

FORWARD STRATEGY FOR THE DELIVERY OF THE DALSTON “QUARTER”

Key Decision No. LHR L78

CABINET MEETING DATE (2015/16)

23 November 2015

CLASSIFICATION:

Open

If exempt, the reason will be listed in the main body of this report.

WARD(S) AFFECTED

Dalston

CABINET MEMBER

Cllr Nicholson

Regeneration

KEY DECISION

Yes

REASON

Spending or Savings

CORPORATE DIRECTOR

Gifty Edila, Corporate Director of Legal HR and Regulatory Services

1.0 CABINET MEMBER'S INTRODUCTION

- 1.1** The Council is committed to regenerating its town centres so that they can develop and thrive in a way that creates opportunities and prosperity for the local and Borough-wide community. The Council also recognises the importance of managing its assets to bring about better outcomes, avoid inefficiency and enable Hackney to be a place for everyone.
- 1.2** Dalston is an area of cultural importance and growing business opportunity, which has been fuelled by the arrival of the London Overground and expansion of 'Tech City' from areas such as Shoreditch. The Council, in partnership with other bodies, is driving regeneration of this major town centre, through masterplanning and other town centre initiatives.
- 1.3** Dalston's cluster of unique cultural, creative, community and third sector industries are major assets to the character of the town centre and play a key role in both attracting and sustaining significant regeneration opportunities and economic sustainability. The Council has a unique opportunity to embark on a journey to use its assets around Ashwin Street and Dalston Lane to implement the 'Dalston Quarter' ('Quarter'), a collaborative project to strengthen the role and presence of these industries and businesses and create a centrepiece of cultural and creative urban regeneration.
- 1.4** I commend this report to Cabinet.

2.0 CORPORATE DIRECTOR'S INTRODUCTION

- 2.1** This report seeks Cabinet's endorsement to proceed with the initial stages of a strategy to explore options to deliver the Quarter, a comprehensive part refurbishment, part redevelopment of various Council owned sites around Dalston Lane and Ashwin Street to sustain a vibrant, exciting quarter with a cultural, creative and community focus that builds on the existing character and uses in the area.
- 2.2** The planning framework for the Quarter is established in the Dalston Area Action Plan ('AAP'). The designation of a 'Cultural, Creative and Community Quarter' around Ashwin Street and Dalston Lane, as part of a balanced approach to land use in the town centre, received much local support as part of the adoption of the AAP in January 2013. Since then the Council has completed work to establish how the Quarter might be delivered and is now in a position to proceed with a project strategy (which includes significant stakeholder engagement) to explore options for delivery.
- 2.3** The preferred strategy for delivery is to take assembled land forward as a comprehensive development/refurbishment package where a development partner or consortium of development partners is procured as part of a joint venture with the Council through an architectural/design competition. This approach will ensure the development partner or partners provides the capital for delivery while ensuring the innovative and exemplar design that this landmark Council scheme deserves. This Cabinet report is not seeking approval of a particular refurbishment/development outcome, rather seeks Cabinet endorsement to take the first steps of this preferred strategy which includes stakeholder engagement to explore options for delivery of the Quarter. Future endorsement for all key project decisions will be sought from Cabinet and other Council Committees (including from Cabinet Procurement Committee).

3.0 RECOMMENDATION(S)

3.1 To endorse the preferred project strategy set out in this report to enable options for delivery of the Quarter to be explored.

4.0 REASONS FOR DECISION

4.1 This decision is required to enable Council Officers to proceed with the initial stages of a preferred strategy to explore options to deliver the Quarter, a part refurbishment, part development with a cultural and creative focus, on four Council owned sites. These sites, which may be broadened to include other sites/areas, depending on stakeholder consultation, comprise the following (refer to 'Appendix 1 – Potential Quarter Sites Plan'):

- Site 1: Nos. 1 – 7 Ashwin Street;
- Site 2: Former CLR James Library, Nos. 16 – 22 Dalston Lane and No. 62 Beechwood Road;
- Site 3: Nos. 11 Dalston Lane, Nos. 2 – 8 and Nos. 10 – 16 Ashwin Street; and
- Site 4: No. 2 Abbot Street.

4.2 The preferred delivery strategy is to take assembled land forward as a comprehensive development/refurbishment package where a development partner or consortium of development partners is procured as part of a joint venture with the Council through an architectural/design competition. While there is flexibility in this preferred approach, the key steps in the preferred strategy as well as indicative timeframes are broadly summarised below:

- Initial engagement with key stakeholders and the local community to explore options for comprehensive part refurbishment, part development of Quarter sites, consistent with principles set out in adopted Dalston AAP (beginning of 2016);
- Draft developer's brief for procurement of a developer or consortium of development partners through an architectural/design competition including stakeholder and community engagement (January - May 2016);
- Procure developer or consortium of development partners through the architectural/design competition. Invitations to tender will be invited from development partners with their choice of architect, which will be assessed against the 'developer's brief' (spring 2016 – beginning of 2017);
- Developer or consortium of developers prepare a scheme for the Quarter which will include further stakeholder and community engagement (beginning of 2017 – spring 2017);
- Developer or consortium of development partners obtain planning permission, which includes stakeholder and community consultation (spring 2017 – summer 2017); and
- Construction of phased part refurbishment, part development of the Quarter (commence towards the end of 2017).

4.3 There are many advantages to enabling this work including:

- Delivers the vision for the Quarter as set out in the Dalston AAP, which is a comprehensive spatial strategy for co-ordinated development and design, reflecting local aspirations for the future of the area (an overview of the vision and policy context is provided in section 6.1). It will deliver regeneration of the

area and ensure the continued and enhanced role of Dalston as a Major Town Centre including:

- Existing buildings with heritage significance will be cherished and sought to be retained or refurbished alongside new buildings of exemplar and high quality design to enhance the areas vibrant character and celebrate Dalston's diversity;
 - Provision of a range of improved, flexible floorspace to nurture bespoke cultural/creative and community businesses that will complement the existing quarter assets and promote employment opportunities; and
 - Facilitate high quality public realm including buildings with active frontages and new creative surface improvements and encourage 'shared space', 'spill out spaces' and pedestrian meandering.
- While there is flexibility in the preferred strategy to take forward the Quarter, it includes the potential for significant community, stakeholder and Member engagement and to maximise regeneration benefits. More specifically, the preferred strategy will provide the following benefits:
 - Procurement of a development or consortium of development partners through the architectural / design competition will:
 - Ensure that any developer(s) partner brings high quality architects to the project to achieve the design quality necessary for the Quarter through the design competition, including to maximise regeneration benefits;
 - Allow Member, stakeholder and community engagement on an ongoing basis, providing increased opportunities to genuinely shape the delivery of the Quarter. For example, the formulation of a developers brief ahead of procurement (design competition) will include meaningful Member, stakeholder and community engagement from the outset and promote a 'joined up' approach (rather than procuring architects to formulate a more pre-determined development / refurbishment scheme);
 - The flexibility of the potential procurement procedure provides an equal opportunity for local stakeholders to partner up with a developer/ architect and contribute to the delivery of the Quarter;
 - The proposed forward strategy would achieve the Council's statutory obligation of 'best consideration'; and
 - The proposed forward strategy will ensure that the scheme (when it has been formulated) is deliverable and offsets financial risk from the Council.

4.4 This Cabinet report is not seeking approval of a particular refurbishment/development outcome, rather endorsement to embark on the initial stages of the preferred strategy to explore options for comprehensive part refurbishment and part development of sites in and around Ashwin Street and Dalston Lane to achieve the significant regeneration benefits outlined above. At this stage, the proposed strategy is not envisaged to impose significant resource implications, aside from some general project costs which are met within existing budgets, and as set out in paragraph 2.3 endorsement will be sought

from Cabinet and other Council Committees (including from Cabinet Procurement Committee) for all key future project decisions as follows:

- Seek Cabinet to endorse the preferred project strategy set out in this report to enable options for delivery of the Quarter to be explored – November 2015;
- Seek Cabinet/Corporate Procurement Committee to endorse ‘developers brief’ and procurement strategy – spring 2016;
- Seek Cabinet/Corporate Procurement Committee to endorse selected/preferred developer/architect – beginning of 2017;
- Seek Planning Committee/Cabinet to grant planning permission/complete Principal Development Agreement respectively – summer/autumn 2017.

5.0 DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

5.1 Other project strategies for the Quarter have been considered and broadly include the following:

- The Council could procure an architect to design a part refurbishment, part development scheme for the Quarter and then procure a developer partner to implement;
- The Council could procure an architect to design a part refurbishment, part development scheme for the Quarter and then the Council could then sell the sites with planning permission and restrictive covenants for any future prospective owner to implement;
- The Council could procure an architect to design a part refurbishment, part development scheme for the Quarter and then procure contractors to construct the scheme; and
- The Council could dispose of the sites on an unconditional basis, leaving the sites to the open market to implement a scheme.

5.2 The above options are not preferred for various reasons, primarily as they do not provide the same advantages as the preferred strategy set out in Section 4.0. Specifically, the alternative options considered are not preferred given they:

- May not result in the desired outcomes or maximise community and regeneration benefits;
- Do not maximise potential for stakeholder, community and Member engagement in scheme formulation and delivery strategy; and
- Present issues for potential delivery, such as increased cost and risk to the Council.

6.0 BACKGROUND

6.1 Policy Context

6.1.1 While this report is seeking endorsement to commence initial work on the preferred strategy, the future delivery of the Quarter is in line with the six objectives of the Sustainable Communities Strategy (SCS) and will result in the realisation of the identified outcomes of the SCS which sets out that Dalston, and other areas of growth, will be vibrant places where local people and visitors will choose to shop and spend leisure time, and will remain attractive places to do business and invest in.

- 6.1.2** The future delivery of the Quarter is also in line with the Council's Corporate Plan to 2018 which stipulates a Capital Investment Strategy to realise the delivery of numerous objectives, including the requirement to regenerate the Borough's town centres, in particular Dalston.
- 6.1.3** The delivery of the Quarter will also be in line with the Core Strategy, the Borough's over-arching spatial planning strategy adopted November 2010 in that it will contribute to the rejuvenation of Dalston Town Centre by enhancing Dalston's historic environment and build on the opportunity of the new Dalston Junction Station to increase the density of employment within the area and attract new businesses and investment.
- 6.1.4** As set out in paragraph 4.1 the detailed planning framework for the Quarter is set out in the Dalston AAP. The overall purpose of the AAP is to establish the basis for shaping the regeneration of the area and to ensure the continued and enhanced role of Dalston as a Major Town Centre. The AAP, and therefore the delivery of the Quarter, was initially endorsed by Council as part of the AAPs adoption in 2013 and received support from the local community as part of this process.
- 6.1.5** More specifically, Policy DTC 09 of the AAP sets out that the Council will support and develop the creative, cultural, community and voluntary sectors throughout Dalston, and that the new development should make a positive contribution to Dalston's varied cultural and community character. As such, Ashwin Street and part of Dalston Lane' is identified as a 'community and creative quarter', where community, cultural/creative and third sector uses will be supported and developed to build an exciting area consisting of a range community and creative industry and facilities as part of an overall balanced approach to land use in the town centre.

6.2 The Quarter Vision

- 6.2.1** Since the Quarter's designation in the AAP, Council Officers have been completing work to inform the feasibility to embark on a delivery strategy. This work indicates that there are no major barriers to embarking on a strategy to maximise regeneration benefits for the Quarter.
- 6.2.2** The AAP recognises the importance of the existing community, creative, cultural and third sector uses and seeks to retain and build upon these uses, which are considered to be major assets to the character of the town centre. As this report is seeking endorsement to embark on the initial stages of the preferred strategy to explore options for the comprehensive part refurbishment and part development of the sites and one of the initial key stages will involve stakeholder, community and Member engagement, there is much scope for these stakeholders to shape the vision for the Quarter. At this initial stage, building on the planning framework in the AAP, the following sets out some of the inter-relating principles and potential opportunities for the Quarter:

- **Recognition of past and present to shape the future:**

- The contribution and role of existing organisations, their relationship and users will be recognised alongside opportunities for their growth and involvement in taking the Quarter forward;
- Existing buildings with heritage significance will be sought to be retained or refurbished where possible alongside new buildings of exemplar and high quality design to enhance the areas vibrant character and celebrate Dalston's

diversity (including the Terrace on the south side of Dalston Lane at Nos. 16 – 22 Dalston Lane).

- **Provide a diverse range of uses which work together to foster networking; collaboration and the creation of cutting edge products and services:**

- Provision of a range of improved, flexible floorspace to nurture bespoke creative/cultural and community businesses that will complement the existing quarter assets and promote employment opportunities. Floorspace may range from 'desk-space' to 'move-on space' for a variety of organisations, including the provision of some subsidised floorspace for charities and social organisations, local professional services, tech businesses and the creative arts enabling opportunities for networking and growth;
- Improved retail floorspace with a range of unit sizes may support an independent retail offer which helps differentiate Dalston town centres from other locations and which complements and reinforces the entrepreneurial energy of the new and existing community, creative, cultural and businesses uses;
- The design of non-residential space could take pointers from Dalston's creative and light industrial heritage in terms of the material used and where possible provide space which helps break down the barriers of planning use classes to potentially provide truly shared space which meets the needs of different uses and the shared needs of a range of businesses, such as higher ceiling heights, mezzanines floors where possible; shared and consolidates service areas and shared entrance and receptions;
- The introduction of a range of residential development types including the potential for affordable and low cost ownership housing for local people as well as market sale to help subsidise the delivery of community, creative, cultural and business floorspace.

- **Re-enforce a public realm befitting the 'Dalston Quarter':**

- Facilitate high quality buildings with active frontages and potentially new creative surface improvements to Ashwin Street to encourage 'shared space', 'spill out spaces' and pedestrian meandering along Ashwin Street further defining this unique and vibrant space and reinforcing Ashwin Street as a destination;
- Sites with an eastern frontage onto the Eastern Curve Public Realm to potentially include active frontages onto this space which may include areas of publicly accessible green space, areas which may accommodate temporary style uses including potential for some continued use as a community garden.

6.3 Equality Impact Assessment

6.3.1 An Equality Impact Assessment (EIA) has been produced to assess the impact of proceeding with the initial stages of the preferred strategy to deliver the Quarter (see Appendix 2 - EIA). The EIA indicates that there are no equality issues at this stage. An ongoing EIA will be completed throughout the progression of the strategy with any equality issues being fully assessed, and addressed through appropriate measures.

6.4 Sustainability

6.4.1 This Cabinet report is not seeking approval for a particular development outcome, rather endorsement to embark on a preferred strategy to explore the options for significant regeneration potential through delivery of the Quarter. As set out above, the first stage will involve stakeholder engagement to shape the options for the delivery of the Quarter and therefore there will be no immediate impact on the physical or social environment. Furthermore, future key project proposals that will impact on the physical and social environment, once formulated, will be referred back to Cabinet (or relevant committees) for endorsement, where detailed comments on sustainability issues will be provided.

6.5 Consultations

6.5.1 The planning framework for the Quarter is set out in the AAP which underwent an extensive and rigorous statutory consultation process and was adopted by Cabinet and Council in January 2013. This consultation included stakeholder, community and Member engagement at various stages throughout the AAP's formulation. The consultation responses received, generally set out that the existing community and creative uses in and around Ashwin Street and Dalston Lane are important to the local community and that respondents would like to see further recognition and more importance placed on the role and contribution of the cultural, community and creative uses in the regeneration of Dalston. Following this consultation, the community, cultural, creative, and third sector quarter was designated within the AAP to form an intrinsic part of the land use strategy for Dalston town centre.

6.5.2 Integral to the successful delivery of the Quarter will be meaningful community, stakeholder and Member engagement to ensure that the delivery reflects local aspirations for the future of the area. The preferred strategy to explore options for delivery of the Quarter provides significant opportunities for engagement from the community, stakeholders and Members above and beyond statutory requirements. A draft engagement strategy which sets out some of the potential methods in which stakeholders, Members and the wider community will be engaged to shape delivery of the Quarter is set out in more detail in 'Appendix 3 – Engagement Strategy'. These methodologies will be carried out from the outset and will be on-going. Key stages where this engagement will occur includes, however, not limited to:

- Initial engagement with key stakeholders and local community;
- Member and stakeholder/community engagement in the formulation of a developers brief (invitation to tender). This brief will shape the draft scheme to be prepared by the developer or developers; and
- Member and stakeholder/community engagement in scheme preparation.

6.6 Risk Assessment

6.6.1 The proposed strategy to commence initial work to explore options for the delivery of the Quarter is preferred as it provides the most advantages and least risk to the Council when compared to the alternatives discounted (detailed in Sections 4.0 and 5.0 of this report).

6.6.2 There are two main risks identified with the preferred strategy including around Council control and stakeholder/community involvement, namely that the preferred strategy potentially results in the Council having less control over the development outcomes than whether it obtained planning permission and constructed a scheme itself and that stakeholder/community involvement would not be cohesive. These risks are mitigated

in that the Council will prepare a robust and detailed development brief to ensure high quality outcomes and implement an extensive and ongoing engagement strategy (Appendix 3).

7. COMMENTS OF THE CORPORATE DIRECTOR OF FINANCE AND RESOURCES

- 7.1 This report requests the endorsement of the preferred project strategy set out to enable options for delivery of the Quarter to be explored.
- 7.2 Soft market and viability testing (conducted by Knight Frank) indicate that the preferred delivery scenario will maximise capital value and rental revenue for the Council.
- 7.3 It is envisaged that for the next stage of work, being procurement of a developer/ architect, scheme preparation (including community and stakeholder engagement) and completion of Principal Development Agreement will incur costs of **£90k**.
- 7.4 Costs incurred during the next stage of implementation will be funded from the Dalston Creative and Cultural Quarter reserve, of which there is currently £178k remaining from an initial reserve of £300k for 2015/16.

8. COMMENTS OF THE CORPORATE DIRECTOR OF LEGAL, HR AND REGULATORY SERVICES

- 8.1 The Preferred Project Strategy detailed in this report and paragraph 4 seeks to deliver the objectives and land uses for the particular sites, set out in the Dalston Area Action Plan. The AAP went through extensive community engagement prior to its adoption by the Council.
- 8.2 The development partner or consortium of development partners must be procured in accordance with the Council's procurement framework as set out in the Constitution.
- 8.3 The land assembly and scheme delivery structure through the property development agreement to be entered into with the developer/consortium must aim to achieve the best consideration reasonably obtainable by the Council as required by the Local Government Act 1972, section 123.

APPENDICES

Appendix 1 – Potential Quarter Sites Plan
Appendix 2 – Equality Impact Assessment
Appendix 3 – Draft Engagement Strategy

EXEMPT

N/A

BACKGROUND PAPERS

No background papers were used in the preparation of this report.

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