

Agenda Item No: 9.6 **Report No:** 57/17
Report Title: Railway Quay, Newhaven
Report To: Cabinet **Date:** 20 March 2017
Cabinet Member: Cllr Bill Giles
Ward(s) Affected: Newhaven, Denton & Meeching Ward
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Purpose of Report:

To provide an overview of the potential purchase of Railway Quay - one of the eight key sites that form the Newhaven Enterprise Zone, which commences in April 2017.

Officers Recommendation(s):

- 1** To note the successful application to Coast to Capital Local Enterprise Partnership (LEP) for capital grant funding from the Local Growth Fund to support the purchase of Railway Quay, one of the eight key sites that form the new Newhaven Enterprise Zone.
- 2** To authorise the Director of Regeneration & Planning in consultation with the Lead Member for Finance, the Deputy Chief Executive, and the Assistant Director of Legal and Democratic Services, to agree terms for the purchase of the long leasehold interest in Railway Quay from the current landowner.
- 3** To authorise the Director of Regeneration & Planning, to prepare a report for Cabinet detailing the business case for a mixed-use commercial and residential development in line with the ambitions for the Enterprise Zone.

Reasons for Recommendations

- 1.1** Enterprise Zones are economic development promotional incentives based on financial incentives to business occupiers and local authorities. Enterprise Zone status for Newhaven lasts for 25 years from the commencement date in April 2017.
- 1.2** The land at Railway Quay has been in private ownership for a number of decades, but has not come forward for development due to viability issues and site-specific constraints.
- 1.3** The site is one of the eight that comprise the Newhaven Enterprise Zone and is a gateway site to Newhaven, being centrally located and highly visible, located next to the UTC@harbourside.
- 1.4** An opportunity has now emerged to purchase the long leasehold interest in Railway Quay from the current landowner, bringing the site into public ownership – removing a key barrier to strategic investment and offering a strong fit with the ambitions for the Newhaven Enterprise Zone.
- 1.5** Officers have been successful in bidding for funding from the Local Growth Fund, via Coast to Capital Local Enterprise Partnership, to support this proposed acquisition.

Information

2 Local Challenges and Opportunities

- 2.1** Newhaven faces a number of challenges and opportunities. These include pockets of high unemployment, low skills and poverty of aspiration; a substantial net outflow of commuters due to paucity of employment opportunities; a weak economic base associated with the decline in traditional port and related manufacturing industries; and poor quality commercial property that is unsuitable for modern business needs within emerging higher value sectors.
- 2.2** At the same time, Newhaven has a real opportunity for growth, with money being committed through the Greater Brighton City Deal and Local Growth Funding to improve flood defences in the town and build a new Port Access Road, as well as the identified opportunity to establish Newhaven as a 'Clean Tech' Growth Hub linked to the development of the University Technical College, the Rampion Offshore Wind Farm and Newhaven Growth Quarter.
- 2.3** The designation of key sites in Newhaven as an Enterprise Zone is the next step in ongoing regeneration activities in the town and is a major proposal of regional significance. Commencing in April 2017, the Enterprise Zone is forecast to create around 55,000m² of new commercial floorspace, refurbish a further 15,000m² of commercial floorspace and create / sustain around 2,000 jobs over the zone's 25-year lifespan.

Local Growth Fund

2.4 The Local Growth Fund was established in response to Lord Heseltine's report 'No Stone Unturned' published in 2012. This set out a comprehensive economic plan to improve the UK's ability to create wealth. The report made 89 recommendations, which sought to:

- i. Inject stability into the economy
- ii. Create the conditions for growth; and
- iii. Maximise the performance of the UK.

2.5 Subsequently, the Government's response to this report included 'empowering' Local Enterprise Partnerships (LEP's) and devolving central funding streams into a single pot – the Local Growth Fund.

2.6 In the case of Coast to Capital LEP, the first two Growth Deals led to a pot of unallocated funding as some supported projects were unable to deliver within specified timeframes. Accordingly, in December 2016 a new round of bidding was announced for these unallocated funds. Bidders were encouraged to focus on four key themes:

- **Infrastructure**- Transport including sustainability and resilience, digital infrastructure, flood alleviation, water supply, waste disposal
- **Housing and Regeneration**- Capital investment for unviable housing schemes to be unlocked, capital schemes that deliver a mix of housing and employment space, regeneration schemes that demonstrate a positive impact to an area
- **Skills**- Capital investment to develop new facilities that promote economic growth and employment opportunities and skills development, together with skills relevant to local labour markets. Particular attention will be paid to schemes that partner with employers of industry to deliver skills growth.
- **Business and Enterprise**- Capital investment opportunities to enable business and enterprise growth. This may include investments that purchase capital equipment which will allow expansion of employment, investments that allow business expansion to generate employment and/ or greater economic outputs, Enterprise bids that promote start up and growth opportunities.

2.7 LDC Officers submitted two bids directly to Coast to Capital LEP for funding for the purchase of Springman House in Lewes (to support the delivery of the North Street Quarter project) and Railway Quay in Newhaven (to support the delivery of the Enterprise Zone), as well as supporting a private landowner's application for capital funding to develop new business units within Newhaven Enterprise Zone. All three of these bids have been successful.

Railway Quay

2.8 Railway Quay is situated on the east bank of the River Ouse at Newhaven. The site is 4.65ha in size and lies adjacent to the A259 coast road and Newhaven Town railway station.

2.9 The long leasehold interest on the site is currently being offered for sale.

2.10 Railway Quay is one of the eight key sites that comprise the Newhaven Enterprise Zone. It is in a prominent gateway location next to the UTC@harbourside.

Current Uses

2.11 At present the site is home to the Newhaven Railway Club, a single-storey pre-fabricated premises housing a bar and seating space for members. The rest of the site is currently utilised for car parking.

Site Constraints

2.12 Railway Quay has lain undeveloped for a number of years due to site-specific constraints. These include:

- i. The requirement to relocate utilities cables that run across the site, as well as develop around a major cable that cannot be relocated.
- ii. Responsibility for the ongoing maintenance of the river wall to the western edge of the site, as well as historical maintenance that has not been completed.
- iii. Access / highways constraints created by the adjoining entrance to the Ferry Terminal and existing road capacities.
- iv. The potential loss of developable area due to the Newhaven Flood Alleviation Scheme currently being implemented by the Environment Agency.

Development Opportunities

2.13 Railway Quay was historically reserved for port-related uses, but other uses will be considered if the land is not required for the port.

2.14 The site is covered by Saved Policy NH21 of the Lewes District Joint Core Strategy Part 1.

2.15 Although no detailed plans have yet been produced, it is considered that Railway Quay offers considerable potential for a mixed-use commercial and residential development that would help to support delivery of the Enterprise Zone.

Regeneration Benefits

2.16 By purchasing Railway Quay, LDC will accelerate development plans. Early delivery of a high-quality development will give the Newhaven Enterprise Zone much-needed early impetus and provide a further visual demonstration that Newhaven's regeneration is well underway. This will be vital in attracting new investors and businesses to the town.

2.17 The delivery of the Enterprise Zone will be strongly supported by the acquisition of Railway Quay, and fits with LDC's existing Regeneration Strategy as well as the strategic aims and objectives at a regional level

through the Greater Brighton City Region, Coast to Capital Local Enterprise Partnership and South East Local Enterprise Partnership.

- 2.18** It is important to note that the primary objective of the purchase and subsequent development of Railway Quay is to support local regeneration priorities, not to generate a significant commercial return. Nonetheless, it is expected that a mixed-use commercial and residential development on this site should generate a positive return on investment.

3 Financial Appraisal

- 3.1** At the time of writing this report, the terms for the purchase of the long leasehold interest in Railway Quay have not been agreed with the current landowner. For reasons of commercial sensitivity, the financial appraisal is attached as Appendix 3 which is exempt from publication.

4 Legal Implications

- 4.1** Legal Services has prepared a report on title relating to the property. The freehold of the property is registered at the Land Registry. The seller owns a long lease of 999 years (“the Head Lease”) registered at the Land Registry under title ESX250174. The Head Lease covers a large area of land extending beyond the boundaries of the property. The seller has granted a sub-lease of the UTC site, which immediately adjoins the property on its southern boundary.

- 4.2** The report on title includes the following information:

- i.** The tenant’s covenants in the Head Lease include obligations in respect of facilitating compliance with the harbour authority’s obligations, and paying costs in respect of access road, service conduits and repairing and maintaining the harbour wall.
- ii.** The property is subject to various rights granted for the benefit of the UTC in the sub-lease of the adjoining land, including rights of way. The rights require further investigation.
- iii.** Part of the property is subject to a 125-year lease from 1 January 1979, granted to the former British Railways Board. The successor tenant is probably Network rail. The tenant has rights over the property.
- iv.** The precise route of the access roads benefiting the property may have been varied over time. Further enquiries will be necessary to ascertain the current authorised routes.
- v.** The property appears to be affected by rights granted by a conveyance dated 23 December 1988. A copy of the conveyance is not available from the Land Registry. At this point it is not possible to confirm whether or not rights affect the property and the nature of the rights. Further enquiries should be made of the seller.
- vi.** East Sussex County Council owns land to the north of the property (the Newhaven Swing Bridge and approach road). A deed of easement

grants rights over the property for the benefit of the County Council's adjoining land.

- vii. The commercial environmental search obtained by Legal Services advises that plausible contaminant linkages have been identified at the property. As such, potential liabilities have been identified under the relevant contaminated land legislation.

4.3 Commercial leases normally absolutely prohibit assignments of part, but will allow the tenant to assign the whole of the lease with the landlord's consent, which is not to be unreasonably withheld. The Head Lease contains no express restriction on assignment. In the absence of any express restriction, the benefit of a lease is freely assignable (ie. transferable to another party), whether in whole or part.

5 Risk Management Implications

5.1 I have completed a risk assessment.

5.2 The following risks will arise if the recommendations are not implemented, and I propose to mitigate these risks in the following ways:

Risk	Likelihood	Impact	Mitigation
Inappropriate development comes forward that does not benefit Newhaven or the Enterprise Zone	High	High	Officers have been in discussion with the landowner for some time, to encourage appropriate development subject to commercial viability.
Inability to control development of a key EZ site	High	High	Purchasing the site would enable the Council to develop a suitable, long-term plan for a visually important gateway site.

5.3 The following risks will arise if the recommendations are implemented, and I propose to mitigate these risks in the following ways:

Risk	Likelihood	Impact	Mitigation
Unable to agree a purchase price with landowner	Low	High	Initial discussions already held with landowner & independent valuation advice has been sought.
Delays to purchase create challenges in accessing Local Growth Funding	Medium	High	Initial discussions already held with landowner and all parties keen to conclude quickly.
Site contamination levels more severe than expected, leading to subsequent development viability issues	Medium	Medium	Initial site assessments have already taken place and landowner has agreed to share their own studies into ground conditions.
Maintenance liabilities in connection to the	Medium	High	Purchase would be conditional on a satisfactory engineer's report, and/or

river wall			use of a sinking fund to maintain the wall.
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6 Equality Screening

- 6.1** Between 20 January and 2 February 2016, an Equality Analysis was undertaken on the Newhaven Enterprise Zone. Due regard was given to the general equalities duties and to the likely impact of the decision on people with protected characteristics, as set out in the Equality Act 2010.
- 6.2** The assessment identified that no major changes are required. The EA demonstrates the project is robust, there is little potential for discrimination or adverse outcomes, and opportunities to promote equality have been taken.
- 6.3** The proposed acquisition of Railway Quay will not impact upon general equalities duties. It is further proposed that a full equalities screening will be undertaken on any future development of the site by LDC.

Background Papers

- 7** None

Appendices

- Appendix 1: Map showing Enterprise Zone Sites
- Appendix 2: Plan showing Railway Quay
- Appendix 3: Financial Appraisal (not for publication)