

**AGENDA ITEM**

**REPORT TO CABINET**

**20 FEBRUARY 2020**

**REPORT OF CORPORATE  
MANAGEMENT TEAM**

**CABINET DECISION**

**PROGRESS ON RESHAPING TOWN CENTRES – STOCKTON TOWN CENTRE**

**SUMMARY**

This report reminds members of the long-held vision for Stockton Town Centre, to provide a vibrant, modern town centre for the future, creating a quality of place through new spaces and one which capitalises on the proximity to the River Tees and riverside. The report summarises past Council investment and proposes a series of further interventions that will radically transform the Town Centre in line with that overall vision. This transformational change will provide a sustainable retail offer that safeguards the traditional function of the High Street, attract private investment and increase investor and market confidence through increased footfall and new uses. The report also provides members with a summary of the Council's bid to the second stage of the Government's Future High Streets Fund which seeks to provide an exceptional riverside park incorporating a land bridge to span the Riverside road, reconnecting the High Street to the river and creating a unique attraction in the heart of the Town Centre.

**REASONS FOR RECOMMENDATION(S)/DECISION(S)**

To enable the further transformation of Stockton Town Centre in line with the agreed vision. The report outlines the declining trend in retail which continues nationally and this is cognisant of previous reports to Cabinet. The public consultation carried out in September 2019 gave a clear indication that public engagement showed the need to change town centres to diversify the offer which is critical to their future. The combination of declining retail, the need for the Council to acquire retail assets to take control and public opinion that endorses the new uses in town centres together with the long term ambition to link the river to the High Street require large scale intervention to consolidate retail and create a new riverside park and opportunity for commercial development.

The Government's future high streets fund has also facilitated the opportunity for the Council to accelerate the transformation in achieving these objectives therefore the recommendations are as set out below.

**RECOMMENDATIONS**

Cabinet:

1. endorse the vision for Stockton Town Centre, as set out in this report, and agree that it will now include development on the Castlegate site incorporating proposals for a new land bridge to connect to the riverside, new commercial development, the creation of a new riverside park for events and leisure activities and appropriate public art.
2. approve the reduction of Council-owned retail provision in Stockton Town Centre including the supported relocation of tenants from Castlegate Centre into Wellington Square or other alternative town centre space
3. approve the demolition of the vacated Castlegate Centre and the Swallow Hotel

4. delegate to the
  - a. Director of Finance and Business Services the authority to agree the terms to support the relocation of tenants within the town centre;
  - b. Director of HR, Legal and Communications authority to negotiate and complete the necessary legal documentation;to give effect to the recommendations above.
5. allocate the £20million, earmarked by the Tees Valley Combined Authority to the Council for Riverside Northshore Development, to meet costs associated with decant, demolition and clearance of the Castlegate Centre.
6. Cabinet allocate a portion of the southern end of the riverside park site for commercial development. Cabinet agree this commercial development area will include the new central library, customer services centre and office (subject to Cabinet approval of the recommendations in Office Accommodation report).
7. delegate completion of a bid to the Government's Future High Streets Fund to the Director of Economic Growth and Development in consultation with the Cabinet Member for Regeneration and Housing and Director of Finance and Business Services to support the delivery of the overall vision.

## **DETAIL**

### The Vision

1. The overall vision for Stockton Town Centre is to create a vibrant, modern town centre for the future by building on past investment and to provide a sustainable retail offer that safeguards the traditional function of the High Street whilst creating a quality of place through new spaces that enables diversification of uses through private investment, capitalises on the proximity on the natural asset of the River Tees and creates investor confidence through increased footfall and new uses.
2. Cabinet will recognise the longstanding commitment to achieving many of the facets of the vision set out above, not least the recognition of the importance of capitalising on the proximity of the High Street to the River Tees and the many development and leisure opportunities a more meaningful, direct connection could achieve. Investment made in the development of the Eight Bridges Cycleway which enables our communities to safely access, via a number protected cycle routes, the riverside and town centre provides evidence of such commitment alongside the compulsory purchase, demolition and redevelopment of Lindsay House to enable direct visual links between the High Street and River Tees.
3. The interface between the High Street and riverside provides a setting for a number of our high quality events, capitalising on the natural levels and available space. Stockton now has a strong reputation as an events town, with the ever popular SIRF, Supercar Saturday, Fireworks and Stockton Sparkles ensuring a year round programme of quality events that has helped attract new visitors and support local businesses. Most recently, this reputation has been recognised with the town hosting the Great North City Games for the first time. This principle will be retained and built upon with the future vision, helping to attract more new visitors to the town.
4. Support of the overall vision can be traced to past decisions dating back to the mid to late 2000's in the form of property acquisitions to enable future development on key gateway sites and to enable improved transport infrastructure and reduction on bus journey times (St Johns Crossing). This has helped to leverage private sector investment, with work underway on the construction of a new Lidl store on Tower Street and a range of other opportunities stemming

from approaches to the Council by private investors and operators which are at varying stages of development.

5. More recently, the significant investment made in the redevelopment of the High Street including the fountains, Flyer and state of the art lighting is further evidence of the long standing recognition of the importance of quality of place and the commitment to enabling Stockton to differentiate itself from nearby centres to attract new visitors and maintain investor confidence.
6. The importance of the town's market charter and historic regular market to the high street and the users of the centre is widely acknowledged and has been recognised throughout development decisions in recent years. The continued success of the regular market will be an important consideration moving forward.
7. The Council took steps to address the under-provision of quality hotel accommodation in the Borough by investing in the new Hampton by Hilton Hotel in the town centre. The hotel has recently celebrated its first full years trading, gaining overwhelmingly positive feedback from local businesses and visitors leading to higher than forecast occupancy levels.
8. Redevelopment of the Globe theatre, the demolition of long term vacant former post office and Glam Nightclub and the continued support for start-up and fledgling businesses are all helping to create a transformed Town Centre. Alongside this, the changing nature and continued growth of the town's evening economy is adding to the Town's vibrancy with a number of new café bars, micro-pubs and restaurants opening in the last few years.
9. As detailed in reports to Cabinet and Council in December 2018 and March 2019, the scale of the challenge facing town centres and the retail sector on a national level is unprecedented. The threat posed by the changes in the retail sector and the function of town centres was acknowledged by members and the importance of tackling this change was reflected in the approvals within those reports.
10. This Council has taken positive action to seek to address this decline through the acquisition of both the Castlegate and Wellington Square Shopping Centres in 2019, enabling the Council to directly intervene and control key assets which are fundamental to securing and safeguarding the long term vitality of Stockton town centre. However, there is desire to do more to stimulate further change and attract private investment.
11. The actions and interventions described above have been underpinned by various iterations of strategies that have evolved over time in response to changing market conditions and funding opportunities. A Town Centre Urban Design Guide was developed in 2010 along with the first in a series of Stockton Town Centre Prospectus documents in 2011 which articulated a long term vision for intervention and investment across key sites. Throughout that period the same core themes for the vision of the Town Centre prevailed, informed by public engagement and consultation.
12. More recently the Council commissioned Genecon, economics experts, to undertake a high level iterative creative process to explore the influences, opportunities, challenges and possibilities for the future development of the central area of Stockton over the medium-to-long term. It provided an evidence base, strategic rationale, spatial analysis and guiding principles as the foundation of future development plans for Central Stockton. The outcomes of this report (available as a background paper to this report) informed the basis of the Let's Talk About Our Towns engagement process.

## **Public Engagement**

13. The Council has undertaken a number of consultations on Stockton Town Centre in recent years and continues to speak to the public, businesses and organisations such as Stockton BID on a regular basis to understand issues and opportunities as they arise.
14. In autumn 2019 a period of public engagement as part of the Borough wide 'Let's Talk About Our Towns' was undertaken to help identify what is important to the users of Stockton town centre and to inform future priorities for intervention. The process was a success with over 1,000 responses. In summary there was broad support for development in the future to be mixed-use with particular support for the creation of better links between the river and the High Street, parks and gardens and riverside picnic areas. There was also a lot of support for more independent businesses, restaurants and space for events.
15. As well as providing views on future development, responses included some specific points regarding the current Town Centre, in particular, the lack of shelter at Wellington Square and concerns about car parking provision. In response to this the Council will investigate possible solutions to provide shelter to the currently exposed areas of Wellington Square. A summary of the consultation responses is included at Appendix 1.
16. Work is currently underway to produce a detailed car parking strategy for Stockton and this will take into consideration the level, type and location of proposed future development. The strategy will also look at the future demand in terms of types of vehicles, particularly with the growing number of electric vehicles and the need to provide necessary infrastructure. Members will also be aware that further car parking provision will be provided as part of the development on the site of the former Glam nightclub and Post Office.

## **The Next Phase of Transformation**

17. Having reviewed the responses to the public engagement process and recognising the long held vision the Council is committed to delivering transformational change across the Town Centre delivering a modern, re-purposed High Street encouraging increased investment, attracting more visitors and supporting both existing and new businesses to thrive. Therefore, a series of further interventions are proposed.
18. As detailed in this report and within previous reports to Cabinet, the vacancy rate in Stockton continues to increase well in excess of national and regional averages, reflecting the nationwide pressure on the retail sector. The impact of this national retail trend is exacerbated by the vast amount of retail floorspace across the length of the High Street, including the Castlegate Centre and Wellington Square. This has been further evidenced by the closures of H&M, New Look and Debenhams stores in Stockton in recent weeks.
19. The combination of changing retail trends and oversupply of floorspace has created a structural imbalance in the supply of retail floorspace versus demand from potential occupiers. This imbalance is so great that it will not be corrected by market forces; it can only be addressed by undertaking significant structural change through the removal of a vast proportion of retail floorspace down to a more sustainable level which reflects future need and the changing function of retail and town centres in general.
20. The ownership of the two major shopping centres in the town provides the Council with the opportunity to intervene and takes steps to redress the current imbalance. It is proposed to vacate and demolish the Castlegate Centre and Swallow Hotel to enable new investment opportunities, diversified uses in the town centre and improved linkages to the River Tees, riverside and Teesdale. As part of work associated with a bid to the Government's Future High Streets Fund (detailed in this report) the cost of demolition and remediation of this site is currently estimated at £15m.

21. The outcome of this approach will be a more sustainable level of retail floorspace in a more compact area, reducing vacancies, adding vibrancy and providing opportunities for new uses, investment and job creation in the town centre.
22. Following recent consultation and on-going dialogue, a number of tenants, both national and local businesses, are already interested in relocating and we are confident that the tenants can be relocated relatively soon. We will continue to work with retail and business tenants, who wish to remain in the town, to relocate elsewhere in the town centre and we are confident that there is sufficient space within Wellington square and surrounding areas to accommodate the relocation. The relocation will require negotiation and agreement, linked to lease timescales and conditions. This will create a more compact, retail core within Stockton town centre, set within a more sustainable level of retail floorspace which will in turn reduce vacancies and add vibrancy to parts of the town centre which currently have multiple vacancies
23. It is also normal commercial practice within the industry to subsidise fit-out costs, compensation for agreeing to cancel current leases, or offer short-term rent free periods to encourage occupation. Detailed negotiations will commence following approval to proceed and the costs of re-locating tenants is estimated at £5m.
24. The £20million earmarked from the Tees Valley Combined Authority to the Council for Riverside Northshore Development will be used to meet costs associated with decant, demolition and clearance of the Castlegate Centre.
25. Notwithstanding the car parking strategy work covered in Paragraph 16 of this report, the current provision of both long and short stay provision is sufficient to meet current demand with spare capacity still remaining. The multi-storey car park adjacent to the Castlegate Centre is significantly under-used with the majority of spaces vacant at all times. It is deemed, therefore, that car parking provision will remain appropriate even with the loss of this car park as part of the demolition works, particularly, when considered alongside the increased spaces provided as part of the development on the site of the former Glam nightclub and Post Office.

### **Future Development & Future High Streets Fund Bid**

26. Following the demolition outlined above, the cleared site presents a significant and transformational development opportunity to both encourage investment and create a link to the Riverside and River Tees. The section of the River Tees adjacent to the Town Centre is a key asset for the Borough and the wider region, making the site a very attractive location.
27. The Future High Streets Fund (FHSF) is a grant fund to be allocated to local authorities on a competitive basis. It aims to provide infrastructure investment to help renew and reshape town centres and high streets in a way that improves experience, drives growth and ensures future sustainability. In July 2019, The Council was successful in proceeding to stage two of the application process which requires submission of a detailed bid to secure funding.
28. Cabinet are, therefore, being asked to agree that the strategic objectives of that bid that will include delivery of a large scale riverside park incorporating a land bridge spanning the Riverside road, reconnecting the High Street to the river.
29. The riverside park will occupy a prime location within the Town Centre, with views across the riverside and River Tees and towards the historic Town Hall. The park will provide much desired high quality green and open space within the Town Centre, incorporating public art features attracting visitors in its own right as well as providing a space to dwell, meet and relax for visitors to other parts of the Town Centre. It will become a place that is able to accommodate events but also provide an area for leisure use, particular with connections to the river and riverside. This unique environment will also encourage investment in other parts of the High Street.

30. The investment from FHSF alongside the demolition of the Castlegate Centre and former Swallow Hotel will enable the creation of a circa 2 hectare development site which straddles the riverside and High Street, providing opportunities for new commercial development and private investment alongside the riverside park. As part of the bid a number of potential end uses for the site have been explored, in line with the options discussed during public engagement in autumn 2019. High level economic and financial appraisals of these options have been undertaken and a clear vision for the site has emerged to develop the southern end of the site and create new commercial development adjacent to the proposed park.
31. Through funding received as part of the bidding process, the Council has commissioned expert support to develop the bid. Although the bid is still being developed in detail, feedback has recently been sought on the principles of the proposals from the Ministry of Housing, Communities and Local Government. Current work estimates the cost of providing the land bridge structure and riverside park would be approximately £21m and this amount will be requested from the FHSF.
32. The bid will be further developed in the coming weeks before the final version is submitted in April 2020 with a decision on the fund expected in Summer 2020. The level of national interest that the Council has received recently with visits from MPs from the Housing, Communities and Local Government Select Committee and representatives from the British-Irish Parliamentary Assembly alongside a recent BBC Panorama feature will no doubt add to the appeal of the bid.

#### **New Central Library, Customer Contact Centre and Office**

33. Whilst some aspects of the vision require further business planning to establish the viability of each element, there are elements that can progress more quickly and where the development risks are known. Specifically, the part of the site identified for commercial space at the southern end of site presents a real opportunity to link the Council's accommodation needs with the future vision for the Town Centre by incorporating new build offices, library and customer contact centre into the design. The Council investing in the new facility on this site would create a presence which would encourage future investment on the site and have a really positive impact on the Future High Street Fund bid.
34. There are a range of options available to the Council to progress the regeneration of this part of the site. These include options to
  - a. market the site for disposal or development; or
  - b. for the Council to provides capital funding for the whole scheme or partial scheme; or
  - c. securing a private sector partner

Further detailed work is required to explore these options and any others that emerge, and a report outlining recommendations from this business planning process will be brought back to cabinet to consider.

35. A number of authorities have worked in partnership with Private Sector Funding which has resulted in increased investment over and above the delivery of Council accommodation. Initial discussions have taken place with advisors who have indicated there would be strong interest from Private Sector Funding to invest in the town linked to Council occupation of elements of the development. This could lever in significantly more than the initial cost of developing office accommodation.
36. It is proposed therefore, that the office accommodation building is developed on the site outlined above and further work is undertaken to assess the opportunities and benefits of working with a Private Sector Funding Partner. This would include consideration of other commercial development on the site such as leisure and restaurants.

## **COMMUNITY IMPACT IMPLICATIONS**

37. The proposals in this report cover a wide range of projects, which will potentially have numerous community impacts including, amongst others, employment, retail, transport and environment. As the proposals are further developed a Community Impact Assessment will be undertaken.

## **CORPORATE PARENTING IMPLICATIONS**

38. This report does not contain corporate parenting implications.

## **FINANCIAL IMPLICATIONS**

39. It is proposed to utilise the £20million, earmarked by the Tees Valley Combined Authority to the Council for Riverside Northshore Development, to meet costs associated with decant, demolition and clearance of the Castlegate Centre and a bid will be submitted to the Future High Streets Fund for £21million. The financial implications of the library, customer service centre and office building are considered in the Cabinet Report on that subject.

## **LEGAL IMPLICATIONS**

40. Part 1 of the Localism Act 2011 provides the Council with a general power of competence. Section 1 (1) of the Act provides that "a local authority has power to do anything that individuals generally may do". This broad power is flexible and can be used as a primary power for the Council to act or intervene and provides for the ability to work in new and innovative ways.

41. In addition, the Council may take any action (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions, (s111 of the Local Government Act 1972).

42. These powers may be used to facilitate the intervention that is anticipated to have a positive impact in contributing to the economic growth, employment, amenities within the borough and which will enable the Council to lead the development of strategies for the future of our town centres.

43. Whilst it is presently unclear what the future position will be, once the UK ends the transitional arrangements following leaving the EU, currently the Council remains subject to EU rules regarding State Aid. Therefore, the Council cannot subsidise commercial transactions or provide financial assistance if such transactions are capable of distorting competition. In providing support for the decant of tenants, the Council will need to ensure that assistance is either compensatory or it must be made on 'market terms' in order to satisfy the "Market Economy Investor Principle" and not amount to state aid.

44. The Council will continue to use specialist legal advice as the scheme progresses to ensure that the Council complies with its public law, procurement and regulatory obligations. In addition, there will be ongoing requirements for legal advice in respect of the negotiation and drafting of necessary legal documentation to mitigate risks and protect the Council's position, and this is reflected in the officer delegations recommended to Cabinet.

## **RISK ASSESSMENT**

45. In common with all major development projects there will be a range of technical, legal and financial risks that will need to be addressed as the project and vision progress. In terms of the immediate decision, the recommendations in this report will be impacted by the following risks:

46. The existing Castlegate tenants will need to be decanted to alternative retail space. There is a risk that if negotiations with tenants became protracted, this could delay the project progressing. In addition, as a particularly affected group, it is important to have listened to and taken on board the concerns of our retail and business centre tenants, particularly our SMEs. In September we held two dedicated drop-in sessions for retail and business centre tenants to brief them on the content of the town centre consultation and following Cabinet we plan to hold two further drop-in two sessions for tenants.
47. The adopted local plan currently allocates the Castlegate site for retail use, any planning application for an alternative use will need to be show that the proposal will contribute to the town centre's vitality and viability. In addition we will need to demonstrate that the Castlegate premises are no longer required for retail purposes. The work undertaken supports both these assertions.
48. The costs set out in this report have been prepared based on feasibility work. Contingency has been allowed within the costs for demolition, remediation, possible service diversions and supporting the decant of tenants, these costs remain indicative based on the current best available information and the cost plan will be reviewed regularly as further detailed work is undertaken.
49. In order to fulfil the vision contemplated in this is report and make the transformational changes envisaged, there is a need to access funds from the Future High Streets Fund. This is a competitive process and whilst the Council will put forward the strongest possible bid until a decision is made by government and funding awarded then this remains a risk to delivering the vision. The vital first step to demolish Castlegate and decant the current tenants is however not dependent on this and could be progressed using the funding allocated by TVCA.

## **CONSULTATION INCLUDING WARD/COUNCILLORS**

The proposals have been subject to wide-ranging consultation as set out in this report and included in **Appendix 1**.

## **BACKGROUND PAPERS**

Reshaping Town Centre Report to Cabinet 7 March 2019  
Stockton Central Vision (June 2019); Genecon

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