

28 May 2019

KEY DECISION: YES

**THE GALLERIES & HIGH STREET MULTI-STOREY CAR PARK,
ALDERSHOT REDEVELOPMENT**

SUMMARY AND RECOMMENDATIONS:

This report provides an update to Members on the Galleries & High Street Multi-Storey Car Park scheme. Members will note that Cabinet has previously delegated approvals to officers to confirm the final agreement with Shaviram Aldershot Limited. However, following conversations at senior management level, it is considered prudent to revert to Cabinet owing to the sensitivity and significance of the development for Aldershot town centre.

It is recommended that, subject to either:

1. confirmation that best consideration under Section 123 of the Local Government Act 1972 can be achieved; or
2. any undervalue being within the £2 million limit set out in the General Consent Order;

Cabinet approves:

- i) the disposal of the Council's legal interest in the existing High Street Multi-Storey Car Park, Aldershot and the acquisition of a long lease of a new 250 space car park within The Galleries redevelopment;
- ii) the agreement of the final terms being delegated to the Executive Head of Regeneration and Property in consultation with the Major Projects and Property Portfolio Holder.

The final terms of the transaction will include the following documents:

- Housing Infrastructure Funding (HIF) agreement with Homes England for The Galleries project
- Grant funding agreement between The Council and Shaviram Aldershot Ltd
- Agreement for the surrender of the lease of the High Street Multi-Storey Car Park (in accordance with the Heads of Terms at Appendix 2)
- Agreement to lease for a new car park of circa 250 spaces within The Galleries redevelopment (in accordance with the Heads of Terms at Appendix 2)

1. INTRODUCTION

- 1.1 It is recommended that in order to progress The Galleries & High Street Multi-Storey Car Park redevelopment project, which forms part of the overall Regenerating Rushmoor Programme, it is necessary to agree terms for the disposal of the existing car park and the acquisition of a long lease of a car park to be built within the new Galleries redevelopment.

2. BACKGROUND

- 2.1. The Cabinet received report number LEG1616 in December 2016, approving in principle the Council disposing of its interest in the High Street Multi-Storey Car Park to Shaviram Aldershot Ltd to facilitate the redevelopment of The Galleries shopping centre. The car park is in substantial disrepair as set out in previous reports, Essential maintenance has been carried out in the meantime.
- 2.2. The report approved the transaction subject to:
 - Either an independent valuer agreeing that the terms of the agreement provide best value; or a further decision of the Cabinet that any disposal at an undervalue not exceeding £2m will help to secure the improvement of the economic, social or environmental wellbeing of Aldershot
 - The Solicitor to the Council agreeing the terms of a development agreement
 - The developer meeting the Council's reasonable legal & valuation costs.
- 2.3. The redevelopment of the former Galleries shopping centre is a key activity in the comprehensive partner co-ordinated approach to addressing the economic and place-making challenges facing the town of Aldershot. It directly addresses the priorities in the Council Plan of 'Sustaining a thriving economy and boosting local business' and 'Supporting and empowering our communities and meeting local needs'.
- 2.4. The regeneration of Aldershot town centre will only be successful if a number of significant projects are delivered over the next few years. The Regenerating Rushmoor Programme has identified the key schemes, which will achieve this change. The Galleries is a key scheme together with the Rushmoor Development Partnership site on Union Street East, changes to the activity in the Wellington centre, transport and urban realm improvements. The proposed schemes provide a change of emphasis from poor quality, empty retail to mixed use, residential-led projects with active frontage at ground floor, enhanced public realm which will bring a step change to improve how the town looks and feels for residents.
- 2.5. Current proposals in project development across both The Galleries and Union Street East projects will provide approximately 800 homes, with other smaller projects in the town adding to that number.

- 2.6. The Council currently owns the freehold of the High Street Multi-Storey Car Park, with Shaviram Aldershot Ltd owning a head lease and the Council a full repairing and insuring under-lease until 2112.
- 2.7. The design and condition of the car park mean it is not attractive to users and only a limited number of floors are in active use. Following a condition report in 2016, it was identified that a significant capital sum would be needed to carry out remedial building works, which the Council would have to finance. In addition, the lifts serving the car park have been out of commission for a number of years with an estimated replacement cost in 2016 of £450,000.
- 2.8. The current condition has resulted in around only 300 spaces being available for use. The demand for spaces is variable and there are only a limited number of times of year when the car park is full, usually when free parking is offered in association with major town centre events. A car parking usage report was commissioned for Aldershot Town Centre in 2016, and based on that report, it was considered that re-provision of up to 300 spaces rather than the current capacity of approx. 600 spaces would be appropriate. However, this did not reflect the ongoing reduction in the retail offer in the town and since that time the usage of the existing car park has declined. This has demonstrated that replacing 250 good quality spaces would meet the current requirements. A further report around the future car parking for the town is currently being commissioned as part of the Aldershot Town Centre Strategy project. The results of the car parking study will be known later in the summer of 2019. If it were not for the need to satisfy the Housing Infrastructure Fund (HIF) requirements, it may have been that this decision could be deferred. As there is significant underuse within the High Street Car Park, there is capacity within the proposed new car park to absorb some increased demand.
- 2.9. The Council have been working with the owners of The Galleries since 2016 to develop proposals which will achieve a step change in town centre regeneration. There have been a significant number of challenges, as with any complex regeneration scheme, which have needed to be resolved before seeking Cabinet approval to proceed. Shaviram Aldershot Ltd has invested significant resources in developing the scheme design, which will be mixed use providing residential, commercial space, enhanced public realm and car parking. The principle matters have now been resolved and the project is at a stage where agreements need to be legally binding. The plan at Appendix 1 identifies the red line of the existing Multi-Storey Car Park and the overall area of The Galleries scheme. The site extends from Wellington Avenue in the north to Victoria Road in the south and will create new frontage to Wellington Street, High Street and Little Wellington Street (the focus of a proposed new public square).
- 2.10. In 2018 there were three further reports - CD1801 where an additional budget of £10,000 was agreed to meet professional advice associated with the transfer; CEX1804 which supported the public consultation on The Galleries scheme taking place and noted that this and the subsequent submission of the planning application by Shaviram Aldershot Ltd would

include the site of the Council owned High Street Multi-Storey Car Park and take place in advance of the legal agreements being finalised; and CD1802 which covered the implications of the successful HIF funding and Cabinet resolved that:

- The implications for the Council and the terms and conditions of the Housing Infrastructure Fund be noted and accepted;
- The Head of Financial Services be authorised to enter into any funding agreement associated with the HIF marginal viability Gap Fund grant;
- The Solicitor to the Council be authorised to enter into and agree the terms of:
 - The development agreement, lease and any ancillary documentation with the developer of the Galleries scheme (subject to the developer meeting the Council’s reasonable legal costs);
 - Any funding agreements to release Housing Infrastructure Fund monies to any development partner (subject to the developer meeting the Council’s reasonable legal costs); and
 - The future financial implications associated with entering into a new long lease arrangement for a new public car park be noted.

2.11. The project has significant infrastructure costs and the Council has been able to secure a £3.4m grant from Homes England to support some of these costs, but as with any funding, the conditions require the project to deliver to a tight timetable. This requires an early resolution of the car parking provision for The Galleries scheme.

2.12. In order to progress this important regeneration project, the proposed agreement will see the Council surrender its legal interest in the failing High Street Multi-Storey Car Park and receive a long lease of circa 250 dedicated parking spaces in the redevelopment, which will be located within the footprint of the existing shopping centre.

3. **DETAIL**

3.1. The Heads of Terms (at Exempt Appendix 2 of this report) have been agreed with Shaviram Aldershot Ltd. The terms lay out the legal framework for the transaction and will form the basis of a developer agreement between the two parties.

3.2. The project timetable has a number of key milestones, and the headline timetable is set out below:

Activity	Target date
Pre- application discussions	April/May19
Conditional documents signed	May 19
Pre-application consultation	May/June 19
Planning application submission	June 19
Planning decision	Sept/Oct 19
Sewer diversion commence	Jan 20
Infrastructure completed	Dec 20
Housing construction commences on site	Jan 21

- 3.3. The timetable is being driven by the Homes England grant funding, the timing of which is not flexible. Further details will be confirmed with the developer once the detailed timetable is certain. This will not be agreed unless the Council is comfortable that there is sufficient alternative car parking available so as not to affect the viability of the town centre in the interim period and that the development plans for Union Street East are not detrimentally affected.
- 3.4. The Council has commissioned an independent valuation of both the existing car park with its complex freehold and leasehold ownership arrangements and property condition, and a valuation of the proposed new car park. The report will consider whether the transfer would comply with the Council's obligations to achieve the "best consideration reasonably obtainable" under Section 123 of the Local Government Act 1972, and if not, to confirm if any 'undervalue' is within the £2 million limit set out in the General Consent Order.
- 3.5. The Council will need to satisfy itself that this transaction provides best value or the disposal at an undervalue not exceeding £2m will help to secure the improvement of the economic, social or environmental wellbeing of Aldershot. Advice provided by GVA in August 2017 set out that the principles of the proposals were deemed to be appropriate, and if accepted, the Council would be complying with their obligations to achieve best consideration on the basis that the Council's expected net revenue from the new car park would be equal to, or greater than the existing car park and the value of the new car park would be expected to be equal to, or greater than the value of the Council's existing underlease given that the Council would be absolved of the high repair liability enforceable under the terms of the underlease on the current asset. It is not anticipated that an undervalue will exceed the £2 million limit.
- 3.6. In addition to the property transaction that exchanges the car parks, as noted above, the Council has been successful in securing £3.4m Housing Infrastructure Fund for this project from Homes England, which will assist in meeting the costs of a surface water sewer diversion and Suitable Alternative Natural Greenspace (SANG) contributions. A grant agreement between Shaviram Aldershot Ltd and the Council will bind the developer to meet the grant conditions.
- 3.7. These funds are conditional on milestones being achieved in 2019/20, and the Council is required to enter into a grant funding agreement with Homes England. There are a number of pre-drawdown conditions which will be completed prior to any drawdown of grant, covering a range of due-diligence matters including "Know your Customer". The financial and company structure of Shaviram UK Ltd. matter has already been satisfactorily considered by both the Council's Head of Finance in 2018 and Homes England and will be revisited again by the lawyers acting for the Council prior to entering into any agreement.

- 3.8. It is proposed that the Council will enter into an agreement with Shaviram Aldershot Ltd that will mirror the conditions in the Homes England Agreement. The agreement will include conditions which will need to be cleared before the grant can be drawn down.
- 3.9. The works must be completed within a defined timetable and the housing construction must commence on site by 31st March 2021.

4. IMPLICATIONS

Risks

- 4.1. There are a number of inherent risks in any development, and the proposed arrangements have been structured to mitigate the risks to the Council but to maintain some control over the delivery to the agreed grant milestones.
- 4.2. To mitigate against the loss of the existing car park/income to the Council, the heads of terms set out that either the replacement car parking be provided prior to the surrender of the existing car park or if agreed by the Council a security bond in the form of an escrow account in favour of the Council be provided to ensure delivery. In respect of the latter option, it is unlikely that the Council would agree to this but it has been included should the need arise and is at the Council's discretion.
- 4.3. The agreement will provide for the Council to terminate the agreement if the work has not commenced on site within an agreed timetable.
- 4.4. The agreement will provide for the Council to instigate 'step-in rights' if the scheme is stalled once it has commenced on site
- 4.5. All conditions from the Homes England grant to be mirrored in the grant agreement between the Council and Shaviram Aldershot Ltd.
- 4.6. The availability of a suitable SANGS allocation at the appropriate time during the planning process is identified as a risk on the project risk register and will need to be managed in order to ensure that there is sufficient SANG available at the time of the application later in 2019.

Legal Implications

- 4.7. There are several matters that have had to be considered in order to ensure compliance from both a State Aid position and OJEU procurement regulations. The structure of the transaction has been developed to be compliant and will be confirmed again prior to the exchange of documents.

Financial and Resource Implications

- 4.8. The legal and surveying costs of the Council for this transaction will be met by Shaviram Aldershot Ltd.

- 4.9. Specific VAT advice has been sought from the Councils retained VAT advisors to ensure that the Council de minimus VAT position is not adversely affected.
- 4.10. It is likely that the car parking income to the Council will increase in respect of the new car park when compared to the existing High Street Car Park.

Equalities Impact Implications

- 4.11. There are no additional equalities impact implications arising from this report.

5. CONCLUSION

- 5.1. Cabinet is requested to note the progress achieved to deliver the Regenerating Rushmoor Programme. There is a very tight timetable to meet in order to secure the Homes England grant funding and for Shaviram Aldershot Ltd to plan and deliver the public consultation prior to the submission of the planning application in June 2019. This report recommends delegation to the Executive Head of Regeneration and Property in consultation with the Major Projects and Property Portfolio Holder to approve the final detailed terms of the transactions in line with the Heads of Terms, valuation and framework set out in this report.

Appendix 1

Site Boundary

Appendix 2 (Exempt – commercially confidential)

Draft Heads of Terms between Rushmoor Borough Council and Shaviram Aldershot Limited

Background documents:

Cabinet report – 13 December 2016 LEG1616

Cabinet report – 9 January 2018 CD1801

Cabinet report – 29 May 2018 CD1802

Cabinet report – 21 August 2018 CEX1804

Development Viability – Proposal for disposal: High Street Multi-Storey Car Park, Aldershot (GVA, August 2017)

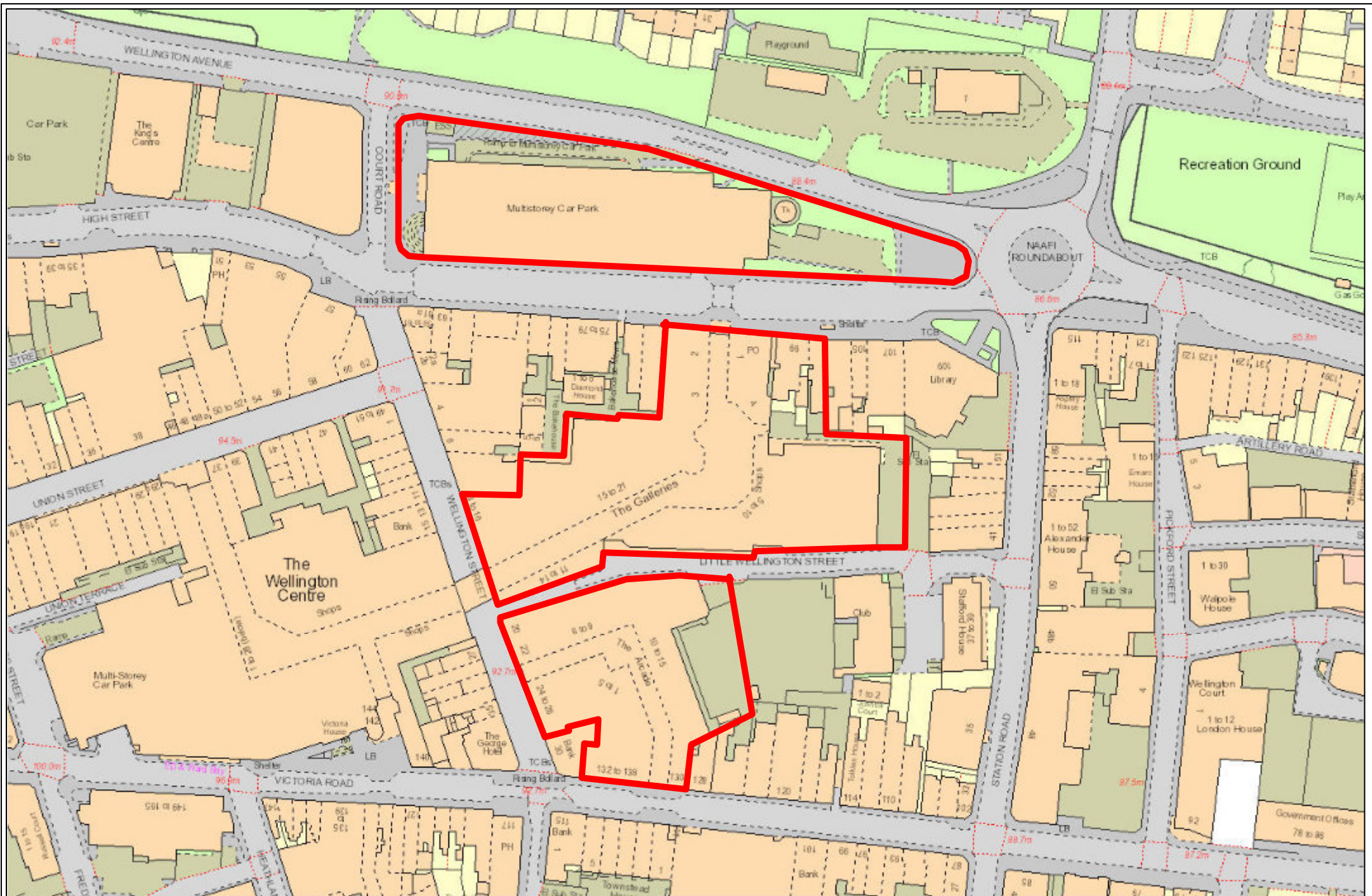
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Appendix 1 - Site Boundary