

Swale Borough Council Scrutiny Committee 31 August 2016

Report for information to the Scrutiny Committee on the Spirit of Sittingbourne Town Centre development project

Background

In September 2012 the Council entered into a Development Agreement with Spirit of Sittingbourne to redevelop the Town centre in two phases. The developer subsequently made a planning application for phase 1 works, comprising residential units on Cockleshell Walk, Spring Street, and Fountain Street Car Parks, major roadworks to realign the A2 to the front of the station, retail units on the Princess Street depot site, a cinema and restaurants on the Forum Car Park, and a multi-storey car park on St Michael's Road to replace spaces lost to the development.

Reports and updates were taken to and agreed by Cabinet on 06/07/11, 05/10/11, 06/06/12, 05/06/13, 09/04/14, 16/07/14, 14/07/15, and 01/12/15 and to Council on 30/07/14 and 27/01/16. .

Delegations to undertake further actions are in place, and the Council continues to take expert legal and commercial advice throughout the process.

Updates

- (i) **Governance:** the Council has rationalised the governance structure for the project, with a member-led Strategic Board, and an officer-to-officer Operational Board. This structure is ensuring that the Council maintains a high level of involvement in the development.
- (ii) **Highways works:** most of the funding for the road and infrastructure re-design and build is funded from £2.5 million SE LEP Local Growth Fund monies, a proportion of which has already been spent on design. SE LEP conditions require that this will be completed by the end of the 2016/17 financial year.

Spirit has now completed the designs for phase 1 of the highways works, and detailed drawings and specifications are with Network Rail and Kent Highways for approval, following which they will enter into agreements for section 278 works, and for stopping up of the relevant highways.

- (iii) **Multi-storey car park:** the Council has agreed to build and operate the proposed multi-storey car park itself, and has sourced a contractor through an open tender process. The contractor, Huber, has appointed an architect, and is preparing elevational drawings to satisfy the original planning consent. They have already provided concept drawings that have been considered, and detailed drawings will be provided for approval by the end of August 2016.

The Council is seeking to enter into a formal design and build contract for the car park, starting work ahead of the main development going unconditional because much of the development, in particular the cinema and hotel, is

conditional upon maintaining parking availability within the Town Centre, despite the loss of surface car parks to housing development.

- (iv) **Station forecourt:** Spirit has completed its design for the station forecourt, and the Council is currently working on an agreement with Network Rail for them to release the car park to the front of the station in exchange for part of the Council's car park on St Michael's Road. This will comprise a land swap between the Council and Network Rail, and the proposals are now going through Network Rail statutory processes prior to submission for approval from the national rail regulator.
- (v) **Lettings:** Spirit has sourced a number of tenants for phase 1 of the development, and is entering into conditional agreements and leases with a number of national operators. At the present time all of the residential units have been pre-sold; The Light Cinema has signed an agreement to lease for the leisure building; Wildwood and Pizza Express have agreements to lease units in the leisure building; and Home Bargains, The Food Warehouse and Costa are in the final stages of agreement to lease for the units on the depot site. Four of the smaller restaurant units in the leisure building are still to be let, but negotiations are ongoing. In addition, Travelodge has agreed heads of terms, and is in negotiations for an agreement to lease subject to planning permission (see below).
- (vi) **Planning issues:** Spirit has recently made two new planning applications for changes to the scheme required by their prospective tenants. The first application deals with revisions to the depot site to accommodate specific requirements from the identified lessees. The second application is for the addition of a multi-storey hotel.

The original planning application has an associated section 106 requirement, and this is with Spirit's lawyers for final checking and approval. Once agreed it will be submitted to Network Rail who will be a party to the agreement due to their land ownership, and once agreed by them it will be signed-off. However, the Council's Legal Team are considering whether this will need to be revised in light of the new planning applications.

Summary

Overall, the project requires full viability to meet the conditions in the development agreement. The residential elements are already fully funded, and Spirit is confident that the retail units can also be funded. They anticipate going to market for funding for the retail and leisure elements in the autumn.

The Council's approach remains that the leisure elements are an essential requirement of the Development Agreement (alongside the multi-storey car park) as the key drivers of additional footfall to regenerate the Town Centre.