
Meeting: EXECUTIVE

Agenda Item:

Portfolio Area: Environment & Regeneration and Resources

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TOWN CENTRE REGENERATION

KEY DECISION

Author – Noel ONeill Ext.No. 2871

Lead Officer – Noel ONeill Ext.No. 2871

Contact Officer - Noel ONeill Ext.No. 2871

1. PURPOSE

To provide Members with a progress report on the wide range of activities that have been undertaken to move the Future Town Future Council Town Centre Regeneration priority forward together with proposals for a potential first phase development area and seek approval for this to proceed to procurement.

2. RECOMMENDATIONS

- 2.1 That the progress of regeneration within the town centre be noted.
- 2.2 That the red line development area for SG1, the first phase of the Town Centre redevelopment, identified in Appendix A to this report be approved.
- 2.3 That the procurement of a developer via appropriate OJEU process be approved.
- 2.4 That officers be authorised to carry out further work on how the procurement of SG1 will link to the station redevelopment should Growth Deal 3 allocate funding for the station and a report be submitted to the Executive in early 2017 with the optimum procurement route and timetable.

3. BACKGROUND

3.1 Regeneration framework

The Council approved the Stevenage Central Framework in June 2015. This was compiled by David Lock Associates and set out a clear plan for the regeneration of the Town Centre. Subsequently this has been included in the Local Plan approved for submission in July of this year.

- 3.2 The Framework sets out how the town centre can attract new investment for high quality building and public realm to reinvigorate the centre of Stevenage

as a destination and 21st century town centre. Members will recall that 6 Major Opportunity Areas across the town were identified and the type of development that could be delivered therein. Mixed development is the key to a successful 21st century town centre. The key outcomes will combine new homes with new commercial, office, leisure and retail offer and bring major improvements to public realm.

3.3 At its core is the redevelopment of Stevenage Station to create a high quality destination hub. The vision is to reposition Stevenage as a growth location and destination for Hertfordshire, building on its current 20 minute connectivity from Kings Cross. Critical to the strategy is the softening of the A602 Lytton Way as a main route through the town around the Station, in order to facilitate the redevelopment of the Station, and improve east-west pedestrian movement across the town.

3.4 **Future Town Future Council**

Regeneration of the Town Centre is a major priority for the Council within the FTFC Programme. A target of taking a 1st phase development to market by end of 2016 was agreed within that programme. SG1 is that phase and is ready to go to market.

3.5 **Stevenage First**

The Stevenage First Board was established in early 2015. Chaired by Andrew Percival of the Hertfordshire Local Enterprise Partnership (LEP), the Board comprises representatives from Stevenage Borough Council, Hertfordshire County Council, Hertfordshire Chamber of Commerce, Network Rail, Homes and Community Agency and Legal and General. Stevenage First is an informal but strong partnership governed by a Memorandum of Understanding agreed by the Council, Hertfordshire County Council and Hertfordshire LEP. The purpose of the Board is to coordinate and drive the regeneration of Central Stevenage in line with the adopted framework, and the LEP has allocated £16m Growing Places funding to the Board to enable the regeneration process to be kick-started.

3.6 This initial work stimulated real interest in Stevenage from the development world. An initial soft market testing exercise in late 2015 whetted the market appetite for Stevenage and this was further enhanced by presenting Stevenage Central to MIPIM London. The Regeneration Team have continued to build upon this interest with regular dialogue with key operators. Subsequently lots of necessary background work has been progressed and the next section summarises the current positive position.

4. **PROGRESS**

4.1 **SG1 – 1st Phase Development**

4.1.1 Building on the positive view of Stevenage by the development industry, the Council has been leading on bringing forward a 1st phase of development in

line with the Stevenage Central Framework. This has a working title of SG1. The potential area is outlined in Appendix A and covers an area around Southgate and Town Square which is predominantly in Council ownership. It has been developed working with property consultants Cushman Wakefield to establish what could be a viable scheme that is attractive to the developer market place. A soft market testing exercise (SMT) was undertaken in late 2015 and the feedback from the development world has helped shape the concept.

- 4.1.2 The indicative development brief for SG1 seeks 800 residential units, new retail and leisure type uses, a new civic hub, co-locating new offices for Stevenage Borough Council, a new library and health facilities, and major public realm investment. This development will enable the existing sites in Southgate to be redeveloped for residential purposes and create improved public realm to the south of the town. At this stage part of the area of Southgate will be reserved for the development of a primary school.
- 4.1.3 Viability testing from Cushman Wakefield indicates that this scheme would return a positive value to the Council as landowner and be attractive to developers. However, following the Referendum on 23 June, there has been some turbulence in the development market, particularly around London. Indications from conversations with the wider development market suggest that Stevenage is still an attractive proposition and would receive strong interest from any procurement process. However, to verify the position, the Council has engaged Cushman Wakefield to undertake further soft market testing exercise outlining the proposal as it has evolved and ascertaining the interest of developers. This will be concluded by the date of Executive, but initial feedback is positive.

4.2 Procurement

- 4.2.1 The scale of such a development is significant with a value in the region of £250m and would therefore be of interest to major developers. The challenge is to find the right one to partner with and move forward such a key area of the Town Centre. Also it is essential that the Council follows best practice in terms of procuring the right developer. Following the OJEU Competitive Dialogue process is recommended and supported by our external advisers. In essence the Council will set out the SG1 concept and its parameters to the market and would most likely receive 3 or 4 bids. A dialogue would then take place with each short listed bidder to discuss and resolve matters of understanding on financial, legal and scheme issues. They would then be invited to submit the final proposal which would include a detailed masterplan, design quality, timeframe and financial proposal which would be evaluated by the Project Team. The Council would then need to decide on the appointment. It is only at this point that the Council will know the potential consideration for its assets, so that is when the decision will need to be made. However, for completeness, the list of Council owned assets within SG1 is shown at Appendix B.

- 4.2.2 This process requires a great deal of documentation at the outset as well as background studies. Sound preparation at the beginning of the process leads to informed dialogue and a better proposal from the bidders. The Council's Regeneration Project Team has produced all of the documentation necessary and commissioned the necessary studies to inform bidders. External legal advisers, Burges Salmon, have also been procured. They have reviewed the documentation and made suggestions to improve which have been taken on board. Everything is now ready to proceed.
- 4.2.3 This procurement route will take a minimum of 9 months to select a preferred developer partner once the decision to proceed is taken. A further 3 months (minimum) would then be required to finalise the legal agreement. Procurement for SG1 could start in November. However there is a case for delaying the start until the decision is made on Growth Deal 3 and funding for the station. It may be that there is a case to align the two procurement timelines so that a more effective delivery programme can be created.

4.3 Rail Station

- 4.3.1 The redevelopment of Stevenage Rail Station is crucial to the regeneration of the Town. A new station will enable an enhanced outcome with the full regeneration benefits of the Stevenage Central Framework being realised. Only twenty minutes from London, there is a major opportunity to create a new gateway and signature development for Stevenage that will build confidence and change the image of the town to business and create real place shaping development opportunities.
- 4.3.2 Stevenage First Board in conjunction with Network Rail and Govia Thameslink commissioned Arup, a major international engineering consultancy, to carry out a master planning exercise for the station. It examined how the existing station could be re-modelled but concluded that a new station built slightly south of its current position, with a new south facing public concourse to facilitate improved pedestrian access across the line, addressing long term capacity issues associated with the current station building and reduce construction impact was the most cost effective solution.
- 4.3.3 The proposals fit in with Network Rail's delivery of the fifth platform which is likely in 2020 and is in addition to the platform lengthening of the current platforms in winter 2016 to cater for new trains that will be used by East Coast services. The proposals for the redevelopment of the Station are supported by Great Northern the train operating company and Network Rail.
- 4.3.4 This report finalised in April 2016 has formed the basis of a Hertfordshire LEP bid to Government for funds to build the new station under Growth Deal 3. Stevenage Station has been prioritised by the LEP as the number 1 priority from Growth Deal 3 in Hertfordshire and it seeks £54m to finance the new rail station. The proposal links the new station to the construction of a new 5th platform that is already in Network Rail's spending plans. Should this bid be successful then it is envisaged that work on the station would start immediately with a detailed planning application in 2018/19 and work starting

in 2019/20 with it completed by 2021. A decision on the bid is expected to be announced in the Autumn Statement.

- 4.3.5 Work has not stopped on the station. ARUP have been engaged to take the level of design to what is known in the industry as GRIP 3. This detailed work will help in the procurement of the actual contractor by Network Rail and keep to timeframe.

4.4 Transport Modelling

- 4.4.1 With the scale of growth proposed in the Regeneration Framework and in the recently published Stevenage Local Plan, Stevenage First Board commissioned the County Council to undertake a transport modelling study to assess the impact of growth on the highway network. The Study also modelled the impact of the closure of Lytton Way along with the forecast growth in the town. The results of this study were presented to Stevenage First Board in June 2016 and were based on current levels of parking provision and journey patterns.
- 4.4.2 It concluded that the level of development in and around the Borough would have an impact upon the highways around Stevenage. The need for the A1(M) Smart Motorway project to be delivered is crucial. Mitigation measures would also need to be implemented around Gunnels Wood Road and St Martin's Way, and Gunnels Wood Road and Fairlands Way. This is an iterative process and will be revisited as detailed plans evolve.
- 4.4.3 Stevenage has an excellent cycling infrastructure across the town and our town centre ambitions need to ensure that cycling remains an important transport choice. Further work is being undertaken to ensure that cycling is enhanced by any development within the town centre. Cycling movement across the town will need to be improved and integrated with pedestrian, bus and car movements. It is crucial that the excellent cycle network around the town links to the new development and encourages greater use.

4.5 Leisure Provision

- 4.5.1 The Council has engaged SLC to review its future leisure requirements looking at what is provided by the private sector, future trends and the scope of the Council's regeneration ambitions. Stevenage Central Framework suggested that leisure provision could be well served by consolidating around the current swimming pool and Bowes Lyon House sites and enhancing the natural green asset close to the Town Centre. Concepts are emerging from that work.
- 4.5.2 Consolidation with youth provision within the Town Centre is being examined and the removing the need for a separate Bowes Lyon provision. Whilst this has some issues associated with it such as covenant, both Stevenage Borough and Hertfordshire County Councils are positively working to find a solution.

- 4.5.3 There is an urgency required on this if Growth Deal 3 is successful. Any redevelopment of the station and downgrading of Lytton Way is likely to require the leisure centre to be removed from its current location.

4.6 Car Parking Study

- 4.6.1 Consultants have been commissioned by the Council to look at the implications of the redevelopment of the Town Centre on parking requirements. It is essential to help inform decisions on future location and type of development and will also influence and inform the Highways Modelling exercises. A proactive positive approach will also influence the highway mitigation required from development. The consultants will report back in January 2017.

5. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

- 5.1 Significant progress has been made on a range of regeneration issues in the Town Centre and Members have been briefed informally. However, key decisions are required over the coming months so it is crucial that Members receive a formal update.
- 5.2 The 1st phase of regeneration within the Town Centre could be SG1. Officers, partners and professional advisers have been working together in the SG1 Project Team to bring this scheme forward and take it to the development market. The preparative work is now completed. However, Members need to formally agree to the area of SG1 to move towards procurement and to include the assets owned by the Council within that area.
- 5.3 The competitive dialogue OJEU process is a tried and trusted route to secure a development partner. It enables the Council to receive and evaluate proposals from the experts and secure much needed redevelopment for the Town. At the stage of selecting the preferred bidder the Council will be able to appraise the whole development proposal, delivery timetable and the financial offer for its assets.
- 5.4 Whilst the work has been completed to take SG1 to market, a couple potential opportunities need to be evaluated. Soft market testing outcomes need to be fed into the process. It will be completed in October and early indications are that the Council would receive several bids should they see a partner via this procurement route. However, it is clear that more would participate if the station linkages were resolved.
- 5.5 There is an ambition and an expectation that Growth Deal 3 will provide funding for the delivery of a new station. If that is the case in November, some more detail on the delivery route of the station will be required and it could influence the nature of the procurement. Some outline work has been carried out by Hertfordshire LEP on how this could be delivered but a more detailed development plan is required. This will impact on the way SG1 would be delivered. A brief for this work has been agreed and will be commissioned, subject to Member approval, reporting back early in 2017. It will inform how

the procurement of the two elements would work and form the basis of an Executive Report in Spring 2017.

- 5.6 However, and most importantly, SG1 is ready to be launched and capture the market and the regeneration benefits that will flow. Early market indications have been that SG1 is viable in its own right and not dependent on the station. Therefore, in the unfortunate situation that Growth Deal 3 is unsuccessful due to other national prioritisation, procurement of a 1st phase of Town Centre regeneration is ready to commence.

6. IMPLICATIONS

6.1 Financial Implications

- 6.1.1 Developing the SG1 area, as with any development, will have some impact on the business rates collected by the Council (2016/17 £909,000) and its income generated from council owned property (2016/17 £919,000). During the build cycle, buildings will be demolished and rates and income streams lost. New buildings will emerge and rates will then become payable and new income streams generated depending on ownership of the new assets. The exact impact will only be known when the preferred bidder is selected and the phasing determined. However, it is inevitable that the Council will lose some business rate income during the process and provision will be necessary in future financial plans.
- 6.1.2 Some of the assets included such as the Plaza and 2 & 4 Town Square have been acquired for regeneration purposes, but do generate income streams for the Council. The value of these assets will need to be considered in determining the eventual selection of developer.
- 6.1.3 The costs associated with the procurement process and the professional advisers utilised is funded by LEP grant. This has been agreed by the LEP Board. Initial costs of the development of station development plan will be met by the LEP. However, the Council may need to procure further expertise to bring forward these major developments or acquire some further land interest. Further analysis will be undertaken to inform a potential growth bid in the budget process if LEP resources are exceeded.
- 6.1.4 The Council will need to assess the impact of the phasing and determine whether reserves need to be built up to withstand any temporary loss of revenue. In addition officers will need to consider any future resources that may need to be made available to facilitate the regeneration.

6.2 Legal Implications

- 6.2.1 Appropriate legal and property expertise has been procured to help guide the Council through the process of securing a developer for SG1 and are fully engaged in the project process. It is likely that OJEU Competitive dialogue will be followed.

6.2.2 As the procurement process is progressed there will be greater legal input required. A detailed development agreement will be required with our preferred bidder and resources have been allocated in 2017 to do this work.

6.3 Planning Implications

6.3.1 The procurement documentation for SG1 has been compiled in conjunction with Head of Planning and Engineering. Any SG1 proposal from prospective bidders must meet these criteria and be in line with the Stevenage Central Framework. The successful bidder will be evaluated on how their proposal meets our ambitions that are reflected in the local plan.

6.4 Environmental Implications

6.4.1 Part of the requirement of any potential developer is significant investment in public realm. It will include the open space around the new residential development in Southgate and significant investment around Town Square and the new hub. Any development will also be required to identify how cycling within the Town will be enhanced and the links to the wider Stevenage cycle network enhanced.

6.5 Service Delivery Implications

6.5.1 There will be no direct service delivery implications at this stage other than the Project Team having enough resources to deal with the questions raised by potential bidders. The Regeneration Team supplemented by the current professional advisers should be able to meet this demand.

6.6 Other Corporate Implications

6.6.1 The Council has set Town Centre Regeneration as a major priority. Commencing the procurement of a developer partner will make a positive statement to the development and investment world. It will demonstrate that Stevenage Borough Council is serious about growth and prepared to use its assets to achieve its objectives. This intent will attract other investors who will want to work with such a pro-active authority.

BACKGROUND DOCUMENTS

BD1 - Stevenage Central Framework -

<http://www.stevenage.gov.uk/content/15953/17966/18223/Stevenage-Central-Town-Centre-Framework.pdf>

APPENDICES

Appendix A – Site Area for SG1

Appendix B - Council owned Assets included in SG1



Council owned Assets included in SG1

Building	Ownership
The Plaza - Unit 1 Standard Bearer PH - Unit 2 Old Post Office PH - Unit 3 & 4 R.C.C.G City of David Church - Unit 5 Salt & Good - Unit 6 Flava Bar - Unit 7 Fit4less - Unit 8 Subway	Freehold - SBC Leasehold Leasehold Contracted-out lease Contracted-out lease Contracted-out lease Leasehold Leasehold
Daneshill House - HSBC (ground floor)	Freehold – SBC Leasehold
2 Town Square (currently vacant)	SBC
4 Town Square – Cash Generator	SBC freehold, long-term lease
Swingate House	Entire freehold – SBC All occupiers are on contracted-out leases
Southgate car park & Swingate East car park	SBC