

CONNAUGHT BARRACKS DOVER

SALE OF OFFICERS MESS

PREPARED FOR

HCA

FEB 2016



17 February 2016

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Executive summary

Cushman & Wakefield is delighted to have the opportunity to respond to your invitation to tender to provide agency services in respect of the disposal of the Officers Mess site at Connaught Barracks. The Officers Mess forms an important step toward the delivery of the residential development potential of the whole site. As such it provides an important first stage that it will set the tone for future development.

That being said, the site is not without its difficulties. Dover has a fairly 'thin' market and interest in new development opportunities in the town is often cautious. It will therefore be important to ensure that the site is portrayed in the best possible light and to the widest possible market audience (local, regional and national) to ensure success.

We believe Cushman and Wakefield is well placed to provide the scope of the services required in the ITT, given our knowledge of the site drawn from our previous roles marketing the site and undertaking consultancy services including the viability appraisal in support of the planning application for the Officers Mess. This prior knowledge, combined with our broader market experience, disposing of sites within areas of a similar context, provides us with a strong foundation on which to base our advice.

We set out over the page our response to the ITT. We trust the details provided are clear, however should you have any questions please do not hesitate to contact us.

Response to Invitation to Participate in a Mini Tender

Project:	Connaught Barracks – Sale of Officers Mess
Panel:	Property (National)
From:	██████████ Cushman & Wakefield, 125 Old Broad, London, EC2N 1AR
To:	██████████, Senior Development Manager, HCA
Date:	17/02/2016

Proposal

HCA is seeking to dispose of the Officers Mess at Connaught Barracks with the benefit of an outline planning consent for a scheme of 64 residential units. The Officers Mess forms an important step in the delivery of the wider site, with HCA having already transferred Fort Burgoyne and the Training Ground to the Land Trust. The Officers Mess is the first phase of the residential redevelopment of the site and will therefore look to capitalise on the sites unique setting, with views over the channel, to set the tone for the remaining development.

We understand that HCA is seeking to appoint a consultant to:

- Manage the Residential developer selection process;
 - Utilise the Soft Market Testing and knowledge of the location
 - Establish a simple open market process that still achieves the aims and aspirations of HCA
 - Work with a Local Agent to exploit local developer leads
 - Set out clear marketing brief that articulates the aims and objectives for the HCA and assists to maximise interest in the opportunity
- Complete the disposal of the residential site working closely with HCA’s legal advisers.
- Monitor the developer’s Reserved Matters application, providing ongoing viability advice through to completion of the scheme.
- Provide brief advice on options and timing of the disposal of the remaining Barracks site following sale of the OM.

As part of the disposal process, we also understand that HCA wishes to consider the potential for the site to deliver Starter Homes as well as explore opportunities for Direct Commissioning, in accordance with the Governments Direct Commissioning Initiative. This will require careful liaison with HCA and their legal advisers to ensure that the adopted marketing strategy can deliver these proposed requirements and still remain an open marketing process, to attract maximum demand developers.

HCA wish to progress the disposal in a timely manner in accordance with the Government aim to increase the supply of housing. We understand that HCA wish to appoint the preferred developer and enter into contracts by end March 2017. It will therefore be important to progress at speed in order to achieve this target date.

We feel that we are well placed to provide the services that you require, having a detailed knowledge and understanding of the site from our various roles since our initial appointment to advise in 2008. We have previously prepared a number of marketing strategies, and undertaken soft market testing and a marketing exercise seeking a development partner. We have also provided consultancy support to the HCA to address funding requirements, and latterly prepared a Viability Appraisal in support of the Outline Planning Application. Accordingly we have a wealth of knowledge about the site that puts us ahead on the learning curve and will therefore assist in the delivery of the marketing. This will be allied to our wider market and site disposal experience outlined in the next section.

Having regard to the service requirements of the brief we set out below a brief methodology of our approach to the disposal, together with an assessment of the key risks;

Task	Method Statement
Marketing Strategy	<ul style="list-style-type: none"> • Consider soft market testing completed to date by HCA • Review this against our previous marketing exercises and market research to identify potential sources of interest • Review HCA objectives and discuss in more detail the requirements for Starter Homes and Direct Commissioning to ascertain how these can be worked in to an appropriate marketing strategy that will be open and attractive to potential parties to optimise demand. • Liaise with HCA procurement and legal advisers to ensure that the proposed strategy can be delivered in the manner envisaged and would not require a developer procurement exercise or OJEU process (which would likely limit demand). • Provide a report to HCA setting out marketing strategy timescale and programme for approval
Preparation of tender docs & execution of marketing campaign	<ul style="list-style-type: none"> • Work with the HCA to create Marketing Brief which articulates the opportunity to attract interest from the market. • Detailed review of those active in the market in the local area and region to prepare a targeted list of developers to approach for the opportunity • Prepare a list of local agents to provide the details to so they may then share with other developer contact of theirs • Lead marketing: <ul style="list-style-type: none"> ○ Hosting technical information packs, ○ Arrange site viewing days, ○ Co-coordinate responses to questions raised and requests for information. ○ Liaise with potential bidders to ascertain feedback • Provide progress reports to HCA and key stakeholders as necessary. • Receive Tenders
Analysis of tender returns, developer interviews & report to HCA	<ul style="list-style-type: none"> • Review offers and cashflows to ensure all assumptions are valid. • Review all submissions for completeness and compliance with tender requirements and obtain clarification as required. • Highlight key differences, areas of opportunity/risk and assess viability, deliverability and funding arrangements • Evaluate each bid, alongside HCA and design/technical advisers, against any scoring criteria • Present as a comparative analysis report. • Consider overage proposals • Recommend developers to be shortlisted for interview. • Arrange format of, and attend, developer interviews. • Assist in all stages of bid analysis and prepare a recommendation report identifying preferred developer with a clear rationale supported by detailed bid analysis. • Assist HCA, as necessary, in progressing board sign off of preferred developer

Contract Negotiations	<ul style="list-style-type: none"> • Prepare Heads of Terms • Support the HCA and their legal team in contract negotiations, providing commercial/technical inputs as required.
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Our approach above envisages using local agents throughout the marketing approach, by including them in the marketing via direct approaches and inclusion as part of mailouts. This will enable Local Agents to consider their contacts and introduce the site to appropriate individuals who may then retain the agent to act in an acquisitions capacity. In this manner we can ensure that the widest possible audience may be reached, utilising local agent contacts without adding complication and increasing fee to HCA.

Should HCA require we can also investigate the potential to appoint a local agent (such as RPC) as a sub-consultant/joint agent. The precise requirements of the local agent's role and their responsibilities will need to be agreed and their appointment would also be subject to them accepting a sub consultancy appointment under the terms and conditions of the Property Panel framework with no amendments.

At present we do not consider that the actual appointment of a local agent as a sub-consultant or a joint agent may offer any particular advantages, given we have the ability to market the opportunity to developers and local agents, directly through the advertising and mailouts, this may also avoid a degree of complication in agreeing an appointment and the respective roles and responsibilities given the additional workstreams and input required of us in the tender.

The tender also asks us to consider the key risks. At this stage, and given our prior knowledge of the site and local area, we would consider the key risks to be:

- General Market Appetite – Experience has shown a relatively ‘thin’ market for the site. Whilst HCA has now progressed several strategies (disposal of Fort and achieving outline planning consent) to de-risk the opportunity, the fundamental market dynamics in the area remain fragile. This needs to be respected and taken in to account in the adopted marketing strategy.
- Marketing approach in relation to Starter Homes requirements or Direct Commissioning – Both the delivery of Starter Homes or a Direct Commissioning model could be perceived as the developer providing a service for HCA and therefore require a procurement exercise rather than an open disposal process. It will be important to consider this with HCA's legal advisers to ensure that the market is not artificially reduced by the introduction of such requirements, where they do trigger a procurement process. Such processes are typically off putting for smaller developers who may be more prevalent in the market for this opportunity.
- Impact of Starter Homes on Viability – Given that the Outline planning application is for a scheme of 64 private housing units, the introduction of Starter Homes will have a negative impact of viability. HCA will need to be careful if considering the introduction of Starter Homes given the more marginal viability of the site, evidenced in the viability submission in support of the planning application.

HCA also requires an ongoing role to:

1. monitor the viability through to completion of units, and
2. advise on marketing strategy for the disposal of the remainder of the site.

The level of input required for these two elements will be largely dependent on the outcome of the marketing of the Officers Mess. However at this stage we would envisage that we would review the structure of the selected tender and agree with HCA an appropriate approach to the monitoring of viability at key stages. In respect of the remainder of the Connaught Barracks site, we would utilise our knowledge and understanding of the technical constraints associated with the development (from our prior involvement) and combine this with the recent experience of having marketed the Officers Mess to set out the appropriate strategy for the future delivery.

Proposed staff/resources & experience

We believe that Cushman & Wakefield has a wealth of experience relevant to this specific instruction which will enable us to deliver a quality service to the HCA.

As set out previously we have provided advice on the delivery of the site since our initial appointment in 2008. This provides us with a unique understanding of the issues and constraints of the site. We have also provided input to the outline planning application for the Officers Mess, providing us with a detailed understanding of the value drivers and issues associated with the development that will help inform the marketing and also assist the analysis of the offers.

In addition we also have a wealth of experience marketing sites in the wider area and in such settings:

- **Queenborough and Rushenden**

We are appointed to advise HCA on the disposal of this significant site on the Isle of Sheppey. The site offer the potential for a development totalling some 800+ units, providing a step change in the quantum and type of development provided on the Isle over recent years. We are currently advising on the disposal of a first phase via HCA's DPP. The site is impacted by a similar demographic to Connaught barracks being a coastal location, achieving relatively low values, drawing on more local rather than regional pool of demand.

- **Hereson School, Broadstairs**

We were appointed by Kent County Council to advise (as joint agents with RPC) on the disposal of this surplus school site in Broadstairs that had the benefit of outline planning consent for 150 units. We undertook an open marketing campaign with our joint agents and successfully sold the site to Abbey New Homes.

- **Northfleet Embankment**

We are currently appointed by HCA to advise on the disposal of this significant mixed use development site in north Kent, on the Thames Estuary. We have successfully marketed the residential development area of the site to attract demand from a number of developers from the HCA DPP panel.

- **Cheesemans Green**

We have historically advised on the disposal of the site for the Church Commissioners to Crest Nicholson and now provide an ongoing monitoring role to ensure that the Commissioners returns are delivered.

We therefore consider that we have the combination of skills, knowledge and track record of delivering similar projects, combined with a unique current knowledge of the site to deliver the requirements of this instruction.

Proposed staff

Cushman & Wakefield will utilise a team of experts, with the specific skills and resources necessary to deliver this instruction. We set out below details of the key individuals that will lead input in to this instruction (CV's in Appendix 1):

[REDACTED]

[REDACTED]

[REDACTED]

The team set out above have all worked and provided input to our projects and experience listed and importantly on Connaught Barracks to date. As stated we feel that the combination of this team and our experience provides a solid grounding from which to tackle all areas of the brief, drawing on current, relevant and local experience from a range of recent projects

Management and communication arrangements

We propose that [REDACTED] will be the Director in charge of the project, supported by [REDACTED]. [REDACTED] will be responsible for the day to day conduct of the project along with [REDACTED] who will support and work with [REDACTED] on the delivery. [REDACTED] and [REDACTED] will attend all project briefings, meetings, conference calls etc, as necessary through the duration of the project. Where necessary we will also draw on the advice of the wider teams within Cushman & Wakefield to gain the benefit of their experience.

Programme/Timescale

We understand that, with the site included as part of the Governments Direct Commissioning Initiative, there will be a focus on the delivery of the site to the market and the appointment of preferred developer. Whilst the timescales will be subject to market demand to a degree, we note the indicative programme set out in the tender details and we confirm that we will seek to deliver in accordance with that programme.

We have attached with this tender a draft programme articulating the key stages and the envisaged timescales necessary in order to successfully progress the disposal. This confirms that it should be possible to achieve the sale of the site prior to 31 March 2017.

We would also highlight that we are well versed in progressing disposals they are in the 'headlights' of Government. At Northfleet Embankment there has been a significant focus on the delivery from DCLG, and we have also previously delivered disposals in accordance with challenging timescales such as Runwell Hospital in Wickford which was delivered to the timescales of the Accelerated Disposals Programme.

Fee Proposal

In accordance with the Invitation to Tender we have set out below our fixed fee proposal based on the services requirements set out in the ITT:

Work Stream	Fee
1. Market Assessment and disposal strategy	██████████
2. Marketing including developer engagement	██████████
3. Disposal fee including support during the due diligence and negotiation stages to agree the Development Agreement becoming unconditional (based on Framework Panel Rates)	████████████████████ ████████████████████ ██████████
4. Viability work/valuation of developer returns	████████████████████ ████████████████████ ████████████████████ ████████████████████
5. Advise on marketing strategy for the disposal of the remainder of the site	██████████
Total	████████████████████ ████████████████████

The above fees exclude marketing costs which will be agreed with HCA in accordance with the approved marketing strategy. As a guide we would anticipate such expenditure to include:

- Site and Aerial Photography
- Marketing Particulars
- Technical Information Database
- Advertising (EG and Local Newspapers)

Subject to precise requirements we would anticipate that marketing expenses would not be more than £████████ plus VAT.

The fees also exclude any Local Agents fees, given the approach indicated above. Should HCA require the appointment of a Local Agent as a joint agent/subconsultant then such fees would be in addition to the above and would be subject to the Local Agent accepting the terms and conditions of the HCA Framework Appointment.

Are you aware of any confirmed or potential conflicts of interest should you be appointed to undertake this commission?

We are not aware of any conflicts of interest that could impact our ability to provide the advice required in accordance with this mini tender.