

CABINET ITEM COVERING SHEET PROFORMA

AGENDA ITEM

REPORT TO CABINET

4 JANUARY 2007

**REPORT OF CORPORATE
MANAGEMENT TEAM**

CABINET DECISION/COUNCIL DECISION/KEY DECISION

Regeneration and Transport - Lead Cabinet Member - Councillor Cook

BILLINGHAM TOWN CENTRE - REGENERATION

1. Summary

This paper provides an update on the progress associated with the regeneration of Billingham Town Centre.

2. Recommendations

It is recommended that Cabinet recommends to full Council that:

1. To enable a major redevelopment and reinvestment of the town centre, the Council's freehold interest in Billingham Town Centre and Kingsway car parks is sold to Halladale in accordance with the terms set out in this report
2. The Corporate Director of Development and Neighbourhood Services and the Corporate Director of Resources be authorised, in consultation with the Leader, Cabinet Member for Regeneration and Transport, Chief Executive Officer and Corporate Director of Law and Democracy, to finalise the detail associated with the sale of the freehold interest to Halladale and enter into all necessary legal agreements regarding the sale and/or regeneration
3. The Council, in conjunction with the Billingham Partnership and Halladale, prepare and commit to an extensive further phase of public consultation relating to aspects of design and public realm associated with the redevelopment of the town centre
4. It is recommended that Cabinet note the progress being made to redevelop John Whitehead Park, Billingham

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.

CABINET DECISION/COUNCIL DECISION/KEY DECISION

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SUMMARY

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RECOMMENDATIONS

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DETAIL

Background

1. As Members will recall, the Council has been working with Halladale and MARS for the past two years to deliver a redeveloped Billingham Town Centre which would capture public regeneration priorities. Halladale is a developer with a proven track record in regenerating district town centres. In 2005 they opened the modern, redeveloped Bay Tree Centre in Brentwood consisting of 34 retail units, offering a mix of high street names and smaller shops and a revamped supermarket. The Bay Tree Centre, once a dated shopping centre of approximately 90,000 ft² including a small covered centre and a large vacant office tower, was transformed at a cost of over £10 million and received full / partial support from

over 80% of the public consultees who commented during the public exhibition proposals. Improved links to the centre provided via new landscaping, lighting and signage along with a safer shopping environment and refurbished toilets with parent and disabled facilities have resulted in a highly successful development. **Appendix One** shows some of the photographs and artist impressions associated with the Bay Tree Centre scheme. For further information refer to Halladale's website on www.halladale.co.uk.

2. Halladale has widespread and relevant experience across the country in both new retail development and refurbishment of existing centres and having spent considerable time and money on market research and initial architectural plans and drawings to develop preliminary options for Billingham Town Centre, they are very familiar with the strengths and weaknesses the town centre has to offer. Halladale are committed to working with the Council and the people of Billingham to improve the town centre offer and to improving retail performance.
3. In addition to the work being undertaken to secure a scheme within Billingham Town Centre, regeneration is also the focus of work at John Whitehead Park. Please refer to **Appendix Two** for further information.
4. Following announcement by MARS, in June 2006, that they were selling their leasehold interest in Billingham town centre, the Council submitted a bid but was later advised they had been unsuccessful. At the end of September 2006, it was announced that MARS had sold their leasehold interest to Halladale.
5. Since August the Council has been negotiating with Halladale, investigating the viability of a joint regeneration scheme. Halladale has advised the Council they are committed to improving their new leasehold asset with comprehensive redevelopment and on that basis they have asked whether the Council would be prepared to consider disposing of its freehold interest and requested that the Council provide a valuation of its freehold interest in the town centre.

Options Analysis

6. After seeking advice from DTZ, the Council's property consultants for Billingham, in relation to the freehold value of the Council's interest, Council officers entered into negotiations with Halladale for the disposal of the Council's freehold interest.
7. Officers asked Halladale to consider a range of development conditions based largely on prior extensive and successful public consultation. These were:
 - i. The purchaser would work with the Council to produce a scheme which addresses the 2005 consultation priorities as soon as reasonably practical from sale completion; a planning application would be submitted as soon as reasonably practical thereafter
 - ii. The scheme would include the following redevelopment priorities, subject to planning:
 - a) Improvements in the quality of shops
 - b) Extension to the range of shops
 - c) Tackle problems of pests / pigeons
 - d) Incorporation of cafes and restaurants
 - e) Provision of new and better toilets
 - f) Provision of secure parking
 - g) Provision of play facilities e.g. pre-school and teenage village
 - h) Inclusion of attractive landscaping

8. Refer to **Appendix Three (exempt)** for information relating to the financial details and specific development conditions associated with the sale of the Council's freehold interest.
9. Refer to **Appendix Four a – f** for the indicative layout and photomontages of what a regenerated town centre could look like.
10. Prior to commencing negotiations for the sale of the Council's interest, Officers investigated a range of regeneration options including:
 - i. Marketing the Council's freehold interest either with or without regeneration conditions
 - ii. Seek to procure the Council's own redevelopment scheme
 - iii. Continue to discuss a joint regeneration scheme with Halladale as the other major land interest holder within the town centre
11. Over the past years the Council and the then major leaseholder of the town centre, MARS Pension Fund (MARS) have been in discussions to try to agree a joint regeneration scheme for Billingham town centre. These discussions included the appointment of Halladale, the MARS preferred developer, to try to bring about a regeneration scheme which met the aspirations of MARS, the Council, the developer and the local community. Unfortunately, despite the exhaustive discussions, negotiations, financial appraisals and time spent trying to formulate a regeneration proposal which met the needs of the various parties involved, it was not possible to agree a scheme. Officers consider that in order to facilitate the Council's ambition to deliver a regenerated Billingham Town Centre it would be best to develop under single ownership.
12. As Halladale now have a long leasehold interest in 47% of the town centre, officers feel that selling the Council's freehold interest to Halladale is the best way forward to secure the regeneration of the town centre as a whole. It is therefore recommended that Members proceed on this basis.

Next steps / Timescales

13. Timescales are summarised below:

Report to be taken to Cabinet	4 January 2007
Council ratification	17 January 2007
Commence legal documentation	January 2007
Sale completed	May 2007
Commence detailed discussions regarding design aspects	May 2007*
Commence public consultation regarding public realm design	Autumn 2007*
Commence improvements / regeneration works	Autumn 2008*
Complete all aspects of regeneration / improvement	2013*

* Subject to further agreement with Halladale.

FINANCIAL AND LEGAL IMPLICATIONS

Financial

14. The use of the capital receipt from the sale of the Council's town centre freehold would negate the loss of any rental income. Any net receipt would be used as part of the Medium Term Financial Plan (MTFP).

Legal

15. Halladale are the owners of the 47% leasehold interest in Billingham Town Centre.
16. If the Council is to dispose of its freehold interest in the town centre , it must be able to demonstrate that market consideration has been achieved. In order to satisfy this requirement without advertising on the open market officers have taken the following factors into consideration:
 - i. Halladale are the owners of a 47% leasehold interest in the town centre. The merging of the two interests gives rise to an enhancement to value over and above the aggregate value of the separate interests. This marriage value has been taken into account in the negotiations and the Council is therefore receiving a consideration over and above that which any party other than the owner of the long leasehold interest would be in a position to pay
 - ii. Halladale, the Council and the previous leaseholder, MARS, entered into a lock-out agreement in 2005/6 with the aim of bringing about the regeneration of the town centre. During the lock-out period, the Council and Halladale undertook a significant amount of preparatory work at considerable cost to both parties. This now places Halladale in a better position than their potential competitors
 - iii. The Council have placed certain regeneration requirements on the sale of the freehold which Halladale have agreed to. Many of these conditions rely on the developer having control over the whole town centre. The Council therefore have certainty of Halladale's regeneration intentions and their desire to work with the Council to achieve them
 - iv. Having regard to the above, marketing the Council's freehold interest either with or without regeneration conditions would, in the opinion of officers and advisors not have given the same degree of certainty that the regeneration of the town centre would be carried or that the same level of consideration would be achieved

RISK ASSESSMENT

17. The risks are covered in the body of this report.

COMMUNITY STRATEGY IMPLICATIONS

Environment

18. 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

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

CONSULTATION INCLUDING WARD/COUNCILLORS

24. The Consultation Executive Summary (February and July 2005) is available on request.
25. Billingham Councillors, Cabinet Portfolio Holders and The Billingham Partnership have been informed and briefed of progress and issues as they have evolved. Several briefing sessions have been held over the past few months in which attending Members have given their unequivocal support of the sale of the Town Centre.

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Background Papers

Report to Cabinet - 9 December 2004
 Report to Cabinet - 13 July 2006
 Report to Cabinet - 7 September 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