

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO COUNCIL

21 NOVEMBER 2018

REPORT OF THE CORPORATE DIRECTOR – COMMUNITIES

PORTHCAWL REGENERATION SCHEME UPDATE

1. Purpose of Report

- 1.1 The purpose of this report is to update Council on the Porthcawl Regeneration Scheme, and to seek approval to revise the capital programme to invest anticipated capital receipts arising from the sale of land, encompassing Salt Lake Car Park.
- 1.2 The report also seeks approval to secure match funding for coastal defence improvements which will unlock future development phases

2 Connection to Corporate Improvement Objectives/Other Corporate Priorities

- 2.1 This report assists in the achievement of the following corporate priorities:-
 1. Supporting a successful economy – taking steps to make the county a good place to do business, for people to live, work, study and visit, and to ensure that our schools are focused on raising the skills, qualifications and ambitions of all people in the county.
 3. Smarter use of resources – ensuring that all its resources (financial, physical, human and technological) are used as effectively and efficiently as possible and support the development of resources throughout the community that can help deliver the Council's priorities.

3 Background

- 3.1 At its meeting on 19th December 2017, Cabinet approved the acquisition of third party leasehold interests at Salt Lake Car Park, Porthcawl for the sum of £3.33m. This gave the Council unencumbered freehold interest of the site to secure its redevelopment.
- 3.2 The original plan, as set out within the adopted Supplementary Planning Guidance, envisaged a large superstore located on Hillsboro Car Park that would have necessitated the stopping-up of the Portway to create the required land area. Fundamental changes in the foodstore market since that time have led to the demand being reduced from a 50,0000 sq ft store to a smaller scale store. As a result there is no longer an associated requirement for the Portway to be closed. This has allowed for a rethink on the optimum location of the smaller store and the principal car park for the town centre. Following an assessment of options, the current strategy is based on the store being located at the northern end of Salt Lake, and retention of Hillsboro as the primary town centre car park.

- 3.3 One of the key requirements to unlock development of the whole Salt Lake site is coastal protection works to mitigate flood risk. Without these, the majority of the housing parcels cannot be developed, and attracting leisure facilities at the southern end of the site may also be more problematic. It was originally envisaged that the coastal works would be taken forward and funded by the site developers. However, following the launch of a Wales-wide coastal defence programme, officers have been working closely with Welsh Government (WG) on flood mitigation proposals for the Porthcawl waterfront. An outline business case has been approved by WG and detailed designs are now being progressed. A final bid will be submitted to WG in Autumn 2019, which, if successful, would result in 75% funding via the Local Government Borrowing Initiative (LGBI) towards these works. Authority for this along with the approval to contribute the requisite 25% match funding is set out in this report.
- 3.4 The above informs the rationale for development phasing and the proposed reinvestment of capital receipts set out in the following sections. It should be noted that in the event of an unsuccessful bid to WG for coastal protection grant, there will be an impact on programme and project viability. A decision by Welsh Government is not expected until autumn/winter 2019.

4 Current situation / proposal

Phasing

- 4.1 Market analysis, key infrastructure constraints and cash flow considerations dictate that development must be brought forward in phases. The attached plan sets out the proposed phasing strategy.

Phase 1

- 4.2 The first phase will be the delivery of a foodstore at the northern end of Salt Lake Car Park. The site is not encumbered by the need for coastal protection works, and there is strong market interest from a number of retailers for a smaller format store in Porthcawl at the present time. Previous attempts to bring forward redevelopment were thwarted largely by the collapse of the foodstore market, so it is important that the Council capitalises on the opportunity presented by the buoyant market conditions that currently exist. Crucially, the early release of the store site will also act as a catalyst for unlocking wider site development, given the opportunity for reinvesting that receipt in key improvements and infrastructure that will enable other phases to be brought forward.

Phase 2

- 4.3 This is the only other land parcel to be sold on the Salt Lake site that is unencumbered by the requirement for coastal protection works. It is located immediately adjacent to the new store, and has the potential to be served by the new access road that the store developer will be responsible for constructing, to a specification agreed by the Council. The site is identified for housing, and a development brief will be produced prior to marketing later in 2019.

Phase 3

- 4.4 In the original masterplan, Hillsboro Place Car Park was identified as the site for a large superstore, which would have necessitated the stopping-up of the Portway. As a consequence, the public car park has not seen any significant investment for a number of years. Given the decision to now retain Hillsboro Place as the main car park serving the town centre, funding will be necessary to carry out a series of improvements, including accessibility improvements and a more efficient layout that will increase car parking numbers. This would also allow for the potential release of fringe areas for further commercial leisure development that would contribute to the Council's Vision for the site e.g. at the southern end of Hillsboro Place Car Park.
- 4.5 It is proposed that these works are carried out as soon as the receipt from the sale of the store is realised, to ensure that it is brought up to a standard that is comparable with the new store car park, and is reconfigured to increase the number of spaces as early as possible.

Phase 4

- 4.6 In the event that WG approves the coastal defence bid, the implementation programme for works will be 2020-2021. In addition to purely coastal protection work, the scheme will also encompass a new Eastern Promenade, ensuring that leisure amenity is delivered as an early phase within the plan.
- 4.7 Given the constrained nature of the site and costs to provide coastal flood risk protection, the development of Phases 4 – 7 can only take place once successful match funding for flood and coastal flood risk is identified.

Phases 5 and 6

- 4.8 The remainder of the Salt Lake site is largely constrained by coastal flood risk. The timescales for implementation of coastal works therefore determine the marketing, disposal and development programme for these phases. These two parcels are identified for housing but will require development briefs or an updated masterplan prior to marketing commencing.
- 4.9 Prior to these areas being brought forward for development it is proposed that they will be utilised predominantly as a council run car park. This will require up-front investment via short-term prudential borrowing. The use of this area as temporary car parking will enable monitoring of car parking requirements over an extended period. This will help inform any future consideration of additional public parking that may be allocated within phases 5 or 6 to supplement the main car park on Hillsboro Place.

Phase 7

- 4.10 Commercial leisure agents have consistently advised that the leisure investor market is weak at present, and the likelihood is that other phases will need to be first brought forward to create confidence amongst leisure investors. Whilst the strategy is therefore based on this being a late phase in the plan, the Council is in discussions with Visit Wales to promote the site as part of a Wales-wide strategy to attract national investors to a small number of strategic tourism and leisure sites. As

a fall back to these, an interim uses strategy for the leisure site will be produced to ensure that in the intervening period prior to a permanent leisure scheme coming forward, temporary activities are provided on the site.

Summary of Phasing

Phases	Uses	Rationale	Estimated Timing
1	Foodstore Site	<ul style="list-style-type: none"> • Strong market interest confirmed by soft market testing • Will satisfy unmet demand for convenience goods in Porthcawl • Capital receipt is fundamental in providing funding for enabling infrastructure for future development phases and improvements 	<p>Commence marketing early 2019</p> <p>Earliest date for realisation of capital receipt – Summer 2020</p> <p>Earliest date for foodstore completion - Summer 2021</p>
2	Housing	<ul style="list-style-type: none"> • Not constrained by coastal flood risk • The site will be enabled by a new link road being created off the A4106 roundabout as part of the foodstore site development 	Commence marketing mid 2019
3	Hillsboro Place Car Park	<ul style="list-style-type: none"> • Not constrained by coastal flood risk • There is a need to improve the quality of the principal car park serving the town centre and gateway link to the wider regeneration site • Opportunity to create a more safe and efficient car park layout to improve access, increase numbers/free up surplus land for leisure/commercial uses (e.g. hotel) at key gateway locations linking the town centre and wider regeneration scheme 	<p>Work to be done as soon as possible following confirmation of the receipt from phase 1</p> <p>2020-2021</p>
4	Eastern Promenade and wider coastal	<ul style="list-style-type: none"> • Pre requisite for bringing forward future development phases • The Prom is a significant community asset that will be 	2020-2021

	flood defence works	<p>improved as part of the coastal defence works</p> <ul style="list-style-type: none"> External funding opportunity to secure significant capital grant and link urban design improvements with the coastal defence measures such as improvements to Rhych Point, the Relic Dunes, the Eastern Promenade and Western Breakwater. 	
5 and 6	Housing Sites	<ul style="list-style-type: none"> These sites can only come forward once the coastal flood defences are in place and an updated masterplan is agreed Will deliver housing supply identified in the LDP Provide flexible opportunity to consider additional public parking 	2022-23
7	Leisure site	<ul style="list-style-type: none"> Longer term delivery due to currently weak leisure market - earlier phases will create investor interest The Council is working with Visit Wales on a potential investment opportunity as part of a strategic sites package for Wales If the above doesn't come forward, an interim uses strategy for the leisure site will be developed 	Post 2023

Investment of Capital Receipts

4.11 The rationale for ring-fencing the receipts from the early parcel releases is based on investing in key infrastructure that will unlock other sites for disposal and development, and enabling key improvements to be undertaken to achieve regeneration and improve operational service delivery. These would result in both financial and regeneration benefits. Paragraph 4.14 sets out the series of items that are proposed to be funded out of those receipts.

Summary of Receipts

4.12 The capital receipt forecasts are based on information provided within recent independent market valuations. As with all valuations, they are highly dependent on market conditions at the time of going to market, abnormal development costs, and S106 contributions. All of these are variable until each of the individual schemes / phases have been designed and planning consent obtained.

4.13 The two land parcels (phases 1 and 2) are not dependent on the coastal protection work, and can therefore be brought forward for early release. Land parcels referred

to as phases 5, 6 and 7 will be brought forward post completion of coastal works. Total projected capital receipts for the Salt Lake area is circa £7-8m. Due to the proposed phasing of this regeneration site this figure excludes the values or projected receipts for the leisure site and any potential development opportunity at Hillsboro Car Park.

Proposed Reinvestment of Receipts

4.14 The following items are proposed to be funded:

- Essential investment in Hillsboro Place Car Park, which is now being retained as the principal public car park serving the town centre. This will include a more efficient layout to increase the number of car parking spaces, and provide the opportunity for developing an area of land at the southern end of the car park as a potential hotel;
- Improvements to Salt Lake to enable it to be run as a public car park in the intervening period prior to this area being brought forward for development (phases 5 and 6). The car park is currently being operated by a 3rd party under a lease which terminates by the end of November as part of the transitional arrangements for the site. It is proposed that the facility will be run by the Council and will require investment in new pay and display machines, signage, and site remedial works. The car park will need to be operational before Easter 2019, so the Council would need to commit to this investment in advance of the receipt from short term prudential borrowing and repaid from income from the car park;
- Necessary accessibility improvements to the Portway, including crossing points and the potential for the introduction of on-street parking to improve accessibility to the town centre;
- Physical works to the leisure site to enable temporary uses to be brought forward as part of the interim leisure strategy, and
- A series of physical improvements in key areas, such as the gateway to the site (potentially in partnership with the town council), the promenade and pedestrian links to the town centre.

4.15 The total estimated cost of these is £2.64m. A number of these are at pre-design and pre-tender stage so are currently provisional.

4.16 The delivery of necessary infrastructure will be phased so that costs only become necessary once receipts from land and property sales are in-hand. This will minimise the amount of prudential borrowing necessary. The exception being the £100,000 necessary to make the temporary Salt Lake Car Park operational. This element will be funded from short-term prudential borrowing and repaid from income generated from the car park.

4.17 The anticipated receipt from the completion of all phases is expected to be around £7-8m, excluding the leisure site and potential development plot at the southern end of Hillsboro Place Car Park. These receipts will directly fund the capital programme. There will be further receipts from the sale of land at Sandy Bay, which forms part of the Owners Agreement with the Evans family but these have not been factored into this report.

- 4.18 Should the bid to WG be successful, there will be a requirement for the Council to provide 25% match funding towards the coastal defences scheme. Initial feasibility work undertaken by ARUP has indicated that this could be circa £1million, but this figure will be refined when detailed designs and cost planning are progressed in the next few months. It is recommended that this contribution is covered through borrowing that is available to the Council, and repaid from future receipts, either arising from the ongoing sale of parcels in the Salt Lake area, or from future disposals at Sandy Bay. The Council needs to confirm its commitment to the 25% prior to submission of the final bid to WG in Autumn 2019.

5. Effect upon Policy Framework & Procedure Rules

- 5.1. None. All future implementation or development work associated with this report will be carried out in accordance with existing authority regulations.

6. Equalities Impact Assessment

- 6.1. Equalities implications informed the way that development is phased. The officer's initial views are that no protected group is adversely affected by the proposals. A number of the projects proposed in the programme will require full Equality Impact Assessments before they commence.
- 6.2. An equalities impact assessment has previously been undertaken as part of setting the planning policy framework for the County Borough, on which the current masterplan is based. Future development briefs, masterplans and planning applications for the site will assess the potential impact on equalities and social cohesion.
- 6.3. As part of its assessment of the business case for coastal defence works the Council will seek to ensure that any new or enhanced facilities and infrastructure is accessible to all local individuals and groups as far as is possible.

7. Well-being of Future Generations (Wales) Act 2015 Assessment

- 7.1. The proposals covered by this report have been assessed against the Well-being of Future Generations (Wales) Act 2015. A summary of the implications from the assessment relating to the five ways of working is as follows:
- 7.2. Long-term - The purpose of this work is to set out the long term financial strategy for bringing forward the Porthcawl Regeneration Scheme. Work on bringing forward the regeneration site has been ongoing for the last 10 years, with the purpose of the investment, to secure the future of the resort as a premier seaside town and to secure and create local jobs, homes and investment in the local economy for years to come.
- 7.3. Prevention - Support for regeneration programme provides confidence to the public in the authority's proposals for investing in the site which has remained undeveloped for many years, and preventing a future decline in the local economy. One element of the programme is to invest in the coastal defences along the Eastern Promenade which is essential work in the programme of flood risk prevention along the coast.

- 7.4. Integration – The aims of the regeneration programme as a whole is to encourage new visitors and investors to Porthcawl, to invest further in the local economy. By investing in the site we are not only looking for new leisure and retail offers for the existing population, to stop leakage from the local economy but to provide a more vibrant and quality environment and provide better linkages between the existing town centre and attractions to new housing and an enhanced population.
- 7.5. Collaboration - The overseeing programme board ensures that all responsibilities that the authority has in meeting its well-being objectives are considered and that a joined up approach is taken to programme delivery and decision making. The Council will look to engage existing and new partners in bringing forward aspects of the work and development of site.
- 7.6. Involvement - The regeneration programme has been discussed over a number of years with the public and partners. It is supported by an adopted Masterplan setting the framework for development on the site which was subject of public consultation as part of its adoption. The programme is supported internally by a programme board, and reported on externally to the Bridgend Coastal Partnership. Future consultation will take place as projects within the programme are taken forward.

8. Financial Implications

- 8.1. This report requests that £2.64m of project costs associated with the development of Porthcawl Strategic Regeneration Scheme are included in the capital programme.
- 8.2. It is currently anticipated that land disposals will create an eventual capital receipt of £7-8m towards the current capital programme and pay for the anticipated investment. Additional capital receipts will enable the Council to reduce its borrowing requirement and related charges i.e. interest on borrowing. Any disposals from the leisure site and Hillsboro site would be additional to the £7-8m figure.
- 8.3. The development is phased to minimise the amount of prudential borrowing necessary and only when receipts from sales are in-hand are infrastructure costs expected to be incurred, save for the £100,000 necessary to make the temporary Salt Lake Car Park operational. This element will be funded from prudential borrowing and repaid from income generated from the car park. The total breakdown of expenditure by funding source is as follows -

Funding Source	£000
Capital Receipts	2,543
Short Term Prudential Borrowing	100
Total	2,643

- 8.4. Given that the project is at its initial stages of development, capital projects such as this will have significant uncertainties. For example, these may relate to the planning, ground conditions, and uncertainties around market demand. For this reason, the Council has undertaken soft market testing in order to understand market demand of the foodstore and has received positive feedback. It is in the process of undertaking site investigations, collating technical details for the site and

working with a number of consultancy services to complete the marketing particulars. All of which is expected to assist with the foodstore site's disposal and realisation of a receipt from the disposal of the foodstore site. Further soft market testing will be undertaken on the future housing phases as the scheme progresses. An earmarked reserve has been established to meet any feasibility and marketing costs associated with progressing the scheme.

- 8.5. Outline costs for various phases are necessarily broad estimates due to the number of unknown factors. As projects progress, the unknown factors will become clearer and project officers will manage these costs in the most effective way possible, utilising contingencies and report back to lead officers, as necessary.
- 8.6. The estimated £1m match funding identified in the outline business case to Welsh Government, and which is necessary to deliver the coastal defence scheme is requested for approval along with authority to secure 75% funding via the Local Government Borrowing Initiative (LGBI) towards these works.

9. Recommendations

Council authority is sought for the following elements necessary to bring forward the Porthcawl Regeneration Scheme:

- 9.1. To revise the capital programme to include a budget of £2.64m of investment in Porthcawl Regeneration, funded from a combination of capital receipts generated from the sale of land within Salt Lake, and prudential borrowing;
- 9.2. To provide 25% match funding (circa £1 million) towards coastal defence works in Porthcawl and authority to secure 75% funding via the Local Government Borrowing Initiative (LGBI) towards these works. The scheme will not be incorporated in the capital programme until the 75% LGBI funding has been approved; and

Note: the sums will be confirmed prior to the detailed business case submission to Welsh Government expected around Summer 2019.

- 9.3. To delegate authority to the Corporate Director – Communities and s151 Officer to agree any cost variations associated with the Porthcawl Development Scheme

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Background documents

Cabinet Report – 19 December 2017