

Report to the Cabinet

Report reference: C-026-2019/20
Date of meeting: 06 January 2020



Portfolio: Leader

Subject: St John's Road Redevelopment Update

Responsible Officer: S Jevans (01992 564229).

Democratic Services: A Hendry (01992 564246).

Recommendations/Decisions Required:

(1) That Cabinet note the outline business cases for the proposed development of the following sites through Qualis Commercial:

- I. St John's Road**
- II. Epping Sports Centre – Hemnell Street**
- III. Bakers Lane Car Park**
- IV. Cottis Lane Car Park**
- V. Civic Offices – Conder Building**
- VI. Roundhills Site**

(2) That Cabinet note that the transfer of these sites will be proposed on the understanding that the full business cases (to be presented at March Cabinet) achieve a minimum value to EFDC of 6% return on investment (in the form of land and loans) per annum from a mix of rental dividend and other financial returns and, to Qualis provides a standard capital development return that as a minimum is 12%.

(3) That Cabinet note that if a full business case fails to prove operationally and financially viable (as set-out in recommendation 2), that land ownership will be transferred back to the Council at the value it was originally transferred, with any fruitless or transactional costs falling to Qualis.

(4) That Cabinet note the work undertaken by White Young Green to produce a development and design brief for the St John's site.

(5) That Cabinet approve £500k working capital loan to Qualis Group for the next stages of work to be undertaken.

Executive Summary:

The Local Plan sets out the Council's aspirations for the District and indicates how it proposes to achieve this vision. It is expected that the development of all the Council owned sites identified in this report will significantly contribute to achieving the Local Plan objectives. These are set out in more detail in Chapter 2 of the Local Plan attached as a background paper.

In the July Cabinet meeting the Council set out its intention to set up a group of wholly owned Council Companies. Work has been progressing well and the companies are now registered. One of these companies (Qualis Commercial) will be able to undertake development projects directly for the council. This approach will provide the Council with additional capital value and a long-term revenue income source. The report sets out the outline business case for each of the sites to be transferred.

The set-up work has identified that it would be beneficial for the Council to consider Epping Town sites as a package rather than individually. This will enable greater flexibility in terms of achieving commercially viable schemes that will:

- promote the sustainable development in the town and surroundings
- maximise the financial and business benefits
- ability to aggregate the sites together to address car parking requirements and public realm areas.

The St. Johns site remains a priority and it is expected that the full business cases for the sites set out in this report will be brought forward for approval by the Cabinet in March 2020. The Roundhills site will provide a residential development in Waltham Abbey and will also be brought forward as an early scheme for Qualis Commercial.

At a meeting of the Cabinet in December 2018 it was decided that a development brief would be prepared for St John's which would satisfy the needs and desires of the Council and the local populous, by accommodating the need to provide residential accommodation, a leisure centre incorporating a swimming pool, together with a cinema and associated retail provision. These goals were to be achieved in such a way as to be sensitive to the heritage of the site, complementary to the existing High Street and economically viable. Consultants White Young Green (WYG) were commissioned to undertake this work. The outcomes of this work are summarised in the report.

Reasons for Proposed Decision:

The Epping Town sites are all located in important town centre locations, redevelopment will deliver considerable community and economic benefits for residents, businesses and visitors to Epping. It is imperative that the Council, as owners, now determine the future of the assets/sites, in the wider public interest. The Roundhills site provides a good opportunity to provide additional housing in the District.

Other Options for Action:

There are a number of potential alternative options available to the Council to include the sale of the core sites on the open market. Alternatively, the Council could seek another private sector development partner. These marketing approaches would see a loss of direct control, potentially incurring further delay, and the risk that any new owner/partner would not produce a scheme, which fully realises the community benefits sought. There would also be a lost opportunity for the council to achieve a new long-term income stream and additional asset capital value.

Report: Outline Business Cases

St John's Site

1. The St John's Road site comprises of the former Essex County Council School (together with associated locally listed buildings), the EFDC Housing Works Depot, and the

Epping Town Council Offices and Hall. In 2016 the District Council purchased the County Councils interest in the site however that purchase was subject to an overage agreement which will require negotiation in the full business case. The work undertaken to date indicates that the site has the most potential if it includes the Town Council offices and hall. The District Council are endeavouring to reach an agreement to purchase the Town Councils offices and hall, with the aim of bringing the whole site under District Council ownership.

2. In Spring this year project management specialists, White, Young and Green (WYG) were commissioned to produce a detailed design brief for the site.

3. If a negotiation cannot be reached with the Epping Town Council, WYG have provided an outline plan for a second option excluding this area. Both options will require that the site is developed in such a way as be commercially viable. This report sets out the outline business case for achieving a commercially viable site assuming the inclusion of the Town Council Land.

4. In October this year the Cabinet participated in a design workshop for the development. An early outline of the proposal was examined, and it was confirmed that this was in accordance with the desired outcomes.

5. Following the Cabinet workshop a review of the outline design was undertaken by the Council's Quality Review Panel on 4th October 2019. The Quality Review Panel (QRP) was established by the Council to ensure the design and delivery of high-quality developments. The panel consists of built environment and design experts and provides impartial critical friend advice to site promoters and the local planning authority to support the delivery of high-quality new places. The feedback from the QRP is a material planning consideration in the determination of any applications. The QRP, whilst recognising that the proposal was at an early stage applauded the Council on its leadership in bringing forward the development to provide a mix of uses on the site.

6. The St John's site may compromise of:

- a. A leisure centre – proposals would include a 4 -6 lane 25m swimming pool, gym, sports hall and studio, treatment rooms and spa facilities.
- b. A cinema – proposals could house three screens and a bar area
- c. Retail – c2500sq metres of retail and bar/restaurant floorspace.
- d. Residential – up to 70 apartments.
- e. Public Realm – a well-designed public realm that links the scheme to the high street.

7. The business case attached to this report sets out the outline financial modelling that demonstrates that the site achieves an appropriate development return (profits) after all costs including loan costs, a 6% rental return to EFDC.

Bakers Lane Car Park

8. The site Bakers Lane Car Park is located 140 meters north of the site and provides 133 spaces.

9. The proposal for the redevelopment of the Bakers Lane site will provide equivalent car parking spaces to replace the car parking lost at Cottis Lane and to also service the new leisure centre/wider development at St John's.

10. This will support the commercial viability of the site and the sustainability of parking in relation to the St John's site, the high Street and the proposed development of the Cottis

Lane Car Park.

Cottis Lane Car Park

11. Cottis Lane car park is located approximately 180 metres to the northeast of the site, on the northern side of Cottis Lane. The car park has a total parking capacity of 203 parking spaces.

12. The proposal for the redevelopment of the Cottis Lane site will provide up to 200 residential apartments in a mix of 1, 2 and 3 bed roomed units and is intended to be operated as a Private Rented Scheme (PRS) with associated facilities.

13. This will support the commercial viability of the site and the sustainability of parking in relation to the High Street and the St Johns development. Carparking will not be provided on site for residents except for pool cars and visitors.

14. The business case outlines financial modelling that demonstrates that the site achieves an appropriate development return (profits) after all costs including loan costs, a 6% rental return to EFDC.

Epping Sports Centre – Hemnell Street

15. The Epping Sports Centre, Hemnell Street is located 260 metres to the south of the site and provides 46 spaces.

16. The Local Plan identifies this site as the potential location for 43 homes.

17. The proposal for the redevelopment of the Hemnell Street site will provide 40 to 50 apartments in a mix of 1 and 2 bed apartments and proposed to be 100% affordable on a discounted market rental basis.

18. This development will enable the relocation of a new modern leisure centre for Epping onto the St John's site.

19. The business case outlines financial modelling that demonstrates that the site achieves an appropriate development return (profits) after all costs including loan costs, a 6% rental return to EFDC.

Civic Offices – Conder Building

20. The Civic Offices car park is located approximately 450 metres to the northeast of the site, located on the northern side of the High Street. The car park presently has a total parking capacity of 26 pay and display and 258 staff parking spaces.

21. The Local Plan identifies this site as the potential location for 44 homes.

22. The proposal for the redevelopment of the Civic Offices site will provide 70 to 80 apartments in a mix of 1, 2 and 3 bed units and is intended to operate as a PRS scheme.

23. The business case outlines financial modelling that demonstrates that the site achieves an appropriate development return (profits) after all costs including loan costs, a 6% rental return to EFDC.

The Roundhills Site – Waltham Abbey

24. The Roundhills Site – Waltham Abbey is currently located to the west of Waltham Abbey and provides 82 car parking spaces.

25. The Local Plan identifies this site as the potential location for 27 homes.

26. The proposal for the redevelopment of the Roundhills site will provide a mix of townhouses and apartments totalling 35 units and providing a range of family dwellings. It has been assumed that these units would be retained by the council and then made available for rental.

27. This development will provide an early priority for Qualis and will enable it to demonstrate successful implementation.

28. The business case outlines financial modelling that demonstrates that the site achieves an appropriate development return (profits) after all costs including loan costs, a 6% rental return to EFDC.

29. Members will be aware that the Council is currently unable to grant planning permission for any development which results in a net increase in vehicle movements within 200m of the Epping Forest Special Area of Conservation as a result of the impact of increased traffic on air quality and its impact on the habitats and species in the Forest. This applies to all development in the District and has resulted in planning applications being held in abeyance. Until the Council has an air quality mitigation strategy or an interim approach in place agreed with Natural England this position is likely to remain. Please see separate report on this agenda which sets out the current position.

Key Milestones

30. There are several key milestones that will need to be undertaken to take forward all the proposed developments. These are set out below:

- I. Full Business Case for each site – The outline business case assumptions attached to this report will be refined as each site progresses through detailed design and the town planning process. Full cost plans will be prepared, and market tested with potential contractor partners and where appropriate pre-lets of commercial and residential dwellings will be sought. Once planning is approved a full business case on a site by site basis will be presented to the Qualis Board for approval.
- II. Planning permission is clearly required, and six full detailed planning applications shall be submitted for the six sites. The Local Plan Submission Version 2017 requires a Development Brief for at least two of these sites at St Johns and The Conder Building that can be incorporated into an overall strategy document produced by Qualis, covering all the sites in Epping prior to the submission of any applications. Work on this is expected to begin in early 2020 before submission to Council for endorsement in autumn 2020. Following this, it is expected that the three planning applications for St Johns, Bakers Lane and Cottis Lane shall be submitted first, at the same time, because of their physical proximity to each other and are targeted for a late 2020 submission. Proposed developments at Hemnall Street and The Conder Building shall follow as planning applications 6 to 9 months later in 2021. This will allow for a phased build-out of the developments to minimise the impact of construction work and disruption on the residents, businesses and users of

the town centre.

- III. As stated above, all the sites are site allocations for development in the Local Plan Submission Version (LPSV) 2017, adoption of which is anticipated at the end of 2020. The LPSV 2017 proposes a minimum of 202 dwellings across the five Epping sites. As these are approximate numbers there is the potential for an uplift through increased density on St Johns, Cottis Lane, Hemnall Street and Conder, given Bakers Lane is proposed to no longer provide any dwellings and will be providing only car parking. Initial evaluation of the capacity of the sites by external advisors suggests this could be significantly increased (up to a maximum 400 dwellings) but subject to further detailed assessment to consider the impact on density, housing mix, residents and other material planning considerations which would be considered through engagement with the Planning Implementation/ Development Management Teams in the normal way.
- IV. Clearly, there will be a need for community engagement before the planning applications are submitted in the form of Development Management Forum's, Quality Review Panels public exhibitions and presentations to Members at both District and Local level as set out in the recently approved Statement of Community Involvement. This would take place at pre-planning application stages so that the public understand what is proposed and time-lines.
- V. All the sites will require Planning Performance Agreements (PPA) and one has been drawn up for the St Johns site. PPA's are a project management framework and timetable, which includes Key Milestones for progressing and delivering development of each site by identifying the level of resources and actions required and ensure that all planning issues are properly considered and resolved at the earliest possible stage. Further PPA's for the rest of the sites will be drawn up during 2020 and whilst they are not legally binding contracts, they provide a project management tool facilitating co-operation, trust and effective communication between the developer and the decision maker, with the aim of delivering high quality development and ensure prompt, clear and robust decision making.
- VI. In the case of the St Johns site, the PPA is proposing a Development Brief and sets out options and a timetable as part of a first stage to be followed by a second stage to refine the options as part of a project plan. The content of the Brief will draw up key design principles, vision and development objectives, indicative phasing plans and any infrastructure delivery requirements from the Infrastructure Delivery Plan. The Development Brief requires formal agreement before a planning application can be submitted. Given its partial location in a conservation area, inclusion of three locally listed buildings and provision of proposed buildings with public realm access, it will be a single-phase delivery on site and planning permission could be granted towards the end of 2020. Any permission would be subject to planning condition requiring some further details to be submitted and approved afterwards and a Section 106 agreement. Any section 106 planning obligation will be subject to the Council's Developer Contributions Strategy that provides guidance on how, what and when planning obligations will be used and the approach to viability for any of the proposed sites to determine the appropriate level of developer contributions to be sought. A draft viability report is out to consultation until 6 January 2020.
- VII. Finally, it is proposed to put a hoarding around the St Johns site. Given there

is no planning permission for replacement or demolition of buildings, the hoarding which will have graphics, requires advertisement consent and was submitted in mid-December 2019.

Resource Implications:

The Working Capital of £500k will be in the form of a loan to Qualis from EFDC.

Legal and Governance Implications:

A governance structure has been put in place around the management of the project in accordance with the Council's adopted project management systems. This includes regular reporting to the Asset Management and Economic Development Cabinet Committee. Should the development be incorporated into the portfolio of sites managed by the Council's Development Company then the associated governance arrangements will prevail.

Safer, Cleaner and Greener Implications:

The Local Plan Policy T1 seeks to ensure that development minimises the need to travel, promotes opportunities for sustainable transport modes, improves accessibility to services and supports the transition to a low carbon future. In order to mitigate the impact of growth on Epping Forest Special Area of Conservation in respect of air quality and recreational pressure and to meet the habitat regulations the Council is seeking that sites in sustainable locations with good public transport accessibility (such as those in Epping Town) to limit the provision of car parking to that required to service the essential needs of the development. All sites will need to be designed in the context of achieving this aim.

It is envisaged that the development will incorporate BREEAM sustainability criteria thus lessening the overall environmental impact.

The proposal to reallocate parking provision from other areas in Epping will result in no overall net gain in environmental terms.

Consultation Undertaken:

The Council recently adopted an updated Statement of Community Involvement which sets out the community engagement arrangements for planning proposals. Key stakeholders will be engaged at an early stage in shaping the developments including the use of Quality Review Panels, which have already initially met and discussed the St Johns site and a previous proposal for the Roundhills site. Further meetings of the QRP will take place as the development schemes take shape and form before the planning applications are submitted. Development Management Forum's will also be held at the pre-planning application stage, chaired by a senior officer to help facilitate discussion through public engagement as part of helping shape the application developments. Changes to the development proposals at this draft stage may therefore take place before formal submission of the planning applications. Once the planning applications are submitted, they will be publicised through site notices, statutory local press notice and formal written consultation to residents, businesses, Ward Members, local council's and resident groups. As a minimum, all neighbouring properties that adjoin the application site boundary will be notified in writing. Any material planning related responses will be considered in accordance with the Local Plan policies and the merits of the scheme as part of the planning application process.

Consultation on the St John's site has been undertaken with the Quality Review Panel. This

is a panel of 18 built environment and design experts, from across a wide range of backgrounds and sectors who provide independent feedback for the council on significant and strategic schemes. The panel is chaired by Peter Maxwell, the Director of Design at the London Legacy Development Corporation. It is not a decision-making body but has an advisory and transparent role. The panel provide impartial advice to support the delivery of high-quality new places to live and work, in order to meet the needs of existing and future communities.

The Quality Review Panel applauded the leadership being shown by the Council, in bringing forward the St John's Road development, to provide a mix of civic, leisure and town centre uses. It recognised the special nature of the site which benefits from historic buildings, mature trees, and in a location that is well placed in relation to the High Street and Epping Station. The panel felt that the masterplan needed more work at a strategic and detailed level to ensure a viable scheme, with exemplary townscape quality. The current scheme does begin to propose approaches to public realm, movement and massing; however, these need to be interrogated and more thoroughly developed. Opportunities for an innovative energy strategy, recycling heat from the swimming pool for the benefit of other buildings should also be investigated.

Council Officers and WYG undertook consultation with local businesses and interested bodies at the recent Epping Forest District Economic Strategy Stakeholder Conference held in Theydon Bois Village Hall in November.

The event was well attended and included participants from the Chamber of Commerce, the Federation of Small Businesses, Town/Parish Councils and a number of local businesses. The general feedback was very positive with many participants saying that they were pleased to see proposals being brought forward to utilise the site.

A number said that they felt parking may present some challenges and other said that the businesses on the site should complement the existing High Street. Overwhelmingly the proposal for a cinema and a swimming pool were the most "liked" proposals. A significant proportion of those spoken to also said that it would be nice to see a "vibrant" night-time economy associated with the development.

Background Papers:

Previous Reports to Cabinet.

Risk Management:

The Council is not currently maximising the use of its landholding assets in St John's Road. Further reputational damage may incur, if the site remains vacant for a further extended period of time.