

**NEWCASTLE-UNDER-LYME BOROUGH COUNCIL  
EXECUTIVE MANAGEMENT TEAM'S REPORT TO COUNCIL**

**23<sup>rd</sup> September 2015**

**Ryecroft Development (Part 1 – Open Agenda)**

**Proposed disposal of land at Ryecroft to enable redevelopment**

Submitted by: Executive Management Team

Portfolios: Policy, People and Partnerships; Town Centres, Business and Assets and; Finance, IT and Customer

Ward(s) affected: Town / All

**Purpose of the Report**

To provide Council with updated information regarding HDD's planned Ryecroft redevelopment scheme in Newcastle Town Centre with a view to deciding whether to proceed to the next stage of the process.

**Recommendations**

- a) **That Members authorise officers, in partnership with the County Council, to take the following steps:**
  1. **To accept the gross capital offer for the overall Ryecroft site (as set out in Part 2 of the report);**
  2. **To dispose of the site to HDD on the basis of the proposals referred to in the report;**
  3. **To extend the period of the co-operation agreement up to the end of December 2015 and to exchange contracts with HDD at the earliest possible opportunity.**
- b) **To note that the joint Councils' specialist retail advisor (Cushman and Wakefield) recommends the HDD offer for the Ryecroft site as this demonstrates best consideration (in compliance with S.123 of the Local Government Act 1972 (as amended));**
- c) **To accept that the Authority's proportion of the Capital receipt is properly based upon a fair and independent valuation of the two parties' interests in the overall site thereby demonstrating achievement of best consideration (in compliance with S.123 of the Local Government Act 1972 (as amended));**
- d) **To note that in order to bring forward the optimum scheme for this town centre location it has been considered both necessary and appropriate to assume clearance of the current Civic Offices site and to refer to the complementary report in this regard elsewhere on your agenda.**

## **Reasons**

To enable delivery of a redevelopment scheme this has the potential to inject significant vitality and vibrancy into the town centre for the medium to long term benefit of the local economy.

### 1. Background and context

1.1 Members will be aware that the opportunity to achieve a retail-led mixed use redevelopment of the subject site (known as Ryecroft) has emerged over a number of years and there are several reports that provide the rationale for bringing forward this intervention for the benefit of the town centre economy.

1.2 Last December, Cabinet approved the selection of Henry Davidson Developments (HDD) as preferred development partner for the Ryecroft scheme in Newcastle Town Centre (Cabinet, 10<sup>th</sup> December 2014). This enabled the Borough Council, together with Staffordshire County Council which is a significant partner in the scheme, to enter into a Co-operation Agreement with HDD – effectively granting the developer a six month period of exclusivity – in which more detailed architectural work could be commissioned, more meaningful discussions could be held with prospective tenants and further work carried out with building contractors to see whether cost assumptions need to be revised. All of this work is ‘at risk’ and would be quite wasteful unless a single developer was offered a period of exclusivity to develop the proposal in more detail in the knowledge that his bid was the clients’ preferred scheme.

1.3 HDD have used the six months since its selection as preferred developer to make certain refinements to the scheme submitted last year (see further section 5) and this has been with a view to reaching a commercially viable scheme, which meets the Councils’ regeneration, planning and financial objectives (as set out in the original marketing brief for the site), which can then be presented as an achievable scheme to potential occupiers.

1.4 In parallel with HDD working up the Ryecroft scheme (with regular input and challenge from your officers and senior Members), officers of the Borough and County Councils have been also working up plans for a new ‘Civic Hub’ on the site of the former St Giles and St Georges Primary School to replace the present Civic Offices. A report in this matter can be found elsewhere on your agenda but in summary it will house Borough Council staff, Newcastle-based County Council staff and those of their commissioned services (including staff presently dispersed in a number of locations around the Borough) and Police. Between the two projects, two factors are scheme-critical:-

(a) aligning the programme of the two projects to ensure that staff currently housed in the Civic Offices will be able to relocate in a timely fashion to enable HDD’s scheme to proceed as quickly as possible and;

(b) ensuring that the capital receipt from the disposal of Ryecroft represents best consideration so that it can be taken into account in assessing the affordability and business case for any replacement Civic Offices building.

### 2. Issues

2.1 Members will recall that the objective of the Ryecroft scheme is to inject new retail investment and additional footfall into the town to improve the economic fortunes and functions of the town centre. This is to be achieved by providing retail units of a size, configuration and suitability for modern retailing requirements (and so help to attract

national retail 'names' into the town), together with other investment such as leisure uses, food and drink and town centre apartments, all of which would help to attract new custom to the town (particularly from the local catchment population). The first 'test' any scheme needs to pass therefore is whether the scheme as a whole has enough in it to make a difference to the health, vitality, attractiveness and vibrancy of the town. This is really a matter of scale and content.

2.2 In addition to this, it will be necessary to ensure that the scheme is properly integrated with the rest of the town centre, through its orientation, layout, 'connectivity' and design and so helps to drive footfall *around* the town centre as a whole so that the overall town centre economy benefits from the Ryecroft investment. It is important to note that discussions with HDD to date over design considerations have been primarily about 'in-principle' matters over scale, layout and massing and links to the rest of the town sufficient to ensure that the scheme is able to proceed to the next stage. Clearly, more specific discussions will continue to be had between the developers and the Council as the local planning authority about detailed design matters including elevational treatment and materials in advance of the preparation of a detailed planning application for the scheme. In summary this stage of the process essentially involves the two Councils undertaking a joint land disposal / transaction.

### 3. HDD's Proposal

3.1 Based on the original marketing brief, the financial parameters set by the joint clients and informed by detailed discussions with Keele University, prospective tenants and funders, HDD's proposal has evolved into the following main elements:

- a total of 63,000 sq. ft. of retail units in two blocks,
- 470 student apartments over, and
- a 212 space surface car park.

3.2 The scheme is organised into two blocks which seek to 'repair' and strengthen the historic street pattern with one running along Liverpool Road / Corporation Street and the other situated on Merrial Street / Corporation Street. Indicative plans of the scheme will be available to view at your meeting. Primary routes to and from the High Street and The Ironmarket would be via Red Lion Square or York Place arcade and then either via Corporation Street or Merrial Street and via Fogg Street and Merrial Street. The retail units are in a number of sizes ranging from 3000 sq. ft. to 24,755 sq. ft.

### 4. Regeneration outcomes

4.1 Planning and Economic Consultants Nathaniel Lichfield and Partners provided an assessment of the likely regeneration outcomes of HDD's scheme and these they summarise as follows:

- 351 'full time equivalent' jobs
- £27.5 million investment (construction value), also supporting 204 jobs p.a. in the supply chain during the period in which the scheme is being built
- £29.1 million per year turnover (spending in shops, businesses, restaurants) increasing the annual retail turnover in the town centre as a whole from around £150 million to around £180 million
- £8.6 million p.a. GVA from additional employment
- The additional student accommodation will add around £530,000 per year in town centre expenditure
- a 12% increase in town centre floorspace

as well as the (not quantified) impact of relieving housing pressures in the areas currently occupied by students.

- 4.2 In summary terms the injection of a significant number of students into the town centre (in addition to those arising from other town centre schemes such as the former Jubilee Baths) is expected to contribute significantly to achieving the ambition of a University town image. The spending power arising from this is expected to create a sustainable long term benefit to the town centre economy.
- 4.3 With regard to the retail provision it is anticipated that the additional provision will enable a strengthening of the overall retail provision in such a way as to capture a greater proportion of the available local catchment expenditure again creating a long term sustainable benefit for the town centre economy.

#### 5. Changes to the scheme since the outline submission made by HDD last year

- 5.1 HDD's emerging scheme is based on that which was submitted to the two Councils last summer but has since been modified as the developer has responded to evolving 'real world' circumstances, including:
- The clients' financial imperatives;
  - Ongoing changes in the retail sector;
  - Feedback from potential tenants;
  - Discussions with Keele University about the most appropriate form of student accommodation taking account of existing provision and forecast demand from growth;
  - Discussions with funders (e.g. pension fund companies that buy this form of investment);
  - Advice from Planning staff over design (taking account of prevailing Supplementary Planning Guidance, most particularly regarding building heights), and;
  - The need or desirability of increasing the scheme area to include land not in Council ownership;

resulting in the proposal now before you.

#### 6. Key dates (Ryecroft Project)

- 6.1 The key milestones toward the delivery of the Ryecroft project are now:
- Decision (by both Councils) to proceed with HDD as scheme partner – Sept 2015
  - Sign contract for land disposal with HDD – by no later than December 2015
  - Finalise design of Ryecroft scheme and submit planning application – March 2016
  - Planning approval – June 2016
  - vacation of Civic Offices and occupation of Civic Hub – 1 May 2017
  - Site clearance and preparation – January to June 2017
  - Start construction of the Ryecroft scheme – July 2017
  - Completion of Ryecroft scheme (apartments) – September 2018
  - Completion of Ryecroft scheme (retail fit outs) – November 2018

#### 7. Legal Implications

- 7.1 The two Councils are under a duty to achieve 'best consideration' as defined in S.123 of the Local Government Act 1972 (as amended). The Councils' specialist retail advisors, Cushman and Wakefield, have been asked to advise on the financial offer

made by HDD and it is their independent view that HDD's offer for the Ryecroft site achieves 'best consideration'. A summary of Cushman & Wakefield's advice is contained within Part 2 of this report in the closed agenda.

7.2 Any resolution to proceed will require the two Councils to complete the necessary land transaction so the co-operation agreement will need to be extended the end of December 2015 in order to allow time for this.

## 8. Options Considered

8.1 The Councils, with the support of advisors Cushman and Wakefield, have previously;

- agreed a marketing brief for the development of the Ryecroft site;
- advertised the development opportunity using appropriate media e.g. property journals, internet;
- shortlisted and interviewed interested developers and;
- selected a preferred developer, HDD, with which it has worked up a scheme and a financial proposal in some detail.

8.2 The options open to the Councils now come down to

- (a) accept HDD's financial offer and proceed with the land disposal, or
- (b) not proceed with HDD and remarket the opportunity (in its current or an alternative form).

8.3 In view of the steps which the Council have taken to date, it is your officer's view (supported by Cushman and Wakefield) that the offer before you fairly represents best consideration and that the scheme should address the aims set out in the previous marketing brief taking account of all relevant factors; therefore a disposal to HDD should proceed.

## 9. Financial Implications

9.1 HDD's financial offer for the Ryecroft site is set out in part 2 of this report, as is the proposed apportionment of this receipt between the two councils. This apportionment calculation is based on the valuation of the two Councils' land holdings and the financial contributions made to the scheme to date by the purchase of the former Sainsbury's site and is set out in more detail in Part 2 of this report.

## 10. Major risks

10.1 If the scheme was to not proceed then there would be no introduction of new retail and consequently no catalyst to create an increased spend by the local catchment population and surrounding areas. The potential impact of this is that the town centre is unlikely to be able to significantly improve its economic fortunes.

10.2 If the scheme does proceed there is a risk that the decision not to provide car parking to meet any student-related needs may cause on-street parking issues in the residential neighbourhoods around the town centre. The mitigation for this lies in the University's transport strategy (seeking to minimise car-borne traffic into the campus) and the developer's stated intention to address such a matter through the letting strategy. In addition officers are commissioning a car parking audit/strategy to provide further mitigation and reassurances in this regard.

10.3 Other risks of a financial and legal nature are reflected in the Part 2 report.

11. Previous Council resolutions:

27.11.2013	Report to Council - authority to demolish and proceed with Ryecroft marketing, authority to work with partners on business case for Civic relocation
28.07.2010	Report to Council - Freehold Acquisition of Sainsbury's and establish whether there is a business case to relocate to alternative premises

12. Background papers

12.1 This report should be read in conjunction with the Part 2 (confidential) report to be found elsewhere on your agenda including advice from your retained expert advisors Cushman and Wakefield.