

CABINET ITEM COVERING SHEET PROFORMA

AGENDA ITEM

REPORT TO CABINET

7 SEPTEMBER 2006

**REPORT OF CORPORATE
MANAGEMENT TEAM**

CABINET DECISION/KEY DECISION

Regeneration and Transport-Lead Cabinet Member-Councillor Cook

BILLINGHAM TOWN CENTRE - REGENERATION

1. Summary

This paper provides an update relating to the redevelopment of Billingham Town Centre and the sale of the MARS Pension Fund (MARS) leasehold interest.

2. Recommendation

It is recommended that Members note this report.

3. Reasons for the Recommendations/Decision(s)

Billingham Town Centre is a key Town Centre in the Borough. It is vital that a proposal for regeneration is decided upon, and that public consultation is undertaken in relation to it.

4. Members Interests

Members (including co-opted members with voting rights) should consider whether they have a personal interest in the item as defined in the Council's code of conduct (paragraph 8) and, if so, declare the existence and nature of that interest in accordance with paragraph 9 of the code.

Where a Member regards him/herself as having a personal interest in the item, he/she must then consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest (paragraph 10 of the code of conduct).

A Member with a prejudicial interest in any matter must withdraw from the room where the meeting is being held, whilst the matter is being considered; not exercise executive functions in relation to the matter and not seek improperly to influence the decision about the matter (paragraph 12 of the Code).

Further to the above, it should be noted that any Member attending a meeting of Cabinet, Select Committee etc.; whether or not they are a member of the Cabinet or Select Committee concerned, must declare any personal interest which they have in the business being considered at the meeting, and if their interest is prejudicial, they must also leave the meeting room during consideration of the relevant item.

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SUMMARY

This paper provides an update relating to the redevelopment of Billingham Town Centre and the sale of the MARS Pension Fund (MARS) leasehold interest.

RECOMMENDATIONS

It is recommended that Members note this report.

DETAIL

Background

1. In December 2004, Cabinet agreed to enter in to a Lock-Out Agreement of 12 months with Halladale Ltd., the preferred developer of MARS, with the aim of developing a town centre regeneration scheme which met the aspirations of MARS, the Council and the local community. Although good progress had been made with Halladale, on 19th June, Stockton Borough Council was advised of MARS Pension Fund (MARS) intention to sell their leasehold interest in Billingham Town Centre.
2. Sale particulars were issued to the Council and officers were advised of a bid submission close date of 14 July. On that basis it was crucial that the Council was in a position to make a decision on how best to respond. On 13 July a report was taken to Cabinet, and ratified by Council on 19th July, authorising the Corporate Director of Development and Neighbourhood Services in consultation with the Leader, Cabinet Member for Regeneration and Transport, Chief Executive Officer and Corporate Director of Resources to negotiate the Heads of Terms for the acquisition of the leasehold interest and to take all necessary action to acquire the leasehold interest.
3. As a decision of Cabinet cannot be implemented for 6 days, following the meeting at which it had been taken, Members were informed that a bid would be submitted using delegated authority and the Special Urgency Provisions.

Sale of MARS leasehold interest

4. On Friday 14th July, the Corporate Director of Development and Neighbourhood Services submitted the Council bid to try to secure the MARS leasehold interest in Billingham Town Centre. Details of the Council's bid are supplied in the **Appendix** to this report.
5. Following discussions, Jones Lang LaSalle, the agents acting for MARS, informed the Council that the close date for bids had been delayed until Wednesday 19th July.

6. On Tuesday 25th July, Jones Lang Lasalle notified Stockton Borough Council Legal department of their request to assign the MARS leasehold in Billingham Town Centre to the preferred bidder.
7. On Friday 28th July, Jones Lang LaSalle informed the Council that they were not the preferred bidder for the MARS leasehold interest in Billingham Town Centre. They advised the Council that they were negotiating the Heads of Terms (HoT) with the preferred bidder with a view to completing these in early August, however, the Council bid would remain on the table pending the due diligence period.
8. Although commercial confidentialities prevent the naming of the preferred bidder, it can be confirmed that they are a developer with a proven track record in regenerating smaller town centres. They have widespread and relevant experience in both new retail development and refurbishment of existing centres across the country.
9. Council officers are now investigating the viability of a regeneration scheme with the preferred bidder, who is keen to progress quickly with the regeneration of the town centre and to work with the Council to ensure a successful scheme. Further detail of this work is supplied in the **Appendix** to this report.
10. It is anticipated that, subject to due diligence, the new owner will be formally announced by mid September.

Next steps

11. The next key steps are to:
 - Work with the Council's consultants, DTZ, with a view to obtaining the appropriate valuation advice in respect of the Council's freehold interest in the Town Centre
 - Open negotiations with the new owners regarding their town centre interests to agree a joint regeneration scheme which may include a the possible sale of some or all of the Councils interest, subject to Member approval
 - Produce more detailed modelling of the cash flow for various options before making recommendations to Cabinet
 - Make recommendations to Members regarding the future of Billingham Town Centre
 - Brief The Billingham Partnership on progress to date and on the proposed way forward

FINANCIAL AND LEGAL IMPLICATIONS

Financial

12. The financial implications of a disposal of the Town Centre could be significant, depending on which development or sale option is pursued, in terms of loss of rental income to the Council, or failure to secure a substantial capital receipt.

Legal

13. The Lock-Out Agreement with Halladale Ltd has expired, consequently the Council are under no obligation to work exclusively with MARS and Halladale in order to progress a scheme for the regeneration of Billingham Town Centre.
14. MARS have agreed Heads of Terms with their preferred bidder and the transfer of ownership is due to be completed, subject to due diligence, in mid September.

RISK ASSESSMENT

16. A detailed risk assessment would be completed to enable recommendations to be brought to Members following discussion and negotiations with the new leaseholders.

COMMUNITY STRATEGY IMPLICATIONS

Environment

17. The proposals for the redevelopment of Billingham represent an opportunity to improve the environment of the Town Centre and provide new and refurbished buildings which will meet the latest exacting environmental standards.

Economic Regeneration

18. Revitalise Billingham Town Centre, which will impact positively on the further regeneration of the Borough.
19. Stockton Renaissance Community Strategy 2005-08 – Economic regeneration and transport - revitalise the Borough's town centres.
20. Stockton Renaissance Regeneration Strategy 2004-08 – Action Area 2, Image and Environment.
21. Stockton Town Centre – prepare a vision/strategy for the future economy.
22. Billingham Town Centre – implementation of master plan for regeneration

CONSULTATION INCLUDING WARD/COUNCILLORS

23. The Consultation Executive Summary (February and July 2005) is available on request.
24. Endeavours made to ensure that all Billingham & Group Leader Councillors and community groups, through The Billingham Partnership, have been informed of issues as they have evolved.

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Background Papers

Report to Cabinet report - 9 December 2004.
Report to Cabinet report – 13 July 2006.

Ward(s) and Ward Councillors:

Billingham Central – Cllr Teesdale and Cllr Woodhouse
Billingham East – Cllr Cunningham and Cllr Stoker
Billingham North – Cllr Leckonby, Cllr Dewison and Cllr Mrs Apedaile
Billingham South – Cllr Smith and Cllr Mrs O'Donnell
Billingham West – Cllr Womphrey and Cllr Mrs Womphrey

Property Implications

Specifically Billingham Town Centre