

Asset Management - Westbrook Loggia

Cabinet	16 June 2022
Report Author	Louise Askew, Director of Regeneration
Portfolio Holder	Cllr Pugh, Deputy Leader and Cabinet Member for Economic Development
Status	For Decision
Classification:	Unrestricted
Key Decision	No
Previously Considered by	Cabinet - 16 December, 2019
Ward:	Westbrook Ward

Executive Summary:

This report provides an update for Cabinet following the Feasibility Study commissioned for the Westbrook Loggia building. The Feasibility Study considers the opportunities for the redevelopment of the site, types of uses and is informed by evidence and community engagement. The full feasibility study was carried out in 2021 includes a Cost Plan Report and RIBA options appraisal.

Cabinet is being asked to consider the report and recommendations for the next steps to be taken, to deliver a scheme on the Westbrook Loggia building.

Recommendation(s):

1. Note the independent Feasibility Study in Annex 1, into the options for the Westbrook Loggia;
2. Progress the Westbrook Loggia through the disposal framework identified in Option 2, with specific sale conditions relating to use, development timescales and buy back in the event of failure to deliver;
3. Give delegated authority to the Disposal Surveyor in consultation with the Director of Property to market the property and negotiate relevant sale terms;
4. Give delegated authority to the Director of Property in consultation with the Portfolio Holder to enter into a binding sale contract.

Corporate Implications

Financial and Value for Money

The Council commissioned a feasibility study to consider the options for regeneration and repurposing of the Westbrook Loggia. The report identified a deliverable scheme on the site

that would support the district's visitor economy and make improvements to this key coastal asset. The report identified that the capital cost estimate for the refurbishment of the Westbrook Loggia approximately £4,068,000, pending structural surveys. This would be to create a mix of uses on the site, including self catering holiday accommodation, restaurant and event space, cafe and toilet and showering facilities with additional amenity spaces for the businesses.

A redevelopment scheme of the Westbrook Loggia does not exist in the Council's capital budget for a project to be delivered. This would mean that the Council would need to borrow the funding in order to deliver the scheme. With significant external funding and a number of capital projects being delivered over the next few years, the Council does not have the capacity to add another capital scheme to the programme, particularly one that needs to start delivery relatively quickly.

Legal

The proposal will require a number of legal documents including a binding sale contract with specific sale conditions relating to use, development timescales and buy back in the event of failure to deliver.

Corporate

The Westbrook Loggia was identified as a key asset along Thanet's Coastline that would support the economic growth of the sector, whilst having the potential to offer more within the building. This was identified and adopted in the Destination Management Plan in 2014, the Beach Management Plan in 2013 and then in the updated Destination Management Framework in 2020.

The proposed recommendation to deal with the Westbrook Loggia through the asset disposal framework, with development requirements, deals with a number of risks that the Council would be facing if it delivered it through borrowing. The Council has limited resources to manage the capital project, and then set-up an organisation to manage the self catering accommodation.

The risks associated with sale with a development agreement is that the Council will be required to monitor the delivery of the development, ensuring that the developer delivers against the proposed milestones. The capital receipt the Council is likely to gain will be less than a sale without conditions, however the Council has committed to supporting the visitor economy, creating jobs and maintaining its coastline.

Thanet District Council is committed to a robust asset management strategy to renew underperforming land and property in order to achieve its corporate aims. Additionally, the Medium Term Financial Strategy (MTFS) requires secure income and capital receipts.

Equality Act 2010 & Public Sector Equality Duty

Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and

(iii) foster good relations between people who share a protected characteristic and people who do not share it.

Protected characteristics: age, sex, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.

This report relates to the following aim of the equality duty:

- To advance equality of opportunity between people who share a protected characteristic and people who do not share it.

CORPORATE PRIORITIES

This report relates to the following corporate priorities: -

- Growth
- Environment

1. Background

- 1.1. In 2013 Thanet District Council was one of the first places to lead on the development of a Destination Management Plan, a plan for the place to support the growth of the visitor economy. Since that date (pre pandemic) Thanet's visitor economy has shown significant growth Visitors up by 36% to 4.6 million, value up by 43%, to £352 million and number of jobs up by 46% to 8,664 (19% of all employment). This Plan was updated in 2020 and the Destination Management Framework was formally adopted in April 2020. The Framework identifies three priorities: Vibrant Towns, Coastline Focus and the Isle Of Thanet Promise.
- 1.2. The Coastline Focus priority identifies that there is a growing opportunity to find imaginative ways to deliver improved experiences and enhanced facilities at key sites in response to the visitor market's growing interest in breaks that feature "wellbeing" experiences and outdoors activity. This includes the Council looking at how it utilises its coastal assets, including finding ways of gaining and income from them. The Pandemic stalled some of the activity identified in the action plan, however the development of the Westbrook Loggia site could deliver against the first action - to identify a site (as a pilot) that could combine essential public services (toilets, changing, showers, water, lifeguard station) with destination food and drink experiences and activities. The commercial operation is to support the capital and revenue costs of the public function.
- 1.3. The Framework highlights that the priorities identified in the adopted Beach Management Plan from 2014 had been stalled. This Plan identified a number of ways that the council could improve its services and offer to the beaches and bays around the district, with some key projects proposed. The Loggia was included as being able to provide a centre-piece and service hub to Westbrook Bay. A key priority of the

Beach Management Plan for key sites, including Westbrook was the opportunity to create overnight accommodation that would appeal to the new visitors that the district was starting to see visiting, with an acknowledgement that there is a massive gap in this market over overnight accommodation.

- 1.4. There are a number of reasons that reviewing the options for the Westbrook Loggia stalled, including resource implications and other priorities from the Council. However, an increase in the value of the visitor economy, and the impact the Pandemic has had on the interest of people having a 'staycation' and looking for breaks in this country and provided a prime opportunity for the Council to reconsider the proposals identified for the Westbrook Loggia. The district has seen massive growth in the number of AirBnB providers from 1,019 in 2019 to 1,531 in January 2022 taken from AirDNA reports. Thanet's beaches and coastline are overwhelmingly what motivates people to visit, currently approximately 75% of the district's visitors are day visitors, and in order to increase the economic impact of tourism more quality accommodation needs to be developed. Demand for sea views and ones that can offer an experience is high, and has the potential to stand out and compete with other coastal destinations. In the recently published Kent Visitor Perception research conducted by Visit Kent one of the key findings highlighted the importance of accommodation in driving destination decisions is stronger than ever, particularly among younger people. For almost 50% of travellers, accommodation represents a significant influence and 17% went as far saying the accommodation IS the holiday.

2. Introduction

- 2.1. In March 2021 Thanet District Council commissioned a full feasibility on the potential for redevelopment of the Westbrook Loggia at Westbrook Bay, Margate. The brief was that the proposal should be practical, sustainable and commercially viable 365 days of the year. Through a competitive procurement process the Council commissioned Fourth Street Consultants, working with Purcell architects on the RIBA Stage 2 Design and Options Appraisal, and Betteridge and Milsom Surveyors on the Cost Plan report.
- 2.2. The final report was informed by a strategic review, a public engagement exercise, which attracted an unprecedented 822 responses, detailed viability assessments, 1:1 discussion with key stakeholders and internal discussion held with the Estates, Major Projects, Planning and Finance teams at the Council.

The report includes:

- Vision for the Loggia building;
- Outline architectural plans and sketch drawings detailing the spatial layout of the potential different uses;
- A financial appraisal covering a capital costs estimate and analysis of funding;
- Opportunities and operational revenue projections;
- Potential operating and development models, including soft market testing; and
- Results of the public engagement exercise.

- 2.3. The condition of the Loggia building has deteriorated due to lack of investment and maintenance, in combination with the harsh seafront weather. The Loggia has largely been unoccupied for a number of years with the ground floor cafe closing in 2019. The only remaining tenants are the Thanet Lifeguard Club (another suitable location is currently being negotiated with Estates) and the Bay Inspectors Office. Despite the condition of the building, the site benefits from being in a prime location with its distance to Margate Main Sands and the railway station, backed by a residential population that actively uses the beach all year round, and having the second largest number of seasonal beach huts in Thanet. Westbrook is one of the only sandy beaches along the north-eastern Kent coast that remains during high tide, Westbrook Bay is popular with families and dog walkers. The beach has been awarded Blue Flag/Seaside Award status for a number of years and is RNLI lifeguarded.
- 2.4. The Loggia has some key qualities that will underpin its future development, namely:
- The Local Plan designates Westbrook Bay as an Intermediate Beach, meaning small-scale development is permitted
 - The bay has a 'hold the line' coastal defence policy
 - Development on the promenade is above flood risk, with a management policy in place to mitigate risk in extreme conditions
 - There is good vehicular and public transport access
 - Bathing water quality is currently 'Excellent'
 - The bay currently benefits from a beach inspector and lifeguards in peak season
 - There is good access to cycle and walking routes including the Viking Coastal Trail and Thanet Coastal Path – both of which run along the promenade directly in front of the Loggia – as well as good access to the nearby Margate town centre and railway station

3. Westbrook Loggia Feasibility Study

- 3.1. This report details a preferred scheme for the Loggia that proposes a unique combination of split food and beverage offer (café at promenade level, restaurant at first floor level), a hub for beach and community activities, and short-stay accommodation pods. The scheme would provide significant visitor economy and place-making benefits for residents and visitors.
- 3.2. The report provides an indication of other case studies for beachside accommodation, including the Bournemouth Beach Lodges.
- In 2017, Bournemouth Beach Lodges were launched. Following a programme of major regeneration and investment in Boscombe's seafront, and recognising the increasing demand for overnight accommodation, the Council embarked on the development of 15 beach lodges at Manor Steps. This first phase of development acted as a proof of concept before a further 9 lodges were added to the portfolio in a subsequent phase. A 75% annual occupancy rate (pre-Covid) has been achieved with weekly rates rising from £750 off-peak to £1,440 at peak

times. With Christmas and New Year proving one of the busiest periods and high demand around October and February half-terms, the traditional seasonality is being extended providing greater year-round use and activity.

- A second site has since been identified at Southbourne and a scheme is underway to develop a further 17 lodges (2 with hot tubs) as part of an £8m redevelopment. The scheme will integrate a restaurant at promenade level, public toilets, lodge office and laundry facilities, with improvements being made to car parking and access arrangements. The scheme is being funded through the PWLB borrowing and is projected to return an annual surplus of £100,000 after finance costs.

The schemes at Bournemouth evidence that there is demand for this type of accommodation in coastal areas.

- 3.3. At the time of the report, the capital cost of redeveloping the Loggia had been estimated at between £4m and £5m (excluding VAT and inflation, less fixtures, fittings and equipment, legal fees, road closures and other employer requirements).
- 3.4. The condition of the building and the public toilet facilities it currently offers is a big reputational issue for the Council. The Council has previously placed the Loggia on the asset disposal list, which allows for decision making on the long term opportunities for the site, and in the commissioning of this report the public engagement exercise has piqued interest in what happens next. A temporary licence for food and drink is being advertised to offer a small unit to accommodate users of the beach for this summer.
- 3.5. The feasibility study identifies that in addition to the significant economic impact of the development (i.e. spending and employment), the proposed redevelopment of the Loggia will also deliver considerable non-financial benefits including, but not limited to: positive regeneration and placemaking effects (i.e. land value uplift, catalyst for wider development, place brand enhancement); community and social value (i.e. health and wellness benefits, access to public spaces, public safety and security); and local environmental improvements (e.g. improved promenade and building interface, building's performance in supporting a more sustainable business)
- 3.6. It is noted in the report that there is considerable public interest and opinion in relation to its current state and future. A public engagement exercise was carried out to gather ideas and suggestions on the potential development of the building and its location. This included an online survey hosted on the Council's website, with the option to collect hard-copy surveys from the Loggia. The engagement exercise ran over a three-week period and attracted an unprecedented 822 responses.
- 3.7. Analysis of the survey results is included in the full Report, however overall, the survey responses evidence the public's interest in the building and their call for improvements to be made as swiftly as possible, with an emphasis on supporting the local community and enhancing the Bay's experience. Some key extracts from the results are summarised below.
 - The majority of respondents were local, with 81% stating they 'lived nearby'.

- Most respondents fell within the 45-64 age range, with those aged 35-44 years representing the next largest group in terms of responses (30%). These age groups represent 25% and 12% of the local population (within 1 mile radius) respectively.
- Main reasons for visiting Westbrook Bay included:
 - Dog walking
 - Beach days
 - Socialising
 - Walking, cycling or swimming
 - Visiting beach huts
- Over 500 out of 822 respondents claim to visit the bay more than 3 times a week during the summer. This drops to around 350 outside of the summer season.
- Respondents' ranking of the preferred uses at the Loggia are:
 - Beachfront cafe
 - Restaurant
 - Takeaway food kiosk
 - Wellbeing Hub
 - Holiday Accommodation
 - Beach and Watersports retail
 - Beach and Watersports retail
- Overall, greater emphasis was placed on the Loggia's potential to serve the local community, with less emphasis on the potential visitor offer. This likely reflects the limited non-local respondents.
- A number of comments focused on the need to do something with the Loggia urgently in order to prevent it from falling into greater disrepair.
- In terms of future value and benefits arising from the development of the Loggia, the greatest emphasis was placed on enhancing the overall bay experience and helping create employment opportunities.

4. Options

- 4.1. **Option 1:** The Council could do nothing with the report and its recommendations and sell the site through a disposal process, and gain a capital receipt. The Council will have no control over what development happens on the site, if it gets delivered. Toilet provision would need to be considered elsewhere, this would incur costs and investigation works that would be needed regarding infrastructure i.e. water and waste. This option will mean that:
- there is a challenge in identifying a new location for toilets as previously been explored for temporary units, beach huts sites will need to be removed;
 - financial implications of providing a new toilet offer will need to be costed;
 - the loss of the opportunity to inform what is being provided on the site,
 - the offering to beach users and the districts residents;
 - the unknown timescales of delivery; and
 - public perception of not using the advice provided within the feasibility study.
- 4.2. **Option 2:** Sell the building under a conditional sale contract with specific sale conditions relating to use, development timescales and buy back in the event of failure to deliver. The capital receipt to the Council will be less than from an

unconditional sale, however it will enable the Council to inform what is provided on the site, to support the Council's strategic objectives and ensure toilet provision is delivered. Preparing for such a sale we would need to:

- Put together a marketing pack that includes the report commissioned, the Council's conditions for the site and questions for prospective developers to respond to;
- Identify whether there are any other sites at Westbrook Bay for a toilet block, or whether it is needed to be included in the Westbrook Loggia building; and
- Prepare the development agreement.

4.3. **Option 3:** Deliver the project through a Joint Venture structure where the Council puts in the land asset and a developer finances the scheme, and procures the operator. Through this mechanism, the Council would end up as a minority partner on the basis of the potential value of the site and the capital investment required. The Council would also have some of the financial and delivery risks. The Council could also consider putting more capital into the project to increase its potential share of the equity. The Council potentially could have more control in this Option, however the risks are relatively high.

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Reporting to: Madeline Homer, Chief Executive

Annex List

- Annex 1: The Loggia Building, Westbrook Bay Feasibility Study, Stage 2 Report (Fourth Street)
- Annex 2: RIBA Stage 2 Report (Purcell)
- Annex 3: Cost Plan Report (Betteridge & Milsom)
- Annex 4: The Loggia Building, Westbrook Bay Stage 1 Report (Fourth Street)
- Annex 5: Thanet District Council Site Outline

Background Papers

- Thanet Beach Management Plan 2014 - www.thanet.gov.uk/documents
- Thanet Destination Management Plan 2013 - www.visitthanetbusiness.co.uk/destination-management/
- Thanet Destination Framework adopted in April 2020 - www.visitthanetbusiness.co.uk/destination-management/
- Westbrook Loggia Feasibility Study, Stage 2 Report (check we can share)

Corporate Consultation

Finance: *Chris Blundell, Director of Finance*
Legal: *Estelle Culligan, Director of Law and Democracy*