

EXETER CITY COUNCIL**EXECUTIVE
6 DECEMBER 2011****EXETER CANAL BASIN REGENERATION SCHEME****1.0 PURPOSE OF REPORT**

- 1.1 To inform Members of progress in bringing forward the regeneration proposals for the Canal Basin area; to review the impact of the current economic climate on those proposals; to agree any consequent changes to the City Council's objectives and Delivery Strategy; and to consider and agree a revised timetable for delivery.

2.0 REGENERATION DELIVERY STRATEGY

- 2.1 Executive adopted the Exeter Canal Basin Masterplan in July 2004 and a Regeneration Delivery Strategy at its meeting on 14 December 2004. Subsequent update reports have been considered on 4 July 2005, 21 November 2006, 3 July 2007, 16 September 2008 and 27 January 2009. Essentially the Strategy proposed the phased delivery of the overall scheme for the Canal Basin area, consisting of four stages over the period up to 2012. This report updates on progress and, where appropriate, recommends certain amendments to take account of the impact of the recession and the continuing strained economic climate together with the changed funding scenarios.

2.2 Phase 1

- i. Refurbishment of the Old Electricity Building (site H on the annexed plan and the adjoining site (Site G))

As reported to Executive on 16 September 2008, the developer of Site G (Homebrick Ltd) completed the construction of the new building adjoining the Old Electricity Building in 2008. We were advised at that time that it was their intention to then proceed with their proposed scheme for the Old Electricity Building itself. However, the developer subsequently approached the City Council to advise that it was having difficulties since, in the absence of any identified pre-let agreements to take the space, the anticipated bank funding was not going to be forthcoming. Since then the City Council has negotiated several flexible arrangements with Homebrick and eventually we were able to facilitate the transfer of the benefits of the Development Agreement to the City Wall Exeter Ltd in order to allow them to build out an indoor climbing centre. This development is now substantively complete and it is understood, at the time of writing, that the developer will be looking to draw down the new long lease for the premises before Christmas.

- ii. Refurbishment of 60 Haven Road (Site I); refurbishment of the Maclaines Warehouse (Site J); and the development of Sites A and B

Signpost Housing Association, the chosen developer for the site adjoining 60 Haven Road (Site A) has completed the construction of their approved

scheme on this site providing 14 units of affordable accommodation with a restaurant/retail unit on the ground floor. The affordable units are now fully occupied and Signpost have passed on the leasehold interest in the ground floor unit to Sutton Harbour, who are looking to secure a suitable occupier.

The other three sites were scheduled to be regenerated by Sutton Harbour. As discussed at Executive on 16 September 2008, it has been necessary to accept that in the absence of pre-let agreements, Sutton Harbour were unlikely to be able to progress these schemes and it was agreed that the City Council would enter into an Exclusivity Agreement with Sutton Harbour and the Exeter Canal & Quay Trust, under which Agreement a framework would be established for Sutton Harbour to seek to identify occupiers of the units which would consequently release bank funding to facilitate the drawing down of the agreed Development Agreements on the sites. This Exclusivity Agreement was entered into in November 2008 and was subsequently extended until 31 October 2011.

Both the Acting Head of Estates Services and the Independent Surveyor for the Exeter Canal & Quay Trust (Vickery Holman) do not feel that it is suitable for the City Council and the Trust to extend this Exclusivity arrangement any further bearing in mind the time that has passed since the Development Agreements were originally negotiated. The Exeter Canal & Quay Trust has already resolved to not renew this arrangement and it is felt sensible that the City Council should follow suit. This means that Sutton Harbour had until 31 October 2011 to draw down the existing Development Agreements that would oblige them to commence and complete development within the agreed timeframe. They have not done so and the sites in question (Sites I, J and B) are now generally available on the market. The Acting Head of Estates Services and the Trust's Surveyor have been in discussion as to how these sites would best be brought forward and we intend to commence a joint marketing exercise now that the Exclusivity period has expired.

Sutton Harbour have, since the expiry of the Exclusivity period, indicated a willingness to draw down the Development Agreement for Site B at the agreed price. The Trust's Surveyor has advised that this would represent good value to the Trust at this time and has recommended that the Trust agree to proceed if matters can be concluded by Christmas. The City Council will also benefit from this and is also prepared to proceed with this transaction.

iii. Improvements to the small Haven Road Car Park

The improvement works and the subsequent letting of 30 spaces within this car park to Sutton Harbour remain delayed for the reasons set out in paragraph ii above, although if the Site B transaction does proceed 12 spaces will be released on completion.

iv. New boardwalk in front of 60 Haven Road

The delivery of this feature has been postponed until such time as the Development Agreement for 60 Haven Road is drawn down.

v. Public realm improvements around Sites A, B, I and J

The surfacing and street furniture improvements for Site A have been delivered under the Development Agreement by the Signpost Housing Association. The other areas will be improved as and when the appropriate Development Agreements are drawn down.

vi. Section 106 contributions towards public realm in the Canal Basin area

All planning consents granted for Sites A, B, I, J, H and G were conditional upon the developers entering into Section 106 Agreements securing financial contributions to the areas of the public realm plan that are not to be directly provided by developers. Section 106 Agreements have all been entered into but, as discussed, some of the Development Agreements have been delayed and the contributions will not be due from those sites and the consequent improvements will not be received or carried out for the time being. Obviously, if and when further planning applications are approved for the schemes the public realm improvement provisions will need to be renegotiated as part of the Section 106 discussions.

We have, however, received contributions from Signpost Housing Association on Site A and from the developer of the Old Electricity Building (Site H) and some of these funds have been expended on the lighting and seating provision on the Haven Banks Walkways/Cycleway and for the installation of public art and public realm improvements to Site F (the Kings Arms Isthmus).

If the Site B proposal does proceed the agreed contributions will be due.

vii. Affordable housing provision in accordance with Local Planning Authority policy

As described above, affordable housing in excess of planning policy has been achieved in conjunction with the Signpost Housing Association on Site A.

viii. Contributions towards the construction of the Water Lane link road

Planning consents granted for the schemes within the policy area provide for contributions of £7,500 per residential unit in accordance with the adopted policy. Some of these monies have now been received and as a consequence we have been able to use these funds to assist in the commencement of the Water Lane link road through the larger Haven Road car park.

ix. Construction of a new roadway through the Haven Road car park and a new junction onto Water Lane

This road link is proposed in the adopted Local Plan to serve development in the area. A contract has been awarded and completed for the construction for the first stage of this road. The detailed estimates for the cost of the new link road together with the junction onto Water Lane suggests a sum of some £1.5M which is significantly above the budgeted sum of £1M. This was principally because of the need to excavate extensively in heavily contaminated land in order to achieve the drop down

into Water Lane and for the demolition and subsequent partial reconstruction of the retaining wall fronting Water Lane itself. Faced with that estimate Executive resolved to proceed with a revised scheme that has now delivered a substantial section of the new roadway to adoptable standards; provided proper access to the new Bridger Marine chandlery building; provided a new seasonable boat laying-up area; and delivered a redesigned coach and car park, but excluding the final link section to Water Lane itself. This has been constructed so as to allow this link to Water Lane itself to be delivered once the proposed high quality public transport route (or a subsequent alternative) across the City has been designed in detail by Devon County Council.

As part of this project we have also delivered the fibre optic cable link from the Custom House to Exton Road via the Canal Basin and the Haven Road car park. This has improved the ICT links with the Council's services at Oakwood House, The Ark and the Depot and has facilitated the introduction of CCTV security measures in Exton Road and the Haven Road car park.

- x. Creation of a new winter boat storage area in the Haven Road car park

The new boat storage/summer pay and display car park area has been delivered under the scheme in paragraph ix. above.

- xi. Construction of a new chandlery in the Haven Road car park

The new premises for Bridger Marine have been completed and a new long lease has been granted. The lease of their existing premises was surrendered to the City Council and the building itself has been demolished and replaced by a temporary hard standing for boat storage on the site. Members are reminded that this site is identified in the Strategy for the provision of a new Water Sports Centre for the Exe Water Sports Association. This is discussed below.

2.3 Phase 2 – construction of a new Water Sports Centre on Site C

- i. As reported to Executive on 16 September 2008, the Exe Water Sports Association's funding application was rejected by Sport England. It is felt that, in the current economic climate and sports funding regime, it is unlikely that a resubmitted application would be successful. Similarly, there is a dearth of alternative funding opportunities for schemes of this nature. In the circumstances, although it is the clearly expressed desire of the City Council to procure the provision of a new facility for the Water Sports Association, the funding streams for so doing have not been identified. The cleared site will continue to be used as a temporary boat store during the course of the Canal Basin Regeneration Scheme at the end of which, if funding streams have not been secured, the long-term future of this site can be considered together with the future of the Association's existing premises at 63 Haven Road.
- ii. Construction of a new Haven Banks Outdoor Education Centre on part of Site D.

Devon County Council will have secured planning consent for a new Outdoor Education Centre effectively taking up all of Site D. City Council

officers, Exeter Canal & Quay Trust's Surveyor and Devon County Council's Surveyor are working to agree terms for the surrender of Devon County Council's lease of their existing site at 61 Haven Road from the City Council; an over-riding lease from the City Council to the Exeter Canal & Quay Trust for the new site (Site D) and for the grant of a Development Agreement and Lease for the new site from the Exeter Canal & Quay Trust to the County Council. The County Council has confirmed funding for the new facility and is in the process of preparing the site for development which should commence early in the new year.

Devon County Council intend to sublet the completed facility to Exeter College to run under a partnership agreement. Both the City Council and the Exeter Canal & Quay Trust are concerned to ensure that any such arrangement does not endanger the availability of the facility for use by non-college groups. The respective surveyors and lawyers are working towards agreements that secure this objective.

iii. Construction of a new Canal Management/visiting boat facility on Site D

The impact of the new Haven Banks Outdoor Education Centre on Site D means that there is no space available for a free-standing Canal Management office and yard on Site D. In the circumstances it has been agreed that, if the Haven Banks Outdoor Education Centre scheme proceeds, we would elect not to replace the existing Canal Management facilities at this time and would look to construct any new visiting boat facility on land between that site and the neighbouring Sea Cadets premises.

iv. Development of the remaining Site D

If the new Haven Banks Outdoor Education Centre proposals proceed, there will be no further developable land on Site D.

v. Confirmation of new Harbour Revision Order designating a new Quay area

The public inquiry was held in September 2008 and the Inspector's report is still awaited.

vi. Improvements to retained boat laying-up areas around the Basin

No works has yet been done in respect of these areas, although the Head of Operational & Transportation Services is charged with a developing a Berthing Strategy that will address requirements in these areas.

vii. Delivery of a bus service to the Canal Basin area

The delivery of the link road through Haven Road car park would facilitate the operation of a high quality public transport bus to provide to the City Centre, should funding for this proposal ultimately be approved by central government.

2.4 Phases 3 and 4

As previously reported, officers have not spent a great deal of time on the later stages of delivery except that the installation of public art and public realm

improvements to Site F (the Kings Arms Isthmus) has been delivered together with new lighting columns being installed along Haven Banks riverside walkway.

It is intended to bring forward a scheme of planting and seating along the walkway later this year (subject to practicalities arising from the new Outdoor Education Centre scheme).

3.0 Next Steps

- 3.1 It is clear from the above that the recession and the ongoing sluggishness in the economy have impacted seriously on the ability to bring forward the more commercial elements of the Canal Basin Delivery Strategy. As discussed, with the expiry of the Sutton Harbour Exclusivity Agreement the City Council and the Exeter Canal & Quay Trust must reconsider how it procures the refurbishment and re-use of the two listed buildings at 60 Haven Road and the Maclaines Warehouse and how it brings forward a sensitive development of Site B adjoining the Maclaines Warehouse. It is proposed that Vickery Holman, the Trust's Independent Surveyor, act as joint agent for both the City Council and the Trust in formulating and putting into place a new marketing strategy for these sites.
- 3.2 During the period of time in which this marketing campaign is undertaken the City Council and the Trust would wish to revisit those elements of the original Canal Basin Masterplan covering the three schemes in question to ensure that there will be a realistic likelihood of securing a developer prepared to tackle the master planning requirements. In particular, it is felt that in order for a refurbishment scheme to be viable in the current economic circumstances it would be important to be able to consider the merits of sensitive residential refurbishment of the upper floors of the Maclaines Warehouse which the current Masterplan does not permit. Initial discussions with City Council planning officers suggests that, provided that the character and particular features of the building are respected, such a use could be considered in future. Members are requested to endorse this principle to facilitate scheme viability in the new economic circumstances.
- 3.3 The breathing space afforded by the marketing campaign will also allow the Haven Banks Outdoor Education Centre scheme to proceed without conflict with potential developments elsewhere on the Canal Basin Spit hence minimising interference with local businesses and residents. The fifteen month build programme for the Outdoor Education Centre should tie-in comfortably with the reasonable marketing period, bidding period, Development Agreement negotiations and planning process for new schemes for the listed buildings and development site adjoining the Maclaines Warehouse.
- 3.4 Because we will no longer be receiving the projected premiums from Sutton Harbour for the three sites (except possibly Site B), the capital budget for the Canal Basin scheme will be limited and we will be restricted to carrying out smaller environmental and public realm enhancements in the area until such time as capital receipts begin to flow again. The revised timetable should become much clearer once the new marketing campaign is underway and we can begin to gauge the level of interest in bringing forward these schemes. We will then be able to comprehensively revisit the delivery strategy and identify the next steps for City Council and Exeter Canal & Quay Trust investment in the Canal Basin area.

4.0 Funding Implications

- 4.1 Since the last update report to Executive (January 2009) we have seen the completion of the development on the site adjoining 60 Haven Road (Site A) and the subsequent payment of the premium for that site. We have also seen the substantive completion of works on the Old Electricity Building (Site H) and we anticipate the receipt of that premium shortly. We have carried out the initial stage of the Haven Road Car Park link, the improved car and coach park and winter boat storage area, the fibre optic link to Exton Road and various environmental and public realm improvements in the area.
- 4.2 The current capital budget for 2011/12 as at September 2011 was £648,990 with a further £536,260 in the budget for 2012/13. These budgets will have to be adjusted to take account of the loss of the Sutton Harbour payments that had been built into them (£743,515 over the two years). A revised assessment of expected receipts will be made as part of the marketing strategy for the development sites and the revised budget will be produced once this is to hand.

5.0 RECOMMENDED that:

- i. the progress to date on the delivery of the Exeter Canal Basin Regeneration Strategy be noted;
- ii. the Acting Head of Estates Services, in consultation with the Portfolio Holder Economy & Tourism, be authorised to agree and enter into a new marketing strategy for Sites I and J in partnership with the Exeter Canal & Quay Trust (and Site B if the proposed transaction does not complete);
- iii. the City Council do not extend the Exclusivity Agreement with Sutton Harbour beyond 31 October 2011; and
- iv. the principle of considering sensitive residential uses of the upper floors of the Maclaines Warehouse be supported.

**MICHAEL CARSON
ACTING HEAD OF ESTATES SERVICES**

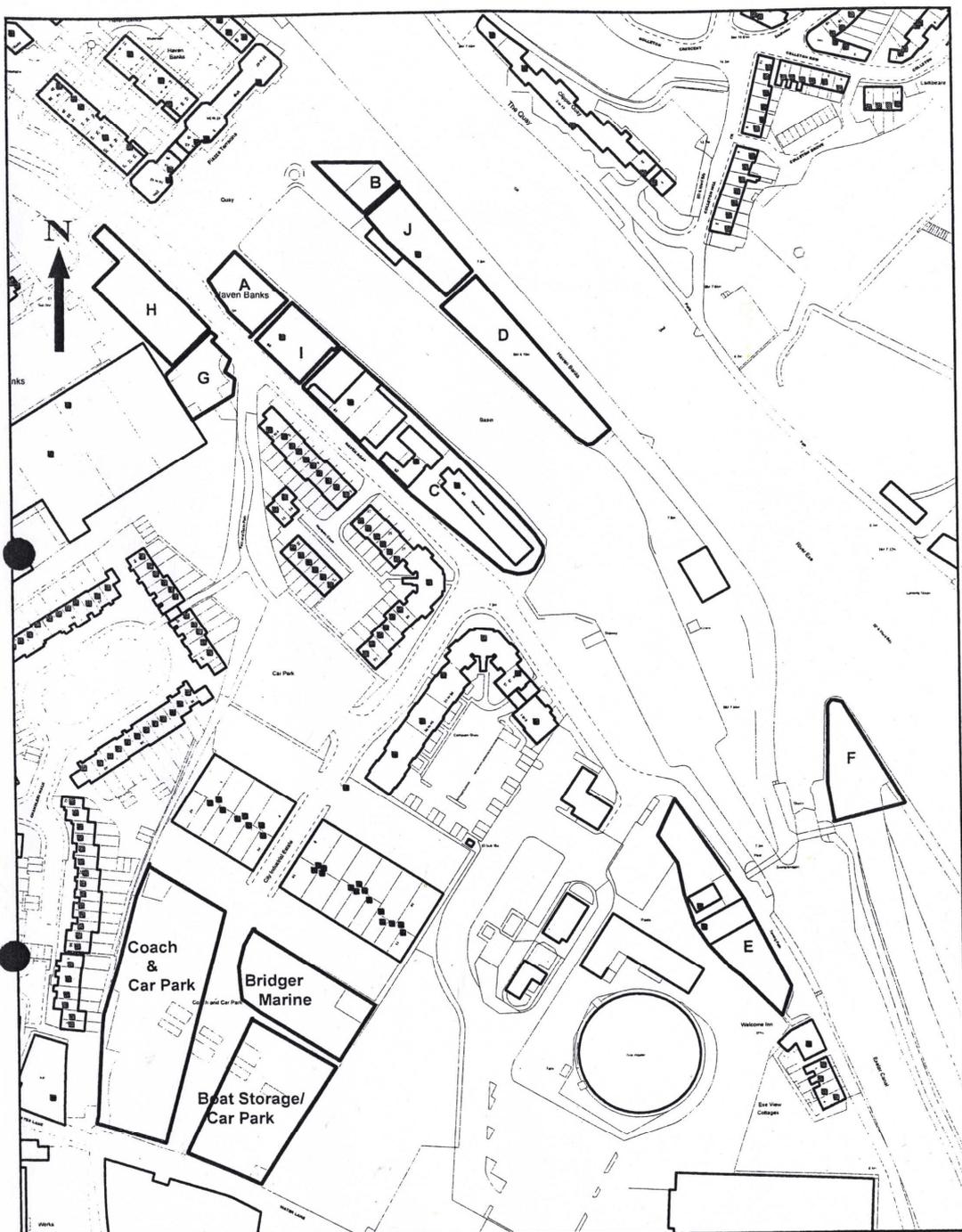
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ECONOMY & DEVELOPMENT DIRECTORATE

Local Government (Access to Information) Act 1985 (as amended)

Background papers used in compiling this report:-

None



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