

ST JOHN'S STREET CAR PARK, HYTHE: REDEVELOPMENT OPPORTUNITY AND DISPOSAL

1. Introduction

- 1.1 This report highlights an opportunity to redevelop the Council's car park at St John's Street, Hythe for retail use and makes recommendations on the sale of the St John's Street Car Park, Hythe to a major supermarket operator.
- 1.2 The proposed supermarket development will combine the St John's Street Car Park with PC Builders' adjoining land (shaded grey on the attached plan) to provide a new 2000 sq.m supermarket with 100 car parking spaces which would be available for public use (see paragraph 3.3 below).

2. Background

- 2.1 The Vision set out in the Council's Corporate Plan 2012-2016 seeks to work closely with the community and in partnership with others to enhance the quality of life for present and future generations by helping to create and maintain a local economy that brings opportunities for jobs and economic benefit to the area. This is supported through current planning policy which seeks to maintain town and village centre viability by encouraging retail provision to be retained in town and village centres.
- 2.2 Locally there has been a long held aspiration to increase food retail provision within Hythe. A Retail Impact Assessment commissioned by NFDC in June 2015 concluded that additional discount food retail provision in the village *"will have a positive rather than negative impact on Hythe.....increase in convenience goods turnover should benefit the majority of retail and service businesses within the town centre, because the number of linked purpose shopping trips to the town centre should increase... discount food store will strengthen rather than harm the vitality and viability of Hythe town centre as a whole"*.
- 2.3 New Forest District Council was initially approached by a major supermarket operator and PC Builders (the owners of neighbouring land shown edged blue on plan in Appendix 1) who were interested in working in partnership with the District Council to bring a new supermarket to Hythe. Those discussions ultimately failed when the retailer experienced financial constraints and had to rethink their national expansion plans.
- 2.4 Following the original retailer's withdrawal from negotiations in 2014, an alternative retailer was sought by the Council. Direct approaches were made by NFDC Estates and Valuation officers in the summer of 2014 to the main national food retailers, to gauge interest in developing a supermarket in Hythe. The only parties to express an interest were Aldi and Lidl. Further work with the latter 2 retailers has resulted in offers being submitted by both parties, with the best offer being received from Lidl.

3. Proposed redevelopment

- 3.1 The proposal is to redevelop St John's Street Car Park together with part of the adjoining PC Builders' land shown grey on the attached plan (The Combined site), to provide a new 2000 sq m. supermarket together with 100 car parking spaces which would be available for public use.
- 3.2 It should be noted that without the additional PC Builders' land, the Council's land on its own is not large enough to accommodate a new supermarket's requirements. It is therefore essential, for the retail scheme to go forward, that part of the PC Builders' site is utilised for the provision of the supermarket.
- 3.3 If the sale proceeds, the car park will be owned and controlled directly by the supermarket. It is understood at this time that the supermarket would provide free parking for up to 90 minutes; however it would be reasonable for them to put in place such parking strategies as they deem appropriate.
- 3.4 A basic analysis of parking utilisation within the village highlighted in 4.1 and 4.2 below indicates that there is sufficient capacity in the village to accommodate the small loss of parking spaces due to the construction of the new store. Based upon our understanding of Lidl's intentions, it can be reasonably anticipated that, overall, there should be no adverse impact on parking availability in the village.
- 3.5 Should parking demand in the village increase in the future, there is additional land available in the New Street car park which could accommodate some additional parking provision. In addition the Council will keep under review the parking strategy in the Village and will implement any changes required to best manage any fluctuations in demand for parking.
- 3.6 PC Builders have had a long held aspiration to relocate their business to more suitable premises. They have confirmed that part of the Council's vacant site at Unit 8 Hardley Industrial Estate would accommodate their relocation requirements and, after looking for a new site for some years, they are of the opinion that there are no other sites suitable in the locality. A separate report on the future plans for Unit 8 will be submitted to the Portfolio Holder for Finance and Efficiency for consideration.
- 3.7 In addition to the disposal of part of their site for a supermarket, PC Builders have opened a dialogue with a national builder of retirement homes, for the development of the remainder of their site as part of their relocation plans. An initial dialogue with NFDC's planning and urban design team concerning the design and density of the retirement homes, has confirmed that a scheme of 36 units could be favourably received, subject to detailed design.

4. Current parking and utilisation

- 4.1 St John's Street car park (edged red on the plan) is the least used of the village's car parks. The existing parking capacity in St John's Street is 160 spaces. Generally, it can be observed that the car park operates at around 50% capacity. This was confirmed by a utilisation survey undertaken over a two week period from 29th July 2013 to 10th August 2013. The survey indicated that, on average, occupation over that period was around 60 spaces. On Tuesdays, around 50% of the car park is utilised for Hythe Market, reducing the capacity to around 80 spaces, without an adverse impact on parking provision in Hythe.

- 4.2 The current total public car park capacity in the village is 511 spaces. After the development of the new store, the total parking capacity in the village would be 451 spaces, (including the 100 spaces at the store). Spot checks on parking utilisation undertaken by the Parking services team in 2004 and 2010 showed that at the time the counts were undertaken, parking occupation for all car parks in the village was 410 and 318 respectively.
- 4.3 Hythe Tuesday Market has been struggling for some time and the District Council has received a request from Hythe and Dibden Parish Council to take over the running of the market. Work is already underway with the Parish to facilitate relocating the market to parts of The High Street, St John's Street and The Marsh. It is anticipated that the relocation will reinvigorate the market and therefore benefit the village centre generally. A provisional transfer date has been agreed for April 2016.

5. Financial Implications

- 5.1 S.123 of the Local Government Act 1972 imposes a duty on Councils to achieve the best price reasonably obtainable for land disposals. What is a reasonable determination of "best consideration" depends entirely on the facts of each disposal and only "consideration" of commercial or monetary value to the Council should be taken into account. For example, the number of jobs or type of employment created as a consequence of the disposal cannot be taken into account. Provided the obligations under S.123 are met, there is no requirement to deal with a transaction by any particular method. It is nonetheless advisable to demonstrate that the best price reasonably obtainable is being achieved, by either marketing the land or obtaining an appropriate independent valuation or both. The Council has obtained two independent valuations for the combined site, one from the District Valuer in 2013 and the second from CBRE in February 2015. Both offers received exceed the values provided by the Council's consultants.
- 5.2 The Council undertook a focussed marketing approach for the combined site, due to the necessity to jointly market the land with PC Builders. For both staffing and customer retention issues, PC Builders were understandably reluctant to make their intentions of a possible move made public, so the option of advertising the land on the open market was not available to the Council. The complexity of developments that involve land assembly generally renders conventional marketing ineffective. The means by which this transaction has been arranged is the typical methodology in these circumstances.
- 5.3 The price being offered by Lidl is higher than the existing use value of the car park and the estimated value of the land if sold for a mixed use of residential and car parking. An alternative use for residential units on the whole of the land would not be acceptable to the Council in this location and therefore wider marketing to capture interest in this sector was not relevant nor carried out.
- 5.4 As noted above, the Council marketed the combined site by direct approaches to the major supermarket retailers in the summer of 2014, but only Aldi and Lidl expressed interest in the proposal and they were invited to submit offers. This resulted in two almost identical offers being received for the combined site on a 'subject to contract and planning' basis.

- 5.5 Subsequently, both parties were asked to refine their offers, provide draft heads of terms and identify any conditions the offers were subject to. The outcome of the process followed has resulted in revised offers being received from both Aldi and Lidl in excess of the level reported by the independent consultants, with Lidl exceeding the rival offer from Aldi. It is therefore proposed that Lidl are confirmed as the preferred supermarket partner for the scheme.
- 5.6 It is the view of the Council's Estates and Valuations Manager that the approach adopted can be demonstrated to meet the Council's S.123 obligations.
- 5.7 As stated above, the retail scheme requires a proportionally smaller part of the PC Builders' site to accommodate the new supermarket. It would be reasonable to share part of the uplift in value (marriage value) of the Council's interest with PC Builders', as the Council's land holding is not sufficient on its own to enable retail development and cannot proceed at all without PC Builders' land. This principle of shared value is confirmed in the valuation report prepared by CBRE in February 2015 referred to above.
- 5.8 General valuation principles for the allocation of a proportion of marriage value or uplift would suggest that a share of marriage value of up to 50% would be reasonable, depending on the negotiating positions of the parties. Through negotiation with PC Builders, a sum has been agreed with PC Builders for the release of their land required for the construction of the supermarket, which is within this range.
- 5.9 Following negotiations with Lidl and PC Builders, it is therefore proposed that after the apportionment of Marriage Value, the Council sells St John's Street car park to Lidl for the NET sum of **£1,947,500**.

6. Risk and Conditions

- 6.1 Clearly, any disposal of this nature is subject to some risk by all parties. Lidl's offer is conditional upon the resolution of essential criteria, including, but not limited to, legal contracts, site survey, planning permission, vacation by PC Builders and NFDC. PC Builders' relocation is dependent upon concluding the sale of the remainder of their site and a satisfactory move to new premises. The parties will need to enter into conditional contracts to complete the sale and purchase of the land required for the supermarket following satisfaction of the agreed preconditions. All parties are 'at risk' on legal fees. Before investing the necessary time and resources to progress matters further, the parties will reasonably require confirmation that agreement has been reached in principle on a 'subject to contract' basis.
- 6.2 If unforeseen or excessive costs to the development arise, this could lead to price renegotiation or frustration of the project. The greater risks are taken by the potential purchaser(s) as they will bear the costs of specialist development reports, scheme design and working up their planning application.

7. Consultation

- 7.1 A Members Steering Group has been formed to scrutinise both of the proposals relating to St John's Street, Hythe and Unit 8 Hardley industrial Estate. The Group consists of local ward Members, the Portfolio Holder for Finance and Efficiency and senior officers of the Council. The Members Steering Group endorses the recommendation set out below.

7.2 Portfolio Holder Comments

The Leader: I believe the sale of the St John's Street Car Park will strengthen the vitality of Hythe town centre and bring about a real benefit to the community.

The Portfolio Holder for Finance and Efficiency: In these times of financial constraints we need to look to maximise the return from our assets while supporting the aspirations of the community. I am delighted that this developing proposal looks to deliver on both these objectives.

The Portfolio Holder for Planning and Transportation: Whilst the loss of any Council owned car parking spaces is regrettable, this must be considered against the wider objective of ensuring the continued viability of main shopping areas within our Towns and Villages. The proposed sale of St John's Street carpark would see a loss of 60 spaces within the village from 511 to 451, of which 100 spaces would be owned by the store. Based on the survey undertaken in 2013 and spot checks carried out in 2004 and 2010, the small loss in spaces is acceptable when balanced against the social and economic benefit of an additional national supermarket being located within the Village.

- 7.3 Hythe and Dibden Parish Council have been consulted and, following a public meeting held on Monday 12th October to discuss the scheme, have provided the following comment;

"We believe that no decision should be taken by NFDC Cabinet at this time. We propose that a fully accessible consultation is undertaken with the community to seek their views on what is their preference for this site"

- 7.4 Since that parish council meeting, Hythe & Dibden Parish Council have undertaken a consultation exercise, seeking the communities' views on the proposal with a view to presenting the results to the NFDC cabinet meeting for consideration.

8. Environmental Implications

- 8.1 There are no direct Environmental Implications arising from this report. Increasing the retail offer in town and village centres, however, is important if local centres are to continue to be viable and have a sustainable future.

9. Crime and Disorder Implication

- 9.1 There are no Crime and Disorder Implications arising from this report

10. Equality and Diversity Implications

- 10.1 There are no direct Equality and Diversity implications arising from this report. Increasing the retail offer in the village centre will however, provide more choice to those local residents with reduced mobility, or those residents where access to private motor vehicles or public transport might be limited.

11. Conclusion

- 11.1 The sale of the St John's Street car park will achieve a long held desire to increase the retail offer in Hythe village centre and will achieve a significant capital receipt for the District Council.

12 RECOMMENDATION

12.1 It is recommended that:

- 12.1.1 Cabinet declare St John's Street car park as being surplus to direct operational requirements; and
- 12.1.2 The Executive Director and/or Chief Executive in consultation with the Portfolio Holder for Finance & Efficiency and the Head of Legal & Democratic Services be authorised to finalise terms and to enter into all necessary contracts to complete the sale of the Council's land at St John's Street, Hythe to Lidl, on the principles set out in this report.

Appendices

Appendix 1 – Plan 1 Land Ownership Plans St John's Street and South Street Hythe

Further information	Background Papers
<p data-bbox="193 1200 616 1234">Estates and Valuation Issues</p> <p data-bbox="193 1234 638 1368">Andrew Groom Estates and Valuations Manager 02380 285588 andy.groom@nfdc.gov.uk</p> <p data-bbox="193 1402 432 1435">Planning Issues</p> <p data-bbox="193 1435 692 1570">Chris Elliott Head of Planning and Transportation 02380 285588 chris.elliott@nfdc.gov.uk</p>	<p data-bbox="804 1200 1358 1234">Valuation report by CBRE February 2015</p> <p data-bbox="804 1267 1206 1335">Retail Impact Assessment Nathaniel Lichfield June 2105</p>