in another. The proposed scheme provides for a broader accommodation mix, including two bedroom apartments, to maximise the prospect of letting the new homes.

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development for the Council. We do not believe keeping the two wings physically or operationally separate would realise the Arcade's full potential.

Option 2 is a better scheme than Option 1 from a management / operational perspective, with improved connectivity between the two wings. However, it results in the loss of a home compared with Options 1 to enable the two wings to be connected at the southern end. Also the likely primary entrance on the eastern wing on High Street (the 'Arcade Chambers' entrance) would lead to a long walk to the western wing above Howard's Coffee Shop. This would potentially necessitate a further entrance(s) on Belmont Street and/or York Road for the western wing, which would again introduce management / operational challenges and negate some of the benefits of joining the two wings in the first place.

Option 3 delivers five additional homes compared with Option 1, with a single entrance where the wings join making access into and through the upper floors straightforward. This also delivers a more modern and appropriately sized commercial unit and a number of additional benefits (see below).

Option 4 further improves on Option 3 by introducing a further seven additional homes by adding back accommodation on the second floor of the eastern wing where this was previously lost due to fire damage. Additional homes are both more cost effective to manage, more attractive to the Council in terms of meeting housing need and more attractive to the OPE from a value for money perspective. Therefore, Option 4 is preferred over Option 3 subject to structural engineering advice (see below).

4.3. Design proposals

The design proposals contained in the Architect's Design Pack in Appendix 2 fully deliver the scheme brief outlined above.

Initial dialogue with the Council's planning team indicates support in principle for a high quality residential development of the nature and scale proposed. Discussions need to continue about a number of key points including the application of NDSS, overlooking distances and Section 106/CIL waiver on viability grounds (see below). Dialogue is also needed about the interface between the new build and existing building (particularly the southern facade) and materials selection.

The proposed demolition and new extension in the south east corner of the site:

- Moves the current building line back and complements and celebrates the southern facade of the Arcade.
- Creates a new second front for the Arcade to access new homes from on Belmont Street, where this currently feels like a back; and

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- Delivers a more modern and appropriately sized c.70 sq m¹⁸ ground floor retail unit in the new extension in place of the existing c.120 sq m space currently occupied by Citizen's Advice¹⁹. A potential F&B use in this location would complement the proposed improvements to the Regis Centre & Alexandra Theatre. The possibility of utilising the area created when the building line is moved back for outside seating should also be explored.

Preliminary engineering advice indicates:

- It should be possible to accommodate the new homes on the eastern wing roof. Any solid internal walls that are removed will reduce weight on the existing structure. To the extent that the new accommodation exceeds this weight, strengthening of the existing structure will be needed. This could take a number of forms, with one option involving strengthening the columns within the existing retail units (see below). Therefore, Option 4 is the preferred option and basis for the recent OPE BLRF grant funding application;
- Acoustic and fire separation works (i.e. introduction of insulation) will need to be undertaken between the existing retail units and apartments. It is more straightforward to undertake these works from below within the retail units, although the potential to do so from above is being explored to minimise disruption to the retail trade; and
- A communal air source heat pump would be an appropriate energy solution, delivering and exceeding Building Regulations requirements. This has the benefit of avoiding extracts for each apartment in the locally listed building facade. However, further consideration needs to be given to:
 - If and how this would interface with the energy infrastructure for the retail units; and
 - The location for the equipment.

¹⁸ On a gross internal area basis.

¹⁹ Whilst this unit is currently let temporarily to Citizen's Advice, this is on soft, flexible terms and it may otherwise be a challenging unit to let on a commercial basis. In its current configuration it is more suited to an office use, which would not animate the street in this important town centre location.

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5. Viability of the proposed scheme

Viability of the proposed scheme has been assessed using a development appraisal (see Appendix 5). This initially assumes delivery by a Developer with the associated assumptions in 5.1 & 5.2. Potential steps to overcome the associated viability gap are considered in 5.3.

5.1. Development income

The development appraisal makes the following income assumptions:

- Residential rental income - Local estate agent Cubitt & West, whose office is immediately adjacent to the Arcade, has been involved throughout the design process, identifying individual rents for each apartment based on their unique characteristics (see Accommodation & Rental Schedule within the Development Appraisal). If the properties were released for rent today, they would recommend a base rent of £995pcm for 1 bedroom apartments and £1,295pcm for 2 bedroom apartments, uplifted by £50pcm for a private terrace, £50pcm for sea views and £100pcm for furnished accommodation in two showhomes (see below)²⁰. They have taken account of the fact that car parking is not available as part of the scheme, but assume an enhanced level of fit out relative to market sale homes (carpets, white goods etc - see below).
- Residential operational expenses - This reflects the operational costs (such as management and rent collection) and any loss of income (from rent arrears / void units) for the apartments. A standard industry allowance is 25% of residential rental income.
- Retail rental income - The Council's existing retail lettings agent for the Arcade has been involved throughout the design process. The projected rent of £215psm & 6 month rent free period is based on recent Council lettings and current enquiries within the Arcade. This unit is particularly suited to F&B in terms of its size and location, with a small cafe/food takeaway envisaged. The rent is applied to 90% of the c.70 sq m area. This gross:net of 90% reflects the addition of a small toilet at the rear of the unit. No income is assumed from the estate management office on the ground floor of the eastern wing.
- Investment yield - Savills estimate that an appropriate investment yield for the residential accommodation only would be 6%²¹. This reflects potential residential rental income growth in this location. However, Savills also identify that the residential development has the potential to enhance the value of the retail below (e.g. by reducing the risk of weather damage and bringing 35 new people/families who will spend in the Arcade as well as wider town centre - see below). As a result the combined asset would have a 'marriage value' for the Council. This is assumed at this stage as a 0.25% improvement to the yield on the residential accommodation to 5.75%²²;

²⁰ There might be scope for additional income (e.g. for further furnished accommodation or permitting pets). However, this is excluded at this stage.

²¹ This is an all risks yield, which includes both projected income growth and an allowance for possible rent arrears/void risk.

²² Longer term, there may be a further premium associated with the Council's planned refurbishment of the Regis Centre & Alexandra Theatre and wider area. However, this is not currently considered.

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- Purchaser's costs - 6.15% is deducted from the Gross Development Value to meet an investor's SDLT, legal and agent costs; and
- An assumed 6 month rent free for the retail unit is deducted to assist the first tenant with its fit out costs²³.

The appraisal excludes any modest rental loss from the Citizen's Advice unit during the construction period and assumes no disruption to retail trade during the construction works other than that identified below.

5.2. Development costs

The development appraisal makes the following income assumptions:

- Land acquisition cost - £180k is assumed based on the Existing Use Value for the upper floors prepared by Savills, which assumes limited storage given the current very poor condition. £35k for a Development Agreement is also assumed;
- Vacant possession cost - With the exception of the clothes shop (which has its own access from within the unit and is not currently proposed for refurbishment) there are no tenants within the upstairs space. The Citizen's Advice occupies the ground floor unit in the south east corner of the site planned for demolition on soft, flexible terms. As a result, no vacant possession costs are envisaged;
- Planning costs - These comprise £75k for additional surveys²⁴, £25k for a planning/heritage consultant (which includes allowance for support with any other grant application, particularly where this has a heritage focus, and a S106/CIL viability waiver, which will be led by the development manager), £7k for stakeholder engagement, £3k for additional CGIs, £1,630 for pre-application advice (based on the Council's rates, including conservation officer attendance) and £16,664 for the planning fee for the 35 apartments and commercial unit calculated through the Planning Portal;
- Construction cost - The cost consultant Wearesum has prepared an elemental costplan (see Appendix 3), which is informed by the Architect's Design Pack and engineer Ridge's advice. This includes an abnormal cost schedule and inflation, using BCIS, to start on site in line with the accompanying programme. The enabling works contract, for the OPE BLRF funded activity, is assumed to be 6 months and the main refurbishment/new build works contract to be 18 months on a traditional construction basis (although as MMC is confirmed as viable/deliverable a 3 month saving is anticipated). Both contracts include a 5% retention, with 2.5% released at practical completion and 2.5% when the 12 months defects liability period has passed;

²³ As the scheme is worked up and further agent's advice is obtained it may be that the scope of works to the unit is increased in lieu of a rent free.

²⁴ An asbestos survey and desktop site investigation have already been completed. Whilst there is no visual evidence of bird or bad occupation of the building these surveys will be completed prior to planning along with a transport study to demonstrate that there is adequate nearby on street parking to meet the needs of the development. An intrusive site investigation, which represents the majority of the cost, will also be required to inform the detailed structural engineering advice and detailed design.

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- Development contingency - 2.5% has been added to construction costs to allow for any unforeseen costs during the project (e.g. the scope and cost of works to accommodate new apartments on the eastern wing roof being higher than anticipated). £75k has also been allowed should access be needed and, therefore, compensation be due for works within ground floor retail units;
- Professional fees - 10% of construction cost (excluding inflation as fees will be fixed at the outset of the project) is assumed in total²⁵. This comprises budgets of 2% for development management, 3% for architect/landscape/principal designer, 2.5% for structural/groundwork, mechanical & electrical and any other engineering, 2.25% for employer's agent/cost consultant and 0.25% allowance for any other advice required (e.g. fire and transport consultant);
- Statutory costs - Whilst Arun Council has both Section 106 and CIL requirements for residential schemes, it is envisaged that an application would be submitted along with the planning application to waive these on viability grounds. No off-site Section 278 works are needed as aside from increased bin collections the proposed scheme should not give rise to additional transport movements due to the lack of on-site car parking;
- Legal costs - £60k is assumed for drafting the construction contract, initial lease (the cost of individual lettings are covered under the operational expenses budget) and management contract. £15k allowance is also made for any other legal advice needed²⁶;
- Other development costs - These comprise a NHBC or similar warranty²⁷ (£1,500 per home), Energy Performance Certificate (EPC) (£150 per home), a Building Control fee of £15k (based on an estimate from the Council's Building Control team), £30k for fixtures & fittings (mailbox, wifi, seating on communal terrace etc) and apartment fit out (carpets/white goods)(£1,750 per home). In addition £12,500 is budgeted for fitting out two showhomes²⁸ (£5,000 for a one bedroom and £7,500 for a two bedroom apartment) and a further £12.5k for marketing collateral (rightmove listing, a microsite, brochure etc). A retail letting fee of 12 months rent is also included;
- VAT - We are not VAT experts and the Council will need to satisfy itself on the VAT treatment of the project. Our assumption is that VAT will be incurred in full on the enabling and main works contracts as, whilst there are some new build elements, the project is primarily refurbishment. VAT would also be incurred on professional fees, surveys etc. It is anticipated that the Council should be able to plan to achieve full VAT recovery. However, this will require further discussion with the Council's finance team in due course;

²⁵ This is a higher level than a new build scheme, which might typically be around 7%, to reflect the additional work associated with refurbishment and heritage projects.

²⁶ For example, if any party wall agreements or other agreements need to be reached with the ground floor retailers and/or an agreement is needed with Cubitt & West to formalise its fire egress arrangements through the service yard/bin store.

²⁷ Whilst warranties are not strictly required for market rental homes, securing these preserves flexibility should the Council seek to sell the investment in the future, as an investor may require them.

²⁸ Local estate agent Cubitt & West recommend two showhomes (a one bedroom and a two bedroom apartment) are created to allow potential occupiers to fully visualise the benefits of letting at the Arcade whilst the works are completed. This should accelerate lettings and minimise any early void period. Once lettings are completed these two showhomes can then be let as furnished apartments.

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- Finance costs - an all-in rate of 8% per annum is assumed inclusive of arrangement fee and legal costs, which is reflective of current deals in the market. This is applied to the cashflow, which is informed by the cost consultant's advice on the likely length of the enabling and main works contracts; and
- Developer's return - 10% of cost is assumed based on forward funding for a market rent end use by an investor (along with the Developer receiving a 2% development management fee under the professional fee heading).

The appraisal excludes costs associated with scheme feasibility and preparing the OPE BLRF application.

5.3. Bridging the viability gap

At these levels of development income and costs, there is a considerable viability gap to bring the upper floors of the Arcade back into use of c.£4.3m. However, there are a number of steps the Council could take to bridge this viability gap²⁹:

- The Council acting as developer;
- Applying for OPE BLRF grant funding;
- Applying for additional grant funding;
- Value engineering; and
- The Council making a capital contribution.

5.3.1. Council acting as developer

The Council acting as developer improves scheme viability for various reasons, including:

- The Council is able to manage the asset more affordably locally than a more remote developer/investor, at an assumed 20% rather than 25% level of operating costs³⁰;
- The Council is not intending to sell the asset in the short-medium term so purchaser's costs don't need to be allowed for;
- The Council is not acquiring the asset as it is already owned, representing a saving of £215k for land payment and development agreement compared with the developer;
- The Council is able to access finance more affordably at c.5%³¹ compared with the c.8% available to a developer; and

²⁹ It is understood that the Council is also currently exploring the scope to recoup Stamp Duty Land Tax (SDLT) from the original 2017 acquisition.

³⁰ Initial discussions with adjacent estate agents Cubitt & West and nearby Falcon Homes, which both offer residential management services, has identified that 20% is an adequate assumption given the management could be bolted onto existing local management arrangements.

³¹ Public Works Loan Board rates vary daily and are currently around the 5% level for borrowing over a 30 year period. The exact level will need to be determined nearer the time the development is ready to proceed.

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- The Council does not require a short-term developer's return, with the preference to seek a long-term investment return instead after borrowing costs are repaid.

This reduces the viability gap considerably by c.£2.85m to c.£1.46m.

5.3.2. Applying for OPE BLRF grant funding

As part of its goal to support the public sector make better use of its assets, OPE has operated a brownfield housing fund under various names for a number of years. The BLRF is the latest iteration, for which £180m has been pledged over three funding rounds. £35m was awarded under the first round, for which allocations were announced in November 2022. There is up to £60m available in the second round under which an application was made by the Council in March 2023. A third round, for which £80m is expected to be available, will invite applications in March 2024 (see below).

In March 2023, the Council submitted a OPE BLRF grant funding application³² of c.£628k, which represents c.£17,950 per unit for the proposed 35 apartments³³. If secured, the grant is specifically to be spent on meeting the majority of abnormal costs³⁴ associated with the development.

The Council would receive the OPE BLRF grant funding shortly after entering into the Funding Agreement and it would then have two key delivery timescales to meet:

- To enter into an enabling contract for abnormal works for at least the amount of the grant by 31st March 2024; and
- To start on site with the main works contract by 31st March 2027.

Monitoring reports would then need to be submitted throughout the period of the Agreement³⁵.

³² The application contained OPE's Technical Annex (which ensures the application passes a minimum value for money level), the Architect's Design Pack, evidence of initial pre-application planning feedback, the initial cost estimate and development appraisal, a programme and risk assessment, title details and a letter of support from Nick Gibb MP.

³³ Although OPE generally encourages applications for £10-15k per home, it informally indicated that a higher level would be considered in this case given the proposed scheme's complexity and high abnormal costs. Therefore, the grant funding application included a greater proportion of the abnormal costs than was originally anticipated in the initial draft Feasibility Study in January 2023.

³⁴ OPE only funds the actual works and not contractor's overheads, profits and preliminaries or contingencies. Whilst abnormal, relocation of the trader toilet and refurbishment/replacements of windows to meet local listing planning requirements are not eligible for OPE BLRF grant funding. Any associated staff costs/professional fees and costs of securing vacant possession are also ineligible. These may represent opportunities to secure additional grant funding in due course (see below).

³⁵ Monitoring is required on a quarterly basis.

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The Council has a strong prospect of securing the full (or majority of³⁶) grant applied for as:

- It has a good place-based need (representing a score of up to 50%) with a score of 31³⁷.
- A positive strategic case (representing a score of up to 35%) has been demonstrated, outlining many of the benefits articulated below.
- A number of innovation ideas (representing a score of up to 10%) have been proposed, including:
 - Potentially making use of MMC for the new build elements³⁸;
 - Use of environmental technologies, such as a combined Air Source Heat Pump;
 - Working closely with local builders/supply chain, including offering apprenticeship opportunities; and
 - A hybrid approach to stakeholder engagement comprising both in person and online consultation.
- The Council commits to comply with its Equality Act obligations (representing a score of up to 5%), for example ensuring that lettings material and signage promote equality.

5.3.3. Applying for additional grant funding

To further enhance the proposed scheme's viability and minimise the level of value engineering / Council contribution (see below), the Council could also consider applying for additional grant funding.

The OPE BLRF Funding Agreement should not preclude applying for additional grant. However, it will be necessary to avoid:

- Other grant funding sources for which the primary output is housing delivery, as outputs cannot generally be claimed twice; and
- Applying for funding for the same works, e.g. asking two funders to meet the demolition costs.

For a project of this nature and scale there are likely to be three types of potential types of grant available:

- Town Centre Regeneration - such as future rounds of funding available through the Local Enterprise Partnership (LEP) Coast to Capital (e.g. Shared Prosperity Fund) and funding available to bid for directly (e.g. LUF, Towns Fund or Future High Street Fund). The Arcade project itself would probably be too small to bid alone for many of these funding sources so would need to become part of a programme bid for a wider package

³⁶ OPE sometimes awards a lower amount than applied for if it considers an aspect of the proposed works is not eligible for grant funding.

³⁷ This uses a metric developed by the Government to promote levelling up. In the previous OPE BLRF round, grants were awarded to a number of local authorities with lower place-based need.

³⁸ MMC involves elements of the new build construction being manufactured off-site in a factory and then erected on-site. This approach typically improves both the quality and speed of construction.

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of town centre regeneration projects, which has the potential to introduce delay (see below);

- Heritage - such as the Architectural Heritage Fund or Heritage Lottery Fund; and/or
- Sustainability - such as the Heat Networks Investment Project (HNIP).

From preliminary investigations and discussions (e.g. with the LEP) it is believed that there is a good possibility of securing at least £100k of additional grant within the timescales of the project being delivered.

Technically under the OPE BLRF Funding Agreement the Council has until March 2027 to start on site with the main works contract. However, it is important to identify, apply for and secure additional grant funding relatively swiftly to both:

- avoid undermining the proposed scheme's momentum; and
- delay realising the benefits outlined below (including leaving the Council exposed to maintenance and rates costs).

To maintain momentum, the Council should continue to apply for planning permission whilst in parallel applying for additional grant funding.

5.3.4. Value engineering

The development appraisal identifies a potential value engineering target of c.£278k.

The first opportunity for value engineering is through generating additional income. For example there is the possibility of seeking to vary the clothes shop lease to remove the upper floor, which could enable the adjacent apartment to switch from 1 bedroom to 2 bedroom³⁹. Provided that this does not alter the overall number of apartments which has been included in the OPE bid, there might be the potential to introduce one or more duplex apartments to add variety to the accommodation mix. Also whilst the construction costs have been inflated to start on site in line with OPE's requirements, the lettings will not take place for at least 2 years providing the possible opportunity for further income growth.

Secondly, drawing on the experience of the Council, design team and contractor, there should be the potential to generate construction cost savings (and knock on finance savings) from delivering the proposed scheme in a more efficient way and/or revising the specification. For example, through using MMC to create the new apartments it may be possible to realise c.3 months of time (and hence finance cost) saving and bringing lettings and associated income forwards. This would also deliver the benefits associated with the proposed scheme sooner (see below).

³⁹ This could generate c.£50k of additional development value net of any construction costs and fees negotiating the lease variation with the clothes shop tenant.

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The costplan identifies potential cost savings of over £300k. However it will be important in the next stage of design to assess potential savings with a number of factors in mind:

- The practical ability to deliver the change;
- The acceptability of the change from a planning perspective - particularly where it relates to the appearance of the locally listed building; and
- Whether the change would potentially affect the income generated from the scheme - if a change leads to the scheme being less attractive for potential occupiers this could negate the saving.

Hence it is believed that the target level at this stage is about right.

5.3.5. Council capital contribution

The Arcade asset is in poor condition and requires short-medium term remedial investment in repairs to two areas of the roof and the spalling concrete at the southern facade to mitigate further damage to the building. The costs of undertaking these items individually is significant, whereas by incorporating them into the scheme savings can be made (e.g. avoiding significant scaffolding costs on two separate occasions). At present a c.£450k allowance is made pending more detailed designs and costings.

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6. Benefits of the proposed scheme

The proposed scheme would deliver a range of important monetisable and non-monetisable benefits for the Council.

6.1. Monetisable benefits of the proposed scheme

Bringing the Arcade's upper floors back into use by delivering the proposed scheme would deliver a range of important monetisable benefits for the Council including:

- Delivering a return on the Council's investment in the Arcade after the 30-year borrowing period if the asset is retained longer-term [Savills to quantify]. The Council would also have the option to dispose of the Arcade once upper floor residential lettings have stabilised and the remainder of the benefits outlined here have been secured⁴⁰;
- Securing c.£628k of OPE BLRF investment into the District;
- Potentially also securing at least £100k of additional grant funding into the District; and
- Realising a saving of £xxk per annum [Ridge to confirm] on management and maintenance costs of the upper floors, which can be passed on to future residents rather than being borne by the Council;
- Realising a saving of £xxk per annum [ADC to confirm] on empty rates currently incurred on the upper floors by the Council;
- Generating c.£xxk per annum Council Tax revenue and £xxk of New Homes Bonus from 35 additional homes; and
- Securing a rent of c.£xxk pa from a potential F&B use in the purpose-built new retail unit⁴¹ [there may be a loss of rates - tbc].

6.2. Non-monetisable benefits of the proposed scheme

Bringing the Arcade's upper floors back into use by delivering the proposed scheme would also deliver a range of important non-monetisable benefits for the Council including:

- Meeting local housing need by delivering 35 new high quality homes for market rent;
- 35 new sets of residents should spend within the shops in the Arcade and the wider town centre in the day and evening, including the Regis Centre & Alexandra Theatre;
- Additional local spend should also help the Council to fill vacant units within the Arcade and, over time, raise rents, thereby increasing the rent roll and asset value. Filling more of the retail units should also allow greater recovery of ground floor management and maintenance costs that cannot be recovered from void retail units;

⁴⁰ The OPE BLRF Funding Agreement should not impose a restriction on the Council about sale of the building in the future following the upper floor refurbishment.

⁴¹ This represents the projected rent of c.£14k pa for the potential F&B use less the £xxk pa currently secured by the Council from Citizen's Advice.

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- Supporting the local construction industry by hiring enabling and main works contractors that will draw on a local supply chain and create local training and employment opportunities. This would in turn create further local spending power;
- Avoiding further deterioration of the building fabric which could otherwise lead to reduced ground floor retail rents. The Council could also face health & safety risks, e.g. if water came through one of the damaged roofs and got into the electrics. There is also a risk of anti-social behaviour, which is more common with vacant buildings⁴². Longer term, failure to treat the spalling concrete at the southern end of the Arcade could also impact the building's structural stability;
- By replacing the existing single storey building in the south east corner of the site with a new building, improving the appearance of the southern end of the Arcade, complementing and celebrating the building's locally listed heritage;
- Local people having greater confidence in the appearance and offer of the town centre (including an emerging F&B offer) should lead to a growing number visiting the town centre to shop, eat and drink, compared with other local alternatives such as Chichester;
- The success of the Arcade should encourage developers to invest in other local schemes, such as the planned mixed use redevelopment of the car park adjacent to the Regis Centre & Alexandra Theatre and wider regeneration planned for the town⁴³;
- If the Council is offered and accepts the OPE BLRF grant and is making positive progress with delivery, as evidenced through monitoring reports, it will be in a stronger position to apply for further grant funding in the next OPE BLRF round in March 2024⁴⁴;
- Climate change benefits arising from the sustainability features (such as the proposed communal Air Source Heat Pump); and
- Potentially making use of MMC for the new build elements, could provide useful experience that could be applied to other Council (both residential and non-residential) construction projects.

⁴² There is evidence within the building of this having taken place in the past. Such access could lead to people damaging the building and injuring themselves. The presence of asbestos in the building makes this risk more acute.

⁴³ The Bognor Regis Regeneration website outlines £1bn of planned investment.

⁴⁴ Up to £80m is expected to be available in the next round. OPE has already informally encouraged the Council to apply for BLRF grant funding towards the mixed use development on the car park site.

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7. Delivering the proposed scheme

This section focuses on the immediate next steps to move the proposed scheme forwards. A more detailed delivery strategy will be developed in parallel with these steps (see below).

7.1. Securing Council approvals

At this stage Council approval is needed to:

- Accept OPE BLRF grant funding;
- Prepare the enabling works specification;
- Prepare a planning application; and
- Apply for other suitable grant funding.

These will require a total commitment of £xxk as outlined further below. This can be funded through the OPE BLRF funding provided the Council recognises that if planning permission is not secured in due course, it would need to refund the grant to OPE and thereby meet these costs itself.

To maintain momentum and deliver the above benefits as soon as possible, it is then essential to undertake these activities in parallel.

7.2. Accepting OPE BLRF grant funding

Subject to an award being made for the full (or substantially) the amount requested, the Council needs to give approval to accept an award of OPE BLRF grant funding (see below). This requires the Council to progress with an enabling works contract - and in due course enter into it - by March 2024⁴⁵. As outlined above, accepting the OPE BLRF grant funding is essential to the strategy of overcoming the viability gap with the proposed scheme.

To prepare for OPE BLRF grant funding potentially being awarded, the Council should review the model OPE BLRF Funding Agreement⁴⁶. The Council can then ensure it is comfortable with the general terms before it is personalised for the proposed scheme.

An offer will be made via the OPE Partnership (West Sussex Council). The first step is to establish if this is for the full amount or if any adjustment has been made. In the latter case, any impact on the scheme viability will need to be carefully considered. It is hard to pinpoint an exact time when an award will happen as announcements are usually timed by the Government for maximum Political impact. At this stage we are assuming the end of June. Around three weeks are usually given for accepting the offer.

⁴⁵ As outlined above, there is also an obligation to start on site with the main contract by March 2027.

⁴⁶ This can be accessed via the link in Appendix 1.

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Once an award has been made, OPE will supply a scheme-specific Funding Agreement, which should be checked to confirm it aligns with the expected dates. Once signed, funding should be received by the Council within a month.

7.3. Preparing the enabling works specification

The OPE BLRF grant funding is provided to deliver the enabling works. The scope of the enabling contract primarily relates to abnormal works within the building, in addition to the demolition of the building in the south east corner of the site, with details summarised in the costplan. It is assumed that internal works do not require demolition and the demolition would require demolition, although this will be clarified (see below)⁴⁷.

The specification needs working up in detail to prepare a final pre-tender cost estimate prior to tender. The Council can then determine the level of funding it will need to contribute to the enabling works alongside the grant. This is currently estimated as c.£107k, representing the associated contractor's preliminaries, overheads and profit, which are not eligible for OPE grant funding.

A key step is to determine whether any abnormal works themselves which are not eligible for OPE funding, such as relocating the trader toilet and replacing windows to an appropriate heritage standard, should be included within the enabling works contract. This would, in part, be informed by their eligibility for additional grant funding (see below).

At this stage the Council's approval is limited to meeting the costs of the surveys and detailed designs needed to prepare the enabling works specification, which are estimated at c.£xxk [elaborate on scope of works (incl engineering/building control advice)/add estimated cost]. Both sums are incorporated within the development appraisal.

Separate Council approval would be sought in due course to the Council's investment in these works, to go to tender and enter into the enabling works contract.

7.4. Preparing a planning application

Critical to preparing a planning application will be formal pre-application discussions with the planning team, including the conservation officer, and a programme of stakeholder engagement.

The planning/conservation discussions need to explore a variety of topics including:

- Application of NDSS. We have assumed that these do not apply;

⁴⁷ As identified in the Programme (contained within the Development Appraisal) it is assumed that the enabling works contract will be undertaken in parallel with the planning application, with the demolition completed once planning permission is in place.

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- Overlooking distances;
- What elements of the building are covered by the local listing;
- What elements of the enabling works require planning permission;
- How the design for the new build elements aligns with the existing building, particularly the southern facade;
- Materials choices;
- Confirmation that no car parking is needed. A transport survey will be commissioned to support this;
- The method for applying for Section 106/CIL waiver; and
- Confirmation that Section 278 works are not needed, aside from minor improvements to the pavement where the front building line is moved back in the site's south east corner.

A stakeholder engagement plan should be developed. The potential to adopt a hybrid (physical and online) approach was suggested in the OPE BLRF grant funding application.

In addition to responding to planning / stakeholder feedback, the design team also needs to:

- Establish the best strategy for structurally strengthening the building to accommodate the additional apartments on the eastern wing roof;
- Clarify the extent of any works within the retail units (both in relation to structural strengthening and fire/acoustic separation) and the best way to undertake this if required. Some certainty around this will be needed prior to discussions with retailers as part of the stakeholder engagement;
- Determine the location of the Air Source Heat Pump equipment and ascertain whether it represents value for money to renew the equipment servicing the retail at the same time;
- Confirm no rights to light / party wall agreements are needed;
- Continue to explore whether MMC is feasible and the benefits it would bring;
- Undertake a building control review of the emerging design proposals; and
- Continue to engage with local estate agents to ensure their expertise is captured.

[add further detail on design steps needed/estimated cost]

Separate Council approval would be sought in due course to submit the planning application, along with Section 106/CIL waiver.

7.5. Identifying and applying for additional grant funding

As outlined above, to help bridge the proposed scheme's viability gap it would be beneficial for the Council to secure additional grant funding. Further time now needs to be invested:

- Identifying potential suitable grant funding opportunities - in the areas of town centre regeneration, heritage and sustainability as outlined above;

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- Shortlisting the most appropriate sources - based on the strategic fit with the grant funder's criteria, level of funding available, timetable for application/award and any other considerations (e.g. whether an application needs to be part of a wider package of projects, which may increase the scale of grant potentially available but might delay the application);
- Working up a bid and applying for the most suitable grant funding source(s).

The level of time - and hence cost - required to apply for further grant funding is not clear at this time. However, up to £15k is assumed from the professional fee budget in the development appraisal.

7.6. Other steps

In addition to the above, the Council should:

- Develop a detailed delivery strategy through to scheme completion and occupation;
- Identify the preferred procurement approach for the enabling and main works contracts, ideally making use of frameworks in each case to simplify and accelerate procurement;
- Check the legal access rights of the adjacent retail unit(s) on High Street over the yard/bin store area;
- Ascertain whether the Clothes Shop is willing to vary its lease to release the upper floor for redevelopment. The associated costs also need to be identified to confirm that this represents value for money; and
- Whilst they will also be consulted as part of the stakeholder engagement outlined above, the Council will need to keep Citizen's Advice updated about the timetable for delivering the proposed scheme.

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Appendix 1 - Information reviewed

Information supplied by the Council⁴⁸

- Sales particulars for the 2017 purchase of the Arcade;
- Floorplans;
- Title details;
- Drone photos of the exterior of the building and interior photos showing the condition of the property;
- Building survey and maintenance information, including a condition survey prior to the Council's acquisition and an asbestos survey commissioned after purchase; and
- Previous residential feasibility studies undertaken in 2019.

Arun planning information

- <https://www.arun.gov.uk/adopted-local-plan/>
- <https://www.arun.gov.uk/planning-application-search>
- https://arun.cloud.cadcorp.com/Webmap/Map.aspx?mapName=Public_Main&dataLayers=Arun%20District,Listed%20Buildings
- https://arun.cloud.cadcorp.com/Webmap/Map.aspx?mapName=Public_Main&dataLayers=Arun%20District,Conservation%20Areas
- <https://www.arun.gov.uk/download.cfm?doc=docm93jjm4n1724.pdf&ver=1373>
- <https://www.arun.gov.uk/cil/>

Arun place based information

- <https://www.arun.gov.uk/place-st-maur>
- <https://alexandratheatre.co.uk/>
- <https://www.bognorregisregeneration.com/>
- <https://www.bruid.org/>

Historic information about the Arcade

- <https://www.pinterest.ch/pin/424886546097629641/>
- https://www.francisfrith.com/bognor-regis/bognor-regis-the-arcade-1903_50202
- <https://www.gravelroots.net/history/storebognor/247.html>
- <https://www.bognorregispost.co.uk/2018/09/changing-times-towns-arcade-has-reflected-changing-times/>
- <https://www.theargus.co.uk/news/15584833.council-to-give-the-arcade-a-big-boost/>
- <https://www.facebook.com/arcadebognor/>
- <https://www.sussexexpress.co.uk/news/the-arcade-thats-stood-test-of-time-in-bognor-regis-916122>

⁴⁸ Other information, including retail lease details, has also been useful for broader context.

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- <https://www.sussexexpress.co.uk/news/people/new-company-takes-over-management-of-bognor-regis-arcade-3624936>
- <https://www.v2radio.co.uk/news/west-sussex/new-company-takes-over-management-of-bognor-regis-arcade/>
- <https://bognorregistrails.co.uk/>

More recent photos/images of the Arcade

- <https://www.alamy.com/stock-photo-the-arcade-high-street-bognor-regis-west-sussex-england-united-kingdom-29183572.html>
- <https://www.alamy.com/stock-photo-the-arcade-high-street-bognor-regis-west-sussex-england-united-kingdom-29183406.html>
- https://www.tripadvisor.co.uk/Restaurant_Review-g504216-d14901608-Reviews-The_Mezze-Bognor_Regis_Arun_District_West_Sussex_England.html

Local property market information

- <https://www.rightmove.co.uk>
- Cubitt & West

Information about the OPE BLRF

- <https://www.gov.uk/government/news/derelict-land-to-be-transformed-into-new-homes-in-boost-for-local-regeneration>
- <https://www.gov.uk/government/news/thousands-of-new-homes-to-be-built-on-regenerated-brownfield-land>
- <https://www.local.gov.uk/topics/housing-and-planning/one-public-estate/one-public-estate-brownfield-land-release-fund-1>
- <https://www.local.gov.uk/topics/housing-and-planning/one-public-estate/one-public-estate-brownfield-land-release-fund-2>
- <https://www.local.gov.uk/topics/housing-and-planning/one-public-estate/one-public-estate-brownfield-land-release-fund-3>
- https://www.local.gov.uk/sites/default/files/documents/230118_BLRF2.2_Basic%20Details%20Form_Final.xlsx
- <https://www.local.gov.uk/sites/default/files/documents/BLRF2%20R2%20Application%20form.docx>
- https://www.local.gov.uk/sites/default/files/documents/230117-Brownfield%20Land%20Release%20Fund%20-%20Technical%20Annex_Final.xlsx
- <https://www.local.gov.uk/sites/default/files/documents/BLRF2%20R2%20Place%20Based%20Scores%20List.pdf>
- <https://www.local.gov.uk/sites/default/files/documents/BLRF2%20R2%20Draft%20Grant%20Funding%20Agreement.pdf>

Public Works Loan Board borrowing rates

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- <https://www.dmo.gov.uk/data/pdfdatareport?reportCode=D7A.2>