

## CABINET ITEM COVERING SHEET PROFORMA

### AGENDA ITEM 9

### REPORT TO CABINET

4<sup>th</sup> DECEMBER 2014

### REPORT OF CORPORATE MANAGEMENT TEAM

## CABINET DECISION

### *Regeneration & Transport – Lead Cabinet Member – Councillor M Smith*

## NORTHSHORE REGENERATION SCHEME UPDATE

### 1. SUMMARY

This report updates on the continued success and progress of the Northshore mixed use regeneration scheme as per the Northshore Masterplan (**Appendix A**) and seeks support for a critical next step that will enable the successful development of the Northshore Gateway site.

### 2. RECOMMENDATIONS

It is recommended that Cabinet:

1. Note the success and positive progress made in developing out Northshore as well as the additional opportunities currently being advanced.
2. Commit to a Compulsory Purchase Order (CPO) process to obtain the site identified as the former Kwik Fit, Church Road, Stockton.
3. Specifically in relation to the request to support a Compulsory Purchase Order (CPO) Agree that the acquisition of the necessary outstanding property will facilitate the development/redevelopment or improvement of the property shown at (**Appendix B**) and will contribute to the economic, social and environmental well-being of the area and the realisation of the Northshore masterplan.
4. Recognise 'in principle' the need to exercise Compulsory Purchase Powers to progress the Gateway site element of the Northshore regeneration scheme the key linkage to Stockton Town Centre and that officers be authorised to formulate strategies for the use of CPO powers, with further details to be reported back to the Corporate Management Team and Cabinet.
5. Approve the undertaking of all actions necessary to progress the completion of a site development plan and the makings of a CPO case with a view to the future use of the Council's CPO powers under the Town and Country Planning Act 1990 (Section 226(1)(a)) and the Acquisition of Land Act 1981 to acquire all necessary interests in respect of the former Kwik Fit site, Church Road, Stockton to include;
6. Approve completion of a site specific development plan which reflects the conclusions of any master planning and business sector consultation exercises that identify a realistic and substantive end use of benefit to both the Northshore scheme and Stockton Town Centre. Delegated authority to agree the responsibility for the development plan and its subsequent

execution is given to the Corporate Director of Development and Neighbourhood Services in consultation with the Cabinet Member for Regeneration and Transport.

7. Approve completion of a CPO business case to be finalised in accordance with a final development plan, to encompass all necessary acquisitions, demolitions, appointments of private developers and authority to enter into all necessary legal arrangements necessary to progress the development brief and business case to completion, with any required amendments to be agreed by the Corporate Director of Development and Neighbourhood Services in consultation with the Cabinet Member for Regeneration and Transport.

#### Reasons for recommendations/decision(s)

The interventions and next steps proposed to progress the development of the Northshore Gateway site will enable the realisation of the Northshore vision and bring improvements to Stockton Town Centre contributing to the delivery of two key regeneration ambitions for the Borough.

#### 1. 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 (**paragraphs 10 and 11 of the code of conduct**).

A Member with a prejudicial interest in any matter must withdraw from the room where the meeting considering the business is being held -

- in a case where the Member is attending a meeting (including a meeting of a select committee) but only for the purpose of making representations, answering questions or giving evidence, provided the public are also allowed to attend the meeting for the same purpose whether under statutory right or otherwise, immediately after making representations, answering questions or giving evidence as the case may be;
- in any other case, whenever it becomes apparent that the business is being considered at the meeting;

and must 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 (unless the interest arises solely from the Member's membership of, or position of control or management on any other body to which the Member was appointed or nominated by the Council, or on any other body exercising functions of a public nature, when the interest only needs to be declared if and when the Member speaks on the matter), and if their interest is prejudicial, they must also leave the meeting room, subject to and in accordance with the provisions referred to above.**

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### 3. DETAIL

## NORTHSHORE REGENERATION SCHEME UPDATE

### Background

1. The Northshore development is a 23-hectare, mixed use flag ship regeneration scheme which is transforming Stockton's riverside creating significant employment opportunities to benefit the area. The scheme when complete will deliver office, leisure and retail accommodation - in addition to high quality housing - which will take advantage of the site's south facing waterfront location and proximity to the town centre. The Council has assumed a valued facilitation role in supporting the development objectives of the Northshore Development Partnership (NSDP) which consists of the Homes & Communities Agency (HCA) and Muse Developments in line with a shared vision and masterplan. Through successful partnership work the Council and the NSDP have addressed a number of barriers to site development, expedited key actions and secured key developments and investment. This success to date has ensured that Northshore has gained significant forward momentum and regained profile as a key regeneration site in the face of challenging economic conditions. This report seeks to update Members on recent progress with the scheme and highlight a key opportunity to ensure continued progression.

### Northshore Progress Update

#### Homezone Phase 1

2. Phase 1 of the Homezone which commenced on site in March 2011 has had a huge impact on Northshore. The first phase of Vivo Northshore was a ground-breaking success and has helped to transform Northshore by creating a new resident community with modern homes in a riverside location; it's a development that has challenged traditional styles of housing to create a new concept and standard of modern urban living in the Tees Valley. This first phase saw 50 properties delivered on the site offering a range of two, three and four bedroom properties all of which were quickly sold and are now fully occupied.

#### Homezone Phase 2

3. Due to the success of Phase 1 a second phase of a further 76 properties through Phase 2 of the Homezone is currently under construction with two show homes on site. Building on that success of phase 1 with more distinctive homes with the potential to accommodate everyone from first-time buyers to fully-fledged families. To date a further sixteen units have been sold and the development continues to be built out to schedule please see (**Appendix C**) for site image of construction progress.

#### Innovation Centre

4. Developed to bring forward further investment on the Northshore site, the three-storey, 36,000 sq. ft. Innovation centre building is currently being constructed with work by Esh Construction Ltd commencing on site on the 30<sup>th</sup> July 2014. Esh are currently working on programme and practical completion is anticipated for the 29<sup>th</sup> June 2015 please see (**Appendix C**) for site image of construction in progress. The high quality building to be constructed to a BREEAM Very Good specification is a partnership project between Muse,

Stockton Council, Teesside University and the Homes and Communities Agency (HCA). The project has secured £2.87m investment from the North East European Regional Development Fund (ERDF) with HCA providing match funding. Located centrally within the Northshore development, the building will provide flexible space combined with high speed broadband and a range of support services for new and growing SMEs in the digital, scientific and creative sectors. The Innovation Centre will be managed by Teesside University, which will offer tenants its full range of business innovation and development services, available from its Darlington and Middlesbrough campuses. Companies will have ready access to research, academic expertise, graduate resource, training and networks to support their development and growth.

#### Thirteen Group

5. Work is well underway on site for the new head office of housing group Thirteen. Construction commenced on the 17<sup>th</sup> February 2014 and Esh Construction scheduled to achieve practical completion by 23<sup>rd</sup> January 2015 please (**Appendix C**) for site image of construction in progress. The new 43,000 sq. ft. building is located adjacent to Infinity Bridge and will accommodate more than 400 employees close to Stockton Town Centre. The Northshore office will give the Thirteen Group a contemporary and environmentally efficient building designed specifically to meet its needs and promote more efficient working practices within the workforce.

#### Durham University

6. The University maintain an interest in a significant development plot on the Northshore site. Regular discussions are taking place to identify a suitable development opportunity is brought forward in conjunction with the University to expand and improve its core student offer in Stockton.

#### Enterprise Zone Extension

7. As part of the Tees Valley Enterprise Zone plan, Northshore was successfully identified as an additional Enterprise Zone site for business rates relief to be funded and sustained locally. Sectors identified as being key to the future growth of the Tees Valley are the focus of Enterprise Zone sites located across the Tees Valley and companies in any part of the supply chain for these key sectors are able to take advantage of the incentives on offer. With regards to Northshore, the Enterprise Zone offer is primarily available for digital companies looking to move to or expand in the area as a catalyst for stimulating business and job growth in the local economy. Eligible businesses can apply for business rate relief of up to £55,000 per year for a 5 year period. In line with a central government extension to the Enterprise Zone scheme nationally, the locally funded Northshore Enterprise Zone has extended its qualifying period for business rates offer by 3 years. Digital businesses who choose to occupy the site up to March 2018 will qualify for the 5 year business rates relief offer.

#### Commercial Interest

8. Site developers Muse continue to engage with potential occupiers to bring forward potential commercial schemes, which are vital to the viability of the Northshore development. Muse are currently in advanced talks with a national pub chain to bring forward a restaurant and pub development on Northshore. Discussions are currently focused on design to ensure that any proposal brought forward for a planning application reflects the high quality design standard set by current developments progressing on site.

#### Riverside Improvements

9. Connectivity to and from Northshore to Stockton Town Centre is a key aspect of the vision for Northshore for both vehicles and pedestrians. With road access works to the site completed the rate of development on Northshore will now enable improvements to existing footpaths to commence. Improvement works to the foot paths and landscaping between the Infinity Bridge and the River Tees Watersports Centre will be completed in 2014 linked to the Thirteen Group development. Detailed design work is currently in development to

bring forward workable solutions to improve the riverside walkway connectivity with a view to improving lines of access and safety along the waterfront from the Princess Diana Bridge to the River Tees Watersports Centre. This work is to include the installation of lighting and improvements to the landscaping and a reduction in vegetation necessary to improve the perception of safety in this area. A planning application including detailed design will be submitted in December 2014 with a view to undertaking improvement works in the Spring of 2015. It is hoped that these improvements will encourage the flow of residents and workers soon to be located at Northshore into the Town Centre. In addition existing Northshore based organisations the Castlegate Marine Club and the River Tees Watersports Centre are engaged in the process of improving the area and are both undertaking significant improvement plans to increase their membership capacity and improve the site appearance and quality of offer.

## **KEY NEXT STEP**

### **Compulsory Purchase Order**

10. Action to enable the purchase of a prominently located building complex the former Kwik Fit site, Church Road, Stockton will facilitate the continued development of the Northshore masterplan. The property is required to complete the ownership of the Northshore Gateway site marked as site A1 on **Appendix A** thus enabling its future development. The property itself is considered to be in a dilapidated state of repair having stood empty for several years. The building is therefore detrimental to not only the development of Northshore but in close proximity to the Town Centre on a route directly leading to the High Street of detriment to the significant private investment being made by adjacent business on Church Road.
11. Over recent months continued efforts have been made by the Northshore Development Partnership in attempting to acquire the former Kwik Fit property. An opportunity exists to facilitate the purchase of the property via a partnership approach. The devised approach is to secure the building via a combination of HCA funding support and the use of Council CPO powers. Finally to be followed by a transfer of property to HCA ownership thus completing the assembly of the Northshore gateway site. Active negotiations continue to take place with the property owners on behalf of the NSDP with the aim of completing a commercial deal without the added delay of a CPO procedure. The present owner having been in control of the property for some considerable time is fully aware of the Northshore Regeneration plans and maintains an unrealistically high valuation of the property; as a result agreement to a commercial sale may prove difficult to conclude. Whilst all attempts at negotiation are to continue, the Council must be prepared, to use its Compulsory Purchase Order (CPO) powers to support the ongoing implementation of the Northshore masterplan.
12. On this basis it is recommended that cabinet approve a commitment to undertake a CPO process, through the development of a business case as a key step to the use of the Council's CPO powers under the Town and Country Planning Act 1990 (Section 226(1)(a)) and the Acquisition of Land Act 1981 in order to acquire all necessary interests and approve the use of all actions and orders etc. that may be necessary to then deliver the CPO.
13. Whilst no firm timescales can be given should the CPO process be required to proceed, it is anticipated that the likely time frame from Cabinet approving a CPO process to developing a detailed CPO case with a view to gaining vacant possession of the property is likely to be in the order of 12- 18 months, however timescales are variable and will be impacted by a number of factors (i.e. if any objections are received/the need for a Public Inquiry etc.).

## **Scheme Development**

14. The Northshore Development Partnership has identified the gateways site as a potential location for a new Hotel development. It is anticipated that a Hotel development in this location would benefit both the Town Centre and complement the Globe Theatre development. Northshore partners are seeking to commission an independent market and financial feasibility study for the development of a new hotel at Northshore with the gateway site a preferred location within the development. A study will assess present and future demand for lodgings and such other hotel facilities as public areas, function and syndicate rooms, food and beverage outlets, and leisure facilities. The study will also encompass an evaluation of operating models income generation and expenses for five or ten year projections for return upon investment and demand analysis for rooms of a given competitive type for a designated catchment area of Stockton/Tees Valley.
15. The independent hotel market study outlined is a pre requisite to the design and development of a detailed development brief and design scheme for the site. A feasible end scheme is a key pre requisite of any CPO process.

## **FINANCIAL IMPLICATIONS**

16. There are no financial implications to the Council. Funds for the acquisition of the building are held by the HCA.

## **LEGAL IMPLICATIONS**

17. The Northshore Development Partnership will continue to try to acquire the former Kwik Fit property by agreement, however as detailed within the report if agreement cannot be reached a Compulsory Purchase Order (CPO) may become necessary to achieve the required outcome.
18. The making of a CPO will need to be confirmed by the Secretary of State. If objections are received the Secretary of State will make arrangements for a Public Inquiry to be held to consider the objections before the Secretary of State decides whether to confirm the Order.
19. In arriving at a decision to make a CPO and thereby depriving a person of their interest in, and in most cases, occupation of property the Council should be satisfied that there is clear evidence that the public benefit will outweigh the private loss. In this case, the public benefits of the scheme lie in the regeneration of the area.
20. Utilising Stockton Council CPO powers and HCA funding will initially result in the ownership of the site resting with the Council. A legal agreement will be required with the HCA covering transfer of property and funds prior to undertaking a CPO with a view to forming a completed gateway site under single ownership.

## **RISK ASSESSMENT**

21. This Northshore Development Update report does not require a risk assessment.
22. A completed CPO business case will require a detailed risk assessment to determine its likelihood of successfully completing.

## **SUSTAINABLE COMMUNITY STRATEGY IMPLICATIONS**

23. **Economic Regeneration and Transport** – supports the development of a key regeneration site within the Borough via the Northshore regeneration masterplan contributing towards providing a quality town centre environment.

24. **Environment and Housing** – the purchase of a site will lead to the demolition of a dilapidated building in a Town Centre location and the redevelopment of a brownfield site.

**Supporting Themes:-**

25. **Stronger Communities** – A greater sense of pride in the local area will be fostered through the delivery of the redevelopment proposals.

26. **Arts Leisure and Culture** – the Northshore redevelopment proposals incorporate high quality design standards and improve access too and onto the river Tees.

**EQUALITIES IMPACT ASSESSMENT**

27. This report is not subject to an Equality Impact Assessment because it does not relate directly to a change of policy strategy or service delivery. It is likely that once the details of any finished scheme design for the Northshore Gateway site is determined and presented to Cabinet that an Equalities Impact Assessment will be compiled.

**CONSULTATION INCLUDING WARD/COUNCILLORS**

28. For the Northshore Regeneration scheme the Cabinet member for Regeneration & Transport is provided with ongoing briefings to ensure they are kept up to date with the progress and informed of any key (or arising) issues etc.

**Corporate Director of Development & Neighbourhood Services**

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Background Papers

Education Related

No

Ward(s) and Ward Councillors:

Stockton Town Centre – Cllr Coleman & Cllr Kirton

Property

As detailed within the body of the report