

Title of Report:	Strutt & Parker's Developers Submissions & Recommendation on Development Partner for the London Road Industrial Estate Regeneration
Report to be considered by:	Executive
Date of Meeting:	27 March 2014
Forward Plan Ref:	EX2713a

Purpose of Report:

To note that Strutt & Parker are able to make a clear recommendation to the Council as to whom the Council should choose as its development partner in order to secure both enhanced revenue and regeneration of the London Road Industrial Estate (LRIE) and subject to satisfactorily agreeing the terms of any development agreement, that the Council will be in a position by mid Summer to enter into contract with its preferred development partner.

Recommended Action:

1. to approve Strutt & Parker's recommendation to enter into contract negotiations with the Council's recommended development partner.
2. to delegate to the Chief Executive authority to enter into and complete negotiations with the recommended development partner in consultation with the the Portfolio Member, the Head of Legal Services and Head of Finance - and where the terms of any agreement have been successfully agreed between the development partner, Officers, Portfolio Member and the Council's appointed Consultants, the terms of the agreement be brought back to the Executive for approval prior to signing of contracts.
3. to carryout and complete the process to procure external legal consultants in order to support the Council during contract negotiations with the recommended development partner.

Reason for decision to be taken:

1. Strutt & Parker confirms that a preferred partner has been unanimously identified by Consultants, Members and Officers through an extended and thorough selection process. The preferred partner will provide long term contractual commitment to the Council in order to deliver increased income from the LRIE and also deliver high quality regeneration on

the LRIE.

2. Any development partnership contract will pass development risk to the appointed partner and thus there is now no development risk to the Council in completing the development partner appointment process. Where the development partner funds infrastructure improvements in order to deliver future development, the partner will have no right under any development agreement to seek funds from the Council in the event infrastructure costs cannot be recouped by the developer. Similarly, where the development partner redevelops existing properties on the basis of new leases from the Council, the Council will be paid the existing ground rent for that property during the redevelopment period for that plot.

Other options considered:

1. Not to take any further action in appointing a development partner for the LRIE. However, this course of action would be to ignore Strutt & Parker's clear recommendation and to avoid addressing a significant Council policy objective.
2. For the Council itself to undertake the redevelopment of the LRIE without a development partner. This course of action not only presents a considerable financial risk to the Council, the Council itself has neither the expertise nor resources to undertake itself the redevelopment of the LRIE.
3. Through the planning process and piecemeal lease extension negotiations, allow the LRIE to redevelop on an ad hoc basis. However, this non-strategic approach will cause the Council to lose any opportunity to substantially increase Estate income and will prevent any opportunity to see the LRIE redeveloped as a unified whole with new appropriate infrastructure and harmonized architecture and open space which itself will continue to have a negative impact on the town centre.

Key background documentation:

Strutt & Parker's evaluation of developers financial and development proposals and Strutt & Parker's partner recommendation.

The proposals contained in this report will help to achieve the following Council Strategy priorities

- CSP2 – Promoting a vibrant district**
- CSP4 – Protecting the environment**

The proposals contained in this report will help to achieve the above Council Strategy priorities by:

Taking the lead role in planning how best the LRIE might be redeveloped in order to improve the Council's finances, improve the value of its assets and at the same time regenerate a significant area of Newbury.

Portfolio Member Details	
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Date Portfolio Member agreed report:	17 March 2014
Contact Officer Details	
Name:	Bill Bagnell / Nick Carter
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Implications

Policy: This proposal is in line with existing policy. Newbury Vision 2025 and West Berkshire Council's Core Strategy Area Delivery Plan Policy 2 foresees the regeneration of this part of Newbury. This identified need for regeneration in turn prompted the need for the London Road Industrial Estate (LRIE) Strategic Feasibility Study.

Financial:

1. If and when a development partner is selected to deliver the LRIE redevelopment, the risks associated with this will be passed to the development partner.
2. The proposed redevelopment will have as a primary objective the securing and enhancement of existing Council revenue from the LRIE which, without redevelopment, will cease to have long term security.
3. If the Council secures a development partner, the Council will seek to be indemnified from further costs at the point at which the Council is able to agree suitable and beneficial arrangements with a development partner.

Personnel: None

Legal/Procurement: Provided that no attempt is made to impose public benefit provisions or planning restrictions upon the LRIE other than those governed by Policy or property restrictions, the process to secure a development partner falls outside of public procurement requirements.

Property: There are no specific property implications associated with the report at this time but a Joint Venture Development Partnership in the future will involve the disposal of considerable Council land assets.

Risk Management:

1. The commercial risks associated with the proposed redevelopment will be passed to the development partner on signing contracts. Where the development partner funds infrastructure improvements in order to deliver future development, the partner will have no right under any development agreement to seek funds from the Council in the event infrastructure costs cannot be recouped by the developer. Similarly, where the development partner redevelops existing properties on the basis of new leases from the Council, the Council will be paid the existing ground rent for that property during the redevelopment period for that plot.
2. The process to secure a development partner will make demands on Council resources and appropriate officer time will need to be provided in respect of administration, legal and property support.
3. In order to maximise the commercial benefit of any redevelopment proposal the Council will need to be prepared, if necessary, to use its powers of compulsory purchase and therefore, in advance of any compulsory purchase action, will need to have an appropriately drawn up master plan of any redevelopment proposal.
4. To date the aim to redevelop the LRIE has been based on the Council entering into a development partnership whereby land transactions will be made on a purely commercial basis and as such the redevelopment process falls outside of public procurement regulations. The Executive should note that if subsequently public benefits are required of the redevelopment which are additional to those triggered by Planning Policy, the process to secure a development partner might be declared void and have to be carried out again and be upon the basis of OJEU procedures.

Is this item relevant to equality?	Please tick relevant boxes	Yes	No
Does the policy affect service users, employees or the wider community and:			
• Is it likely to affect people with particular protected characteristics differently?		<input type="checkbox"/>	<input type="checkbox"/>
• Is it a major policy, significantly affecting how functions are delivered?		<input type="checkbox"/>	<input type="checkbox"/>
• Will the policy have a significant impact on how other organisations operate in terms of equality?		<input type="checkbox"/>	<input type="checkbox"/>
• Does the policy relate to functions that engagement has identified as being important to people with particular protected characteristics?		<input type="checkbox"/>	<input type="checkbox"/>
• Does the policy relate to an area with known inequalities?		<input type="checkbox"/>	<input type="checkbox"/>
Outcome (Where one or more 'Yes' boxes are ticked, the item is relevant to equality)			
Relevant to equality - Complete an EIA available at www.westberks.gov.uk/eia			<input type="checkbox"/>
Not relevant to equality			<input checked="" type="checkbox"/>

Is this item subject to call-in?	Yes: <input checked="" type="checkbox"/>	No: <input type="checkbox"/>
If not subject to call-in please put a cross in the appropriate box:		
The item is due to be referred to Council for final approval	<input type="checkbox"/>	
Delays in implementation could have serious financial implications for the Council	<input type="checkbox"/>	
Delays in implementation could compromise the Council's position	<input type="checkbox"/>	
Considered or reviewed by Overview and Scrutiny Management Commission or associated Task Groups within preceding six months	<input type="checkbox"/>	
Item is Urgent Key Decision	<input type="checkbox"/>	
Report is to note only	<input type="checkbox"/>	

Executive Summary

1. Introduction

- 1.1 On the 20th June 2013, the Executive approved commencement of the process to secure a development partner for the London Road Industrial Estate. In July 2013 six developer candidates were interviewed resulting in a shortlist of three developer candidates. Through a further process of evaluating submitted proposals, interviews and presentations to Consultants, Members and Officers, Strutt & Parker were able in early February 2014 to make a clear recommendation to the Council as to whom the Council should appoint as its development partner.

2. Proposals

- 2.1 That it be noted that Strutt & Parker's recommendation, taking into account the selection process undertaken by Consultants, Members and Officers, is that the Council appoint St.Modwen as its preferred development partner. With different outline financial proposals, all three final candidates were capable of delivering regeneration, but St.Modwen is judged most likely to work collaboratively and flexibly in order to meet the Council's key requirements.
- 2.2 As stated in the Executive report dated 20th June 2013, developer candidates were advised that, in order to maximize the commercial value of the LRIE, the Council will be prepared to exercise its powers of compulsory purchase. This intention needs to be restated to the preferred development partner and be included within the terms of any development agreement.

3. Equalities Impact Assessment Outcomes

- 3.1 No impact.

4. Conclusion

- 4.1 The Council has reached a point where it has identified an organization which can not only deliver its key requirements of improved estate income and major urban regeneration, but also an organization who can do it collaboratively and flexibly and where development risk is passed to the development partner. It is recommended that contract negotiations with St.Modwen commence immediately.

Executive Report

1. Introduction

- 1.1 The purpose of this report is to confirm that the Council has identified a preferred development partner for the London Road Industrial Estate redevelopment and this report seeks the Executive's approval to enter into contract negotiations with the preferred development partner.

2. Background

- 2.2 Since 2011 the Council has gone through an extensive process first, to see if the LRIE could be commercially redeveloped and secondly, to demonstrate there was strong enough commercial interest in the LRIE to make redevelopment viable. This process has been overseen by a close working cross party Member and Officer group consisting of Cllrs Pamela Bale, Jeff Beck, Roger Hunneman and Alan Law, the Chief Executive Nick Carter and Bill Bagnell. Under the guidance of Strutt & Parker, these individuals have attended all developer candidate interviews, evaluated all submitted developer proposals and visited selected development sites as put forward by the development partner candidates. At key stages of the process there has been specialist input from WBC Planning Policy, WBC Estates and WBC Highways.
- 2.3 By the first quarter of 2013 enough market information had been gathered to show that market interest, based on a partnership with a major commercial developer, was strong and that a formal selection process could commence. The Executive of 20th June 2013 gave approval for this selection process to commence.

3. Critical information evaluated in order to select a development partner

- 3.1 By February 2014 the Council was in a position to select a preferred development partner from a final shortlist of three development companies, all of whom could deliver redevelopment on the LRIE – Frontier Estates, St. Modwen and Wilson Bowden. In coming to a conclusion as to which of these three companies might work best with the Council to deliver its key requirements of improved estate income and major urban regeneration, the selection process considered as a priority:
- (1) Suitability, experience and relevant expertise
 - (2) Nature and mix of development uses suggested
 - (3) Proposed structure for the transaction, financial offers and underlying assumptions
 - (4) Flexibility shown by each company on all aspects of their proposals
 - (5) Approach to partnerships and long term management

4. Next Steps

4.2 If the Executive approves the Report and its recommendations, the next steps are:

- (1) Prepare a press release in respect to the preferred development partner
- (2) Contact the LRIE tenants and other affected parties
- (3) To contact Bayer to inform them of the decision and the next steps to be taken
- (4) Instruct external solicitors to help West Berks Legal and Strutt & Parker to prepare and negotiate over the development agreement with the preferred development partner.

5. Conclusion

5.1 Over the last three years the Council has gone through an extensive process to prove that the LRIE is capable of redevelopment, that credible major developers are interested in the site and that from these interested parties the Council might be able to select a development partner who will deliver to the Council enhanced secure estate income and major urban regeneration. The Council has reached the point where all of the above has been achieved. The Executive are recommended to appoint, subject to contract, St.Modwen as its development partner since St.Modwen are not only the partner best able to deliver the Council's key requirements, but also will operate on the most flexible basis and where they will underwrite all development risk.

Appendices

There are no Appendices to this report.

Consultees

Local Stakeholders: N/A

Officers Consulted: Nick Carter, WBC Chief Executive
Liz Alexander, WBC Planning Policy
Colin Broughton, WBC Estates
Jon Winstanley, WBC Highways
Corporate Board

Trade Union: N/A