

# ARUN DISTRICT COUNCIL

## REPORT TO AND DECISION OF BOGNOR REGIS REGENERATION SUB COMMITTEE ON 17 JUNE 2020

### PART A : REPORT

**SUBJECT:**

Update on Options for the Redevelopment of the Regis Centre Area

**REPORT AUTHOR:** Karl Roberts, Director of Place

**DATE:** 20 May 2020

**EXTN:** 37760

**PORTFOLIO AREA:** Place

**EXECUTIVE SUMMARY:**

The purpose of this report is to remind the Committee of the actions agreed to date by the Council and to invite the Committee to consider whether changes to the core elements of the agreed scheme should be recommended to Full Council in order to facilitate a scheme which can be delivered commercially without resorting to any significant public subsidy.

**RECOMMENDATIONS:**

The Sub Committee recommends to Full Council:

- (1) To dispose of the Council's freehold interest in the land in the south eastern corner of the site, including the former fire station, for the purpose of building a hotel;
- (2) Following surrender of the sub lease to the head lessee, to agree to the surrender of the head lease on the Regis Centre building from the day the hotel opens, at nil consideration;
- (3) To make budget provision for the running costs of the Regis Centre after the lease is surrendered;
- (4) To lease the part of the Regis Centre building that is currently operated as a pub, until it is viable to redevelop;
- (5) To make budget provision for the repairs unless a commitment has been made to demolish the building;
- (6) To make budget provision for the costs of commissioning of necessary reports and professional advice required to progress the agreed resolutions above and below and to authorise the Director of Place, in consultation with the Portfolio Holder of Technical Services, and subject to the Council's Procurement Standing Orders, to draw down

- and authorise any expenditure within the agreed budget provision;
- (7) The Council re-affirms not making any commitment as landowner to enter into any binding legal agreements pursuant to the granting of any planning permission in 2018, for the regeneration of the Regis Centre and Hothamton car park sites under its freehold ownership;
  - (8) The final terms of the agreement shall be presented to the Bognor Regis Regeneration Sub Committee for consideration for approval prior to the completion of all legal formalities arising from these actions;
  - (9) The Director for Place, in consultation with the Cabinet Member for Planning Services, to take appropriate action (if required) under section 203 of the Housing and Planning Act 2016;
  - (10) The Director for Place, in consultation with the Cabinet Member for Technical Services and the Section 151 Officer, to take any actions necessary consequential to the decisions taken above, in relation to expunging existing leases or entering into new leases;
  - (11) Progress reports be provided to the Bognor Regis Regeneration Sub Committee at regular intervals, focussing on the intended decision-making process and timetables; and
  - (12) The Council continues to support the principle of including the area of the Esplanade between Clarence Road and Place St Maur within any new public realm scheme for the wider regeneration of the town.

## **1. BACKGROUND:**

- 1.1 The purpose of this report is to invite the Council to consider updating its development strategy for the potential redevelopment of the Regis Centre, particularly in light of the challenging economic conditions currently being faced as a result of the Covid-19 Pandemic. Given the current economic uncertainties it is difficult to gauge the status of various different parts of the residential market as well as the leisure and hospitality markets. As a consequence, the Corporate Management Team have asked that this report focuses on only parts of the previously agreed scheme, namely the proposed construction of a hotel and the consequential acquisition of the existing pub and theatre by the Council.
- 1.2 The intention is to provide further reports to the Committee in the coming months when there is some clarity as to how the economy is recovering.
- 1.3 To recap on recent events for new Councillors, in March 2017 the Council considered the minutes from the previous February Bognor Regis Regeneration Sub Committee who had considered a report regarding a new set of regeneration proposals for both the Hothamton Car Park and The Regis Centre.
- 1.4 Matters relating to the Hothamton Car Park area are not the subject of this report (because that has already been the subject of more recent reports in 2019) and,

therefore, relevant minutes and any subsequent changes which relate to only this site have been left out from this report to aid clarity.

- 1.5 The proposals for the Regis Centre focused on the basic concept of creating a modern 'Winter Garden' under the broad title of 'Gardens by the Sea'. The image below provides a reminder of the basic concept.



- 1.6 The relevant resolutions from the March 2017 Council meeting can be found in Appendix A.
- 1.7 Subsequent to this, in July 2018 the Council was invited to consider an exempt report which sought authority for budget provision to be made and for the disposal /acquisition of interests in the relevant land at the Regis Centre in accordance with the previously agreed Gardens by the Sea/Winter Gardens concept. This was on the basis that rather than the scheme being delivered as a single development it would be phased, with the delivery of the hotel being prioritised. This would also have involved a land swap with Whitbread's PLC where the Council would have secured full control of the existing pub and theatre.
- 1.8 In addition, the Council was also asked to reaffirm its position with regard to an alternative vision that had been put forward by an independent organisation, which had secured planning permission granted on appeal for an alternative scheme. Prior to this granting of that planning permission, the Council had resolved not to enter into any agreement as landowner to give effect to that alternative vision and confirmation of that stance was being sought.
- 1.9 Relevant resolutions from that July 2018 Council meeting can be found in Appendix B.
- 1.10 In the period between this meeting and the Council elections of May 2019, officers undertook a series of negotiations with representatives of Whitbread PLC in order to secure an agreement pursuant to the above resolutions. However, unfortunately the outcome of these negotiations was that the Council and Whitbread PLC were

unable to reach an agreement on all matters and consequently negotiations stalled. In recent months discussions have recommenced.

- 1.11 The focus of the new administration from a regeneration perspective has been focused on the Sunken Gardens area. The Council priorities agreed in November 2019 were silent on whether a different approach should be taken with regard to the Regis Centre scheme. Subsequently officers informally met with the Leader and the Portfolio Holder for Technical Services in January 2020 to discuss future options and it was agreed to prepare this report as a result. However, the global pandemic has changed substantially the economic conditions and so the Corporate Management Team has asked at this time that the report focus on the potential land swap to secure the delivery of a much needed modern hotel for the town and enable the Council to secure the pub and the theatre so that the Council can plan appropriately for its long term future as it is a key asset in the social and economic fabric of the town.
- 1.12 It should also be noted that in March 2020 Cabinet resolved the following in respect of Plas St Maur which lies adjacent to the Regis Centre;
  1. *The design brief for public realm improvements at Place St Maur, Bognor Regis be approved which will form the basis of the tender process for the project;*
  2. *Delegated authority be given to the Director of Services to procure consultants to undertake RIBA stages 0-7 to enable the delivery of the Place St Maur project;*
  3. *Enhancement proposals for Place St Maur are prepared for public consultation*
- 1.13 The Winter Gardens project, whilst very exciting and visionary is also very complex and would require extensive public funding because the commercial elements would not generate enough return to pay for the extensive capital works. It could take a very long time to secure the required funding which previous estimates have put in excess of fifty million pounds. The recent decision regarding improving the public realm for Place St Maur effectively stops the Winter Gardens project unless any public realm improvements are regarded as being temporary.
- 1.14 The current Covid-19 issues clearly have a negative impact upon the economy as a whole but also impacts significantly upon the viability of regeneration projects and the potential to secure investment from the private sector.
- 1.15 The Corporate Management Team believe that this is not the right time given the prevailing economic conditions to consider the question of whether to continue with the agreed scheme or something simpler; something else or nothing at all. Those decisions should be made when there is more economic certainty.
- 1.16 However, it is considered reasonable to continue with the proposed land swap agreed by the Council in 2018 so that the Council can proceed with securing a new 80 bed hotel and the control of the existing pub and theatre.
- 1.17 To remind Members of the detail of these proposals it is proposed to establish a circa 80 bed hotel behind the Town Hall (requiring the demolition of the old Fire Station). The building currently hosts the Citizens Advice and Shopmobility. The Council will work with the service provider, and Shopmobility, to assist them in

finding suitable alternative premises.

- 1.18 The deal would be with Whitbread PLC as any deal would involve the Council securing the existing pub and theatre which are currently leased to Whitbread's for a period which remains in excess of 20 years.
- 1.19 However, the Council must be ready to accept that a mutually acceptable deal with Whitbread's might not be possible in which case the Council would need to be ready to seek other potential partners to deliver the hotel. In such a scenario the Council would clearly not be able to secure full control of the existing pub and theatre. In such circumstances officers would provide Members with a further report on the various options including a do-nothing option and the financial implications of an option which might include compulsory purchase.
- 1.20 Once Whitbread's vacate the existing pub this could be operated as a pub, converted to some other form of attraction or left vacant. The question also arises as to whether this building should be redeveloped to provide more space/uses on the upper floors and a better visual appearance. These matters will be subject to a further report to this Committee. The Committee should note that in the July 2018 report it was stated that 'The worst-case scenario estimate of running costs (excluding identified repairs) that the Council would then be liable for, based on the pub remaining unlet, and the theatre requiring additional support to continue to operate from the building until redevelopment, is £280k per annum.'
- 1.21 In respect of the theatre it is important to note that the freehold of the Regis Centre building is held by the Council, but it is leased on a full repairing lease to Whitbread PLC who operate the pub and sub-let the Alexander Theatre to Arun Arts Ltd. Arun Arts Ltd, who operate the theatre, hold repairing liability for that part of the building. Whitbread PLC's lease of the Regis Centre building expires in 2046 for which it pays only a peppercorn rent.
- 1.22 The July 2018 report which is an exempt report contains details of the Heads of Terms which had previously been provisionally agreed. These will, of course, need to be reviewed in any new negotiations but would include matters such as follows:
  - Subject to obtaining planning permission, disposal of freehold of land on which a hotel could be built for an agreed consideration. The sum arrived at takes into account the value of the land on which it is proposed a hotel be built (based on residuals), the value of the unexpired term of the lease held by Whitbread PLC, and the cost of any repairs needed to the existing building.
  - Early surrender of the Head Lease of Regis Centre building and the Sub-Lease to Arun Arts Ltd at nil consideration on the day the hotel opens for business, and consideration of whether any sum for repairs to the Regis Centre building should be forthcoming.
- 1.23 Each party would bear its own legal costs, and Whitbread PLC would submit plans for and build the hotel at its expense. They are also subject to a premises licence being obtained, subject to contract, and the approval of both the Council and Whitbread's board.

**2. PROPOSAL(S):**

- 2.1 The Council is invited to confirm that its preference is to move forward with the scheme as outlined above. The recommendations set out in this report are based on that premise and seek the Council's re-confirmation of other elements agreed in 2018 (and updated) and that the Council would not wish to undertake the hotel as a developer. Should the Council wish to consider its potential role as a developer further then it is recommended that this report be deferred so that these matters can be considered further in an updated report.
- 2.2 It is important that Members note that there is no current budget provision to take forward a more comprehensive scheme and, therefore, if Members wish to pursue this option then it is likely that most activity will be after the budget for 2021/22 is agreed when the cost of preparing an alternative scheme can be considered alongside other financial priorities for the Council.

**3. OPTIONS:**

1. Continue with the agreed scheme (Winter Gardens).
2. Agree to recommendations in this report (this does not preclude options 1 and 3 being taken forward at a later date).
3. Propose an alternative scheme which will need to be considered at a future meeting.
4. Agree not to take forward any scheme at this time.

**4. CONSULTATION:**

Has consultation been undertaken with:	YES	NO
Relevant Town/Parish Council		x
Relevant District Ward Councillors		x
Other groups/persons (please specify)	Portfolio Holder for Technical Services	
5. ARE THERE ANY IMPLICATIONS IN RELATION TO THE FOLLOWING COUNCIL POLICIES: <b>(Explain in more detail at 6 below)</b>	YES	NO
Financial	x	
Legal	x	
Human Rights/Equality Impact Assessment		x
Community Safety including Section 17 of Crime & Disorder Act	x	
Sustainability	x	

Asset Management/Property/Land	x	
Technology		x
Other (please explain)		

## **6. IMPLICATIONS:**

The main implications are addressed in the main body of the report.

## **7. REASON FOR THE DECISION:**

The Council wishes to proceed with a scheme on this site, however the challenging economic conditions currently being faced as a result of the Covid 19 Pandemic means that the extent of the scheme has been reduced.

## **8. BACKGROUND PAPER**

March 2017 Council meeting

<https://democracy.arun.gov.uk/CeListDocuments.aspx?CommitteeId=141&MeetingId=344&DF=22%2f03%2f2017&Ver=2>

July 2018 Council

<https://democracy.arun.gov.uk/CeListDocuments.aspx?CommitteeId=141&MeetingId=353&DF=18%2f07%2f2018&Ver=2>

## **Appendix A**

The relevant resolutions from the March 2017 Council meeting:

- (1) The Gardens by the Sea / Winter Gardens concept as described in the 2017 Bognor Regis Masterplan Options Report and the conclusions described in the 2017 Regis Centre & Hothamton Masterplans Market, Viability & Delivery Report, be supported;
- (2) Option 2 for the Regis Centre site (new theatre option) is the preferred Masterplan option. Officers may progress this proposal to develop a more thorough understanding of the opportunities and risks of implementing such a proposal, the appropriate scale and phasing, and the potential funding packages and delivery vehicle approaches that might support it. Option 1 (Refurbishment of theatre) will remain as an alternative option should the scale of the funding package for Option 2 be unachievable;
- (3) Option 1 for the Hothamton Car Park site is the preferred Masterplan option and officers progress this proposal, taking into consideration the potential funding and delivery vehicle approaches that might support it, ready to market the site;
- (4) The Council supports the principle of including the area of the Esplanade between Clarence Road and Place St Maur within any new public realm scheme for the wider regeneration of the site;
- (5) The Council supports the Bognor Regis Place Branding initiative developed in partnership with other agencies;
- (6) Authority be given to the Director of Place to begin discussions, early in the project development process, with specialist advisors and key external partners of the proposed theatre, cultural hub and Winter Gardens, and in consultation with the Head of Corporate Support Group, to ensure the operational business plan and governance arrangements (legal structure) are fully considered and will influence the functionality and scope of the new building(s) and potential funding opportunities;
- (8) Authority be given to the Director of Place to enter into discussion with West Sussex County Council, as the highway authority, to consider any highway implications and costs associated with the above and to prepare concept plans for any proposed works;
- (9) In furtherance to the supplementary estimate agreed and resolution made at the Council meeting on 20 July 2016 (Minute 145), the Director of Place is authorised, in consultation with the Leader of the Council, and subject to the Council's Procurement Standing Orders, to draw down and authorise expenditure, for the commissioning of any of the necessary reports and professional advice required to progress the implementation of the 2017 Masterplan options; and

(10) Progress reports be provided to the Bognor Regis Regeneration Subcommittee at regular intervals, focussing on the intended decision making process and timetables.

## **Appendix B**

Relevant resolutions from the July 2018 Council meeting:

- (1) To proceed with the delivery of the hotel phase ahead of the other elements of the Gardens by the Sea / Winter Gardens concept (new theatre option) that was agreed by Full Council in March 2017;
- (2) To dispose of the Council's freehold interest in the land in the south eastern corner of the site, including the former fire station, for the purpose of building a hotel;
- (3) Following surrender of the sub lease to the head lessee, to agree to the surrender of the head lease on the Regis Centre building from the day the hotel opens, at nil consideration;
- (4) To make budget provision for the running costs of the Regis Centre after the lease is surrendered;
- (5) To lease the part of the Regis Centre building that is currently operated as a pub, until it is viable to redevelop;
- (6) To make budget provision for the repairs unless a commitment has been made to demolish the building;
- (7) Officers to work towards submitting a planning application for the non-hotel elements of the redevelopment concept previously agreed for the Regis Centre site including new theatre, winter gardens, multi-story car park, residential development, restaurants and the potential reuse of the Town Hall;
- (8) The Director of Place to commission any reports, studies or professional advice required to progress the delivery of the 'Winter Gardens' concept scheme;
- (9) The Director of Place, in consultation with the Leader of the Council, the Chairman of the Bognor Regis Sub-Committee and the Cabinet Member for Technical Services, to submit a planning application for the non-hotel elements of the concept for the Regis Centre site;
- (10) The Director of Place to bid for, receive and use external grant funding that may fund (in part or whole) work in pursuance of delivering the previously agreed concept for the Regis Centre site;
- (11) The Council re-affirms not making any commitment as landowner to enter into any binding legal agreements pursuant to the granting of any planning permission in 2018, for the regeneration of the Regis Centre and Hothamton car park sites under its freehold ownership;
- (12) The Director of Place and the Section 151 Officer, in consultation with the Leader of the Council and Chairman of the Bognor Regis Regeneration Sub-Committee and Cabinet Member for Technical Services, to enter into negotiations

including the boundaries and to finalise terms and enter into agreement with Whitbread PLC, or subsidiary, for disposal of freehold and early surrender of lease in accordance with (2) and (3) above, and to complete all legal formalities arising from these actions;

(13) The Director for Place, in consultation with the Cabinet Member for Planning Services, to take appropriate action under section 203 of the Housing and Planning Act 2016; and

(14) The Director for Place, in consultation with the Cabinet Member for Technical Services and the Section 151 Officer, to take any actions necessary consequential to the decisions taken above, in relation to expunging existing leases or entering into new leases.