

**Crawley Borough Council**  
**Report to Overview and Scrutiny Commission**  
**27 June 2016**

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**Report to Cabinet**  
**29 June 2016**

**Crawley Town Hall**

Report of the Head of Partnership Services, **HPS/05**

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**1. Purpose**

- 1.1 This purpose of the report is to consider options for the future and potential redevelopment of the town hall and makes recommendations to enable progress towards a preferred scheme. Specifically, approval is sought to enter into a 12 month exclusivity agreement with Westrock. This would seek to agree terms for a development agreement with them to enable a joint development of the current town hall site, the adjacent car park site and potentially the Kilnmead Car Park Site.
- 1.2 Subject to negotiations and a detailed viability assessment, the proposed redevelopment of a key town centre site, could incorporate approximately 200 residential units, public realm, a new town hall and additional office space available for let, and space for the town centre decentralised energy centre.

**2. Recommendations**

- 2.1 To the Overview and Scrutiny Commission:

That the Commission consider the report and decide what comments, if any, it wishes to submit to the Cabinet.

- 2.2 To the Cabinet

- 2.2.1 The Cabinet is recommended to:

- a) Agree to enter into a 12 month exclusivity agreement with Westrock to try and agree terms for a development agreement with them to enable a joint development of the current town hall site, the adjacent car park site and potentially the Kilnmead Car Park Site. Also to commission work to progress the design development and cost appraisal for a new town hall.
- b) Agree a supplementary capital estimate of £40,000 in 2016/17 to fund the costs associated with the viability assessment and new town hall design development.

### **3. Reasons for the Recommendations**

- 3.1 A joint development of the Town Hall site, the adjacent 'Westrock' car park site and potentially the Kilnmead Car Park site has potential to provide a comprehensive scheme, which will enable additional housing, public realm, land for a decentralised heat network and a better value option than remodelling the existing town hall. To enable Westrock and the Council to commit resources to negotiate and assess the viability of such a development, it is appropriate for the Borough Council to enter into an exclusivity agreement with Westrock.

### **4. Background**

- 4.1 The report to Cabinet on 14<sup>th</sup> January 2015 instructed officers to commission a detailed feasibility and appraisal, including consultation and engagement with stakeholders on options for optimising utilisation of the Town Hall complex
- 4.2 Work on developing the preferred town hall remodelling option and associated cost is now largely complete. As this work has progressed, remodelling the town hall has continued to be benchmarked against the alternatives of:
- 1) Keep As Is: This option has been held open for comparative purposes.
  - 2) New Town Hall: Prior to the potential opportunity to progress a scheme with Westrock, this option has not been viable on cost / enabling development and suitable site availability considerations. As indicated below, there is potentially now a one off opportunity to deliver a new town hall at a cheaper cost to the Council than the preferred remodelling design.

#### **Option 1: Remodelling**

- 4.3 In the summer of 2016, consultation with staff, members and visitors to the Town Hall identified a number of issues and priorities associated with the existing building which fed into the architects brief to progress remodelling of the Town Hall. In summary, these were:
- 1) Consolidate Crawley Borough Council staff space and significantly reduce on site paper storage. Within the consolidated office area, invest in new heating, lighting and ventilation systems, refurbish toilets and kitchens and improve and update the décor and internal finishes throughout the building.
  - 2) Identify alternative uses for the space vacated by the Borough Council and works necessary to facilitate productive use of this space.
  - 3) Open up the foyer and reception areas to create a more 'obvious' and customer friendly space for face to face service access.
  - 4) Design of the Ground Floor reception to support the Customer Access Strategy in encouraging more self-serve and online access to services.
  - 5) Remodel the Committee Rooms and the Council Chamber to provide greater flexibility and opportunities to increase utilisation.
- 4.4 The feasibility work on the remodelling of the Town Hall is now largely complete. The key elements of the scheme are noted below.
- The Borough Council staff to consolidate into the tower block (old building) and the third floor of the new building (adjacent to the multi-storey car park).
  - Investment in new heating, lighting and ventilation systems including new windows (new building), refurbished kitchens and toilets and new décor and internal finishes.

- Subject to confirmation with prospective tenants, the vacated space (ground, first and second floors of the new building and annex) to be occupied by the voluntary / community groups. Discussions have taken place with Crawley CVS and the current tenants at The Orchard with a view to the vacated areas being utilised by these organisations.
  - A new entrance, foyer and reception area to be provided on the ground floor with the removal of structural columns to create a space more traditionally associated with a ground floor civic building / reception. The proposal would also allow for the provision of a double height space on the Ground Floor by extending the internal façade from the first floor Committee Rooms over part of the internal courtyard.
  - Provision of additional pay kiosks and self-serve terminals to accommodate the move to greater self-serve and on line customer transactions.
  - Remodelling of the Committee Rooms to provide more flexible spaces suitable for accommodating meetings of different sizes.
- 4.5 The estimated gross cost to remodel the town hall as set out in summary above is £10.8 million. This could in part be offset by securing vacant possession of the Orchard (estimated value of £1.5 million). The estimated maintenance cost for the Town Hall over the next 30 years is £6.7million. To some degree, the remodelling option would see elements of this maintenance expenditure brought forward as part of the capital investment.
- 4.6 Allowing for rental income, the offset of business rates from vacated areas and a reduction in operational costs, savings of between £250,000 and £300,000 per annum are projected for this option.

**Option 2: Keep As Is**

- 4.7 Continuing to operate from the town hall in its current form has been held open as an option for comparative purposes. This option would avoid the capital expenditure required to remodel the building however, as noted above, this option would require relatively significant expenditure just to maintain the existing fabric.
- 4.8 The estimated expenditure of £6.7million on major maintenance over the next 30 years would include new roofs, boilers and heating systems, electrical installation systems, replacement windows in the new building and on-going decoration work and toilet refurbishments.
- 4.9 Notwithstanding this expenditure, under the ‘as is’ option, it would be more difficult for the Borough Council to reduce the occupied space and re-let vacated areas to other organisations. This would not realise the financial benefit of offsetting a proportion of business rate responsibility or securing rental income from vacated areas.
- 4.10 Generally the building would continue to look dated and improvements to customer access and the ground floor reception would not be realised.
- 4.11 The remodelling of the Committee Rooms would not take place.

### **Option 3: New Town Hall**

- 4.12 The new town hall has also been held open as an option for comparative purposes. Previously, this option had been encumbered by the lack of a suitable alternative site on which to relocate and insufficient space on the current town hall site to provide sufficient enabling development to offset the new build cost.
- 4.13 There is however now a one off opportunity which potentially addresses the site availability and sufficient enabling development considerations.
- 4.14 Westrock will shortly be completing the redevelopment of Woodhall Duckham House. Westrock also own the car park between the Town Hall and Woodhall Duckham House and have indicated to the Council their intention to proceed with residential development of this site in the very near future.
- 4.15 The 'one off' opportunity is only possible if a timely decision is taken to investigate a joint development of the car park and town hall site and possibly the Council's recently acquired Kilnmead Car Park site. Unlike previous considerations of a new town hall, this combined development could provide sufficient space for a new town hall on the current site and provide sufficient enabling development to make a significant contribution towards the town hall new build and fit out costs. Combining the sites into a single scheme would provide significant 'marriage value' and apart from providing the new town hall, could also offer the opportunity for the redevelopment of a key town centre site, providing additional housing, public realm, a site for a potential District Heat Network and designed to provide a more co-ordinated streetscene and frontage onto the Boulevard.
- 4.16 In exploring this opportunity, Westrock has offered a site layout and massing proposal. Very initial comment from a planning and external legal and valuation perspective has been provided. The initial indication is that the joint development would be legal, viable and would provide a better value option than the remodelling option as set out above. An overview of the main elements of this scheme is as follows:
- A new town hall to be provided within a landmark building on the eastern edge of the current town hall site (covering the area currently occupied by the Council Chamber, Civic Hall and the print room and offices above). These are the elements of the existing town hall that would need to be provided temporarily while the new town hall was being constructed.
  - The new town hall to occupy 6 storeys of a proposed landmark building (c60,000 sq ft of a total c90,000 sq ft commercial building). This would provide for office space, front of house reception and ground floor customer access. One complete floor would be available for civic space to include a Council Chamber, Committee Rooms, members' study etc. This space allocation is equivalent to the Borough Council space allocation within the proposed remodel option. The proposal would not include for a new Civic Hall but to make the other areas multi- purpose and available for hire.
  - The further c30,000sq ft to be made available for commercial let or community use (further work on financing the scheme is required to determine financial impact and the preferred letting option).
  - Excluding the Kilnmead car park site, approximately 200 residential units in three separate blocks over the remainder of the current town hall and adjacent car park site.

- Public realm including the provision of a civic space (civic square) adjacent to the town hall.
  - Space allocation for the District Heat Network Energy Centre. The energy centre would support the provision of a district heat network. Previously it has not been possible to find a viable site for the Energy Centre however this scheme could address this requirement and ensure its provision within a close proximity to the town hall and other potential town centre stakeholders.
  - Retention of the existing multi-storey car park to serve the office building. Subject to current utilisation analysis, the existing car park could also support the car parking requirements of the new residential provision.
  - A more energy efficient and cost effective town hall building, providing the council with significant revenue savings.
- 4.17 Independent valuation advice from the Council's consultants GVA, indicates that subject to detailed negotiation, the scheme could provide the council with a new town hall at a significantly lower cost than a refurbishment of the existing town hall.
- 4.18 In terms of timescale, Westrock believe that realistically, from the time it is agreed that a planning application is prepared to the time that the Council moves into its new offices will be approximately 3 years.

## **5. Description of Issue to be resolved**

- 5.1 There is considerable more work to progress this option and it is recommended that Cabinet agree the Council enter into an exclusivity agreement with Westrock, which will set out what needs to be achieved e.g. Heads of Terms, planning, valuations, finances etc to enable a combined office and residential scheme on the town hall, Westrock Car Park and possibly Kilnmead Car Park sites. If successful, this would ultimately lead to a full landowner's agreement.
- 5.2 In parallel with this work and in order to progress the scheme as quickly as possible if agreement with Westrock can be reached (and subject to there being no objection from a procurement or state aid consideration) , there would be a need for the Council and/or Westrock to carry out work to progress the following, as a minimum:
- Establish member and officer working groups to develop the brief for the new town hall and ensure the Council's current and potential future requirements are appropriately reflected. Fortunately much of the work to progress the remodelling option is transferrable and can be utilised to develop the new town hall brief.
  - Enter into pre application discussions with planning officers to ensure the development is acceptable from a development control / design perspective.
  - Review the respective site valuations and agreement as to how these respective values are allocated as part of the development costs for the office and residential elements.
  - Understand the usage of the town hall car park better and determine whether space could be allocated for some of the residential units.
  - Consider the deliverability of the District Heat Network Energy Centre.

- Decide whether or not to include the Kilnmead Car Park site in the development site.
  - Determine whether additional office capacity (over and above the Borough Council's requirements) should be provided and the preferred model to let this accommodation.
  - Determine the likely revenue savings from a new Town Hall
  - 'Bottom out' the other risks including; costs of demolition, planning, future house prices, office values, business rates, ground conditions, cash flow, VAT implications etc
  - Ensure temporary arrangements can be put in place for the loss of the council chamber, civic hall, print room and affected offices.
- 5.3 It is recommended that such an exclusivity agreement is agreed for a period of 12 months, however in view of the urgency of a decision, officers would anticipate bringing forward a report with a recommendation on the preferred option by December 2016.
- 5.4 The estimated costs associated with progressing this new town hall option to enable a final recommendation are £40,000.

## **6. Information & Analysis Supporting Recommendation**

- 6.1 The preferred design to remodelling the existing town hall has progressed and the cost of this scheme is estimated at £10.8million (excluding any capital receipt if the voluntary sector tenants currently based at The Orchard were to relocate to the town hall.
- 6.2 Initial indications are that a combined commercial and residential development across the town hall, adjacent car park and potentially Kilnmead Car Park sites could provide a better value option for the Council. Recommendations within this report facilitate a viability assessment of the New Town Hall option and will enable a final recommendation on the preferred scheme to be made to Cabinet by December 2016.

## **7. Implications**

### **Finance**

- 7.1 It is anticipated that occupying a smaller new town hall will generate revenue cost savings with a reduction in operational management costs and business rates. The projected revenue savings will be confirmed as part of the viability assessment and a detailed financial appraisal will be reported to Cabinet.
- 7.2 There will be an underspend in the current financial year due to additional income from investment properties therefore it is recommended that the supplementary capital estimate is funded from this underspend

## Legal and Procurement

- 7.3 External legal advice has been supplied with regard to procurement and entering into an exclusivity agreement with Westrock and with regard to state aid regulations.
- 7.4 **Exclusivity Agreement:**  
The legal advice received confirms that an argument can be made by the Council that it may enter into direct negotiations with Westrock without a tender process because Westrock are the only developers that can undertake the works due to the exclusivity rights which it holds. In summary, these exclusive rights being:
- (i) The Westrock site is an essential part of the development
  - (ii) The co-operation of Westrock as neighbouring landowner is essential if new civic office and district heat plant are to be developed.
  - (iii) The district heat plant is proposed to be located on the Westrock site. Location of the district heat plant on any other site would be cost prohibitive.
  - (iv) Separation of the works into two or more lots (ie with the Council owned sites tendered through a public procurement exercise) would not be practicable as it could lead to multiple developers, leading to delay, cost and additional complexity
  - (v) It would not be proportional for the Council to either enter into a compulsory purchase of the Westrock site or to refuse to enter into agreements with Westrock given the wider significance of the project
  - (vi) There is no alternative choice of site for the construction on a new Civic Building and associated district heat plant.
- 7.5 The advice received does state however that the exclusivity rights exemption is relatively untested and therefore is not entirely without risk. The publication and subsequent discharge of a VEAT notice will help to mitigate any potential risk however.
- 7.6 **State Aid:** The legal advice received confirms that providing the Council enter into a development agreement on the same terms as a private sector operator in comparable circumstances, the risk of a finding of unlawful state aid would be low. In this regard, the terms of the development agreement entered into between the Council and Westrock should be scrutinised by an independent external specialist to ensure these would be acceptable to a private sector operator in comparable factual circumstances.

## 8. **Background Papers**

None

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