

# **Eastbourne Employment Land Local Plan Examination in Public**

## **Submission by Sea Change Sussex**

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**Sea Change Sussex (SCS) is the economic regeneration company for East Sussex acting on behalf of Local Authority partners and other stakeholders including the business community, University and voluntary sector.**

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### **The Case for the Key Supply of Employment Land at Sovereign Harbour**

#### **1.0 The Eastbourne Employment Land Context**

1.1 Eastbourne has the lowest Employment Land Supply (ELS) in East Sussex.

- Hastings and Rother have a combined ELS of 170,000m<sup>2</sup>
- Lewes has an ELS of 74,000m<sup>2</sup>
- Wealden has an ELS of 128,695m<sup>2</sup>

By comparison the Eastbourne Land Supply is 43,000m<sup>2</sup> for the largest urban concentration of population in East Sussex

1.2 Eastbourne has seen a consistent net loss of office floorspace. According to Eastbourne Borough Council there has been a loss of 8,108m<sup>2</sup> in the town centre from office to residential permitted development. The Employment Land Local Plan makes the provision to replace 3,000m<sup>2</sup> of this loss in the town centre.

1.3 Sovereign Harbour represents 46.5%, or 20,000m<sup>2</sup> of the total Local Plan Employment Land Supply and the only location capable of creating a critical mass and collocated identity of a business district.

## 2.0 The Legacy of Lost Opportunity

- 2.1 For over 27 years the landowner of Sovereign Harbour has pursued the sale of land for only lucrative uses, notably retail and residential development.
- 2.2 The failure to promote employment land by Sovereign Harbour Ltd (SHL) runs counter to the long-running policy objectives of Eastbourne Borough Council (EBC). As a result there has been a failure to provide a balanced and sustainable range of land uses offering wider employment opportunities.
- 2.3 With no promotion of any land to potential developers of employment land uses, there has been, unsurprisingly, no such development.
- 2.4 Unlike the residential, retail and leisure development which has been promoted by SHL with the benefit of infrastructure, the employment land at Sovereign Harbour has not benefited from such advanced infrastructure by SHL.
- 2.5 The future intent of the landowner looks no different. Having committed to a Section 106 agreement in December 2014 which allocated site 7a for B1 employment use, SHL has made no noticeable effort to promote it for that purpose. This is evident from a lack of marketing activity.
- 2.6 SCS, as a willing buyer for site 7a, has been unable to secure a “guide” price for the site, nor has there been a response to SCS’s request for guidance on the terms which would constitute an “acceptable offer” to SHL. The only conclusion to be drawn is that SHL continue to have no intention of promoting site 7a for employment use.
- 2.7 In a market reliant on precedent as the conventional source of evidence for property advisers, SHL’s failure to promote employment land at Sovereign Harbour has created their own “damning market analysis” based on evidence that results from the landowner’s choice of inactivity including:-
  - No land sales
  - No development
  - No sales evidence
  - No rental evidence
  - No investment sales
  - No property to elicit market interest

The challenge for SCS has been to grow all the above evidence from new marketing and development activity.

### **3.0 The Economic Development Commitment from the key policy owners.**

3.1 The land use policies for the employment land at Sovereign Harbour are well documented.

3.2 The economic development policy commitment to deliver development at Sovereign Harbour has been just as strong including:-

- The South East Local Enterprise Partnership (SELEP) in the Strategic Economic Plan (SEP) 2014 identified the site as a key segment of the A22/A27 growth corridor  
“Sovereign Harbour in Eastbourne contains two key linked sites and the new Innovation Centre (supported by Growing Places Funds (GPF)) will provide a catalyst for further development”.  
SELEP allocated £4.6m (of the total £48.72m GPF allocation for Essex, Kent and East Sussex) towards the development of Pacific House. This was provided as loan finance through East Sussex County Council (ESCC).
- ESCC, as well as being the client facing lender for the GPF loan of £4.6m, has made available loan finance in conjunction with Eastbourne Borough Council (EBC) for the purchase of Site 6, now being developed as Sovereign Harbour Innovation Park (SHIP). Pacific House is the first build phase of this development.
- EBC has also provided £1.4m loan finance for the development of Pacific House.

### **4.0 The Funding Dynamics**

4.1 SCS has used only debt finance for land acquisition and development costs.

4.2 SCS used its own resources at the feasibility and pre-development stages to develop the business case for Pacific House and develop the design and planning application.

4.3 It would be unlikely that SCS would use grant assistance or public subsidy to fund physical development for three reasons:-

- State Aid rules would regard it as market distortion, even taking into account the specific block exemptions applying from 2014.
- It would have tax implications reducing the net profit and hence the ability to re-finance and/or re-invest.

- It could protract the interval until the market would regard development as viable within the conventional approach to property lending.
- 4.4 SCS may use limited amounts of grant for certain forms of site infrastructure which would not conflict with any of the rationales above.
  - 4.5 SCS does drawdown Local Growth Fund (LGF) for highways schemes which are regarded as “general infrastructure” which do not distort the market as they are available for universal use as part of the adopted highways on completion.
  - 4.6 Pacific House is more costly than simple lettable accommodation for single occupation. That early development because of the “market making” messages it delivers as a necessary step to breaking the 27 year legacy of non-activity in promoting employment land.
  - 4.7 In funding terms Pacific House is a viable development to SCS as it is taking a medium to long term approach, using income to reduce debt from its income stream and re-financing when the outstanding capital repayment is sufficiently lowered.
  - 4.8 Pacific House is unlikely to provide a profit value on sale which is anticipated to no more than eliminate its debt.
  - 4.9 Equally pre-let or development for owner occupation would be at a lower unit cost and lower finance costs because of income certainty and a potential for development profit.
  - 4.10 The incremental development programme and the internal “cross subsidising” of development phases requires a critical mass of development land in a single location and in the developers ownership.
  - 4.11 By comparison such a critical mass would not be achievable in the town centre even where competing land uses are not proving more lucrative to sellers of more fragmented sites.
  - 4.12 Hastings town centre by comparison benefited from a comprehensive land assembly programme, over ten years, of largely derelict or low value properties. Those circumstances do not exist in Eastbourne town centre.

4.13 The above is the economics of B1 development at Sovereign Harbour over the eleven years of the plan period and delivered through a single development agency such as SCS.

**4.14 We believe the above contributes to the Inspector's questions 1.5, 1.6, 1.7, 1.9, 1.22, 2.3 and 2.4.**

## **5.0 Development and Letting of Pacific House**

5.1 The focus for changing marketing perceptions and responding to identified local business tenant needs at the "small end" of unit size was translated into a design solution offering a range of small to medium unit sizes in a "multi-occupancy" business centre.

5.2 The economies of scale for both capital costs and affordable occupancy suggesting a minimum size of 2,323m<sup>2</sup> [25,000 ft<sup>2</sup>] located on site 6.

5.3 The design is intended however not to exclude larger mobile demand from wider sub regional markets such as Brighton, Gatwick and other recipient locations for out-commuting residents of Eastbourne.

5.4 The business development of Pacific House will set a market precedent for Sovereign Harbour, as developers, occupiers, lenders and investors would have the benefit of market evidence, the current lack of which is set out in para. 2.7.

5.5 Given the combination of local market interest and development scepticism, there was little benefit to marketing the development of Pacific House until it was completed and could be inspected in a finished state for occupation - de facto it had to be its own "show house".

5.6 The best method of promoting local market awareness was the prominent visibility of the construction activity.

5.7 The speed of development (facilitated by the construction being shared with a similar development at Bexhill Enterprise Park - now let to a single occupier) drew occupier interest by itself.

5.8 By providing the maximum range of unit size and the potential for low cost reconfiguration, Pacific House did not pre-judge the size of market need.

- 5.9 This development and letting strategy is attractive to small occupiers who are more agile in their speed of decision making and their timescale of relocation.
- 5.10 The main build programme for Pacific House was 42 weeks and completed in July 2015.
- 5.11 Through August “snagging”, fitting out and securing the landlords communications systems was carried out to allow for full marketing and viewings in September 2015.
- 5.12 The final fit-out works were intended to complete by late September 2015 but were brought forward to allow the first tenant occupancy for a 1<sup>st</sup> September 2015 trading date.
- 5.13 Initial marketing and viewing was intended to take place when the main contract was finished and there was certainty of the level of finish which could be viewed by interested parties.
- 5.14 In July 2015 some selected early viewings were arranged before the traditional “down time” of the summer holidays.
- 5.15 This proved invaluable for discussions with interested parties who came back to pursue their interest further in October/ November.
- 5.16 From the outset, there has been a steady stream of interest which continues.
- 5.17 Our initial business case for Pacific House was cautiously pessimistic at: - 25% lettings for year 1; 50% lettings for year 2; 65% lettings for year 3; 90% plus lettings for year 4 onwards.
- 5.18 By April 2016, six months into letting new business accommodation at Sovereign Harbour for the first time, 645m<sup>2</sup> [6,943 ft<sup>2</sup>] had been let and occupied by 8 occupiers representing 27.41% of net lettable space.
- 5.19 A further 350m<sup>2</sup> [3,767ft<sup>2</sup>] is under offer representing an additional 15% of net lettable space and subject to the normal conclusion of fit-out arrangements.
- 5.20 Since September 2015, Sea Change Sussex, both directly and through our retained agents, has received 126 enquiries for a total potential requirement of 132,600m<sup>2</sup> at Sovereign Harbour.
- 5.21 67 viewings have taken place, of which 10 were second visits.

- 5.22 Enquiries for a further 234m<sup>2</sup> [2,520ft<sup>2</sup>] are under on-going discussion which is a level that has persisted regularly since the main marketing effort commencement last September.
- 5.23 Rents have been agreed at £16.50 -£17.00ft<sup>2</sup> dependent on unit size and configuration.
- 5.24 The baseline leases are for 3 years.
- 5.25 Generally no rent free periods have been offered and tenants are given a one month fit-out period, largely to install their IT/Telecoms systems.
- 5.26 In one current instance a one year rent free period has been granted for a longer 10 year lease commitment.
- 5.27 Given SCS's experience in 6 months and the continuing levels of interest, SCS must question why in 27 years SHL were not able to identify why they were unable to attract any interest. Historically, there is not much evidence of any serious marketing campaign.
- 5.28 The very short marketing history, including the above, of Pacific House wholly contradicts SHL's contention that there is no demand for floorspace at Sovereign Harbour nor has SHL offered any contradictory evidence other than its 27 year track record of no action, no development and unsurprisingly no interest. SCS believe that paragraph 5 and its sub-sections respond to the Inspectors questions 2.2, 2.3 and 2.4. SCS would wish to clarify for the Inspector that it believes the contents of this paper contributes to the response to questions 2.2, 2.3 and 2.4.**

**2.2 - there is a demand for B1 employment floorspace at Sovereign Harbour that has been illustrated by responses that wholly contradict SHL's 27 year track record of non-achievement and have offered no real evidence of recent history.**

**2.3 and 2.4 - SCS does not currently incur losses and is flexible and confident on the delivery of B1 development at Sovereign Harbour in the circumstances where SCS are owners of employment land at Sovereign Harbour. The demand for and the economics of B1 have been forecast for the 11 years of the Local Plan period and our current experiences give us no reason to alter that forecast.**

## **6.0 Development beyond Pacific House**

- 6.1 It was considered unlikely that Pacific House would accommodate all small/medium local need and therefore at least one further business unit of a similar size and design would be required were the whole Sovereign Harbour employment land allocation to be exploited.
- 6.2 The preferred location for this second speculative phase would be site 7a on the opposite side of Pacific Drive behind the Medical Centre thus creating a “business gateway” to the allocated employment land of Sovereign Harbour together with Pacific House on site 6.
- 6.3 Aside from the initial two phases of multi-occupancy development, it is intended that the balance of site coverage would come from both bespoke development for identified tenant interest and development for owner occupation. Both of which would take place at a faster rate due to the benefit of being developed to meet specific need and without the need to wait for the take-up of smaller speculative space.
- 6.4 Such an approach would benefit from a “willing seller” and a “willing developer” committed to pro-active marketing and flexibility in response to such business need and wholly supported by the main local authority partners - Eastbourne Borough Council and East Sussex County Council and the South East Local Enterprise Partnership.
- 6.5 The pro-rata building footprint for bespoke and/or owner occupied business would be smaller and the net lettable ratio higher for the subsequent phases of development on both sites 6 and 7a as there would be no shared or breakout space, the tenants being demised space for their exclusive occupation. The car parking ratio would drop to around 75% of the Pacific House levels which are currently higher than the development norm to reflect the variable needs of the anticipated large number of smaller occupiers for which Pacific House was intended. Such buildings could still be produced speculatively for both sale and letting at these smaller scales.
- 6.6 This approach informed the 11,100m<sup>2</sup> allocated to site 6 in the Section 106 Agreement (contested during its negotiation by SHL which were arguing for a higher allocation of 15,000m<sup>2</sup>). Pacific House had already received full planning consent when the Section 106 was being negotiated, meaning SHL would have been aware of its footprint at the time of entering the agreement.

- 6.7 The differing approaches would not be mutually exclusive as it is intended to pursue more proactive marketing of the development sites later this year and the site layouts are sympathetic to concurrent building activity. So far marketing efforts at site 6 have been focussed on the available business units in Pacific House. Similarly the take-up rate for the balance of site 6 would follow a steeper trajectory than the small unit provision of Pacific House.
- 6.8 The balance of site 7a would be developed for more conventional occupancy in line with the comments in paragraphs 6.7 above.
- 6.9 Given the importance of site 7a, SCS has opened negotiations with SHL with the backing of EBC and ESCC to ensure its development for the development of business space.

## **7.0 The Community Centre and other Site 7a Constraints**

- 7.1 The Community Centre for Sovereign Harbour is a commitment in the Section 106 Agreement for SHL to both provide the site and a contribution towards its development costs.
- 7.2 The preferred site previously identified was site 5, opposite the Yacht Club, or, failing the viability of that development location, site 7a.
- 7.3 Site 5 has now proven to be uneconomic for development and the Community Centre site is now contained within site 7a.
- 7.4 The incorporation of the Community Centre presents a potential reduction of 1500m<sup>2</sup> of employment space within site 7a which was originally contemplated in the Section 106 Agreement as providing 8900m<sup>2</sup> along with the smaller site 4.
- 7.5 When taken along with the other principal development constraint, in particular a Health and Safety Executive restriction along a 34 metre wide strip fronting Pevensy road, and designated as a “major hazard”, careful master planning of site 7a is necessary to enable delivery of the maximum employment space.
- 7.6 The physical restrictions on the location for development within site 7a have to be considered along with the restrictions on the occupancy levels of buildings (only 100 permitted occupants and less than 3 occupied storeys) within the major hazard zone. For an economic regeneration company, we share the Local Plan intent of achieving unrestricted employment levels.

7.7 The Health and Safety Executive restrictions point to development being brought closer to the long (south) Pacific Drive frontage which is constraint free. This leads us to conclude that a minimum 7,000m<sup>2</sup> of business space can be accommodated without restriction of the employment densities with the buildings that are delivered.

## **8.0 Bringing forward Site 7a now**

8.1 By securing the land for employment use at the same time as developing the Community Centre a masterplan can be evolved that optimises the employment land, its density and ability to deliver unconstrained occupancy levels.

8.2 Bringing forward site infrastructure now for the Community Centre, the employment land and particularly the eastern “gateway” building clearly secures economies of scale and shortens the development timetable for employment uses.

8.3 It would be our intention to bring forward a planning application for the eastern “gateway” building to be commenced in 2017/2018.

8.4 Site 7a along with site 6 being developed now will give certainty of the critical mass of employment land opportunities for owner occupation and bespoke development.

8.5 The continued uncertainty surrounding its availability for employment at Sovereign Harbour Innovation Park and its price point would be eliminated.

8.6 This further allows marketing of site 6 and site 7a with a commitment and flexibility of delivery to inward investors and local growth alike.

8.7 Installation of infrastructure in a critical mass of employment land supply will give confidence to investors and occupiers to commit to Sovereign harbour.

## **9.0 The Public Stakeholders willingness to pursue acquisition**

9.1 The public stakeholders, Eastbourne Borough Council, East Sussex County Council and Sea Change Sussex believe that the whole of the Sovereign Harbour Employment Land Supply should now be brought forward for development.

- 9.2 There is commitment from both Eastbourne Borough Council and East Sussex County Council to providing finance to Sea Change Sussex for its acquisition.
- 9.3 Given the difficulty in reaching agreement with Sovereign Harbour Limited brought about by their failure to either provide a “guide price” or indicate “acceptable” terms, the partners accept that bringing forward a compulsory purchase order may be required and are prepared to recommend the making of a compulsory purchase order.
- 9.4 However, there is a shared desire to conclude a purchase of site 7a by agreement, which Sovereign Harbour Limited have indicated would not take place until after the Eastbourne Employment Land Local Plan examination in public.

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