

From: **Gary Cooke, Cabinet Member for Corporate and Democratic Services**

**Rebecca Spore, Director of Infrastructure**

To: **Property Sub-Committee – 29 September 2016**

Decision No: **15/00069 - Update**

Subject: **Strategic Acquisition, Maidstone – Joint Freehold acquisition of the Royal Mail Site with Maidstone Borough Council**

Key decision – *No*

Classification: **Unrestricted**

**Past Pathway of Paper:**

Proposed acquisition reported to PAG on 03/07/2015 and published on the Forward Plan on 13/07/2015.

Executive Decision reported to P&R SubCo on 23/09/2015

Record of Decision signed and dated on 25/09/2015

**Future Pathway of Paper:** *n/a*

**Electoral Division:** Maidstone Central

**Summary:** This report provides an overview and update in respect of the joint strategic acquisition of the Royal Mail Sorting Warehouse & Offices, Sandling Road, Maidstone (the Royal Mail Site) with MBC, following the last Strategic Property Asset Forum (SPAF) meeting dated 15 July 2016.

A Collaboration Agreement between KCC and MBC was completed on 28<sup>th</sup> July 2016 simultaneously to the Exchange of Contracts in respect of the joint 50/50 freehold site purchase (Completion due to take place on 16<sup>th</sup> September 2016) documenting in detail the partnership's shared aims and objectives in both the short and long term.

The current priority over the next 3-6 months is to execute the short term holding strategy (creating c.250 temporary car parking spaces and reuse of existing buildings for charity lettings, subject to all necessary consents) in order to mitigate holding costs, meet strategic requirements for KCC and with the intention to generate a positive income stream for the partnering Councils.

In parallel to the short term plan, Councils will be procuring a multidisciplinary Masterplanning Team including a Development Manager to support the design, project management and delivery of the long term objectives to create an aspirational and commercially viable comprehensive mixed use redevelopment of the Maidstone East area.

## **Recommendation(s):**

**The Policy & Resources Property Sub Committee** is asked to note and comment on the joint acquisition, the short term holding strategy and long term objectives.

### **1. Introduction**

- 1.1 KCC, in partnership with MBC, took the opportunity to purchase the freehold of a prominent and accessible land holding in the center of Maidstone with short and long term strategic benefits to KCC. KCC is a significant stakeholder in the immediate vicinity through its existing property ownership (Cantium House, Invicta House and Sessions House). A site plan showing The Royal Mail Site and illustrating land ownership is attached.
- 1.2 Following protracted negotiations, the Councils Exchanged contracts with Royal Mail to acquire the Site on 28<sup>th</sup> July 2016 at on revised terms to reflect site conditions. Completion is due to take place on 16<sup>th</sup> September 2016.
- 1.3 The project is governed by both short term and long terms objectives detailed within a Collaboration Agreement (which completed simultaneously to the Exchange of Contracts) which shall endeavour to provide economic and commercial benefits to the councils and a return on respective investments.

#### 1.3.1 Short term objectives:

- use of the Site for temporary car parking, and where agreed by the Parties, commercial and/or charitable uses under short terms lease of licence
- the use of the whole or part of the Site by KCC for car parking by way of a Licence Agreement
- the procurement and appointment of a jointly funded Development Manager and multi-disciplinary Masterplanning team
- day to day management of the Site by GEN<sup>2</sup> with the pay & display car park management element undertaken by MBC Parking Services as per pre agreed service agreements

#### 1.3.2 Long term Objectives:

- To agree with Network Rail to combine the Site with Maidstone East Railway Station to enable a comprehensive mixed use development
- Strengthen the town centre retail offer at the north end of Week Street
- Improve the Station and connectivity with the town centre

- Provide much needed residential accommodation
  - Create a better setting for Kent County Council's Sessions House and County Hall
- 1.3.3 As a result, there are a number of short term / additional benefits to KCC through the acquisition of the Site which include:
- temporary car parking provision whilst Invicta House car park is either repaired or redeveloped;
  - short term provision to allow the final consolidation of social care staff into Invicta House;
  - revenue generation opportunities forming part of the initial holding strategy via pay & display car parking and other potential short term lettings;
  - Potential to enhance the value of adjacent property holdings through the strategic masterplanning of the site.

## **2. Governance**

- 2.1 A joint KCC/MBC Strategic Board has been established comprising of two senior officers and two senior Members from each Council. KCC's Strategic Board members are:
- Gary Cooke, Cabinet Member for Corporate & Democratic Services
  - Mark Dance, Cabinet member for Economic Development
  - Rebecca Spore, Director of Infrastructure
  - David Smith, Director of Growth Environment & Transport
- 2.2 KCC/MBC Strategic Board members formally met for the first time on 3<sup>rd</sup> May 2016. Following a debrief on the project and update on due diligence from officers the Strategic Board endorsed the parameters for negotiation with Royal Mail which led to the revised terms being agreed.
- 2.3 In addition to the objectives, the Collaboration Agreement sets out provisions for decision making, deadlock and dispute resolution including mediation with ultimately the ability for each Council have first refusal to buy out the other or dispose of its interest to a third party in the event a fundamental dispute that could not be settled in a timely manner.

## **3. Revised & Agreed Acquisition Terms**

- 3.1 Record of Decision dated 25/9/2015 (ref 15/00069) endorsed the recommendations for a joint 50/50 purchase with Maidstone Borough Council

for the freehold interest of the Royal Mail site and enter into all the necessary documents to facilitate the acquisition and short term holding strategy.

#### **4. Preferred Short Term Holding Strategy**

- 4.1 The Councils preferred short term holding strategy following initial feasibility studies is to create c.250 car parking spaces (including conversion of one of the warehouse spaces to indoor parking) on the site and to reuse the remaining existing buildings for charity lettings where viable to do so.
- 4.2 Heads of terms are in the process of being agreed with a number of Charities to use some of the existing buildings under short term leases.

#### **5. Phase One Station Improvement Works**

- 5.1 SE LEP funding has been allocated for Maidstone East Station improvements and has been matched with a contribution by Network Rail. The work in connection with the demolition of the Vic public house and station ticket hall and surrounding public realm improvements was due to commence in August 2016. However, we have been advised these works have been delayed due to complications with the sensitive demolition of the buildings over the train tunnel.
- 5.2 It is recognised by KCC and MBC that this is a real opportunity to rebrand Maidstone East station and its surrounds as the gateway into the County Town of Kent.

#### **6. Long Term Redevelopment Plans**

- 6.1 During the acquisition bid process a number of conceptual scheme options were developed for modelling purposes to show the likely return levels on KCC/MBC investment and the viability of bringing forward development on both the Royal Mail Site and the adjoining Network Rail land.
- 6.2 The Councils will be procuring a multidisciplinary Masterplanning Team including a Development Manager to support the design, project management and delivery of the long term objectives to create an aspirational and commercially viable comprehensive mixed use redevelopment of the Maidstone East area.
- 6.3 All stakeholders including members of the public and local businesses will be consulted throughout the masterplanning process so their views can be considered within the Councils emerging plans for the area.

#### **7. Recommendation(s):**

**The Property Sub-Committee** is asked to note and comment on the joint acquisition, the short term holding strategy and long term objectives.

## 8. Contact details

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