

WIRRAL COUNCIL

CABINET

21 JULY 2011

SUBJECT:	<i>PHASE 1, TOWN SQUARE, NEW BRIGHTON</i>
WARD/S AFFECTED:	<i>NEW BRIGHTON</i>
REPORT OF:	<i>THE DIRECTOR OF LAW, HR AND ASSET MANAGEMENT</i>
RESPONSIBLE PORTFOLIO HOLDER:	<i>CORPORATE RESOURCES</i>
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to seek Cabinet approval to grant Landlord's consent for part of the Phase 1 Development at New Brighton to be amended from the original mixed use development which had ground floor restaurants, cafes, public houses, wine bars or other drinking establishments with apartments above, to a scheme comprising solely of residential apartments.
- 1.2 A decision in this matter is in support of the Council's goal to reduce the running costs of the Council by improving the efficiency and value for money of the Council's service whilst reducing bureaucracy.
- 1.3 The decision will have no immediate impact on revenue budgets. Any future impact is addressed in the Financial Implications of this report.
- 1.4 This is not a statutory duty.

2.0 RECOMMENDATIONS

- 2.1 That the Council agrees to amend the lease to Neptune Esplanade Ltd by granting Landlord's consent to the revised scheme for the Phase 1, Town Square, New Brighton and the Overage Agreement in respect of Phase 1, subject to the requisite consent of the funder (North West Development Agency) being obtained.
- 2.2 That the Council approves the necessary amendments to the Development Agreement with Neptune Wirral Ltd to reflect the revised scheme for Phase 1, Town Square, New Brighton, subject to the requisite consent of the funder (North West Development Agency) being obtained.

3.0 REASON FOR RECOMMENDATION

- 3.1 To enable Neptune Esplanade Ltd to commence the construction of an apartment development at Town Square, New Brighton and secure the letting of units to commercial operators in Phase 2.

4.0 BACKGROUND AND KEY ISSUES

- 4.1 It was originally intended that, when construction of the Neptune development at New Brighton commenced, Phase 1 would be built before Phase 2 started. The Floral Pavilion was completed as part of Phase 1 but the residential element did not proceed because the market for the apartments collapsed. Originally, the Company had proposed a scheme, which had ground floor restaurants, cafes, public houses, wine bars or other drinking establishments (classified A3/A4 uses in the Planning Use Classes Order) with residential apartments above.
- 4.2 The Company has now proposed an amended scheme, which has fewer but larger apartments and no A3/A4 uses on the ground floor level.
- 4.3 The Company has concluded that there is insufficient demand from potential operators to support the construction of these A3/A4 facilities. The Company advises that apartments over bars and restaurants are not as attractive to the residential market. It also considers that the new apartment design, whereby all of them will have sea views, will make them more attractive to the residential market. Accordingly, it submitted a planning application to amend its original scheme omitting these leisure uses and making the block wholly residential apartments. Planning permission for the scheme was granted on 31st March 2011.
- 4.4 The planning application was assessed on its own merits. However, Neptune Esplanade Limited requires the consent of the Council in its capacity as Landlord to the change of the original permitted use of Phase 1 as described above and to the variation of the Overage provisions relating to Phase 1 and the Development Agreement with Neptune Wirral Limited will also require variation
- 4.5 On 19th July 2007 the Council entered into a funding agreement with the North West Development Agency in relation to the Neptune Development and due to this contractual relationship any variation to the original scheme relating to Phase 1 will require written consent of the North West Development Agency.
- 4.6 The Financial impact relates to the receipt of ground rents from both Phase 1 and Phase 2. In the Phase 1 Development agreement, Neptune Esplanade Ltd is obliged to pay the Council 10% of any rent it receives from the lettings of the A3/A4 units, i.e. the restaurants, bars and other facilities which are now to be omitted under the Company's revised scheme. The Council's rental return from Phase 2 is 6% of the rents received by Neptune Esplanade Ltd from all the lettings. This includes the Morrisons Supermarket and all the other commercial operations. The Phase 2 development now is expected to

contain the bars and restaurants originally to be located in the Phase 1 scheme. Accordingly, the Company has advised that this type of lettable space in Phase 2 will realise rents approximately double what might have been achieved from the A3/A4 lettings in Phase 1. The financial impact on the Council's rental income from Phase 1 is a projected loss of £9,100 offset by a projected increase in rent from Phase 2 of £22,600.

- 4.7 Neptune Esplanade Ltd cite in its market research that there will be little demand for A3/A4 units in the Phase 1 location. If its assertion is correct, and the development is constructed as it was originally designed, then there may be empty boarded up units, on ground level, facing the seafront to the detriment of the whole area. Also, in such circumstances, the Council will not receive any rental income under the lease.
- 4.8 The Company considers that the creation of ground floor apartments instead will have a much better prospect of attracting residential purchasers and the commercial operators will find the synergy of leisure uses in Phase 2 more advantageous.
- 4.9 Neptune Wirral Ltd and Neptune Esplanade Limited will be responsible for the Council's reasonable and proper costs if the Council agrees to vary the Development Agreement Phase 1 lease and the Overage Agreement.

5.0 RELEVANT RISKS

- 5.1 The risk to the Council in this case is financial because of the potential impact of this proposed change on the rental income scheduled to be received under the lease for Phase 1. However, on balance, this is considered to be low because the Phase 2 lettings are estimated to at least offset, or exceed, the anticipated rental income from Phase 1.
- 5.2 To grant Landlord's approval for part of Phase 1 to be amended as described will minimise the risk of the scheme failing.

6.0 OTHER OPTIONS CONSIDERED

- 6.1 Not to recommend the variation of the Development Agreement requested by Neptune Wirral Limited and the grant of Landlord's Consent to the proposed change of permitted user requested by Neptune Esplanade Limited because the Council in its capacity as Landlord has the discretion to refuse the proposed change of permitted use for Phase 1. This could, however, lead to the creation voids facing the seafront to the detriment of the whole area.

7.0 CONSULTATION

- 7.1 Public consultation has been addressed through the planning application process.

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 8.1 There are no implications arising from this report in respect of such groups.

9.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

- 9.1 At the time when the original Development Agreement was signed it was estimated that the Council would receive £9,100 per annum as a ground rent based on the projected price per square foot lettings of the A3/A4 commercial units on the ground floor.
- 9.2 If the Council agree to grant Landlord's Consent to omit these uses, then that income will be nil.
- 9.3 However, in respect of the Phase 2 ground rent, it was originally estimated that the Council would receive £165,000 per year. As the scheme has developed, the attractiveness of the commercial units as bars and restaurants in Phase 2 has increased and, accordingly, it is now estimated that the Council will receive £187,600. In these circumstances, the loss of rent for Phase 1 is more than compensated for by the increase in rental income anticipated from Phase 2.
- 9.4 There are no IT, staffing or other Asset implications.

10.0 LEGAL IMPLICATIONS

- 10.1 Variation of the Development agreement and the Phase 1 Lease and the Overage Agreement to account for the new arrangements.

11.0 EQUALITIES IMPLICATIONS

- 11.1 An equality impact assessment is not required in this case.

12.0 CARBON REDUCTION IMPLICATIONS

- 12.1 There are no direct implications for the Council's carbon footprint arising from this prospect.

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

- 13.1 Planning permission was granted by the Planning Committee on 31st March 2011. A petition of some 450 signatures was tabled at the Committee meeting objecting to the development.

REPORT AUTHOR: **Tony Simpson**
Asset Management
Telephone: (0151 666 3892)
Email: tonysimpson@wirral.gov.uk

APPENDICES

None

REFERENCE MATERIAL

None

SUBJECT HISTORY (last 3 years)

Council Meeting	Date