SOUTH KESTEVEN DISTRICT COUNCIL

Cabinet

21 January 2020

Report of: Councillor Kelham Cooke

The Leader of the Council

Collaboration Agreement relating to Saint Martin's Park, Stamford.

Collaboration Agreement with Burghley Land Limited (Burghley) relating to land at Barnack Road, Stamford.

Report Author

Jane McDaid, Assistant Director of Growth

07970 895970

Jane.mcdaid@southkesteven.gov.uk

Corporate Priority:	Decision type:	Wards:
Growth	**Key**	**Stamford St Mary's**

Reviewed by:	Harry Rai Interim Strategic Director, Growth	6 January 2020
Approved by:	Paul Thomas, Interim Chief Executive	10 January 2020
Signed off by:	Councillor Cooke, the Leader of the Council	13 January 2020

Recommendation (s) to the decision maker (s)

1. **Recommends to Cabinet**

   To enter into a contractual Collaboration Agreement with Burghley Land Limited as set out in the Heads of Terms relating to land at Barnack Road, Stamford to bring forward the redevelopment of circa 35 acres of land for commercial, residential and retirement uses on a 50/50 shared development cost and profit basis.

2. **Delegates to the Cabinet Member for Growth in consultation with the Director for Growth, the Chair of Companies Committee and the Monitoring Officer to sign and**

complete the contractual agreement required to implement the recommendation above, based on the approved Heads of Terms.

1. The Background to the Report

1.1 The Council purchased land at Barnack Road, Stamford in March 2019 which adjoins approx. 20 acres of farm land owned by Burghley Land Limited (Burghley), a wholly owned subsidiary of Burghley House Preservation Trust. The land was purchased by the Council as being strategically important to the Councils growth ambitions in Stamford and the Cabinet Minute PD0095 refers.

1.2 These adjacent land holdings on Barnack Road, Stamford, now known as St Martin's Park, are shown edged red on the attached plan (Appendix A). The sites extend to approximately 14.429 hectares (35.65 acres) and can be promoted for a mixed-use development including commercial, residential and retirement homes along with associated public open space, car parking, retail and infrastructure, subject to planning consent.

1.3 The Council has been in discussion with Burghley since its purchase of the Cummins site, and those discussions have led to the current proposal. Burghley have proved a very positive and professional proposed partner. The objectives and purpose of the two organisations are very closely aligned which ensures the long-term view in relation to design and quality is built into the partnership ethos from day one. There has been full agreement on the joint appointment of master planners and the necessary development team required to bring forward a scheme at pace.

1.4 The primary objective of the landowners would be to create space for a minimum of 500 jobs as part of a mixed-use development (comprising residential, commercial and retirement uses along with associated public open space and infrastructure). This will result in high-quality development that will enhance the economy of Stamford; providing new jobs and varied living accommodation to meet the needs of the local economy and residents as well as improving and protecting the setting of Burghley House and its grounds. Burghley have an ambition to provide commercial business space on the site in their own right which, subject to agreement of terms, would mean they invest funds in these uses to provide a supply of modern business space to the district.

1.5 The parties believe that working together and treating both sites as a single development opportunity will maximise the value and uses of both sites. The parties are working towards soft market testing the project in early 2020 with a view to submitting an outline planning application in mid 2020. For this reason, it is proposed that the Council enters into a contractual Collaboration Agreement with Burghley, as set out in the agreed Heads of Terms (see Appendix B and Appendix C (plan)).

2 Consultation and Feedback Received, Including Overview and Scrutiny

2.1 The Companies Committee will be asked to consider the proposal in detail on the 4th February 2020.

3 Available Options Considered

Option 1 – Bring forward development or dispose of the Council site in isolation.

3.1 There are substantial vacant holding costs including rates and security, plus the cost of debt. The buildings are old and not fit for purpose and the occupier demand for secondhand industrial and office space in this location is very weak. Capital would be required to upgrade and partition both the offices and industrial units which is not economically viable over the short to medium term.

3.2 The land could be sold on the open market with residential ‘hope value’ with a view to recouping the Council’s investment. If restrictive covenants were placed on the land to ensure the future commercial use of all or part of the site, the sale proceeds would be substantially restricted and there would be no ability to ensure development took place. The Council could consider seeking a planning consent for a development scheme on the site alone prior to sale, either by itself or finding a funding partner, if required, to share cost and risk. Any sale of the site could be conditional on the planning consent being implemented, such an arrangement would reduce the price achieved price and leave substantial risk with the Council over a long period.

3.3 To bring forward development that at least replaces the number of jobs lost when the last company using the site closed, approximately 50% of the site would need be put to commercial use. The remainder could be developed as residential or retirement use subject to planning. The ability to create a commercial and business orientated sense of place and identity is limited on a mixed-use site of this size, and this would be reflected in lower commercial rates per acre and would influence the achievable residential land prices.

3.4 Holding costs, masterplanning, planning and site investigation fees, any infrastructure requirements and exit costs and risk will all fall to the Council over a 3 to 10-year period, depending on exit strategy and market conditions. As with all development, obtaining planning permission is a risk and the developer carries the burden of holding a site over what can be a protracted period during which local or government policies can change.

3.5 Planning could be sought for an entirely residential scheme which would have the ability to be of good quality and achieve good rates per acre, however, planning for a full residential scheme will take time and resource, would likely need to be won at appeal and even then may fail, as the site is brownfield industrial with an expectation that commercial activity will remain its main use and would be a departure from the Council’s reasons for investing in the site.

3.6 A fully commercial scheme could be sought which would likely receive planning support however 15 acres of commercial supply in this location would far outstrip the current demand and likely result in a very long period of development as take-up slowly came forward over the next 10 years plus. The viability of such a scheme could also be very difficult with rents and land rates being challenging, plus the cost of holding the scheme over a protracted period.

<u>Option 2 - Bring forward the Council’s land for development in a collaboration partnership with the adjacent landowner (the preferred option)</u>

3.7 The inherent risk and reward profile and planning risk outlined above remain pertinent. A partnership with Burghley who are the land owner on 3 sides of the site, removes all risk of objections from this major adjacent land owner and takes account of the historic setting of Burghley House. It promotes a scaled mixed-use development with both a residential and commercial/business orientated sense of place and identity which should attract premium exit prices to underpin the commercial land uses required by both parties.

3.8 A masterplan would be developed irrespective of ownership, over the joined site. Both owners would have an equal say and control over design, development and exit strategy. All costs and profits at exit would be shared equally. This joint approach would bring forward a coherent development for the town, whilst delivering outcomes that each party wishes to see from its land.

If this route is pursued, it is likely that approximately 80% of the site could be conditionally sold within 18 to 24 months subject to planning consent.

Option 3 - An interest in the project is granted to DeliverSK (dSK)

3.8 DSK becoming involved in bringing forward this site remains possible but cannot be considered fully at the present time as dSK is not yet incorporated as a company. There is potential for the site to be transferred into dSK in the future, along with an assignment to dSK of the Collaboration Agreement, so that dSK would take the place of the Council in the Collaboration Agreement. As this is an option for future consideration, the proposal would be brought back with a full financial appraisal of the benefits of such an assignment into dSK.

4 Preferred Option

4.1 Following the analysis of the options considered above, it is recommended that the Council proceeds with Option 2 and enters into a contractual Collaboration Agreement with Burghley.

4.2 The Collaboration Agreement sets out the contractual obligations of both parties, with the key issues being:

4.3 Control of the partnership is 50/50, meaning that the Council would have an equal say in the design of the project, the mix of uses proposed, and the ultimate exit strategy;

4.4 The agreement would be for a term of 5 years with appropriate breach and early termination provisions.

4.5 The partners will agree all appointments, an exit strategy and the optimal outline planning application via Project Plans approved by the Project Board.

4.6 The development costs and profits will be shared equally.

4.7 Control is via a Project Board with proposed representatives from Burghley (Trustees) and the Council (Leader and CEO) and an Executive Team of officers represented by each partner

4.8 Once the Project Plan is agreed, which sets out the design, planning application and exit strategy, the two partners are locked in to delivering the outcomes that have been agreed.

5 Reasons for the Recommendation (s)

5.1 The Council would be instrumental in bringing forward large-scale commercial, residential and retirement regeneration for the benefit of the Town and District with a reduced budget risk, whilst sharing control, planning and development risk and reward.

6 Next Steps – Communication and Implementation of the Decision

6.1 The contractual documents will be entered once in their final agreed form and subject to Companies Committee scrutiny.

7 Financial Implications

7.1 There is currently a holding cost associated with this asset and the Council has a stated ambition to realise the full potential of the site and deliver a development that meets the primary objectives of the initial purchase. The opportunity to work collaboratively with an adjoining landowner will maximise the full potential of the development and ensure the financial inputs, risks and rewards are shared on an equitable basis. Working in collaboration will also ensure there is maintained focus and momentum on delivery of the outcomes and ensure the Council realises the capital investment. The capital receipts can then be utilised for funding other capital investments thereby negating the need for incurring external borrowing costs.

Financial Implications reviewed by: Richard Wyles, Director of Finance

8 Legal and Governance Implications

8.1 The Collaboration Agreement is a mechanism by which the Council and Burghley can agree a Project Plan for their combined sites, in which the Council will have an equal influence on this key site in Stamford. If the parties are unable to agree a Project Plan, then they would be able to develop their respective sites alone, and the Collaboration Agreement would fall away. The Council is therefore not committed to doing anything other than to commit to working together to develop a mutually beneficial scheme. This collaborative approach is designed to ensure that the outcomes for the site are optimised for both parties, and as such it is to be welcomed. Specialist commercial property legal advice is being sought on the terms of the Collaboration Agreement, to ensure all the Council's legal interests are protected.

Legal Implications reviewed by: Shahin Ismail, Monitoring Officer

9 Equality and Safeguarding Implications

9.1 None

10 Risk and Mitigation

10.1 Development carries inherent risk which will be managed by the Project Board and the Executive Team which form the management of the Collaboration Agreement.

11 Community Safety Implications

11.1 None

12 Other Implications (where significant)

12.1 None

13 Background Papers

13.1 Key Decision Acquisition of Land in South Kesteven 6th September 2018 PD0095

14 Appendices

14.1 Plan of site – Appendix A

14.2 Heads of Terms for a Collaboration Agreement – Appendices B and C

Report Timeline:	Date of Publication on Forward Plan (if required)	1 September 2019
	Previously Considered by:	Not applicable
	Final Decision date	5 February 2020