

CABINET ITEM COVERING SHEET PROFORMA

AGENDA ITEM

REPORT TO CABINET

15 MARCH 2018

**REPORT OF SENIOR
MANAGEMENT TEAM**

CABINET DECISION

Regeneration and Housing – Lead Cabinet Member – Councillor N Cooke

VICTORIA SITE: UPDATE ON THE REVISED SCHEME REDEVELOPMENT PROPOSAL

1. Summary

Following a review of the potential options available to the Council to successfully secure the regeneration of the Victoria estate, Cabinet are asked to support the procurement of a partner to potentially establish a joint venture that will lead on the sites redevelopment. The establishment of a joint venture could allow for risk and reward sharing with a partner and access to skills and capacity (specifically an experienced commercial development and sales team) without ceding full control of the site. Through this procurement exercise the Council will identify a partner who shares the vision for the site “to create a vibrant new community, providing exemplar and sustainable urban living which transform the north eastern quadrant of the Town Centre and showcase the wider transformation of the Town Centre”. The importance of the new development’s connectivity to Norton Road and the town centre are critical and the joint venture will be tasked with exploring every opportunity to improve the key gateways and connectivity along Norton Road.

In addition the report also updates Cabinet on the recently completed and costed demolition option appraisal of Elm House.

2. Recommendations

Cabinet are recommended to:

1. Give approval to proceed with a procurement exercise to seek a potential Joint Venture partner.
2. Agree on completion of the procurement exercise to receive a further report to include a detailed business case for the joint venture, including any proposed corporate or contractual structures and to appoint the recommended partner.
3. Note the outcome of the comprehensive demolition appraisal which has been undertaken by council officers in relation to demolition of the Thirteen asset ‘Elm House Apartments’.
4. Note the development masterplan will ensure that the Norton Road gateway is an integral part of the development and enhanced to reflect the quality of development the Council aspires to achieve.

5. The mix of development will reflect a complementary offer to the housing market ensuring affordability, desirability and targeted need, including older persons and supported persons accommodation, are integral.

3. Reasons for the Recommendations/Decision

The successful regeneration of the Victoria site, will both enhance the housing offer available in this town centre location as well as supporting the ongoing transformation of Stockton town centre.

4. Members' Interests

Members (including co-opted Members) should consider whether they have a personal interest in any item, as defined in **paragraphs 9 and 11** of the Council's code of conduct and, if so, declare the existence and nature of that interest in accordance with and/or taking account of **paragraphs 12 - 17** of the code.

Where a Member regards him/herself as having a personal interest, as described in **paragraph 16** of the code, in any business of the Council he/she must then, **in accordance with paragraph 18** of the code, 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 and the business:

- affects the members financial position or the financial position of a person or body described in **paragraph 17** of the code, or
- relates to the determining of any approval, consent, licence, permission or registration in relation to the member or any person or body described in **paragraph 17** of the code.

A Member with a personal interest, as described in **paragraph 18** of the code, may attend the meeting but must not take part in the consideration and voting upon the relevant item of business. However, a member with such an interest may make representations, answer questions or give evidence relating to that business before the business is considered or voted on, provided the public are also allowed to attend the meeting for the same purpose whether under a statutory right or otherwise (**paragraph 19** of the code).

Members may participate in any discussion and vote on a matter in which they have an interest, as described in **paragraph 18** of the code, where that interest relates to functions of the Council detailed in **paragraph 20** of the code.

Disclosable Pecuniary Interests

It is a criminal offence for a member to participate in any discussion or vote on a matter in which he/she has a disclosable pecuniary interest (and where an appropriate dispensation has not been granted) **paragraph 21** of the code.

Members are required to comply with any procedural rule adopted by the Council which requires a member to leave the meeting room whilst the meeting is discussing a matter in which that member has a disclosable pecuniary interest (**paragraph 22** of the code)

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SUMMARY

Following a review of the potential options available to the Council to successfully secure the regeneration of the Victoria estate, Cabinet are asked to support the procurement of a partner to potentially establish a joint venture that will lead on the sites redevelopment. The establishment of a joint venture could allow for risk and reward sharing with a partner and access to skills and capacity (specifically an experienced commercial development and sales team) without ceding full control of the site. Through this procurement exercise the Council will identify a partner who shares the vision for the site “to create a vibrant new community, providing exemplar and sustainable urban living which transform the north eastern quadrant of the Town Centre and showcase the wider transformation of the Town Centre”. The importance of the new development’s connectivity to Norton Road and the town centre are critical and the joint venture will be tasked with exploring every opportunity to improve the key gateways and connectivity along Norton Road.

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RECOMMENDATIONS

Cabinet are recommended to:

1. Give approval to proceed with a procurement exercise to seek a potential Joint Venture partner.
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3. Note the outcome of the comprehensive demolition appraisal which has been undertaken by council officers in relation to demolition of the Thirteen asset ‘Elm House Apartments’.
4. Note the development masterplan will ensure that the Norton Road gateway is an integral part of the development and enhanced to reflect the quality of development the Council aspires to achieve.
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DETAIL

Background

1. As members will recall, the previous report presented to Cabinet in November 2017 detailed that an 'Urban Retirement Village' was determined (following a comprehensive financial appraisal) not to be viable development option. However due to the uniqueness of the site in terms of its proximity to Stockton Town centre and the substantial investment ongoing in this locality (the Globe, Townscape Heritage Project, Hampton by Hilton hotel development etc.) coupled with improving housing market conditions for adjacent brownfield sites (as reported in the November 2017 report), opportunities do exist to successfully redevelop the site for a more established housing market. Approval was subsequently granted for Officers to explore an alternative residential proposal, which would provide a range of accommodation types (family and older persons) and then report back to Cabinet.
2. Since this time, the potential options for how to progress the redevelopment of the site to ensure the Councils vision is successfully achieved (*'to create a vibrant new community, providing exemplar and sustainable urban living which transform the north eastern quadrant of the Town Centre and showcase the wider transformation of the Town Centre'*) have been explored. As part of this exercise we have engaged with other Local Authorities who have successfully delivered housing regeneration projects on sites of a similar nature (i.e. brownfield sites / those in close proximity to town centres / sites with similar constraints etc.). These scoping conversations have identified that a number have established joint ventures particularly joint venture companies as an alternative to the option of the local authority directly leading on the redevelopment of a site, or entering into more traditional contractual options such as development agreements or selling the site on the open market. There are a number of successful 'live' examples in neighbouring authorities.
3. A joint venture option potentially provides the Council with the opportunity to enter into an arrangement with an external partner. There are some clear advantages of this approach:
 - a. It enables the Council to bring in both the resources and expertise of a development partner with a recognition that experienced commercial partners bring cost effective solutions. Expertise could include for example; access to an experienced development team who would undertake commercial site appraisals, commercial site marketing and branding and sales expertise etc.)
 - b. The approach also avoids the Council ceding full control of the sites future development (as the Council would be a fully participating partner in the joint venture). If the Council were to pursue a more traditional development agreement or land sale model, the appointed partner and/or the site purchaser would lead on the sites development.
4. It is essential however that any joint venture does not become bogged down in inflexible and complex contracts but instead it is essential to ensure that the structure provides for a collaborative approach where both the council and its partners are clear from the outset on the objectives and there is a clear framework under which performance against the objectives is measured.
5. One of the potential negatives of a JV arrangement is the 'sharing of reward/profit', however this negative can be off-set by the equal sharing of 'risk' and investment.
6. As noted above, such delivery approaches are alternatives to the sale of the site on the open market and/or the sale of the site via a development agreement. A joint venture is also an alternative to the Council taking the sole development lead, whilst the Council does have a clear ambition to drive forward the generation of Victoria we do not have all the necessary commercial skills or commercial housing building expertise and would need to buy in this capacity. In addition the Council would need to fund the full development cost which clearly brings with it

associated commercial risks. Taking these issues into consideration this is not deemed to be a viable option.

7. Members are asked to note that the JV option will not preclude the involvement of Thirteen. The Victoria development will be a mixed tenure scheme and Thirteen will deliver/take ownership of the new affordable housing on the site with the joint venture delivering the market housing.

Proposed next steps

8. In order to proceed with the JV option Members are asked to grant approval to undertake a procurement exercise to seek identify a potential joint venture partner. The precise contractual or corporate make up of any joint venture, approval of the partner and a full business case will then be presented back to Cabinet to determine whether or not to proceed.

Wider site issues and considerations

Concept master planning

9. As noted in the November 2017 report the Council and Thirteen Group have jointly procured an architect to work on a concept masterplan for the site. This work has identified that the Victoria site can deliver in the region of 170 new homes, providing a variety of house types and tenures. In summary the site can deliver a range of 2, 3 and 4 bedroom houses which would be complimented by the inclusion of older persons, bungalow accommodation and targeted supported living in line with needs identified within the adults strategy.
10. All affordable housing (rented and affordable homeownership) as highlighted previously will be delivered/owned by Thirteen who have already been successful in securing Homes England 'Shared Ownership and Affordable Programme' (SOAP) funding for this site.
11. Part of the concept master planning has also explored how we can ensure better connectivity between the site and the town centre. As part of this work stream additional work will be undertaken to explore issues associated with both Norton and Church Road.

Ongoing site preparatory work

12. To ensure that we are able to progress the sites development in a timely manner, the Council in conjunction with Thirteen have undertaken significant preparatory work which has included the procurement of various investigative surveys (Ecology, Bat, Tree, Archaeology and Phase 1 Desktop surveys), in addition we have also recently commenced an open space and traffic assessment of the site.
13. In order that potential joint venture partners can expediently develop a detailed site layout, undertake a commercial site appraisal and submit a planning application, all survey work undertaken may be shared on a confidential basis with bidders during the procurement process and (subject to cabinet approval) with the appointed partner. In addition to those completed, further site investigation works will also commence imminently, the Housing Regeneration Team have obtained quotes (and will commission) a flood risk assessment, CCTV drainage survey and Noise Survey, all of which are required to inform the overall masterplan for the site and are ultimately needed to secure planning permission. As noted in the November 2017 Victoria Cabinet report all costs associated with these pre-start on site surveys are being met by monies secured by Thirteen (supported by the Council) from the Government's Estate Regeneration Fund.

Elm House

14. As noted in the November 2017 Cabinet report all residential properties in Elm House have been vacated and as highlighted below the remaining commercial areas will also shortly be vacated:

Commercial occupiers:

SDIAS (occupy commercial space in the 'original' Elm House footprint)

- SDIAS (supported by Thirteen) have secured new premises. They have entered into a voluntary agreement with the landlord of 16 Bishopton Lane and are due to move into their new, town centre, premises on the 19.03.18.
- This part of the building will be secured following their relocation.

Children's Nursery (occupied commercial space in the 'original' Elm House footprint)

- As previously reported the children's nursery made a voluntary decision to close some time ago.
- This part of the building is now fully vacated and has been secured.

Following the relocation of SDIAS the footprint of the residential high rise block will be vacant.

• Children's Centre (occupier of the 'extension' to the original Elm House building)

- The children's centre is due to close on 31st March 2018 (as part of a wider review of buildings/service provision undertaken by colleagues in Children's Services) and officers from the Finance/Assets Team are currently working collaboratively with Children's Services to review options for future service delivery requirements.

Demolition options:

15. Members may recall that a high level option appraisal, FULL or PARTIAL demolition (i.e. removal of the residential storeys plus all or part of the ground floor) has been undertaken and the November 2017 Victoria Cabinet report noted that the Council's preferred option at that time was PARTIAL demolition.
16. As we have now been able to access further areas of the building, further comprehensive internal investigations have been undertaken. These investigations have proved crucial in understanding how the commercial areas of the building are connected physically, and how 'services' are shared within these areas. In summary these surveys have clarified that the buildings would be extremely costly to 'split' as services such as energy supplies are not independently provided and that partial demolition would require 'hand demolition' in order to protect the lower building, information which was not available at the time of the last report. These investigations emphasise the complexities of splitting the buildings and have significantly increased the costs associated with partial demolition. In summary the cost of partial demolition is now significantly above that of full demolition. Whilst this building is a Thirteen asset it has been previously highlighted that it will have a significant, negative impact on the sites future development. On this basis negotiations are ongoing regarding the funding of these works. Should the Council need to make a contribution to these costs they would be met from underspends on other housing led regeneration schemes (as detailed in para 20 below).

FINANCIAL IMPLICATIONS

17. As noted within the body of the report any preparatory (pre start on site) works will continue to be met by monies secured by Thirteen from the Government's Estate Regeneration Fund (a bid to this fund was made with the support of the Council).
18. With regard to the potential contribution to be made by the Council towards the demolition costs of Elm House, Members are asked to note that when the Stock Transfer Agreement was signed in 2010 it included funding within the Tristar Homes business plan for the demolition (and

associated costs) of non-sustainable social housing (at Hardwick, Mandale, Swainby Road and Victoria). As this budget is underspent the Council will receive a share of the remaining monies. Should a contribution towards Elm House demolition costs be required, the Council will fund from this under-spend.

LEGAL IMPLICATIONS

19. The procurement of a JV partner will be undertaken in accordance with relevant OJEU procurement requirements and the Councils Contract Procedure Rules (Standing Orders).
20. Assuming a final business case which must be approved by Cabinet supports the creation of a corporate structure such as a company, the Council can proceed using its general power of competence contained in section 1 of the Localism Act 2011, subject to the additional requirements for the commercial operations of local authorities at Section 95, Local Government Act 2003 and Section 4, Localism Act 2011.

RISK ASSESSMENT

21. As noted in the body of the report a further report will be presented back to Cabinet which will detail the business case/commercial case of the proposed JV arrangement. This will include highlighted potential risks and mitigation.

COUNCIL PLAN THEMES

22. The proposed redevelopment directly supports the following Council Plan themes:

Economic Regeneration and Transport: the redevelopment of Victoria will support the economic regeneration of Stockton town centre.

Environment and Housing: the revised proposal will enhance the quality of the housing offer available in this town centre location.

Safer Communities: any future redevelopment would be designed to ensure a sustainable and safe community.

Health and Wellbeing: good quality, sustainable housing will have a positive impact on the health and well-being of future residential occupiers.

Adults: the proposed redevelopment would create a high quality environment for both current and future generations of the Boroughs population as they age, in a vibrant, safe and healthy environment.

Arts Leisure and Culture: the proposed scheme provides the opportunity to integrate the provision of arts, leisure and cultural activities.

EQUALITIES IMPACT ASSESSMENT

23. As Cabinet is not being asked to agree a JV partner for site redevelopment an EIA has not been completed.

CONSULTATION INCLUDING WARD/COUNCILLORS

24. Consultation briefings have taken place Cabinet Members for Environment & Housing.

Richard McGuckin
Director of Economic Growth and Development
Name of Contact Officer: Jane Edmends
Post Title: Housing Services Manager
Telephone No. 01642 526682
Email Address: jane.edmends@stockton.gov.uk

Education related?

No.

Background Papers

- Victoria Estate Regeneration – Revised Scheme Proposal. Report to Cabinet 16.11.2017
- Victoria Estate Regeneration – Urban Village Living. Report to Cabinet 16.3.2017
- Victoria Estate Regeneration – Urban Village Living. Report to Cabinet 14.1.2016
- Victoria Estate Regeneration Proposal. Report to Cabinet 6.11.14
- Housing Regeneration Scheme Update – Victoria Estate. Report to Cabinet June 2012.
- Housing Regeneration Scheme Update – Parkfield/Mill Lane (Phase 2) and Victoria Estate. Report to Cabinet 9.2.12
- Housing Futures: Transfer of Housing Stock to Tristar Homes. Report to Cabinet 18.11.00

Ward(s) and Ward Councillors

Councillor Kirton – Stockton Town Centre ward
Councillor Hewitt – Stockton Town Centre ward

Property

As detailed within the body of the report.