

DECISION TAKER: Cllr Kelsie Learney – Cabinet Member for Housing and Asset Management

REPORT TITLE: CENTRAL WINCHESTER REGENERATION UPDATE

12 OCTOBER 2020

Contact Officer: Vervan Lyons Tel No: 01962 8484596 Email vlyons@winchester.gov.uk

WARD(S): TOWN WARDS

PURPOSE

This report provides an update on:

- The progress on the Central Winchester Regeneration (CWR) project, with the CWR Supplementary Planning Document (SPD) (2018), climate emergency declaration (2019) and council plan (2020 – 2025) as key guides to delivery
- The proposal to bring the Coitbury House building into a meanwhile use whilst the development proposals for the wider scheme are progressed

RECOMMENDATIONS:

1. That the Cabinet Member for Housing and Asset Management;
 - a. Notes progress on the CWR development proposals
 - b. Authorises the Strategic Director Place to progress negotiations and to enter into agreements for the short term licence of Coitbury House to Lowe Guardians Limited (LOWE) to bring Coitbury House back into active use.
 - c. Authorise the Strategic Director Place to incur capital expenditure of up to £50,000 to include £25,000 works to Coitbury House and a capital contribution of £25,000 to LOWE for fit-out works in order for the building to be fit for purpose for short term occupation.

- d. Authorise the Strategic Director Place to submit to the city council an application for planning permission for a change of use from office to residential.

IMPLICATIONS:

1 COUNCIL PLAN OUTCOME

- 1.1 Progress on CWR supports the council plan priorities by working to deliver a vibrant new mixed use development that will be creative and innovative to help reach the net carbon zero targets of 2024 and 2030. The CWR Supplementary Planning Document (SPD) details aims and objectives for the scheme and a planning and urban design framework which are in alignment with the council plan priorities.
- 1.2 The scheme will deliver towards the homes for all priority through the residential element of the development and support a vibrant local economy by working to fill the gap of affordable and flexible commercial space, enhancing the evening economy offer and creating an area aimed at attracting and retaining the young and creative talent in the City.
- 1.3 Whilst the scheme develops, the team have identified an opportunity to bring Coitbury House back into temporary use using a property guardian scheme in partnership with LOWE Property Guardians. The scheme will bring the building back into use for a minimum of two years negating the ongoing costs of vacant property management and enhancing activity in and around the area in alignment with the Vision and Objectives of the SPD.
- 1.4 The public and stakeholder engagement approach will provide an opportunity for residents, businesses and stakeholders to contribute to and comment on the development proposals.

2 FINANCIAL IMPLICATIONS

- 2.1 The CWR project currently has a budget of £738,000 all of which is either spent, committed or allocated.
- 2.2 Spent = £378,800.
- 2.3 Committed = £124,000. This includes archaeology investigation works, communications and engagement support, Kings Walk feasibility study and hotel feasibility study.
- 2.4 Allocated = £235,200. This includes archaeology investigation works, communications and engagement support, legal fees and improvements / repairs for Kings Walk and fees to progress Coitbury House..
- 2.5 Meanwhile use for Coitbury House
- 2.6 While the building remains empty and unused, the Council continues to incur costs for security, maintenance and business rates. This totals £64,000 per annum and further details are shown in option 1 in appendix A.

- 2.7 An opportunity has been identified to bring the property into a temporary use until the wider scheme development commences. The proposed property guardian scheme would see the building brought into use as dwellings, and would as a consequence also remove the current business rates liability. However, to bring the building into this use would require a capital investment to bring the building up to an appropriate standard for letting to a property guardian. Further financial details are shown as option 2 in appendix A.
- 2.8 The one-off capital investment of £50,000 for Coitbury House (option 2, appendix A) has been modelled as being financed from borrowing over the two years of the meanwhile use. There would also be an ongoing annual cost of £30,000 to the Council for utilities and LOWE's administration of the site. The overall annual cost of this option is less than the 'do nothing' option leading to a total estimated saving on current costs of £17,000 over the two year scheme.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 The terms of a licence have been agreed with LOWE for a fixed term of 2 years, which may be terminated by either party. Therefore the proposal represents a short-term tenancy arrangement for which there is no consideration. The advantage to the Council being that the building is occupied with guardians and not left to come into statutory disrepair.
- 3.2 S123(1) of the Local Government Act 1972, provides the Council with the power to dispose of land and property, provided such disposal is made for the best consideration reasonably obtainable otherwise than by way of a short term tenancies. This is in addition to its powers under the general power of competence provided for in Section 1 of the Localism Act 2011, as well as its powers to dispose of land under Section 123 of the Local Government Act 1972 and Section 233 of the Town and Country Planning Act 1990.
- 3.3 As the object of the transaction is a temporary land disposal for no consideration, the Public Contracts Regulations 2015 (PCR) do not oblige the Council to pursue an OJEU procurement process. Only where the purchaser is under an enforceable obligation to carry out specified works (conferring pecuniary benefit on the authority) will that obligation arise and therefore is not applicable in the circumstances within the proposal the subject of this report.
- 3.4 The Council has had regard to its obligations under section 1 of the Local Government Act 1999 to secure continuous improvement in the way its functions are exercised having regard to economy, efficiency and effectiveness, together with the duty under the Public Services (Social Value) Act 2012. It should be noted that best value is met in circumstances where the proposal is short term and obtains a wider social benefit. In this case the guardians, taking a licence on the building, will help to stop the current deterioration of the building, and provide short-term accommodation which will in turn provide an economic benefit in spending to the immediate area.

- 3.5 In the event that the terms change from short term, being two years, then the council will need to either observe its statutory duties, including in regard to the duty to obtain best consideration on the disposal of land, and duties to consult or be able to demonstrate that such obligations are met or obtain an exemption.

4 CONSULTATION AND COMMUNICATION

- 4.1 Progress on the CWR project has been shared in public at open fora in September 2019 and February 2020 and at the Cabinet Member for Housing and Asset Management Decision day in March 2020.
- 4.2 Targeted stakeholder engagement has taken place since March 2020 with the Open Forum Panel in August 2020 and stakeholder workshops, in September 2020.
- 4.3 Further engagement is planned going forward and the approach to this is detailed later in this report.

5 ENVIRONMENTAL CONSIDERATIONS

- 5.1 In accordance with the SPD, the Council Plan and the Council's Carbon Neutrality Action Plan, work on the CWR proposals is considering the impact, opportunities and objectives and the development proposal is progressed. This includes consideration of the carbon emission impact of development, transport implications and other environmental and sustainability issues.
- 5.2 Expert advice is being obtained through the Council's strategic development advisors, Jones Lang LaSalle (JLL). More locally WinACC are engaged through the Open Forum Panel.
- 5.3 Coitbury house has been considered for the installation of Solar PV panels but as the proposed 'meanwhile' use has a limited lifespan the investment may not pay back, this will be kept under constant review as the wider CWR proposals emerge.

6 EQUALITY IMPACT ASSESSEMENT

- 6.1 LOWE are taking Coitbury House on a short term basis to offer accommodation to young people and key workers.
- 6.2 The approach to letting the residential units in Coitbury House will be subject to the LOWE policy in accordance with the Equality Act 2010.
- 6.3 The Council will work with LOWE to ensure that all applications made to LOWE will be considered fairly so that no one is disadvantaged.
- 6.4 Likewise, as the project progresses, the approach to future engagement will consider the needs of all when holding engagement sessions and activities.

7 RISK MANAGEMENT

7.1 The below table of risks has been populated specifically in relation to the proposal to progress Coitbury House in partnership with LOWE Property Guardians.

Risk	Mitigation	Opportunities
<p><i>Property</i></p> <p><i>There is a risk that if the Council does not progress the proposal for Coitbury House in partnership with LOWE Property Guardians the building will remain in its current state and / or deteriorate, creating possible blight on the CWR site</i></p> <p><i>Under the LOWE scheme WCC retains liability for building fabric maintenance.</i></p>	<p>Continue with plans to re-let as temporary affordable accommodation.</p> <p>Close monitoring of budget, building condition and liaison with LOWE during the contract period</p>	<p>Progressing the LOWE Property Guardians proposal would be the first step in demonstrating the council's commitment to providing affordable accommodation.</p> <p>This should be no more than the cost of simply leaving the building to deteriorate.</p>
<p><i>Community Support</i></p> <p><i>Lack of support to progress LOWE Property Guardians proposal</i></p>	<p>Ensure benefits of bringing the building back in to use for this purpose, and the impact on the wider development proposals are set out clearly.</p>	<p>If Coitbury House is brought back into use as temporary affordable accommodation, this will provide safe, secure accommodation for the younger generations of Winchester, breathe life into the building and enhance the area.</p>
<p><i>Timescales</i></p> <p><i>The LOWE Property Guardians proposal requires a 2 year minimum agreement. If there are delays to progressing the proposal this may compromise the wider scheme or result in the Council being unable to progress the proposal at all.</i></p>	<p>Clearly demonstrate how the proposal is fit for purpose and meets the needs of the council and the surrounding area in the short term, whilst providing a suitable first step in the regeneration of central Winchester.</p>	

Risk	Mitigation	Opportunities
<p><i>Financial / VfM</i> Under the LOWE scheme WCC retains liability for utility costs</p> <p><i>There is a risk that even after investing £50,000 on works to soft-strip the building that the Valuation Office will refuse the application to delist it. If this were to happen the Council would remain liable for the £47,000 p/a business rates liability.</i></p>	<p>Close monitoring of utility consumption.</p> <p>To proceed with the letting to LOWE</p>	<p>Periodic review period built into the agreement with LOWE.</p> <p>The savings generated by initial investment in a meanwhile use will pay back within 2 years so any delay in redevelopment of the site will result in ongoing savings.</p>
<p><i>Legal</i> Guardians remain in occupation once agreement is terminated</p>	<p>Upon termination of the Agreement between Lowe Guardians and the Owner, LG will ensure that the guardians vacate the Building and LG will return all keys of the Building to the Owner.</p>	<p>Close liaison with LG during the contract period and particularly once notice has been issued by either side</p>
<p><i>Reputation</i> There is a risk that if the Council does not progress the proposal for Coitbury House in partnership with LOWE Property Guardians, there will be reputational damage as the buildings continue to remain unused.</p> <p><i>Short timescales for notice of repossession of the building for CWR redevelopment could result in guardians being forced to move out without alternative, affordable accommodation in the City.</i></p>	<p>Continue with plans to progress LOWE Property Guardians proposal as temporary affordable accommodation.</p> <p>Continued engagement with and support for the guardians as the CWR scheme phasing is progressed.</p>	<p>Providing affordable, temporary accommodation in Coitbury House will demonstrate a first step in the regeneration of the Central Winchester area, which will enhance the Council's reputation.</p>

8 OTHER KEY ISSUES

8.1 None

9 SUPPORTING INFORMATION:

9.1 **Project Update**

9.2 To test what the CWR site could be with a different balance of uses within the specified parameter ranges set out in the SPD, three themed scheme scenarios were presented at the last CWR Open Forum in February 2020. All scenarios were based on the vision and objectives of the SPD which is the planning policy guidance for the CWR area. This sets key parameters within which the council is working to develop a deliverable and affordable scheme.

9.3 The scenarios were;

- (i) Business not as usual – a commercially led scheme
- (ii) Homes for all – a residentially led scheme
- (iii) Destination Max – a culturally led scheme

9.4 The schemes were testing what the CWR site could be with a different balance of uses within the specified parameter ranges set out in the SPD.

9.5 Options considering the level of retention of existing buildings have been explored in the scenarios in response to the Climate Emergency Declaration and action plan. In summary new construction generally emits more carbon to the atmosphere than repurposing existing buildings.

9.6 Attendees at the meeting were able to view the content, discuss the scheme scenarios with council members, officers, JLL and members of the panel, and leave comments.

9.7 JLL are working with the Council to bring forward the CWR scheme guided by and within the parameters set out in the CWR SPD and are currently;

- (i) investigating viability,
- (ii) considering phasing;
- (iii) carrying out market testing
- (iv) assessing delivery models to ensure the proposals are attractive to the market, whilst delivering to what we have heard the public want, appealing to the younger generation

9.8 The next steps are to share the CWR development proposals and delivery strategy with key stakeholders and members of the public during a period of

engagement in November and December 2020. The approach to this is outlined in paragraphs 9.10 to 9.45.

- 9.9 The CWR development proposals and delivery strategy will undergo further refinement following the engagement period and will be presented at the Cabinet meeting on 10 February 2021 for approval to progress. The next steps following approval will be set out in the report for the 10 February Cabinet meeting.
- 9.10 **Public and Stakeholder engagement**
- 9.11 It is really important that the council communicates well with all stakeholders with an interest in the project. A communications and engagement strategy has been developed with professional advice to ensure that this is well planned and thought through, and people are appropriately involved.
- 9.12 To prepare for our bringing forward development proposals an extensive stakeholder mapping exercise has also been undertaken to identify key stakeholders and how we should engage with each in an appropriate format.
- 9.13 Key stakeholders include statutory consultees, landowners and existing tenants, focus groups such as WinACC and business organisations together with residents and other interested parties.
- 9.14 The strategy will aim to:
- (i) Build a sense of excitement and momentum
 - (ii) Offer a positive focus for the city as it recovers from the impact of the COVID-19 pandemic
 - (iii) Demonstrate practical measures that will support the district to achieve carbon neutrality
 - (iv) Underline that the development proposals are based on the SPD demonstrating positive action directly derived from the results of previous consultation phases
 - (v) Build public faith the council's ability to deliver this project
 - (vi) Engage the public as each work stream within the wider CWR scheme context evolves
 - (vii) Engage and encourage support to counteract negative views
 - (viii) Contextualise the development of Central Winchester within the emerging Vision for Winchester and the Local Plan
 - (ix) Involve a greater number of local people – demonstrating that their feedback has been essential to build a successful city centre

- 9.15 The Strategy also outlines the use of a number of engagement tools including:
- (i) One to one briefings
 - (ii) Online engagement sessions
 - (iii) Virtual exhibitions
 - (iv) Media relations
 - (v) Third party endorsements
 - (vi) Flyer/advert
 - (vii) Webpage
 - (viii) School Engagement
 - (ix) Community Youth Panel
- 9.16 Separate detailed communications and engagement plans, based on the approach agreed within the Strategy, will be produced for each work stream as they come forward this year - including for Coitbury House, Kings Walk, Public Realm and the launch of the CWR development proposals.
- 9.17 Feedback from stakeholders and residents will be collected via an online survey hosted on CitizenSpace which will be publicised through the methods of engagement - as outlined above.
- 9.18 We will collate and share all feedback gathered and this will be considered in the formal CWR development proposals approval process.
- 9.19 **Coitbury House**
- 9.20 Following the project review by the council after the election in May 2019, a decision was made to pause office accommodation refurbishment work on Coitbury House at the Cabinet Member Decision Day on 10 March 2020, and the project team were instructed to consider options for the building in the emerging CWR development proposals.
- 9.21 The property had been on the market for several years and no interest or offers were received during that time.
- 9.22 Plans had been developed to refurbish Coitbury House and further marketing was undertaken with approaches made to potential occupiers to gauge interest. Again, no interest or offers were received.
- 9.23 Issues were that it is uncertain how long the building would be available to let due to the emerging CWR development proposals and potential occupiers were also concerned about taking space in what is going to become a development site.

- 9.24 LOWE Property Guardians approached WCC with an offer as a result of that recent marketing activity.
- 9.25 The offer made by LOWE was to temporarily use the building to provide affordable accommodation for local young people and key workers.
- 9.26 Their approach is to take short term licences on vacant buildings and make some internal changes to provide accommodation.
- 9.27 Occupiers would be considered guardians of the building for the time they are in occupation. The aim is to protect the vacant building from falling in to disrepair whilst plans are made for the longer term future of the spaces.
- 9.28 The guardians agree to take space in a building not normally used for residential accommodation but has been adapted to provide individual bedrooms with shared facilities such as kitchens, bathrooms and communal spaces.
- 9.29 Rent payable, due to the nature of the accommodation, is normally below private rental levels thus enabling younger and key workers to live in locations usually beyond their means.
- 9.30 Temporarily using Coitbury House for to provide accommodation under a property guardian scheme would bring activity and security to a vacant building and provide much needed, more affordable accommodation to the city centre.
- 9.31 Three options for Coitbury House have therefore been analysed:
- (i) Do Nothing – this option leaves the building in a deteriorating condition with the ongoing business rates costs £47,000 pa and vacant building management costs of a further £16,000 pa.
 - (ii) Short term letting to LOWE Property Guardians - the recommended option is to implement the ‘property guarding’ solution which will see the building brought back into a temporary use providing an efficient and low cost solution to vacant building management.
 - (iii) Soft strip and de-list - the valuation office has in the recent past significantly tightened the requirements for de-listing properties from business rates, the concept of a ‘soft strip’ is no longer sufficient. WCC would need to frame any proposed works as ‘pre-demolition’ this would need to be supported with conclusive evidence of future plans for the building/plot including but not limited to a planning application for the site.
- 9.32 The property guarding solution provides temporary affordable housing for Winchester’s young professionals, creatives and key workers for a minimum of two years enhancing the local area in alignment with the vision and

objectives of the SPD. Subject to the necessary WCC approvals the aim is to have the new scheme implemented in January 2021.

9.33 LOWE will guarantee that all guardians complete a vetting process to include personal interviews and extensive background checks. All guardians must be in full time employment and will typically comprise of young professionals and key workers within the area, undergraduates and anyone under the age of 21 will not be accepted. To protect the property rights of the owner (WCC), each guardian enters a license agreement with LOWE which clearly states that no tenancy has been created and that they have no exclusive possession in the building. They agree to abide by LOWE key rules and regulations while living in the Building. LOWE ensures the guardians are managed by assigning a Head Guardian who manages the guardians within the Building and regularly inspects the Building. LOWE envisages placing a maximum of 16 guardians within the Building. More information can be found on their website: <https://loweguardians.com/>

9.34 Under the General Permitted Development Order, the proposed change of use from office to residential would not normally require planning permission but there is an Article 4 direction in place over the CWR site so the Council will prepare and submit a planning application to permit the change of use.

9.35 The recommendation is to progress the proposal for Coitbury House by agreeing a short term licence to occupy to LOWE Property Guardians in accordance with the heads of terms in appendix B.

9.36 **Other project updates**

9.37 Archaeology

9.38 The Council appointed ARCA Geoarchaeology, a specialist team at the University of Winchester in April 2020 to undertake borehole investigations across the CWR site.

9.39 The investigations began in August 2020 and involved extracting and examining sediment samples. Dipwells have also been installed to monitor water levels over the next 12 – 18 months initially.

9.40 Data will be collected and analysed to inform future development proposals for the CWR area.

9.41 **Kings Walk**

9.42 The Council appointed Turner Works, in collaboration with Worthwhile Works in May 2020 to carry out a feasibility study to consider whether vacant space in Kings Walk could be brought back into use as flexible workspace to support independent culture and creative enterprise, with an emphasis on providing opportunities for younger people.

- 9.43 The study was completed in August and the project team is currently assessing the study to determine implications for the wider development proposals, potential phasing and next steps involved to bring it forward.
- 9.44 It is planned that a report recommending options to bring the building back into use will be presented at the Cabinet meeting on 10 November for a decision to progress.
- 9.45 **Movement and accessibility**
- 9.46 The Council is working closely with Hampshire County Council (HCC) to align the development proposals with progress on the Movement Strategy, and with HCC and the bus operators to agree a solution for the bus arrangements within the CWR area.
- 9.47 A key priority has been to ensure the proposed solution for the buses allows for existing and future requirements whilst delivering to the aspiration of the SPD for a pedestrian and cycle friendly area with minimal vehicular movement.
- 10 **OTHER OPTIONS CONSIDERED AND REJECTED**
- 10.1 **Coitbury House**
- 10.2 The option to do nothing and the option to carry out a soft strip and de-list were considered for Coitbury House, as set out in paragraph 9.21.
- 10.3 Option one is to do nothing and keep the building vacant until long term delivery plans are agreed.
- 10.4 The ongoing costs, seen in appendix A (option one) will continue to be payable throughout this time.
- 10.5 Option three is to attempt to have Coitbury House deleted from the business rating list (thereby removing the business rates liability to the Council) by 'soft-stripping' as a first step towards complete redevelopment.
- 10.6 The savings for this soft-strip option (3) appear comparable to the property guardian option (2). However, there is a significant financial risk that the property would not be delisted by the Valuation Office. This would result in the Council retaining the business rates liability despite investing £50,000 in the soft-strip works.

BACKGROUND DOCUMENTS:-

Previous Cabinet/Committee Reports or Cabinet Member Decisions:-

Cabinet Member for Housing and Asset Management Decision Day - 10 March 2020
Central Winchester Regeneration Progress Update and Open Forum Feedback

CAB3186 - 28 August 2019 Funding for Central Winchester Regeneration
Archaeology

Other Background Documents:-

None

APPENDICES:

Appendix A: Coitbury House financial appraisal

Appendix B: Coitbury House heads of terms