



Summary & Recommendation Report following the Marketing and Bidding process for Knowle & Manstone Depot, Sidmouth, Devon

19 December 2014

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1. Introduction

1.1

1.1.1 In this Report, we (Savills) shall set out:

- our overview of the marketing that we undertook;
- the enquiries that we received for the sales brochures and for access to the micro-website;
- the requests for viewings that we received and those viewings that we undertook with the interested parties on the viewing days;
- the offers that we received on 22 October 2014;
- our first stage analysis and evaluation of the offers that we received;
- the selection procedure for the prospective purchasers shortlisted for interview;
- the four interviews that we undertook on 12 November 2014 with the Interview Panel;
- our second stage analysis and evaluation of the offers that we received during and following the interview; and
- our recommendation of the prospective purchaser to be selected as the preferred purchaser to enter into a conditional sale of the Knowle (with the Manstone Depot being retained).

2. Instructions

2.1

- 2.1.1 East Devon District Council (The Council) instructed Savills (UK) Limited on 2 July 2014 to market both the Knowle and Manstone Depot.
- 2.1.2 Both properties were marketed, as a result of the Council's decision to relocate to new offices within the District.
- 2.1.3 The aim of the marketing campaign was to find a purchaser (or purchasers) for both the Knowle and Manstone Depot and to maximise the sale prices from their disposal.
- 2.1.4 The Council were prepared to consider conditional offers (conditional on securing planning permission). Both properties were offered either separately or together.
- 2.1.5 Savills commenced marketing of the Knowle and Manstone Depot on 30 August 2014. The marketing of the two properties was carried out over a period of seven weeks and a deadline for submission of offers was set for 22 October 2014. This was in accordance with Savills' Marketing Strategy, which the Council approved. Following the interviews on 12 November 2014, the Council made a decision to retain the depot as the level of offers received made it unviable to relocate this facility.

3. Marketing

3.1 Brochure / Mailing List

- 3.1.1 Savills produced a 12-page A4 landscape sales brochure for the Knowle and an 8-page sales brochure for Manstone Depot. The sales brochures were used throughout the marketing of the two properties. The brochures are attached at **Appendix 1** of this Report.
- 3.1.2 The sales brochures were distributed (with accompanying letters) to national, regional and local house builders and developers; housing associations, care providers, local, regional and national agents; and applicants on our mailing list. They were also distributed to interested parties replying to our marketing initiatives.
- 3.1.3 A list of interested parties that replied to our marketing initiatives is attached at **Appendix 2** of this Report.

3.2 Advertising

- 3.2.1 The Knowle and Manstone Depot were both advertised in the Western Morning News, within the Savills Times, on 30 August 2014 together with an advertorial. A copy of the advert and advertorial are attached at **Appendix 3** of this Report.
- 3.2.2 Both properties were also advertised in the Property Week and Estates Gazette on 5 September 2014 and 6 September 2014 respectively, and were advertised for a second time in both publications on 19 and 20 September 2014, respectively. Copies of the adverts are attached at **Appendix 3** of this Report.

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3.3 Press Release

3.3.1 A press release was distributed on 20 August 2014 to the local, regional and national property media. Articles were published at various stages throughout the marketing period by the Western Morning News, 4-traders, Express & Echo, Pullman's Weekly News (Honiton Today, Lyme Regis Today and Seaton Today) and Devon Life. Copies of the articles are attached at **Appendix 4** of this Report.

3.4 Websites

3.4.1 The Knowle and Manstone Depot were both advertised on the Savills and Estates Gazette (EGi Property Link) websites. Each property had a summary page, which included key information, Savills' contact details and a pdf version of the brochures for both the Knowle and Manstone Depot.

3.5 Micro-Website

3.5.1 Savills used a dedicated micro-website (<http://sites.savills.com/eddc>) throughout the marketing of the Knowle and Manstone Depot. Access to this site was restricted; therefore, interested parties were required to request a username and password. All the information for both properties was available for interested parties to download and review.

3.5.2 Topographical survey drawings were later added along with Submission of Offers letters for both the Knowle and Manstone Depot. The Submission of Offers letters are attached at **Appendix 5** of this Report. These letters set out our requirements for prospective purchasers to include within their offers and the Council's weighted evaluation criteria for assessing the offers.

3.5.3 A list of interested parties that accessed the micro-website is attached at **Appendix 6** of this Report.

4. Enquiries and Viewings

4.1 Enquiries

4.1.1 The list of enquiries that Savills received from interested parties during the marketing of the two properties is set out below:

- Neil Atkinson, Neil Atkinson & Co (agent acting for Taylor Wimpey)
- McCarthy & Stone Retirement
- Regal Heritage
- Pegasus Retirement
- Red Earth Developments
- Castleoak Group
- Cavanna Homes
- Bloor Homes
- Redrow Homes
- Elan Homes
- Darryl Hendley, Fulfords Land & Planning (agent)
- Churchill Retirement
- Blue Cedar Homes
- Paddy Fleming, Knight Frank (agent acting for Pegasus Retirement)
- Grenadier Estates
- Frontier Estates
- Raven Audley Court
- Listers Property Consultants (agent)
- Church of the Latter Day Saints
- Redcliffe Homes
- Swift Valley Partnership
- Plymouth Demolition Services Ltd (demolition contractor, acting for Devonshire Homes)
- Simons Group Ltd
- Redcliff Estates
- Retirement Life Ltd
- Mr Gary Milla
- Park Green
- Mr Jeff Bevins

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- Ms Jennifer Lee
- M F Freeman Group of Companies
- Mrs H O'Malley

4.2 Viewings

4.2.1 Savills undertook viewing days on 25 September 2014, 30 September 2014 and 3 October 2014, between 2pm and 4pm. The interested parties that viewed the Knowle and Manstone Depot are set out below:

- Redrow Homes (South West) Ltd
- DCH Group
- Pegasus Life Limited
- McCarthy & Stone Retirement Lifestyles Limited
- Medicx Limited
- Taylor Wimpey UK Limited
- Devonshire Homes Limited (with Gilpin Demolition, Wring Group and another demolition contractor)
- Park Green Limited
- Frontier Estates Limited (Inspected the Knowle unaccompanied and without our knowledge)
- Linden Homes Limited
- Zero C (Inspected the Knowle unaccompanied and without our knowledge)

5. Submitted Offers

5.1 Offers Submitted / Received

5.1.1 On 22 October 2014 Savills received 10 offers from seven prospective purchasers. These parties are listed below:

- Pegasus Life Limited (Knowle only);
- McCarthy & Stone Retirement Lifestyles Limited (Knowle only & both sites together);
- Devonshire Homes Limited (Knowle only & both sites together);
- East Devon District Council (Manstone Depot only – two offers) ;
- Taylor Wimpey UK Limited (both sites together);
- Redrow Homes Limited together with McCarthy & Stone Retirement Lifestyle Limited (Knowle only); and
- Frontier Estates Limited (Knowle only).

5.1.2 All of the offers received from the prospective purchasers were on the basis of a conditional purchase (conditional on securing planning permission) of either the Knowle with Manstone Depot together, the Knowle separately, or Manstone Depot separately, with the exception of an unconditional offer from Frontier Estates Limited for the Knowle only.

5.1.3 East Devon District Council's Housing Services department submitted two offers for Manstone Depot. The first offer was based on a proposed mixed open market and affordable housing development scheme and the second offer was for a proposed 100% affordable housing development scheme.

5.1.4 We also received a letter from Linden Homes Limited confirming that it would not be submitting an offer.

5.1.5 Copies of the offers received are attached at **Appendix 7** of this Report.

6. First Stage Analysis & Evaluation

6.1 Due Diligence

- 6.1.1 The 10 received offers were opened by Savills on 22 October in the company of Stephen Pratten, Relocation Manager (Seconded) and Chris Lane, Democratic Officer from East Devon District Council. The Tender Opening sheet is attached at Appendix 8 of this Report.
- 6.1.2 Savills undertook a detailed review of the submitted offers and identified what additional information was required from the respective bidders. The bidders were requested to provide the relevant additional information and Savills prepared a schedule which summarised the key elements of the respective offers. The Schedule of Offers is attached at Appendix 9 of this Report.
- 6.1.3 The 10 offers received are briefly summarised below:

Knowle Only

1) Pegasus Life Limited

Pegasus Life Limited submitted a conditional offer dated 21 October 2014, (conditional on securing planning permission for 105no. extra care/ assisted living apartments (all age restricted) totalling 110,000 sq ft together with ancillary facilities).

The Company offered the sum of £6,500,000 for the Knowle. The offered sum was based upon a C2 use class with no affordable housing provision due to the use (against planning policy of 40%) and subject to deductions of £297,000 for s.106 contributions.

Pegasus Life Limited had made allowances totalling £2,000,000 including sums for demolition / site clearance and asbestos removal (£930,000), stepped foundations (£800,000), drainage (swales and attenuation) (£120,000) and substation (£150,000). The Company did not make an allowance for CIL.

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2) McCarthy and Stone Retirement Lifestyles Limited

McCarthy and Stone Retirement Lifestyles Limited submitted a conditional offer dated 22 October 2014, (conditional on securing planning permission for 47no. 1 and 2-bed Retirement Living apartments, 50no. 2-bed Ortus Homes apartments (all age restricted) and 4no. open market houses totalling 97,252 sq ft). The Company within the same letter also submitted another offer for both the Knowle and Manstone Depot.

The Company offered the sum of **£6,250,000** for the Knowle having clarified with the a representative of the Company that there was a deduction of £300,000 to reflect the price attributable to Manstone Depot. The offered sum was based upon a C3 use class with an off-site contribution for affordable housing of £600,000 and was subject to an overage in favour of the Council on CIL saving.

McCarthy and Stone Retirement Lifestyles Limited had made allowances totalling £2,251,000 including sums for off-site contribution (£600,000) for affordable housing, demolition / site clearance (£250,000), piled foundations and services (including drainage) (£276,000). The Company did not make allowances for remediation of contamination, abnormal costs or s.106 contributions.

3) Devonshire Homes Limited

Devonshire Homes Limited submitted a conditional offer dated 22 October 2014 (conditional on securing planning permission for 48no. dwellings (including 28no. aged restricted) totalling 58,677 sq ft).

The Company offered the sum of **£4,870,000**. The offered sum was based upon C3 use class with 35% affordable housing (against planning policy of 40%).

Devonshire Homes Limited had made allowances totalling £740,000 including sums for s.106 contributions (£240,000), demolition / asbestos removal (£350,000), and services (£150,000). The Company did not make allowances for remediation of contamination, upgrades to services or CIL.

Devonshire Homes Limited also offered an overage. The Company was prepared to share, on a 50:50 basis, any profit over and above their profit of 20% of Gross Development Value.

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4) Redrow Limited & McCarthy and Stone Retirement Lifestyles Limited

Redrow Limited and McCarthy and Stone Retirement Lifestyles Limited submitted together conditional offers dated 22 October 2014, each for specific parts of the Knowle site. The conditional offers were based upon securing planning permission for 17no. dwellings totalling 35,526 sq ft and 47no. Retirement Living apartments totalling 37,299 sq ft.

Redrow Limited offered the sum of £1,700,000 and McCarthy and Stone Retirement Lifestyles Limited offered the sum of £1,900,000. The total sum offered was **£3,600,000**.

The offered sums were based upon C3 use class with Redrow Limited having made no allowance for affordable housing (against planning policy of 40%) and McCarthy and Stone Retirement Lifestyles Limited having allowed for an off-site contribution for affordable housing of £300,000 (against planning policy of 40%).

Redrow Limited and McCarthy and Stone Retirement Lifestyles Limited had made allowances totalling £1,265,724 including sums for demolition and asbestos removal (£120,000), £125 per sq m for CIL and an off-site contribution for affordable housing of £300,000. The Companies did not make any allowances for remediation of contamination, abnormal ground conditions and, upgrades to services.

5) Frontier Estates Limited

Frontier Estates submitted both a conditional offer dated 22 October 2014, (conditional on securing planning permission for 39no. 2-bed extra care apartments (age restricted) totalling 35,000 sq ft and a 75-bed care home totalling 40,000 sq ft) and an unconditional offer.

The Company offered the sum of £2,750,000 conditionally and £2,000,000 unconditionally. The offered sums were based upon C2 use class with no affordable housing.

Frontier Estates Limited had made allowances totalling £325,000 including sums for s.106 contributions (£50,000), relocation of the bat roost (£75,000), earthworks / site profiling (£75,000) and demolition / site clearance (£125,000). The Company did not make any allowance for remediation of contamination, upgrade to services or CIL.

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Knowle & Manstone Depot together

1) McCarthy and Stone Retirement Lifestyles Limited

McCarthy and Stone Retirement Lifestyles Limited submitted a conditional offer, dated 22 October 2014, (conditional on securing planning permission for 47no. 1 and 2-bed Retirement Living apartments, 50no. 2-bed Ortus Homes apartments (all age restricted) and 4no. open market houses at the Knowle and 30no. affordable dwellings at Manstone Depot totalling 119,167 sq ft). The Company within the same letter also submitted another offer for the Knowle only.

The Company offered the sum of £6,550,000 for the Knowle. The offered sum was based upon a C3 use class with an off-site contribution for affordable housing of £300,000 and was subject to an overage in favour of the Council on CIL saving.

McCarthy and Stone Retirement Lifestyles Limited had made allowances totalling £1,951,000 including sums for off-site contribution (£300,000) for affordable housing, demolition / site clearance (£250,000), piled foundations and services (including drainage) (£276,000). The Company did not make allowances for remediation of contamination, abnormal costs or s.106 contributions.

2) Devonshire Homes Limited

Devonshire Homes Limited submitted a conditional offer dated 22 October 2014, (conditional on securing planning permission for 48no. dwellings (including 28no. aged restricted) at the Knowle and 21no. dwellings at Manstone Depot totalling 76,679 sq ft).

The Company offered the sum of £6,440,000. The offered sum was based upon C3 use class with 30% affordable housing (against planning policy of 40%).

Devonshire Homes Limited had made allowances totalling £850,000 including sums for s.106 contributions (£350,000), demolition / asbestos removal (£350,000), and services (£150,000). The Company did not make allowances for remediation of contamination, upgrades to services or CIL.

Devonshire Homes Limited also offered an overage. The Company was prepared to share, on a 50:50 basis, any profit over and above their profit of 20% of Gross Development Value.

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3) Taylor Wimpey UK Limited

Taylor Wimpey UK Limited submitted a conditional offer dated 22 October 2014, (conditional on securing planning permission for 58no. dwellings (including 9no. affordable) at the Knowle totalling 54,653 sq ft and 22no. dwellings (all affordable) at Manstone Depot totalling 18,745 sq ft.

The Company offered the sum of **£5,074,000**. The offered sum was based upon C3 use class with 40% affordable housing (against planning policy of 40%).

Taylor Wimpey UK Limited had made allowances totalling £628,000 including sums for CIL (£553,000) and abnormal foundations. The Company did not make allowances for demolition / site clearance, remediation of contamination, upgrades to services or s.106 contributions.

Taylor Wimpey UK Limited also offered overage. The Company offered 50% of the uplift in value in the private housing selling price above £350 per sq. ft. (Net Internal Area) adjusted for build cost inflation and purchaser's extras.

Manstone Depot only

1) East Devon District Council's Housing Services

The Council's Housing Services submitted a conditional offer dated 21 October 2014, (conditional on securing planning permission for 25no. dwellings totalling 19,538 sq ft.

The department offered the sum of **£830,000**. The offered sum was based upon C3 use class with 40% affordable housing (against planning policy of 40%).

The Council's Housing Services had made allowances totalling £230,472 including sums for s.106 contributions (£70,472), demolition / site clearance (£60,000), remediation of contamination (£100,000) and 5% contingency on development costs. The department did not make allowances for upgrade to services or CIL.

During the interview this offer was withdrawn.

2) East Devon District Council's Housing Services

The Council's Housing Services submitted a conditional offer dated 21 October 2014, (conditional on securing planning permission for 25no. dwellings totalling 17,590 sq ft.

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The department offered the sum of **£570,000**. The offered sum was based upon C3 use class with 100% affordable housing (against planning policy of 40%).

The Council's Housing Services had made allowances totalling £230,472 including sums for s.106 contributions (£70,472), demolition / site clearance (£60,000), remediation of contamination (£100,000) and 5% contingency on development costs. The department did not make allowances for upgrade to services or CIL.

6.1.4 The Council instructed Heynes Planning consultants to provide a Planning Review of the offers, in order to identify planning issues and risks for each of the offers. A copy of the review is attached at **Appendix 10** of this Report.

6.1.5 Copies of the offers received are attached at **Appendix 7** of this Report.

6.2 Evaluation of offers

6.2.1 Savills also produced a schedule which provided an analysis and evaluation of the financial elements of the respective offers, with the aim of finding a basis for comparison.

6.2.2 Savills compared all of the offers (Knowle only, Knowle and Manstone Depot together and Manstone only), taking into account the offers received and the allowances made in relation to each offer received. From this, a gross land value (gross of allowances) was generated. This analysis enabled Savills to rank the offers received based on financial returns to the Council. The ranking is below:

- 1) McCarthy & Stone Retirement Life Styles Limited (Knowle only) – score of 50
- 1) East Devon District Council's Housing Services (Manstone only – mixed open market and affordable housing offer) - score of 50
- 1) Pegasus Life Limited (Knowle only) - score of 50
- 4) McCarthy & Stone Retirement Life Styles Limited (Knowle and Manstone Depot) – score of 43
- 5) Devonshire Homes Limited (Knowle and Manstone Depot) – score of 38
- 6) East Devon District Council's Housing Services (Manstone only – affordable housing offer) – score of 38

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- 7) Devonshire Homes Limited (Knowle only) – score of 33
- 8) Taylor Wimpey UK Limited (Knowle and Manstone Depot) – score of 30
- 9) Redrow Limited and McCarthy and Stone Retirement Lifestyles Limited (Knowle only) – score of 29
- 10) Frontier Estates Limited (Knowle only) – score of 18

6.2.3 Savills also produced a further Bid Scoring Assessment which ranked the offers received, based on the Council's weighted evaluation criteria, which are set out below:

- Financial return to EDDC (75%);
- Other impacts (social, economic and community involvement) (5%);
- Experience, track record and financial standing (5%);
- Deliverability of assumptions (5%);
- Conditionality associated with the offer (5%); and
- Timescales, realism and identification/management of risk associated with the submitted programme (5%).

6.2.4 Savills compared all of the offers (Knowle only, Knowle and Manstone Depot together and Manstone only) taking into account the offers received, the proposed development schemes and the weighted evaluation criteria. From this a ranking was generated, as set out below:

- 1) McCarthy & Stone Retirement Life Styles Limited (Knowle only) – score of 47
- 1) East Devon District Council's Housing Services (Manstone only – mixed open market and affordable housing offer) – score of 47
- 3) Pegasus Life Limited (Knowle only) – score of 46
- 4) McCarthy & Stone Retirement Life Styles Limited (Knowle and Manstone Depot) – score of 42
- 5) East Devon District Council's Housing Services (Manstone only – affordable housing offer) – score of 38
- 6) Devonshire Homes Limited (Knowle and Manstone Depot) – score of 37
- 7) Devonshire Homes Limited (Knowle only) – score of 33

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- 8) Taylor Wimpey UK Limited (Knowle and Manstone Depot) – score of 30
- 9) Redrow Limited and McCarthy and Stone Retirement Lifestyles Limited (Knowle only) – score of 29
- 10) Frontier Estates Limited (Knowle only) – score of 22

6.2.6 Copies of these documents are attached at **Appendix 11** and **Appendix 12**, respectively.

6.3 Selection of Interviewees

6.3.1 Having undertaken the detailed review of the offers and the subsequent analysis and evaluation, Savills recommended to the Council that four parties should be selected for interview.

6.2.2 The interviewees selected are listed below:

- Pegasus Life Limited (Knowle only);
- McCarthy & Stone Retirement Lifestyles Limited (Knowle only & both sites together);
- Devonshire Homes Limited (Knowle only & both sites together); and
- East Devon District Council (Manstone Depot only – two offers).

6.2.3 Savills notified the selected parties that they would be required for interview on 12 November and also notified the unsuccessful bidders.

6.2.4 In advance of the Interview Day, Savills provided the Council with a list of possible questions. Some of the questions were generic and were relevant to all the interviewees, whilst some were bidder specific. These questions formed part of each interview. A copy of the questions is attached at **Appendix 13** of this Report.

7. Interviews

7.1 Interview Day

- 7.1.1 The interviews were carried out on 12 November 2014 at the Council's offices.
- 7.1.2 The Interview Panel included the Deputy Chief Executive, Members of the Executive Project Board, Key Officers, the Relocation Manager and Savills.
- 7.1.3 Each interviewee was given one hour to present its proposed development scheme, to summarise its offer and to answer questions posed by the Interview Panel.
- 7.1.4 The interviews were undertaken as set out below:
- East Devon District Council (0900-1030 hours);
 - Devonshire Homes Limited (1030-1130 hours);
 - Pegasus Life Limited (1200-1300 hours); and
 - McCarthy and Stone Retirement Lifestyles Limited (1400-1500 hours).
- 7.1.5 During the interview, Pegasus Life Limited submitted a revised offer dated 10 November 2014 for the Knowle only, which was based upon a revised proposed development scheme. The Company submitted a conditional offer (conditional on securing planning permission for 116no. extra care/ assisted living apartments (all age restricted) totalling 116,222 sq ft together with ancillary facilities).

The Company offered the sum of £7,150,000 for the Knowle. The offered sum was based upon a C2 use class with no affordable housing provision due to the use (against planning policy of 40%) and subject to deductions of £350,000 for s.106 contributions.

Pegasus Life Limited had made allowances totalling £2,000,000 including sums for demolition / site clearance and asbestos removal (£930,000), stepped foundations (£800,000), drainage (swales and attenuation) (£120,000) and substation (£150,000). The Company did not make an allowance for CIL.

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- 7.1.6 Following the interview, McCarthy and Stone Retirement Lifestyles Limited submitted revised offers for the Knowle only and the Knowle and Manstone Depot together. The Company set out in its letter dated 13 November 2014 the revised offers of **7,212,500** for the Knowle and **£7,512,500** for the Knowle and Manstone Depot together. These revised offers were based upon a saving on CIL of £962,500. McCarthy and Stone Retirement Lifestyles Limited had allowed £1,125,000 as a CIL charge within its original offers. This was based upon a floor area for the proposed development scheme of 9,000 sq m at £125 per sq m charge. The Company had not allowed this to be offset against existing building floor area of 7,700 sq m at the same charge rate. The Company, by carrying out this calculation, reduced the allowance for CIL to £162,500.
- 7.1.7 As a result, following the Interview Day, Savills wrote to all the interviewees inviting them to confirm their best and final offer within seven working days of the Interview Day. As a result, Pegasus Life Limited and McCarthy and Stone Retirement Lifestyles Limited both submitted a further revised offers on 18 November 2014 and 19 November 2014 respectively
- 7.1.8 The Pegasus Life Limited revised offer is for the sum of **£7,505,000** for a conditional sale (conditional on securing planning permission for 116no. extra care / assisted living apartments together with ancillary facilities).
- 7.1.9 The McCarthy and Stone Retirement Lifestyles Limited revised offer is for the sum of **£7,450,000** for a conditional sale (conditional on securing planning permission for 47no. 1 and 2-bed Retirement Living apartments, 50no. 2-bed Ortus Homes apartments (all age restricted) and 4no. open market houses). The Company also submitted a revised offer, for both the Knowle and Manstone Depot, for the sum of **£7,750,000**. Both of the revised offers are based upon a saving on CIL of £962,500.
- 7.1.10 Copies of the offers received are attached at Appendix 7 of this Report.
- 7.1.11 During the interview, East Devon District Council's Housing Services department withdrew its offer for Manstone Depot based on a mixed open market and affordable housing development scheme. Following the Interview Day, the Council made a decision to retain Manstone Depot as the level of financial offers received could not justify relocating the facility on an economic basis.
- 7.1.12 A copy of the Interview Itinerary is attached at Appendix 14 of this Report.

8. Second Stage Analysis & Evaluation

8.1 Due Diligence

8.1.1 Following the Interview Day, Savills carried out further due diligence on the respective proposals, which involved further information requests and points of clarification. The summary Schedule of Offers was updated accordingly and is attached at Appendix 9 of this Report.

8.2 Evaluation of Offers

8.2.1 Savills revised the schedule which provided an analysis and evaluation of the financial elements of the respective offers and the Bid Scoring Assessment which ranked the offers based on the Council's weighted evaluation criteria. Copies of these documents are attached at Appendix 11 and Appendix 12 (respectively) of this Report.

8.2.2 Savills compared all of the interviewee offers (Knowle only, Knowle and Manstone Depot together and Manstone only) taking into account the revised offers and the allowances made in relation to each offer. From this, a revised gross land value (gross of allowances) were generated. This analysis enabled Savills to rank the offers received based on financial returns to the Council. The revised ranking is below:

- 1) Pegasus Life Limited (Knowle only) - score of 50
- 1) East Devon District Council's Housing Services (Manstone only – affordable housing offer) – score of 50
- 3) McCarthy & Stone Retirement Life Styles Limited (Knowle only) – score of 44
- 4) McCarthy & Stone Retirement Life Styles Limited (Knowle and Manstone Depot) – score of 41
- 5) Devonshire Homes Limited (Knowle and Manstone Depot) – score of 34
- 6) Devonshire Homes Limited (Knowle only) – score of 28

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8.2.3 Savills compared all of the interviewee offers (Knowle only, Knowle and Manstone Depot together and Manstone only) taking into account the revised offers received, the proposed development schemes and the weighted evaluation criteria. From this, a ranking was generated, as set out below:

- 1) Pegasus Life Limited (Knowle only) – score of 48
- 2) McCarthy & Stone Retirement Life Styles Limited (Knowle only) – score of 47
- 2) East Devon District Council's Housing Services (Manstone only – affordable housing offer) – score of 47
- 4) McCarthy & Stone Retirement Life Styles Limited (Knowle and Manstone Depot) – score of 40
- 5) Devonshire Homes Limited (Knowle and Manstone Depot) – score of 35
- 6) Devonshire Homes Limited (Knowle only) – score of 33

8.2.4 The revised offer from Pegasus Life Limited is ranked first out of the offers for the Knowle, with the offer from McCarthy and Stone Retirement Lifestyles being ranked second. These are the two key offers for the Knowle, with only one weighted score difference between the two companies and the sum of £55,000.

8.2.5 As part of the post interview evaluation, Savills produced a short pro forma report summarising the key components of each parties' offer and development proposal, which included a 'pros and cons' analysis. A copy of each pro forma report is attached at Appendix 15 of this Report.

8.2.6 The key 'positives and negatives' for the Pegasus Life Limited offer and its proposed development proposal are set out in the table below:

Positives	Negatives
Pegasus Life has submitted the highest offer for the Knowle.	Pegasus Life has not had a Pre-application Meeting with the LPA to discuss its proposed development scheme. The company is proposing to have this meeting following selection as the preferred purchaser.

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<p>Pegasus Life has been the most proactive of the prospective purchasers.</p>	<p>The LPA may perceive the density, but not the height, of the proposed development scheme as being over development at the Knowle. If this is the case, then an application submitted for the proposed development scheme may lead to a refusal, delay, or in the worst case, prevent the re-location of the Council's offices.</p>
<p>Since Oaktree Capital acquired the assets of Pegasus Homes in September 2012, Pegasus Life has purchased 28 sites on both conditional and unconditional bases.</p>	<p>The proposed development scheme departs from the draft allocation within the emerging Local Plan for 50 no. dwellings. This may mean that an application submitted for the proposed development scheme may lead to a refused, delay, or in the worst case, prevent the re-location of the Council's offices.</p>
<p>Pegasus Life has undertaken a high level of due diligence to inform its offer and the proposed development scheme. It also provided a high quality presentation at interview to explain its proposal and the proposed development scheme.</p>	<p>Pegasus state that the proposed development scheme falls within the C2 use class and therefore it means that there will be a shortfall in delivery of C3 use class of housing within Sidmouth and a departure from affordable housing policy, in that it does not provide any on-site affordable housing provision or make an off-site contribution.</p>
<p>Pegasus Life is proposing a bespoke, rather than generic, design using Sarah Wigglesworth Architects who demonstrated a good understanding of the site. The proposed design of the Pegasus scheme seeks to maximise the potential of the site and addresses the various identified constraints.</p>	<p>Pegasus Life is not prepared to offer overage on any costs savings that it has made in relation to its allowances.</p>
<p>The proposed development scheme comprises of 116 no. C2 extra care and assisted living apartments together with ancillary facilities, including a restaurant, gym, spa, swimming pool and well-being suite. The scheme will fit-in with the demographics of Sidmouth, with 38% of the town's population being 65 years of age or older. The percentage of this age group is likely to increase by 2029 to 42.4%. The provision of extra care / assisted living apartments will mean the re-location of existing residents within the town to apartments within the scheme and the release of housing stock on to the market which otherwise would not be released.</p>	<p>The proposed car parking provision will equate to 1 space per dwelling which is higher than a typical Retirement Living Scheme.</p>
<p>Pegasus Life is proposing that the ancillary facilities may be available to the local community as well as residents. This scheme will benefit both residents and the local community and create 'buy-in' from those who might</p>	<p>Pegasus Life is not making any allowance for affordable housing or s.106 contributions towards education, based upon their opinion that the proposed development scheme falls within use class C2.. The company has made an</p>

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otherwise object to development at the Knowle.	allowance of £350,000 for public open space.
The proposed scheme includes the retention of Building B, which contains a bat maternity and hibernation roosts. This is in accordance with the advice given to EDDC.	
The proposed scheme is likely to generate approximately 212 jobs during construction, of which approximately 50% will be for local people. It is also likely to generate 32 full-time equivalent jobs after construction.	
Pegasus Life is proposing a conditional exchange of contracts within 4 - 6 weeks of the Legal Pack being issued by EDDC's solicitor to its own solicitor, with the sale becoming unconditional on grant of planning permission, and completion in May 2017 to coincide with the Council providing vacant possession.	
Pegasus Life is purchasing the Knowle from 100% equity funding provided by Oaktree Capital Management (UK) LLP and the Company does not require an exclusivity period.	
Pegasus Life's proposal is not conditional on intrusive site investigations.	
Although the Pegasus scheme proposes a higher number of units than the draft site allocation, this will not equate to a proportionately higher number of occupants, given that many of the units will be occupied by one person.	
Given that the Pegasus scheme will be age restricted, the traffic flows from the scheme will not have such an impact on peak time flows as a mainstream housing scheme.	

8.2.7 The key 'positives and negatives' for the McCarthy and Stone Retirement Lifestyles Limited offer and its proposed development proposal are set out in the table below:

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Positives	Negatives
<p>McCarthy & Stone has submitted the second highest offer for the Knowle.</p>	<p>McCarthy & Stone has not had a Pre-application Meeting with the LPA to discuss its proposed development scheme. The company is proposing to have this meeting following selection as the preferred purchaser. The company will meet with the LPA and carry out its due diligence during a 3-month exclusivity period.</p>
<p>McCarthy & Stone has undertaken a reasonable amount of due diligence to inform its offer and the proposed development scheme. The company provided a good presentation at interview to explain its proposal and the proposed development scheme.</p>	<p>McCarthy & Stone is proposing its standard design. The design of the proposed development scheme has not been adapted to make the best use of the site, its constraints / opportunities or its prime location.</p>
<p>The proposed development scheme comprises of 101 no. units, including 47 x 1 and 2-bed Retirement Living apartments, 50 x 2-bed Ortus Homes apartments and 4 open market houses. The scheme will fit-in with the demography of Sidmouth, with 38% of the town's population being 65 years of age or older. The percentage of this age group is likely to increase to 42.4% by 2029. The provision of retirement apartments will mean the re-location of existing residents within the town to apartments within the scheme and the release of housing stock on to the market which otherwise would not be released.</p>	<p>The LPA may perceive the height, density and mass of the proposed development scheme as being over development at the Knowle. If this is the case, then an application submitted for the proposed development scheme may lead to a refusal, delay or in the worse case, prevent the re-location of the Council's offices.</p>
<p>The proposed development scheme includes the retention of Building B, which contains a bat maternity and hibernation roosts. This is in accordance with the advice given to EDDC.</p>	<p>The proposed development scheme departs from the draft allocation within the emerging Local Plan for 50 no. dwellings. This may mean that an application submitted for the proposed development scheme may lead to a refusal, delay, or in the worse case, prevent the re-location of the Council's offices.</p>
<p>McCarthy & Stone has proposed purchasing the Knowle from internal funding without debt funding secured against the asset.</p>	<p>The proposed development scheme departs from affordable housing policy, in that it does not provide any on-site affordable housing provision but does make an off-site financial contribution of £600,000.</p>
	<p>McCarthy & Stone's proposed offer of £7,450,000 includes £962,500 of CIL saving as set out in its letter dated 13 November 2014. We will need to be certain that McCarthy & Stone have the ability to achieve this level of CIL saving, otherwise there is a risk that the price may be reduced.</p>

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	<p>McCarthy & Stone are requiring a 3-month exclusivity period to carry out all of its due diligence, including the Pre-application Meeting with the LPA. The Company will pay an additional £10,000 to enter into the Exclusivity Agreement and this will not form part of the purchase price. There is a risk that the price may be reduced, if McCarthy & Stone were to find any legal or technical issues whilst carrying out its due diligence and site investigations.</p>
	<p>McCarthy & Stone's proposal is conditional on planning, unencumbered title, service enquiries and intrusive site investigations. There is a risk that the price may be reduced, if McCarthy & Stone were to find any legal or technical issues whilst carrying out its due diligence and site investigations.</p>
	<p>McCarthy & Stone are proposing to use local labour, but have not been clear as to how they would achieve this.</p>

9. Planning & Technical Risks

9.1

- 9.1.1 Throughout the process of marketing the Knowle and Manstone Depot and the analysis and evaluating offers, Heynes Planning Limited have advised the Council. The initial marketing material was supported by a Planning Statement undertaken by the planning consultants, with a separate Heritage Assessment prepared by Heritage Vision.
- 9.1.2 Heynes Planning have also been retained to undertake a planning assessment and evaluation of all of the offers received, with there then being a focus on the four offers by Devonshire Homes Limited, East Devon District Council Housing Services, McCarthy and Stone Retirement Lifestyles Limited and finally, Pegasus Life Limited.
- 9.1.3 All of the bids that are the subject of the planning assessment and evaluation relate to the Knowle, except the East Devon District Council Housing Services offer which relates to Manstone Depot.

9.2 Assessment

- 9.2.1 A further 'risk' assessment of the four offers has been undertaken following discussion with the Council and a meeting that took place on 4 December 2014 between Heynes Planning Limited and the Council's Planning Officers.
- 9.2.2 The key area of concern for the Council is whether a particular proposed development is likely to be successful and this has been considered by Heynes Planning through an examination of the following:
- Whether the proposed development scheme is compliant with adopted/emerging Development Plan policies; and,
 - Other material considerations including technical matters.

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- 9.2.3 It should be emphasised that there is some uncertainty in terms of understanding whether a scheme will comply with the Development Plan. This is because whilst the Council continues to use the 'saved' policies of the adopted Local Plan, a new Local Plan is being prepared.
- 9.2.4 It is a distinct possibility that by the time planning applications are submitted, the new Local Plan will have been adopted. That said, the Plan will be subject to further examination (as explained in the Planning Audit) and the contents of the new Local Plan are likely to change.
- 9.2.5 However, in order for there to be some certainty in this evaluation process, the proposed development schemes have been tested and assessed against both relevant policies in the adopted Local Plan and the emerging Local Plan, as currently drafted.
- 9.2.6 A further important point is that the successful scheme will attract S106 and/or CIL payments. However, the Council's draft CIL policy is subject to further examination. It is unclear at this stage, what level of CIL payment and/or S106 matters/obligations will be sought by the Council. If a scheme is submitted before CIL is adopted, it is likely, through discussion with Planning Officers at the meeting on 4 December 2014, that all of the schemes will be subject to S106 obligations which would, at the very least, contain obligations relating to the provision of affordable housing.
- 9.2.7 Therefore in terms of each proposal an assessment shows the following:

a) Devonshire Homes Limited (DH)

With respect to the issue of the principle of development, in the context of the adopted Local Plan, a residential development scheme will be contrary to the relevant policies regarding retention of employment land. However, for the reasons as set out in the Planning Statement, there is a good chance that a justification can be made for this type of scheme given the nature of the proposed use and the extent of the Knowle site available for development which overcomes previous concerns expressed in the refused planning application, Council Ref: 12/1847/MOUT.

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In the context of the emerging Local Plan, the scheme would be acceptable in principle, particularly given the amount of development proposed.

In terms of the proposed layout submitted as part of the bid, there has been no detailed discussion with Planning Officers regarding its content. Some concerns have been raised in the Review of Bids document prepared by Heynes Planning Limited regarding the scheme as presented. However, it is likely that a suitable layout could be achieved subject to various changes.

With respect to S106/CIL, the proposed development scheme will be subject to some form of obligation/payment, although the exact amounts relating to each cannot be quantified at this stage. It is noted that at this stage, DH have indicated that they will not be willing to provide the full affordable housing percentage (40%) in respect of either the adopted or emerging Local Plan policy (which may be subject to change).

The proposed development scheme presented as part of the offer is unlikely to receive planning permission. However, subject to S106/CIL matters being resolved and flexibility by DH in design changes, the proposed development schemes at the Knowle separately and the Knowle together with Manstone Depot are likely to have a more than reasonable chance of being approved.

b) East Devon District Council Housing Services

With respect to the issue of the principle of development, in the context of the adopted Local Plan, a residential development scheme will be contrary to the relevant policies regarding retention of employment land. However, for the reasons as set out in the Planning Statement, there is a good chance that a justification can be made for this type of scheme given the nature of the proposed use.

In the context of the emerging Local Plan the scheme would be acceptable in principle particularly given the amount of development proposed.

In terms of the proposed layout submitted as part of the offer, there has been no detailed discussion with Planning Officers regarding its content. Some concerns have been raised in the Review of Bids document prepared by Heynes Planning Limited regarding the scheme as presented. However, it is likely that a suitable layout could be achieved subject to various changes.

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With respect to S106/CIL, the scheme will be subject to some form of obligation/payment, although the exact amounts relating to each cannot be quantified at this stage. As it stands at present the proposed development scheme presented as part of the offer is unlikely to receive planning permission. However, subject to S106/CIL matters being resolved and flexibility in design changes, the proposed development scheme at Manstone Depot is likely to have a more than reasonable chance of being approved.

c) McCarthy and Stone Retirement Lifestyles Limited

This offer was the subject of detailed discussion with the Planning Officers at the meeting on 4 December 2014. The Officers considered that the proposed development scheme presents a C3 residential use.

The principle of this type of development, in the context of the adopted Local Plan will be contrary to the relevant policies regarding retention of employment land. However, for the reasons as set out in the Planning Statement, there is a good chance that a justification can be made for this type of development scheme, given the nature of the proposed use and the extent of the Knowle site available for development which overcomes previous concerns expressed in the refused planning application, Council Ref: 12/1847/MOUT.

In the context of the emerging Local Plan the nature of the scheme would be acceptable in principle given the type of use proposed.

However, in terms of the proposed layout submitted as part of the offer, including the quantity of development, the Officers have raised concerns that the amount of development presents difficulties in terms of achieving a suitable layout.

The proposed development scheme presented as part of the offer will need significant alteration/amendment. These issues which could become potential concerns have been raised in the Review of Bids document prepared by Heynes Planning Limited regarding the scheme as presented. However, it is likely that a suitable layout could be achieved subject to various changes.

With respect to S106/CIL, the scheme will be subject to some form of obligation/payment although the exact amounts relating to each cannot be quantified at this stage. As it stands at present the scheme presented as part of the bid is highly unlikely to receive planning approval. However, subject to S106/CIL matters being resolved and significant flexibility in design changes the proposals are likely to have a reasonable chance of being approved.

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In respect of the issue of whether the existing buildings can be taken into account in calculating the CIL charge in respect of future proposals for the Knowle site, advice on this matter is contained in the National Planning Policy Guidance (NPPG) published by the Government earlier this year. The NPPG is an accompaniment to the National Planning Policy Framework (NPPF).

In paragraph 57 (Reference ID: 25-057-20140612) it states that:

"In certain circumstances the floor space of an existing building can be taken into account in calculating the chargeable amount. Each case is a matter for the collecting authority to judge.

Where part of an existing building has been in lawful use for a continuous period of 6 months within the past three years, parts of that building that are to be demolished or retained can be taken into account. The way those parts are taken into account is set out in the formula in Regulation 40(7) (as amended by the 2014 Regulations)."

Therefore demolition of buildings can be taken into account into calculating CIL payments. However, reference is made to the need for each Council to judge how this should occur. In the case of East Devon District Council, in the Consultation on the Community Infrastructure Levy Draft Charging Schedule, June 2013 it states the following:

"1.2 The levy is charged on a basis of per square metre of additional gross internal floorspace created. This means that demolitions and existing floorspace will be taken into account in calculating the charge (as long as that floorspace has been in lawful use for at least six months within the last twelve months prior to the planning application being approved)."

As stated previously, the Examination into the Council's Draft CIL Charging Schedule has yet to be concluded and will not do so until later next year. Therefore absolute clarity on this matter cannot be obtained until the Inspector reports back following the Examination and the Council, after possible changes, adopts the CIL policy."

d) Pegasus Life Limited

This offer was the subject of detailed discussion with the Planning Officers at the meeting on 4 December 2014. The Officers were not satisfied from the details presented as part of the proposed development scheme that it could be considered to be a C2 use. This is

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particularly relevant in the context of S106/CIL payments as Pegasus Life Limited, in their offer, considered that C2 uses should not require affordable housing provision and education provision within the context of a S106. Further, the Company considered that such a use will not attract CIL payments.

On the basis the proposed development scheme presents either a C2 or a C3 residential use, the principle of this type of development, in the context of the adopted Local Plan will be contrary to the relevant policies regarding retention of employment land. However, for the reasons as set out in the Planning Statement, there is a good chance that a justification can be made for this type of scheme, given the nature of the proposed use and the extent of the Knowle site available for development, which overcomes previous concerns expressed in the refused planning application, Council Ref: 12/1847/MOUT.

In the context of the emerging Local Plan, the nature of the scheme would be acceptable in principle given the type of use proposed.

However, in terms of the proposed layout submitted as part of the bid, including the quantity of development proposed, the officers have raised concerns that the amount of development presents difficulties in terms of achieving a suitable layout.

The proposed development scheme presented as part of the offer will need significant alteration/amendment. These issues which could become potential concerns have been raised in the Review of Bids document prepared by Heynes Planning Limited regarding the scheme as presented. However, it is likely that a suitable layout could be achieved subject to various changes.

With respect to any S106 the scheme will be subject to some form of obligation/payment covering, at least open space provision, although the exact requirements/amounts relating to any obligation cannot be quantified at this stage. As it stands at present, the scheme presented as part of the offer is highly unlikely to receive planning approval. However, subject to S106/CIL matters being resolved and significant flexibility in design changes the proposals are likely to have a reasonable chance of being approved.

- 9.2.8 Heynes Planning Limited has highlighted above that there are planning risks associated with all of the proposed development scheme which could adversely affect the chances of being granted planning permission. This could inevitably result in a condition of the contract not being satisfied which would result in the sale not completing.

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- 9.2.9 If any of the planning applications for any the proposed development scheme were refused, appealed and the appeal allowed, the sale of the Knowle could be significantly delayed and create additional cost for the Council in funding the relocation to new offices. If the planning application for any of the schemes was not appealed, or was appealed and dismissed, the sale of the Knowle would fail and the funding from the sale for the relocation to new offices would be significantly prejudiced.

10. Recommendations

10.1

- 10.1.1 Overall, taking into account all of the information that has been assembled throughout the due diligence procedure and following interviews, we are of the opinion that the best offer is the offer from Pegasus Life Limited for the Knowle, subject to the concerns raised within the Planning and Technical Risks section of this Report.
- 10.1.2 This opinion is based upon the Council's requirements to maximise the sale prices of the Knowle and Manstone Depot on their disposal and the weighted evaluation criteria.
- 10.1.3 The Pegasus Life Limited offer is closely followed by the offer from McCarthy and Stone Retirement Lifestyles Limited.
- 10.1.4 We recommend that the Council gives Pegasus Life Limited 'preferred bidder' status and a period of exclusivity to undertake a Pre-application Meeting with the Council's Planning Officers and carry out any further due diligence that they are requiring to undertake. Pegasus Life Limited is not seeking to undertake any intrusive site investigations.
- 10.1.5 The outcome of the Pre-application Meeting should be shared with the Council to enable it take into account the Planning Officer's opinions on the proposed development scheme and the planning risks set out in this Report. This will inform the Council's decision on whether or not to proceed with Pegasus Life Limited given the risks and uncertainties involved. If, for example, the use class for Pegasus Life's proposed development scheme is actually considered to be C3 instead of C2, this could lead to a significant downward adjustment in the price, due to the requirement for affordable housing and education provision.
- 10.1.6 If the outcome of the Pre-application Meeting between Pegasus Life Limited and the Council's Planning Officers or the effects of the due diligence exercise are either or both unsatisfactory, then the Council may consider carrying out the same process with McCarthy and Stone Retirement Lifestyles Limited.