

Subject:	Circus Street Revised Scheme		
Date of Meeting:	9th February 2012		
Report of:	Strategic Director, Place		
Lead Member	Cabinet Member for Planning, Economy, Employment & Regeneration		
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Key Decision:	Yes	CAB8684	
Ward(s) affected:	All		

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

- 1.1 This report outlines the potential changes to the 'Grow Brighton' regeneration scheme at Circus Street. There is an accompanying Part 2 report seeking approval to 'heads of terms' for a revised development agreement that encapsulates commercial and financial amendments to the deal as well as the revised base scheme. The Council's involvement relates to both a land interest in the form of the former fruit and vegetable market plus the Kingswood Street Car Park, which has been anticipated to generate a capital receipt, and also the regeneration of the site for the benefit of the City. The revised scheme reflects the realities of development viability in the current economic climate. Whilst the scheme is true to the broad vision of that previously agreed, the mix of uses is slightly amended.

2. RECOMMENDATIONS:

- 2.1 That Cabinet notes the proposed revisions and continued benefits to the 'Grow Brighton' project at Circus Street as set out in paragraphs 3.3 to 3.10 and considers the recommendations in the Part 2 report.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

The Original Proposals

- 3.1 Cathedral have been selected as preferred developer for the Circus Street site by the development partners (the city council and the university) following a two stage bidding process. Representing an c.£80m investment in the city, there are considerable social, economic and regeneration benefits identified in the scheme proposed by Cathedral. Dubbed 'Grow Brighton,' their scheme is based around a single legible public open space, book ended by striking buildings – a new university library to the south and mixed-use accommodation to the north. The scheme considers the public realm beyond the site and would improve permeability and pedestrian accessibility, as well as providing a new public event square.

- 3.2 In April 2007 – at the height of the market – the three parties signed a Development Agreement for the site. Following the signing of the Development Agreement there was a period of further work aimed at investigating design, planning and right to light issues to ensure the scheme could be submitted for planning. It was whilst this work was ongoing that the ‘Credit Crunch’ began to take effect, with the first impacts being felt on the property development market, in particular market-led schemes which relied on housing to bridge gaps in viability.

Revised Proposals from Cathedral

- 3.3 The city council have worked proactively with Cathedral and the university in the past few months to move this project on and have explored all the options available to try to ensure that the project can be delivered. The Part 2 report outlines the key financial and commercial changes and encapsulates them in Heads of Terms to revised development agreement.
- 3.4 The requirements of the lenders willing to fund development projects have changed drastically. The expectation is now that projects are de-risked as by ensuring there are sufficient pre-lets and pre-sales to cover the peak borrowing requirement. To reflect this Cathedral are proposing minor alterations to the use mix that would be in the base scheme in the development agreement. In keeping with the recent Policy Options Papers for the City Plan, the urgent need for additional purpose built student accommodation in the city, and with a suggestion in the SPD; there is a proposal that 400 student beds be included in the scheme. There is now less speculative office space than in the original bid scheme and there are c.160-200 residential units.
- 3.5 The proposed student accommodation would be located close to a new university library and the existing University of Brighton Grand Parade building. This building has an extant permission to build a new fourth wing, which the university is looking at modifying and implementing. This, combined with the new library and student residential accommodation, would create a new educational quarter in this part of the city, bringing vitality and economic activity to the area. The student accommodation will help to meet a shortfall in such accommodation that the university seeks to provide, as well as freeing up other housing. The key to student accommodation integrating into the local community is how it is managed. As part of any future planning application Cathedral will be expected to provide a management plan for the student accommodation.

Continued Scheme Benefits

- 3.6 The revised scheme will seek to maintain the agreed master plan solution whilst amending the development mix to respond better to market conditions and to address the viability issues. Cathedral believes that the revised proposal will represent the optimum solution for this site. Despite the difficult market conditions, by unlocking this scheme we could deliver the following elements:
- New Library for the University of Brighton and Student Accommodation (c. 400 bed residences) as part of an improved educational quarter.
 - Dance Studio and Creative Space for the city
 - Corporate Offices
 - Strata Offices
 - Retail

- Residential: c.160 -200 units (depending upon final mix)
- Creative Industries Market

- 3.7 Cathedral have undertaken refreshed work on summarising the economic and regeneration benefits linked to the scheme, and a report by Step Ahead Research is at Appendix 1. The headline economic benefits include 140 FTE (full time equivalent) constructions jobs and 170 FTE jobs generated by the completed development, and an economic impact in the city economy of £153m over ten years. The quantitative benefits the paper identifies include the fact that student housing will relieve pressure on the private rented sector; there will be more, affordable, homes; the dance studio provides a focus for dance in the city; it will further integrate the university into the heart of the city and will bring enterprise to creativity through, for example, the creative industries market. There are also physical and townscape improvements linked to the public event square and permeability of the site, replacing the existing derelict market building.
- 3.8 There are a number of benefits to the city, the neighbourhood and the specific site itself in having a cultural facility as an integral part. The site is mixed use and the placement of a cultural facility within that will contribute to its long term success in terms of the vibrancy of the area. It will diversify the usage of the site in terms of the range of users and the timings of usage. This will help stop the site becoming an island site, and connect it into the other sites with cultural facilities in the city, close to the cultural quarter, adjacent to the university and diagonally opposite the Royal Pavilion Estate.
- 3.9 Dance is a popular and engaging activity with well documented health, education and social benefits. There is a lack of space for dance in the city, despite the number of dancers, groups, classes and participants both existing and potential. The new space will provide a home for dance in the city which will have a positive impact in terms of:
- Health benefits for targeted groups of residents linked to the city's public health agenda.
 - Particular opportunities for young people and older people (the space would become the home for youth groups and Three Score Dance a group for people over 60).
 - The city's cultural reputation and profile as a creative, producing city.
- 3.10 South East Dance at home in the space would be supported through the creation of a revenue stream via the development to develop an enhanced programme of youth and community dance reaching up into the neighbouring area and the city beyond. South East Dance are also in negotiation with the Arts Council, and planning additional fundraising in order to raise further capital funding to support the further fit out of the site once built. This fit-out is the responsibility of South East Dance and would not be at any cost to the city council.

Timetable and Next Steps

- 3.11 The developers proposed timetable is set out below, but it should be noted that this is quite ambitious and would be likely to be stretched by any drawn out negotiations over points in the development agreement:
- February 2012 – Agree Variations to Heads of Terms
 - March 2012 – Negotiate Detail of Changes to the Development Agreement

Risk and Opportunity Management Implications:

- 5.6 The project has, like all Major and Capital Projects, been subject to a risk and opportunity management procedure that is regularly updated. A risk register is maintained on the project.

Public Health Implications:

- 5.7 The existing site offers no public health benefits, and indeed is a health and safety risk due to people accessing the roof and potentially falling through. Early consultation included comments from managers of the public health facilities on Morley Street suggesting that the existing vacant building put people off approaching those facilities from Circus Street in the dark. Townscape improvements linked to the scheme will address this issue. There will also be community health benefits arising from the proposed dance studio.

Corporate / Citywide Implications:

- 5.8 Agreeing to a package that allows the scheme to proceed will help to deliver regeneration benefits locally as well as economic benefits to the wider city, as outlined at Appendix 1. In addition, the Department for Communities and Local Government now offers that for every new home given planning permission the government will match fund council tax for the first 6 years. Unlocking the Circus Street site could mean c.200 new homes and up to £1.8m income over six years (based on present band D rates of Council Tax).

6. EVALUATION OF ANY ALTERNATIVE OPTION(S):

- 6.1 One option would be to refuse the revised offer scheme and offer from the developers. If this were to happen then the developers may not have the comfort necessary to invest the money required to take the scheme forward to planning. Housing (affordable or private); office space; the dance studio and the new university library would not be delivered. Proceeding with a viable scheme would enable the regeneration benefits that will come out of the scheme.

7. REASONS FOR REPORT RECOMMENDATIONS

- 7.1 The recommendations seek Cabinet approval to make the changes necessary to unlock a scheme that has been stalled for a number of years. A number of options have been tested and the development viability has been assessed in depth. It is considered that approving the proposed recommendations is the only way that the regeneration benefits identified with this scheme can be unlocked.

SUPPORTING DOCUMENTATION

Appendices:

1. Grow Brighton: A Socio-Economic and Community Benefits Statement

Background Documents

1. SPD05 Circus Street Municipal Market

Grow Brighton

A Socio-Economic and Community Benefits Statement

Introduction

This paper sets out an updated socio-economic and community benefits of Cathedral Group's *Grow Brighton* development proposal for Circus Street, Brighton & Hove. It is an initial summary assessment and a more detailed socio-economic impact assessment will be provided when a full planning application is submitted.

The *Grow Brighton* Development Proposal

The *Grow Brighton* development proposal has the following key elements:

- 160-200 residential housing units, including targeting between 25-40% affordable housing (exact amount to be determined by the financial viability of the scheme)
- 400-bed student accommodation residences
- A creative industries market
- 13,000 sq ft of retail space
- 10,000 sq ft of multi-occupancy workspace
- 22,000 sq ft of corporate office space
- 38,000 sq ft for a new university library
- 11,700 sq ft for a Dance Studio for South East Dance.

The development is located on Circus Street, Brighton.

Circus Street, Brighton & Hove

Circus Street is located in central Brighton, at the south end of the city's Academic Corridor that links the Universities of Brighton and Sussex with City College, Brighton & Hove. It is close to the city's largest private sector employer, American Express, its world famous Royal Pavilion and the North Laine commercial and retail centre.

However, it is also in one of the city's most deprived areas. One in five (20%)¹ working age residents in its ward, Queens Park, are claiming out of work benefits, and nearly a quarter of adults (22%)² have no formal qualifications.

But the deprivation within Queens Park is even more localised than this. Circus Street is within Tarner neighbourhood – an area with high levels of sick and disabled residents and a high proportion of people living in social rented housing. It also has a large, transitory student population³. In short, this is one of the most deprived parts of Brighton & Hove, and is in need of significant regeneration.

¹ Source: Office for National Statistics (2011) via NOMISWEB

² Source: 2001 Census Office for National Statistics via NOMISWEB

³ 11.4% of 16-74 year olds in Tarner are permanently sick or disabled; 41% of households live in socially rented accommodation; and 12.9% of the resident population are students (Census 2001: sourced from the Tarner Neighbourhood Profile)

Providing New Jobs

Construction Jobs

The total value of the Grow Brighton development is estimated to be around **£81m**. Given its value, we expect the construction phase alone to create **140 FTE equivalent construction jobs⁴** in the city during the development phase.

We will work closely with the City Council, the Brighton & Hove Economic Partnership and City College, Brighton & Hove to ensure that as many of these jobs as possible are filled by local people.

Non-Construction Jobs

Our estimates suggest that the development will create 250 gross jobs, in addition to a small number of new jobs at the proposed university library and student accommodation. We would expect some of these jobs to displace jobs that already exist in the city and a small number to be taken by people who work outside Brighton & Hove.

However, given the low economic activity rate and the need to create net new 6,000 jobs over the next three years just to absorb demand, we expect both of these to be low. Based on 10% leakage and 25% displacement⁵, the development will create **170 net new jobs** for Brighton & Hove. This excludes a small number of additional jobs that will be created by the additional student accommodation and university library.

Furthermore, the level of additional employment could be higher depending on how the 10,000 sq ft of 'multi-occupancy workspace is used. Currently, there are discussions with the University of Brighton to use this space for its Architectural School. This will have other qualitative benefits, including helping to position the University as one of the leading Architectural Schools in the country and bring architectural design students face to face with the realities of people's lives in deprived communities⁶.

The proposal includes office accommodation, a creative market and dance studio; retail space; and a university library. This means that it will provide jobs for people with varying skill levels. Local people with lower level skills often do not benefit from developments that create only higher level jobs, whilst those that provide only low value added employment can fail to excite people and raise aspirations amongst local residents. This development bridges this gap.

There will be 64 gross retail jobs on the development – these are often suitable for people looking to enter the labour market. However, there is also corporate office space (170 gross jobs) which will attract businesses that can provide jobs for people with higher level skills, including university graduates.

⁴ Note: This is based on output per construction worker (£58,000) and applying a standard ratio of 0.10 to the total job estimates generated by a development of this scale

⁵ Note: The Homes and Communities Agency suggest these as low leakage and displacement levels: Additionality Guide Third Edition

⁶ Note: The University of Portsmouth has had considerable success in providing their architectural students with real-life community projects that enable them to incorporate social and community dimensions to their architectural designs.

Economic Impacts

Employee Impacts

Gross median annual earnings for full-time workers in Brighton & Hove are £24,978. Based on the number of net additional jobs (170), the gross economic impact from the employment development is estimated to be £5.5m. However, national estimates suggest that only around 22% of people's earnings benefit the local economy. This means that the net economic impact from employees spend to the city will be around **£1.2m** per year.

Student Accommodation Impacts

The development includes 400 student accommodation residencies. According to the National Union of Students, students outside London spend an average of £11,188 per year on living costs over a 39 week period and (in 2011/12)⁷. There is likely to be some displacement (the net increase in student accommodation units may not result in an equivalent net increase in the number of students in the city) and some expenditure leakage outside Brighton & Hove. Furthermore, including student spend at retail outlets on the site would be 'double counting', as this has already been estimated in the employee impacts.

However, students spend a higher proportion of their incomes locally. Given this, we estimate that around 33% of the gross spend will be additional and will be retained within Brighton & Hove. Assuming 100% occupancy, this would mean **£1.5m** net additional spend in the city by new students that the new accommodation would attract (excluding course fees).

If the student accommodation is utilised effectively, it can provide additional visitor expenditure to the city outside term time. Assuming 70% occupancy rate over a 10-week period, the additional income to the city from non-student visitors staying in student accommodation would be **£2.3m**⁸

Spending by Residents

The development also includes 160-200 residential units. The mix of dwelling sizes is yet to be determined. However, if we assume that density is the same as that for Queens Park, as a whole, it would mean that there would be between 270 and 340 residents living on the *Grow Brighton* site. If there is no displacement this would mean that the development would result in 160-200 additional households moving into the city or it would prevent 160-200 households leaving the city⁹.

Average household income in Brighton & Hove is estimated to be £35,000 and national estimates suggest that around 22% of people's earnings is spent locally. Applying these estimates would suggest that additional spending by residents in the city would be between **£1.2m** and **£1.5m** per year.

⁷ What Does it Cost to be a Student? National Union of Students 2011

⁸ Note, this is based on the current daily spend by staying visitors to the city of £115.51 per 24 hour period.

Dance/Creative Studio

A study¹⁰ has already been undertaken that includes estimates of the impacts of the proposed Dance Studio on the site. The floorspace assumptions for the analysis are broadly the same as those within the new development proposal, so it seems reasonable to retain the original estimates. The study suggests that the “minimum impact” that the Dance space could have on the economy would be around **£500,000** per year and that this could be as high as **£700,000** per year.

Wider Socio-Economic and Community Impacts

Student accommodation the pressure on the private-rented housing sector...

The impacts of **Grow Brighton** are not just employment and financial ones. There is a pressing need for student accommodation. Brighton has one of the highest concentrations of students in the UK – 13% of the population. The challenges that this creates have been recognised nationally. A report¹¹ in the Guardian suggested that the development of new purpose-built student accommodation had “*failed to keep pace with the rise in student numbers*”. This has resulted in landlords renting much needed family accommodation to students, pricing young families out of the private rental market in parts of the city.

Building 400 new student accommodation residencies will go a long way to addressing this issue and will result in a greater dispersal of students away from the narrow strip along Lewes Road between Bear Road and Falmer. Indeed, the proposal to include student accommodation is supported by the city council as stated in their Autumn 2011 consultation paper on Student Accommodation which specifically identified Circus Street as an appropriate location to build student residencies.

Providing more, affordable homes...

Brighton & Hove has a shortage of housing and, in particular, a shortage of affordable housing. According to Brighton & Hove City Council’s Housing Options Delivery Paper, the city needs between 790 to 970 homes per year. In July 2011, there were almost 11,000 households on the council’s Housing Register seeking a home with an additional 2000 households already in housing seeking a transfer to more suitable accommodation. This represents a considerable affordable housing challenge for the City Council.

Grow Brighton goes some way to addressing both these challenges. It proposes developing between 160 and 200 dwellings, of which up to 80 could be affordable.

Integrating the university into the heart of the city...

The Universities of Sussex and Brighton are central to the city’s success. They contribute an estimated £1bn to the economy and make a significant contribution to its cultural life. Furthermore, the links between the city’s businesses and the universities are strengthened by the high graduate retention rate. However, there are still locational disadvantages, with most of the universities’ activities taking place on the outskirts of the city at Falmer. Grow Brighton will extend the Academic Corridor, and therefore the universities, into the heart of the city.

¹⁰ Economic Impact Study of the Dance Artists and Practitioners who Live and Work in the City of Brighton & Hove. SAM (2008)

¹¹ <http://www.guardian.co.uk/money/2011/mar/27/student-lets-brighton-solution>

Locating a major new university site in the centre of Brighton will also raise aspirations amongst local people (particularly in the Tarnar area); strengthen linkages between the university and the city's start-up business community (particularly in the creative industries); and provide an excellent selling point to high quality students who are attracted by being living in the heart of Brighton & Hove.

A focus for dance...

Brighton & Hove is home to South East Dance, but it is not as successful as it should be at retaining talent. The impact study undertaken in 2008¹² suggests that the lack of a suitable dance studio in Brighton & Hove means *that "dance artists and practitioners have to look elsewhere to undertake their work"*, resulting in around £1.2m worth of dance activity leaking out of the local economy.

However, the impact is not just economic. Brighton & Hove has a well-recognised creative and cultural reputation and recognises the impact that the arts have on regenerating and engaging local communities. The provision of a Dance Studio (and a creative market) will take creativity into the heart of one of the city's most deprived neighbourhoods, bringing in new people and creating a new image of opportunity and hope.

Bringing enterprise to creativity...

Brighton & Hove has a well-deserved reputation as a centre for the cultural and creative industries, but many businesses in these sectors struggle to be commercially viable. The 2010 Brighton & Hove Business Survey¹³ found that *"creative Industries businesses were more likely than businesses in other sectors to have a low turnover, employ few staff and to have cash flow challenges"*. In short, the evident creativity in the city is not yet successfully converted into effective business outcomes. The report suggested that there was a "greater need to commercialise businesses in the sector" but recognised that its fragmented nature and high proportion of freelancers nature make it difficult to do this.

Grow Brighton directly addresses this challenge. The development includes a Creative Market that will enable creative people to meet and buy and sell their products and services from a single, easily recognisable location. This will reduce fragmentation and isolation amongst creative business owners, strengthen their links to the city's university and commercial sectors and provide a physical location to encourage knowledge exchange and business partnerships.

Overall Impact of the Development

A simple quantitative assessment of the impact of the development on the city fails to address the full benefits that it will bring. However, our estimates suggest that, over a ten year period, the development will provide at least 170 net new FTE jobs to the city and a further 140 FTE construction jobs. The development will contribute around **£153m** to the city's economy over a ten-year period, including £81m investment in the construction of the development.

¹² Economic Impact Study of the Dance Artists and Practitioners who Live and Work in the City of Brighton & Hove. SAM (2008)

¹³ Brighton & Hove Business Survey 2010 Step Ahead Research (2010)