



Cabinet report

Date **10 NOVEMBER 2022**

Title **DISPOSAL OF KINGSTON MARINE PARK**

Report of **CABINET MEMBER FOR LEVELLING UP, REGENERATION
BUSINESS DEVELOPMENT AND TOURISM**

**CABINET MEMBER FOR STRATEGIC FINANCE,
TRANSFORMATIONAL CHANGE AND CORPORATE
RESOURCES**

EXECUTIVE SUMMARY

1. The council has received a financial offer from a third party to buy the freehold in Kingston Marine Park (KMP) for the purpose creating jobs in the creative industries on the site and approval is sought for this transaction. The third party comprises three well known, sector-leading figures with decades of experience (see Confidential Appendix 1).
2. KMP has been vacant for over ten years since it was bought by the South East England Development Agency (SEEDA) - which later became the Homes and Communities Agency (HCA), now Homes England (HE) - in order to relocate occupiers from East Cowes waterfront and enable their East Cowes masterplan. Originally bare agricultural fields sloping steeply down to the River Medina, the land was extensively reprofiled and otherwise enabled for employment use, and consent was obtained for a marine business park. This required river access, which proved undeliverable for environmental reasons.
3. The council bought the site from the HCA in 2018 after their remit changed from regeneration to housing delivery, in order to secure a major employment development site for the benefit of the Island. Significant additional research has been carried out into delivering water access, to comply with the existing planning consents but this remains very difficult and in recent years the council has received interest and offers from non-marine employment uses. The most recent is the subject of this report.
4. It has been agreed with the third party that the council will retain in the sale documents an option to buy back, for £1.00, two and a half acres of otherwise undevelopable land at the north west of KMP adjacent Saunders Way for the location of a potential battery storage facility, as and when it proves deliverable.
5. Mainland property owners in both private and public sector are waking up to the many direct and spin-off benefits available from the creative industry sector and are doing all they can to brief themselves and attract developments to their doorstep.

6. The sale of the majority of the KMP site to the third party for the development of creative industries would contribute to a range of the council's stated Corporate Plan and Regeneration Strategy objectives and aspirations.

RECOMMENDATION

Option 1 - Approve the freehold sale of KMP, to a third party, as detailed in Confidential Appendices 1,2 and 3, subject to contract and achieving detailed planning consent.

Delegate the authority to approve final terms following this decision to both the Cabinet Member for Levelling Up, Regeneration, Business Development and Tourism and the Cabinet Member for Strategic Finance, Transformational Change and Corporate Resources in consultation with the Director of Regeneration and the council's Section 151 officer

CONFIDENTIAL / EXEMPT ITEMS

7. The content and financial terms of this proposal and recommendation are confidential and exempt from publication for commercial business reasons of the proposer, as outlined in the Confidential Appendices.

BACKGROUND

8. KMP comprises approximately 6.58 hectares (16 acres) in total, of which approximately 3.84 hectares (9.5 acres) is regarded as developable, located off Saunders Way in East Cowes, bounded by Cowes Power Station to the north, self-build housing and a Barratt housing estate to the east, agricultural land to the south and the River Medina to the west.
9. The council bought the site from the Homes and Communities Agency (HCA) in May 2018 after their remit changed from delivering regeneration to housing (they are now Homes England).
10. The HCA's East Cowes masterplan had included relocating boatbuilding and other marine uses from Venture Quays in East Cowes town centre, and these steeply sloping fields were identified and acquired for this purpose then extensively re-profiled to form two level development platforms. During this process, ground instability led to only the lower development platform next to the river being delivered, with the upper area adjacent Saunders Way being stabilised as a slope and planted as permanent landscaping.
11. The HCA were granted planning consent in November 2012 (P/00494/11) for:
 - Outline for a marine business park of up to 15,000 square metres (160,000 square feet) of floorspace, for office, research and development, light industrial, industrial and storage and distribution uses (Classes B1, B2 & B8) plus parking & landscaping, plus
 - Detailed for engineering operations to alter site levels including formation of retaining structures, formation of vehicular access onto Saunders Way, internal site access road, construction of jetty with hoist dock and pontoon (implemented with amendments)

12. A subsequent reserved matters consent P/01376/17 in January 2018, for a smaller marine business park on the lower development platform, was not implemented.
13. Planning consent restricts use to marine employment unless otherwise agreed in writing with the Local Planning Authority. This requires river access.
14. The Medina River is ecologically sensitive and its importance for nature conservation is reflected in the various tiers of designation at international, national and local level, including designations as a Site of Special Scientific Interest (SSSI), a Special Protection Area (SPA), a Special Area of Conservation (SAC) and a Ramsar site.
15. The HCA were unable to provide the river access needed to deliver marine use and this remains unresolved.
16. The council Regeneration Directorate acquired KMP from the HCA in May 2018 with the aspiration of delivering economic growth and prosperity, and to plan for the Island's future employment land needs. Efforts have been made since then to identify other ways of delivering marine access, including via third party agreements with neighbouring landowners (RWE nPower) and less invasive ways of accessing the river, but subsequent European environment law appears to add to the difficulty of ever delivering a marine use development here.
17. The site has been marketed nationally, following a review of options for development for marine employment requiring water access, which were ruled out due to environmental factors. The site is widely known by Island and mainland agents to be available, and occasional speculative enquiries have been received for non-marine employment use.

CORPORATE PRIORITIES AND STRATEGIC CONTEXT

Responding to climate change and enhancing the biosphere

18. The council has been considering the option for a battery storage project at Kingston Marine Park which is conveniently located adjacent to a primary substation. The battery storage facility, once developed, will potentially absorb surplus renewable generation and provide greater resilience for the Island's energy system. A sufficient area of the site will be retained by the council for the potential battery storage project although delivery of this initiative will be dependent on ground conditions, economic viability and planning consent. This will be the subject of a future separate cabinet report.

Economic Recovery and Reducing Poverty

19. The proposal will regenerate a strategic employment site and create up to 1,000 direct, sustainable, high value jobs. This will contribute to economic recovery and reduce poverty.

Impact on Young People and Future Generations

20. The third party have discussed with the council their medium-term plans for a skills project at the site, working with industry experts and local further and higher education providers as appropriate.
21. This would give young people highly valuable and transferable skills, and the potential future for careers in the creative industries, building on employment and on-the-job training prospects the project will offer young people from the outset.

Corporate Aims

22. The three key areas for action detailed in the 2021-2025 Corporate Plan are:
 - affordable housing provision,
 - climate change response and biosphere enhancement, and
 - economic recovery.
23. The 2019-2030 Regeneration Strategy sets out the council's approach to securing future economic prosperity and making the Island a great place to grow up, live, work and visit. It focuses on key themes, including:
 - place-making – five sites identified (not including KMP, the delivery of which is a bonus)
 - housing – delivering affordable housing
 - transport and infrastructure – partly to mitigate our separation from the mainland
 - cultural and environmental assets – especially focused on growing out of season tourism
 - skills and business development – including attracting higher paid jobs, Digital Island
 - area regeneration – reducing deprivation
 - changing perceptions of the Island – attractive to locals, visitors and inward investors

Affordable Housing

24. The third party proposal will not directly add to affordable housing provision, but it will offer affordable housing providers a wider range of well trained and better paid residents, if employees and trainees employed at the project and associated businesses become occupiers.

Climate change and biosphere

25. The developer's construction methods will use solar photovoltaics and other renewable energy sources, with on-site electricity generation expected to be used directly in the operation of the site with the potential to feed any excess into the power grid via the power station next door, or into the council's proposed battery storage facility close-by. The developer has specifically confirmed they are happy to work with the council, agreeing the council to retain part of KMP close to Saunders Way for this.
26. Extensive thoughtful planting of the undeveloped parts of the site (especially the area currently shown as Phase 3 on the sketch layout in the offer document) will contribute

positively to the biosphere. The Island's beauty is one of the main attractions for the developer to set up here.

27. Any subsequent planning application brought forward would require 10 per cent biodiversity net gain which has the potential to enhance the local marine habitats and coastal zone, thereby supporting the development of our Biosphere

Economic recovery

28. Economic recovery will be helped significantly by the creation of many full and part time jobs at KMP – the developer have described 1,000 jobs in total – requiring a wide range of skills, some industry-specific, some fully transferable, but all sustained without the need for council or Government grant funding – although any available funding will be applied for.

Area regeneration

29. It is anticipated that the positive effects of the proposals will not be limited to East Cowes and Whippingham residents and businesses, but will ripple across all areas of the Island, offering wide ranging island business opportunities, as well as direct employment on site and on location.
30. Business rates generated by the project will contribute to keeping the Island solvent and improving the financial position of the council. This proposal does not require any investment or other commitment from the council.

Perception of the Island, out of season tourism, Digital Island

31. The proposal not only offers significant inward investment at nil cost to the council, it raises the profile and status of the Island, it offers employment and education opportunities, and it delivers an unexpected gain over and above the administration's specific regeneration, business development and tourism targets (listed at 35 and 36 in the Corporate Plan, such as Shanklin Spa and Newport Harbour) as well as directly hitting targets 37 and 38 (elevating creative industries as part of the regeneration strategy, and using empty properties). It is also likely that the digital nature of the creative industries sectors involved will lead to opportunities to connect with the Digital Island Strategy.

CONSULTATION

32. Due to the confidential nature of the negotiations connected with the site there has been no consultation with third parties regarding the proposal
33. Public consultation on the scheme will take place as part of any planning application made by the proposed purchaser
34. The local ward member has been briefed on the proposal within the limits commercial confidentiality allow.

FINANCIAL / BUDGET IMPLICATIONS

Please refer to Confidential Appendix 2

35. The proposed terms of the disposal are deemed to satisfy the Council's obligations to achieve best consideration for the site on the basis that:
- a. Other sales in the vicinity for industrial / commercial use have been sold for a lower price per acre
 - b. There is no other known interest in the site from purchasers in the same sector as the proposed purchaser
 - c. The site has been marketed nationally
 - d. The site has been available for some considerable time
 - e. The offer is time limited with no realistic expectation that a better offer would be obtained through further marketing
36. Whilst reliance is being placed on the information and opinion described in the independent valuation report (Confidential Appendix 3), that report states that the company "does not accept responsibility for the consequence of any binding decision that may be made on the basis of this advice. As a consequence, our report will be provided on a non-reliance basis"

LEGAL IMPLICATIONS

- The Council has the power to dispose of property under section 123 of the Local Government Act 1972, which requires it to achieve 'best consideration' in any disposal.
- The Homes and Communities Agency have the benefit of a Clawback Agreement of 24 May 2018 between the Homes and Communities Agency (1) and Isle of Wight Council (2) which could result in payments being made by the council to the Homes and Communities Agency

EQUALITY AND DIVERSITY

37. This proposal is for the straightforward sale of a vacant commercial property asset within the Regeneration Directorate's direct remit. It is considered that this action would have no adverse implications or consequences for any of the protected characteristics as a result of a decision to approve.

PROPERTY IMPLICATIONS

38. The proposal and recommendation has no direct relevance or implications as regards the Strategic Asset Management Plan, other than it being the sale of an asset requiring good practice by property professionals in considering options for disposal, which is the case.
39. There is a clawback provision on the title which was imposed by Homes England (HE) when IWC purchased the site. This allows employment uses ("Use Class B1, B2 and B8") without a further payment to HE. The use proposed as part of this sale is an employment use, but IWC must notify HE of the disposal and until that has taken place there is no certainty as to whether a payment will be due. IWC will seek to clarify this

as soon as possible with HE. If however it is ultimately determined that a payment to HE is due, it should be noted that such a payment would be due on any disposal of this site, not just this sale, and that IWC would still receive fifty percent of any uplift in the land value.”

40. Capital issues: this proposal would sell the freehold in KMP in return for a capital receipt

41. Revenue issues: none

42. Landlord and tenant implications: none

43. Property related Statutory Compliance or Health and Safety issues: none

OPTIONS

Option 1

44. Approve the freehold sale of KMP, to the third party, based on terms described above and as detailed in Confidential Appendices 1,2 and 3, subject to contract and achieving detailed planning consent.

45. In doing so, delegate the authority to approve final terms following this decision to both the Cabinet Member for Levelling Up, Regeneration, Business Development and Tourism and the Cabinet Member for Strategic Finance, Corporate Resources and Transformational Change in consultation with the Director of Regeneration and the council's Section 151 officer.

Option 2

46. Reject this freehold offer and seek to agree a revenue producing leasehold transaction. As part of negotiations to date, the following alternate options have been discussed with and rejected by the third party:

- the council retain the freehold and grant the developer a long ground lease (say 125 years), securing a long term, low risk revenue return
- the council retain the freehold and fund all of the development costs via the Public Works Loans Board/ similar, in return for a short (say 25yrs) occupational lease at full market rent payable by the developer on the completed development
- the council form a Joint Venture company with the developer, the council contributing the land in exchange for revenue via an equity share in the business

Option 3

47. Reject all current interest and instruct a national agent with regional experience and presence to carry out a full marketing campaign, with all options considered.

48. It is considered highly unlikely that this would uncover new parties interested in leasing KMP in its present condition, with an unfinished ground surface across the whole development platform, in the centre of which is the large foundation for the proposed

hoist dock - with exposed mini pilings protruding a metre or so vertically from the slab - both of which prevent full use as well as presenting a significant health and safety issue.

49. This would therefore require further site enabling investment from the council.

50. It is further considered that a better financial offer to purchase would not be forthcoming from a developer. Other things being equal, commercial land buyers who are owner-occupiers always pay more than developers since they do not require a developer's profit (an appraisal cost which reduces any land bid).

RISK MANAGEMENT

Risk

51. The proposed buyer may buy and landbank the site.

Risk management

52. The developer are highly driven to deliver the project at KMP and are in a hurry to do so, for commercial reasons (see confidential Appendix 2).

53. The assessment of the Regeneration Directorate is that they will not landbank the site, but the method of disposal will ensure this (for example a sale by way of building lease followed by freehold transfer on practical completion).

Risk

54. The buyer may not achieve an acceptable detailed planning consent and the sale may not proceed.

Risk management

55. The planning department have been engaged at an early stage and have met with the developer on site and offering Pre-Application planning advice The developer has engaged an architect who is leading their project team to this end.

Risk

56. That although this seems like an acceptable financial offer, another similar project, may bid more.

Risk management

57. This proposal and offer from this developer is considered to be a "one off" opportunity, brought about by a combination of factors including that two of the three principals live locally, giving them a personal interest in developing the project here, both to the benefit the Island and as a legacy to their own industry success (ensuring it will be done well). It comes at a unique time of global expansion of creative industries, It is considered unlikely that other better qualified people in the industry have been looking to travel to the Island to build develop a similar project speculatively, paying a land price significantly higher than this developer are offering.

58. Nevertheless, Savills Commercial have provided a commentary on the employment land market and creative industries, and whether the council is well advised to approve the bid or look for another. This forms Confidential Appendix 3.

Risk

59. Other previously interested, or unknown other parties may raise concerns considering any historic and current interest in the site.

Risk Management

60. Director of Regeneration to advise stakeholders at an early stage of the council's position regarding the proposed disposal in the absence of any other detailed offers or proposals.

EVALUATION

Option 1 (freehold sale)

61. This will deliver a risk-free capital receipt and help meet a range of targets in the 2021-25 Corporate Plan and the 2019-2030 Regeneration Strategy.

Option 2 (leasehold disposal)

62. For commercial reasons, the developer prefers a freehold purchase and have rejected other routes to market which would deliver a revenue return to the council, one of which (the joint venture idea) also involves risk to the council. This option is considered unlikely to be deliverable.

Option 3 (reject all current interest and go to market widely, from scratch)

63. This would cause the developers deadlines to be missed and risks losing the opportunity for the island, with all its significant regeneration benefits. There is no certainty that a better bid would be received from another party and it may be argued that a "standard" employment use investor/developer/occupier would require a discount to best land value evidence, rather than the premium being offered by this purchaser.

APPENDICES ATTACHED

Confidential Appendix 1: Developer proposal and offer

Confidential Appendix 2: Financial commentary and site layouts

Confidential Appendix 3: Savills Commercial report

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