

<b>Subject:</b>	<b>Brighton Bathing Pavilion Lease Agreement</b>		
<b>Date of Meeting:</b>	<b>11 July 2013</b>		
<b>Report of:</b>	<b>Executive Director Finance &amp; Resources &amp; Assistant Chief Executive</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Toni Manuel &amp; Jane Pinnock</b>	<b>Tel: 29-0394/0568</b>
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<b>Ward(s) affected:</b>	<b>East Brighton</b>		

**FOR GENERAL RELEASE**

**1. SUMMARY AND POLICY CONTEXT:**

- 1.1 In Autumn 2011 the Council marketed the site known as the former Peter Pan site as identified on Plan 1 attached. The results of the marketing exercise were reported to Economic Development & Culture Committee in June 2012, where it was authorised that the agreed Heads of Terms with the preferred bidder would be presented to Policy & Resources Committee for approval.

**2. RECOMMENDATIONS:**

- 2.1 That the disposal of the site as shown on Plan 2 attached on a 60 year lease to the preferred bidder, the Karma Royal Group, at a ground rent for 21 years and a market rent thereafter be agreed, and the other terms of which shall be in a form agreed by the Executive Director Finance & Resources, the Assistant Chief Executive and the Head of Law;
- 2.2 That it be noted that the tenant will redevelop the site for leisure use to a specification to be agreed by the Council; and
- 2.3 That the Head of Law be authorised to enter into all associated documentation in a form to be agreed with the Executive Director Finance & Resources and the Assistant Chief Executive.

**3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:**

- 3.1 In Autumn 2011 the former Peter Pan site on Madeira Drive was marketed nationally by agents Oakley Commercial on behalf of BHCC. The brief was for a leisure development opportunity and ten applications were received.

- 3.2 The proposal called the 'Brighton Bathing Pavilion' presented by the Karma Royal Group was chosen by a panel comprising officers from Seafront, Tourism and Property Estates as the preferred development. The scheme is modelled on a spa resort and comprises 5 pavilions; an indoor/outdoor Children's Club, a year round Spa and Health Centre, a Beach Club and restaurant, an outdoor swim and bathing area and a member's club with library.
- 3.3 The proposal would provide a year round, high quality, inclusive and family friendly facility which officers consider would compliment existing uses within the area.
- 3.4 The developer, The Karma Royal Group, is internationally renowned, owning and operating award winning resorts and spas across the world. The Brighton Bathing Pavilion will be their first venture in the UK and the proposal is for a new iconic attraction for local people and tourists in Brighton & Hove.
- 3.5 The Brighton Bathing Pavilion is an exciting and unique development opportunity which will provide a high quality and sustainable attraction for the seafront. The emerging Seafront Strategy identifies Madeira Drive as a key area of the seafront in need of regeneration. Building on the success of the Seafront Development Initiative between the two piers the council's vision is to establish Madeira Drive as an all year round leisure destination for residents and visitors alike. Existing businesses on Madeira Drive already present an assortment of leisure opportunities for a variety of different user groups. Examples include Yellowwave for active young people; Peter Pans playground providing free family play facilities and Concorde II live music venue providing night-time entertainment for young adults. The addition of the Brighton Bathing Pavilion to the seafront portfolio will not only provide a new public attraction and directly enhance the site but it will perfectly complement the existing uses adding to the overall offer on Madeira Drive.
- 3.6 The development site is currently an enclosed hardstanding which is located to the north of the Volks Railway line and has remained vacant for many years. The developer proposes to re-align the railway track, undertaking the work during the winter months to avoid any disruption to the summer season, effectively returning it to its original course to the north of the site adjacent to the Promenade. This proposal is welcomed by the railway operators. The original footprint of the site will shift south of the newly aligned railway subject to planning and the disposal of public open space – see Plan 2 attached.
- 3.7 The developer has undertaken a public consultation exercise this Spring and planning permission will be sought by the developer this Summer.
- 3.8 The project is fully funded through private investment and does not require support from either the banking sector or the council. The level of investment from the developer will be approximately £5 million. As a result of the development of this vacant site and the creation of direct and indirect employment the annual economic impact of this scheme is considered to be in the region of £10 million. The Council will benefit from the rateable value income from completion of the development and potential planning gain.
- 3.9 Where a developer is taking a site and building a new development it is usual practice for the site owner to receive a ground rent being a sum that reflects the value of the

site and the significant investment made by the developer, as with the various industrial long leases the Council has granted in recent years.

- 3.10 Whilst the proposal is currently at pre-application stage in the Planning process, the architects have indicated that through S106 obligations the developer would be prepared to offer community benefits to the seafront infrastructure. Suggestions so far have included operating the Madeira Lift in winter months and cycle storage. However any contributions will be decided as part of the Planning Consent.

#### **4. COMMUNITY ENGAGEMENT AND CONSULTATION**

- 4.1 Officers within the Seafront, Tourism and Visit Brighton teams welcome this attraction and consider it meets a latent visitor demand.
- 4.2 The developer has undertaken a consultation exercise this Spring speaking with local businesses, residents and community interest groups and Ward Members.

#### **5. FINANCIAL & OTHER IMPLICATIONS:**

##### Financial Implications:

- 5.1 The capital investment, estimated at £5m, would be fully funded by the developers in return for the 60 year lease. In accordance with Financial Regulations and Standard Financial procedures, the requirement to obtain best consideration has been taken into account when determining the ground rent to be charged prior to market rent becoming payable. The Council would receive business rates on the new development. The additional income would be due to the Council once the development has been completed.

*Finance Officer Consulted: Anne Silley*

*Date: 17/05/2013*

##### Legal Implications:

- 5.2 Section 123 of the Local Government Act 1972 enables the Council to dispose of this property provided that it does so for the best consideration reasonably obtainable. It is not considered that any individual Human Rights Act rights will be adversely affected by the recommendations in this report.

*Lawyer Consulted:*

*Joanne Dougnaglo*

*Date: 10/5/13*

##### Equalities Implications:

- 5.3 The facilities will be designed to be DDA compliant. The developer proposes to provide disabled parking and cycle storage on site and has offered to fund the additional operation of the Madeira Lift in the winter months. The proposals offer an inclusive and family friendly facility. Pricing-to-suit-means and memberships will ensure that the Pavilions and the outdoor areas are open to all and seen as a local resource for local people.

#### Sustainability Implications:

- 5.4 The building design seeks the highest standards of sustainability. Energy systems will embrace the unique characteristics of its seafront location to harness renewable energy generation optimising sustainable productions.

#### Crime & Disorder Implications:

- 5.5 The facility will be open all year round and into the evening therefore providing additional controlled activity and security in a currently underutilised area of the seafront.

#### Risk and Opportunity Management Implications:

- 5.6 Existing businesses within Madeira Drive will benefit from the new investment and increased footfall.

#### Public Health Implications:

- 5.7 This proposal will provide a facility where local residents can undertake exercise and promote wellbeing in a high quality, relaxing environment.

#### Corporate / Citywide Implications:

- 5.8 This proposal will provide employment and training opportunities for local residents and will act as a catalyst for the regeneration of Madeira Drive which has been identified as one of the key elements of the emerging Seafront Strategy.

### **6. EVALUATION OF ANY ALTERNATIVE OPTION(S):**

- 6.1 The developer requested the purchase of the freehold of the site but this was refused as the outright sale of land is not Council policy and a disposal of a long lease allows for greater strategic control.
- 6.2 The marketing of the site produced ten applications. Two developers were interviewed and the panel's decision was that the Brighton Bathing Pavilion proposal was the strongest on financial, architectural and reputational grounds.

### **7. REASONS FOR REPORT RECOMMENDATIONS**

- 7.1 The development of this site is a key part of the regeneration of Madeira Drive and represents a significant investment in the City at a time when the economic situation is still fragile and many developments are stalled due to lack of funding.

## **SUPPORTING DOCUMENTATION**

### **Appendices:**

1. Plan 1, Ex Peter Pan site, Madeira Drive
2. Plan 2, Brighton Bathing Pavilion Proposal site area, Madeira Drive
3. Confidential Part 2 – Commercially sensitive financial information

### **Documents in Members' Room:**

1. Brighton Bathing Pavilion Proposal – 12.02.2013 version 1

