

AGENDA ITEM

REPORT TO CABINET

29 JULY 2021

**REPORT OF CORPORATE
MANAGEMENT TEAM**

CABINET DECISION/KEY DECISION

Regeneration & Housing – Lead Cabinet Member - Councillor Nigel Cooke

STOCKTON TOWN CENTRE WATERFRONT DEVELOPMENT MASTERPLAN

SUMMARY

The Council has had a long-term commitment to repurposing its Town Centres and over the past decade strived to ensure the reliance on retail is better balanced with a diverse offering that attracts other business, a mixed economy and a place for people to live and spent their leisure time in. The Council has already achieved some of this with the completion of the Hampton by Hilton Hotel, Globe and there are many examples of private sector investment in the leisure and night time economy that have emerged as a result of these interventions.

A report to Cabinet in February 2020 approved the masterplan for Stockton waterfront that built on the vision and included the demolition of the Castlegate shopping centre and creation of a new urban park and land bridge connecting the High Street to the river. Cabinet have received subsequent updates in October 2020 and February 2021 on the progress towards this.

At that same meeting in February 2020 Cabinet approved in a separate report the development of new office accommodation for the Council consisting of a main building to be located in Stockton Town Centre, and smaller second building to be based in Billingham Town Centre. The report outlined that the cost would be around £32.3M and the funding for borrowing costs is included in the Medium Term Financial Plan. This was to supplement the current accommodation budget to support prudential borrowing or alternative funding through commercial lease with a further report to Cabinet to finalise financial arrangements.

This report provides an update to Cabinet on the Stockton waterfront scheme and seeks approval to take advantage of an exciting opportunity that did not exist previously to purchase Dunedin House to fulfil the Council's accommodation requirements in Stockton. This opportunity would enable Dunedin House to be refurbished to a high standard bringing this iconic largely empty building back into full use. At the time the work was done to inform the original Cabinet decision in February 2020 an evaluation of available space on Teesdale concluded there was no availability that met the Council's requirements.

Development on the southern part of the current Castlegate site remains critical to footfall within the Town Centre, animating new green spaces and supporting local businesses. The previously approved accommodation report included provision for a new central library and customer services, in effect the Council's front door. Within the revised scheme set out in this report, a new facility of this nature is proposed that also could include a new flexible space for civic and public facing business meetings and register office, replacing the ageing, tired current facility.

This opportunity also looks at another of the Council's key assets in the town centre, Splash, which is in need of significant investment although this is just outside of the timeframe of the current Medium Term Financial Plan, it is in the context of the wider overarching strategy. To add to the

scale of development on the waterfront scheme and reduce future maintenance liabilities, a new leisure facility is proposed to sit alongside the Council's front of house services. The nature of such a combined development would create a real point of destination for access to services, water based leisure and green spaces.

The combined delivery of a refurbished Dunedin House, new leisure and front of house services would be funded from the current £32.3M allocation.

In the last report to Cabinet, a commitment to explore private sector investment was made and work has been undertaken which has led to detailed dialogue with several private development companies that have shown strong interest.

With the opportunity for new facilities outlined, there is still a significant amount of space available and initial soft market testing has highlighted strong interest from both the public and private sector, including health. Whilst the Council could step in and lead on these opportunities, it may be more beneficial to look for private sector investment which could identify further opportunities and we are therefore proposing exploring the procurement of a development partner to bring forward this and any wider opportunities.

REASONS FOR RECOMMENDATION(S)/DECISION(S)

The recommendations set out below are a consequence of an opportunity that has been presented allowing a change in focus for the development of the Stockton waterfront site. The report sets out a change to the accommodation strategy that provides a more efficient solution and changes the former nature of development on the former Castlegate site whilst retaining the creation of an urban park that was previously approved. The report also describes opportunities that exist with public and private sector partners and recommendations are therefore included that facilitate the introduction of third parties into the development site that is currently controlled by the Council.

RECOMMENDATIONS

1. Cabinet approve the acquisition and refurbishment of Dunedin House as the main office accommodation for the Council as opposed to building a new facility and note the significant cost saving. Cabinet delegate the final terms of the acquisition and any subsequent refurbishment or fit out works to Director of Finance, Development & Business Services and the Director of HR, Legal and Communications.
2. Cabinet approve the principle of development of a new facility to support customer contact, library, register office and a new flexible space for civic and public facing business meetings and for this to be located on the waterfront development site. (note Cabinet already approved library and customer service centre to be located on this site in February 2020).
3. Cabinet approve the principle of the development of a new leisure facility which will replace the current Splash facility to the southern end of the waterfront development site.
4. Cabinet note progress made on tenant relocation and pre demolition works of the Castlegate Centre as set out in paragraphs 30 to 34 and Cabinet approve further support for the relocation and future accommodation needs of current and prospective tenants.
5. Cabinet delegate responsibility to negotiate and agree the terms of all necessary agreements, enter into contracts to enable the full demolition and redevelopment of the Castlegate site, reconfiguration of existing units at Wellington Square and the final design of the Stockton waterfront development to the Director of Town Centres Investment in consultation with the Cabinet Member for Regeneration and Housing.
6. Cabinet approve the procurement of a development partner with private sector funding, if appropriate, to bring forward opportunities for an element of the site which could

incorporate the health facility outlined in the report and a subsequent report will be presented to Cabinet to determine if this is the most appropriate means of bringing forward further developments.

7. Cabinet agree that the previous approval to borrow £32.3M to fund the Council's new office accommodation developments in Stockton and Billingham Town Centre is used to fund the acquisition and redevelopment of Dunedin House, office accommodation in Billingham and the delivery of a combined library, customer service, register office and a new flexible space for civic and public facing business meetings alongside a new leisure facility and the additional relocation costs as outlined in this report.
8. A further report will be presented to Cabinet in respect of the current Splash and Municipal Buildings site alongside the potential utilisation of the wider current office accommodation facilities. A range of development opportunities will emerge for these sites that support the Council's growth agenda.

DETAIL

Stockton Waterfront

9. Since the last report to Cabinet in February 2021, further work on refining proposals for Stockton waterfront, incorporating an urban park, land bridge and realignment of Riverside Road has been underway. An outline planning application for the site was submitted in Spring 2021 and is due to be determined this summer.
10. As the recent opportunity for acquiring and relocating the main Municipal HQ to Dunedin House emerged, further work was undertaken to understand what the visual impact of a reduced office footprint on the southern end of the site would be in comparison to the imagery shared with Cabinet in February 2021.
11. A key part of this process was consideration and assessment of differing types and quantum of development including the potential for relocation and upgrade of other Council facilities.
12. Cabinet previously approved the relocation of the central library and customer service centre to the southern end of the waterfront site. To supplement this provision and to create a more efficient accessible municipal facility, the opportunity exists to relocate the register office and a new flexible space for civic and public facing business meetings into a single facility of the southern end of the waterfront site.
13. Furthermore, the potential for providing a new, modern leisure centre as a replacement for Splash has also been explored in detail. A key consideration in this process was the fact that the evolving requirements of modern leisure facilities mean that a more flexible approach to provision of physical and leisure activity along with therapeutic and rehabilitation services is needed to meet a broader range of demand and changing needs in respect of physical and mental health and wellbeing. Splash is the busiest and best performing leisure centre in the Borough but at present there is a risk of the existing facility at Splash becoming uncompetitive and unable to meet a broader range of future demand without significant reconfiguration and or extension.
14. The operational challenges outlined above were considered alongside the fact that Splash will require investment in excess of £5M beyond the current Medium Term Financial Plan to carry out planned maintenance and repairs without bringing about any additional provision or flexibility of use over and above existing facilities.
15. A new modern leisure facility could be delivered for an approximate cost of £15M and an improvement in a modern facilities mix would allow the breadth of offer and size of

membership to grow beyond the already successful Splash. Further improvements in the more efficient running of an up-to-date facility bring additional benefits over the life of a new facility.

16. On that basis it is recommended that a new leisure facility incorporating modern, innovative wet and dry leisure provision along with flexible spaces for therapeutic, rehabilitation and health uses be delivered in a standalone building alongside a new library, customer service centre, register office and flexible space for civic and public facing business meetings on the southern end of the waterfront site acting as a destination leisure facility and providing modern and accessible Council services; driving footfall into the heart of the town centre and maintaining the scale of development originally envisaged on the site. **Appendix A** shows an illustrative example of this arrangement.
17. Since the Council's plans for the waterfront site were revealed, a number of third party organisations have approached the Council, expressing an interest in occupying space on the site or acting alongside the Council to bring forward additional development over and above that planned by the Council. Cabinet are asked to approve procurement of a private sector funding partner, if deemed appropriate, to facilitate development on the site that is in addition to the Council's own requirements for customer facing services and leisure.
18. In parallel and over recent months, active dialogue has been taking place with North Tees and Hartlepool Hospitals NHS Trust. Their ambition to redevelop the North Tees Hospital site to achieve a modern clinical offering continues. A key part of this is to move many non-clinical, administration and some diagnostics services off the hospital site, ultimately facilitating space for the redevelopment of clinical services. The Trust are keen to ensure that any relocated services are as accessible as possible for patients and staff alike and recognise that a town centre location in Stockton best achieves this. To that end, advanced discussions continue regarding a new build facility to accommodate their needs on the Stockton waterfront site. The Council's role in this development would be as landowner and seek to deliver the facility on behalf or alongside the Trust in parallel with new Council facilities. If this development is realised in this way then it would provide an ideal alignment of health, wellbeing and leisure in a single location.
19. Alongside consideration of alternative uses on the site, further consideration has been given to how other elements of the waterfront site can be delivered, namely the area to the extreme south of the site shown again at **Appendix A** as accommodating circa 100,000ft² of office accommodation. This demonstrates that even with the new leisure, Council facilities and a health facility there is still space for further development of a significant size.
20. Interest from third parties remains positive, further work will be undertaken to establish the most appropriate means of bringing forward additional development and attracting third party investment, including consideration of procurement of a development partner or partnership with institutional investor for elements of the southern section at the most appropriate and advantageous time.
21. Car parking provision within the town centre remains a key part of redevelopment plans and work to date has identified there are sufficient car parking spaces with the Castlegate Centre multi-storey removed across the town centre. Dunedin House has 460 car parking spaces which would help support provision including Council staff. The Glam and Post Office new car park has 63 spaces which will be completed in 2022 together with some additional car parking that will be provided in the new development site of approximately 100 spaces. If additional development is forthcoming on the site such as a new health facility then parking requirements would increase but these would need to be funded by those partner organisations to help mitigate the overall impact.
22. Further detailed work on options for disposal and or redevelopment of the Municipal Buildings and Splash site along with the remainder of the Council's office accommodation

will be undertaken in the coming months with an update to be presented at a future meeting.

Dunedin House

23. Members will recall that the report to Cabinet in February 2020 approved the development of new office accommodation for the Council, located on the site of the demolished Castlegate Centre (referred to as waterfront site throughout) as part of a broader endorsement of redevelopment proposals in Stockton Town Centre, along with a smaller, second building to be based in Billingham Town Centre. The Billingham office provision is funded from within the allocations referred to within this report but its development and delivery is aligned to the redevelopment of Billingham Town Centre which is subject to ongoing negotiations with the current owner and awaiting the outcome of a bid to the Government's Levelling Up Fund as noted by Cabinet in June 2021.
24. A commitment was made within the report to Cabinet in February 2020, to present a further report to Cabinet setting out final scheme proposals, funding methodology and financial implications.
25. The interventions described above and at paragraph 32 below are estimated to cost £32M. The original cost envelope for development on the southern end of the site was approved by Cabinet at £32.3M in February 2020. It is therefore recommended that the previous approval to borrow £32.3M to fund the Council's new office accommodation developments in Stockton and Billingham Town Centre is used to fund the acquisition and redevelopment of Dunedin House, office accommodation in Billingham and the delivery of a combined library customer service, registrars and Council chamber facility alongside a new leisure facility as outlined in this report, together with additional relocation costs set out in paragraph 32.
26. Since the report to Cabinet in February 2020, work has been underway to assess the Council's office needs in the context of modern working practices, work is already underway in respect of the Council's Smarter Working in Stockton (SWiS) programme and of course adopting and incorporating, where appropriate new ways of working brought about by Covid-19 with a view to understanding what implications these factors have on the spatial and functional aspects of any new office space.
27. In recent months, the Council was made aware that the freehold of Dunedin House, located on the south bank of the River Tees opposite the proposed waterfront development site on Teesdale Business Park was available for purchase. Having previously not been considered as an option given existing tenants in occupation and no known desire for the owner to sell, Dunedin House could comfortably accommodate Council staff. The building is circa 100,000 sqft and comes with 460 parking spaces. The proximity of Dunedin House with full occupancy will still provide a significant footfall generator for the town centre.
28. Detailed building inspections have taken place to assess the functionality of the existing space and to understand the scale of any refurbishment work that may be needed to meet specific needs of Council services alongside inspections of structural, mechanical and electrical elements, to ensure a robust understanding of potential upfront investment and life cycle costs for the building. This work enabled a valuation for the building to be established and formed the basis of negotiations on an acquisition price.
29. Based on the independent valuation, inspections undertaken and subsequent estimate on likely refurbishment and investment in upgrades to mechanical and electrical equipment, It is estimated that £8M is required to secure the acquisition and undertake all necessary works and associated fees. This refurbishment aligns to the Council's objectives of reducing its impact on the environment and by utilising an existing building a modern

refurbishment would reduce the carbon footprint compared to a new building with its lifecycle.

Castlegate Centre and Wellington Square

30. Since the last report to Cabinet in February 2021, negotiations and discussions have been underway to bring about the decant of all tenants within the Castlegate Centre. At this stage 75% percent of businesses have either relocated, agreed terms for relocation or have an agreed departure in line with the terms fo their lease. 20% per cent are progressing though more detailed negotiations or are in legal drafting with a small percentage of units still unresolved as negotiations to secure their future continue in the shadow of a CPO.
31. The pace of change in Wellington Square is positive with works beginning on the fitting out for Iceland's new store alongside Blue Corn Bakery's new expanded premises trading very successfully and planning permission has been submitted to reconfigure the ground floor of the former H&M to accommodate a number of smaller, individual retail units who will move over from the current Spencer Hall indoor market.
32. The compulsory purchase mechanism is well underway in a bid to support the Council in its objective to secure vacant possession of the Castlegate Centre at the earliest opportunity. The compensation mechanism under the CPO process does differ from that of securing vacant possession under the Landlord and Tenant Act and as the process is likely to run its full course, additional funding to support compensation of a successful CPO and/or incentivisation to negotiate in advance of the CPO is required. A further £2M has been identified as a requirement from the previously approved funding to support this. The Council plan to make the CPO once planning permission for the site redevelopment is secured.
33. Cabinet have previously approved the development of an Employment and Skills Hub which is now operating in temporary arrangements in a vacant unit of Wellington Square. The permanent offering will need additional facilities and work has been ongoing to identify the most appropriate location. The upper floor of the former H&M unit with an entrance from the former Northern Goldsmiths unit offers an ideal solution for such facilities and adaption works are planned at the same time as the ground floor works to bring the space up to standard for the hub.
34. Subject to Cabinet approval for the revised Stockton waterfront scheme set out in this report and securing planning approval, the commencement of the procurement process for the demolition and redevelopment of the Castlegate site is expected to commence in autumn 2021. Cabinet are therefore asked to approve the necessary delegations associated with this process to enable the Council to proceed with the scheme delivery.

Other Town Centres

35. The focus of this report is on Stockton Town Centre due to the nature of the accommodation strategy and the associated funding approvals. Development in the other town centres continues apace with a strong levelling up bid submitted to the Government for the redevelopment of Billingham Town Centre which is an integral part of the Council's approach to taking control and facilitating large scale improvements to Billingham Town Centre. With Town Deal funding secured for Thornaby work on the full business case submission to Treasury in 2022 has commenced and the Town Deal Board are developing focused workstreams around this. In Ingleby Barwick, Norton and Yarm the masterplans approved by Cabinet in February 2021 are well underway with focused community engagement taking place through the summer and autumn of 2021 before they move into delivery.

COMMUNITY IMPACT IMPLICATIONS

36. Throughout the journey to date and next steps on investment across the Borough's six town centres a programme of ongoing engagement is in place to ensure all areas of the community have access proposals as they develop so that all community needs are considered and understood as investment proposals are developed and delivered out.

CORPORATE PARENTING IMPLICATIONS

37. As part of the town centre investment programme there is an ongoing engagement process and one element of this is focused towards young people and young adults to ensure that town centres remain fit for purpose for current and future generations. As a corporate parent the Council will exhaust all opportunities to engage with as many young people as possible.

FINANCIAL IMPLICATIONS

38. The report to Cabinet in February 2020 presented the business case for the redevelopment of office accommodation and identified capital costs of £32.3M to develop a new building on the former Castlegate Site and a second facility in Billingham.

39. This costs of the proposals in this report are estimated as follows :

• Dunedin	£8M
• Customer facing services	£5M
• New leisure facility	£15M
• Transition and incentives	£2M
• Billingham accommodation *	<u>£2M</u>
Total	£32M

*this forms part of the redevelopment plans for Billingham Town Centre as set out in reports to Cabinet in February 2021 and June 2021.

40. The indications are that subject to finalisation of costs the costs are within the £32.3M funding envelope and are therefore covered within the MTFP. Whilst detailed analysis has not been undertaken in respect of the annual running costs, given the building is a similar size and will be in excellent condition following redevelopment, they are expected to be similar.

LEGAL IMPLICATIONS

41. The Council has a power to acquire land or property pursuant to section 120 of the Local Government Act 1972
42. It remains the responsibility of officers to ensure that the correct processes within the Contract Procedure Rules have been followed and that where applicable the Public Contracts Regulations 2015 are complied with when procuring and entering into the contracts referred to in this report.
43. 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.
44. 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).

45. 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.
46. The Council will be responsible for the payment of compensation to tenants relocated as a result of the redevelopment of the Castlegate Centre whether relocated by agreement, under the terms of their lease, under landlord and tenant legislation or compulsorily.
47. 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

48. Reshaping our town centres is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

WARDS AFFECTED AND CONSULTATION WITH WARD/COUNCILLORS

49. This report covers all six of the Borough's town centres and therefore affects all Elected Members given the communities they represent and how they use town centres. Specific engagement with directly affected wards has taken place and in addition to this all Members seminars are scheduled to keep Members up to date with specific interventions relating to town centres.

BACKGROUND PAPERS

50. Reference should be made to reports considered by the Council's Cabinet on 20 February 2020, 15 October 2020 and February 2021 and the Council's Medium Term Financial Plan considered by Full Council at its meeting on 26 February 2020.
51. Dunedin House inspection reports including building survey report and mechanical engineering and plumbing report carried out on behalf of the Council by Knight Frank in June 2021.

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