

## REPORT TO THE ECONOMIC DEVELOPMENT AND ENTERPRISE OVERVIEW AND SCRUTINY COMMITTEE

17<sup>TH</sup> DECEMBER 2013

### THE RYECROFT RETAIL-LED REGENERATION AND RE-DEVELOPMENT SCHEME

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#### 1. Introduction

1.1 At its meeting on 27<sup>th</sup> November, the Council considered and approved a report on the 'Proposed retail-led regeneration and redevelopment of land at Ryecroft comprising sites of the former Sainsburys supermarket and the Civic Offices'.

1.2 The purpose of the report was to update Members on actions and next steps required to secure a retail-led redevelopment of the Ryecroft site and seek approval for a number of key actions necessary to take this forward including the demolition of the former Sainsbury's building, approval in principle for officers to work with those of the County Council to prepare a full business case for the relocation of the Civic Offices and to proceed with the formal marketing of the Ryecroft scheme for retail development.

#### 2. Background

2.1 The report to Council has been informed by a series of reports containing expert advice from planning consultancy and urban designers Broadway Malyan and commercial property advisers Cushman and Wakefield. Together these have evaluated the prospects for Newcastle Town Centre in the context of:

- its particular qualities as a place,
- the role the town plays within the sub-region,
- planning policy
- trends in modern retailing
- development opportunities available in the town
- development appraisals of those opportunities, and
- what might be done to create 'the step change' necessary to turn around the town centre's fortunes.

2.2 It was this advice which led to the Councils' decision to acquire the former Sainsbury's store next to the Civic Offices and the identification of this area of the town (focussed on these two properties) as the basis for a major retail-led investment in the town which could help to bring significantly more people into the town centre and increase the level of footfall and business for the benefit of the wider town centre economy. Some of the key conclusions and recommendations of this work are summarised in the following section.

### 3. Questions to be addressed by Overview & Scrutiny

- Why is this investment necessary?
- Why has Newcastle declined as a shopping centre?
- Why this site?
- Why is it necessary for the Council to relocate its present offices in order to bring forward this development?
- What will this cost the Council?
- What steps now need to be taken to bring forward this development?
- What are the risks?
- Why is the site of the former St Giles & St Georges School considered to be the best site for the new Civic Hub?
- When would the Hub be built / completed
- When will the retail scheme be built / completed?

#### 3.1 Taking these questions in turn:

- Why is this investment necessary?

3.2 Newcastle town centre is struggling with a shrinking footfall and custom for its businesses (over 90% of potential expenditure from the catchment population is leaking to other nearby centres). Cosmetic improvements and incremental change won't change this fact. Only large scale investment including significant new 'draws' (in the form of anchor stores and retailers not presently based here) will pull people into town who are no longer using it regularly. The main objective is to retain the distinctive market town identity and character that Newcastle town centre has and to claw back local people; it is not intended to create a scale of offer that would compete with the City Centre or seek to rival larger scale regional shopping centres.

- Why has Newcastle declined as a shopping centre?

#### 3.3 Five main reasons:

- the recession (which has affected all or most town centres over the past five or six years) and which means that people generally have less disposable income in any case to spend on comparison goods;
- out of town shopping (most obviously the Trentham Retail Outlet beside Trentham Gardens is a major counter attraction for leisure based retailing and Festival Park is a major counter attraction for more conventional clothing and household goods);
- thirdly, the impact of the modern supermarkets offer which includes a significant range of comparison goods as well as convenience goods, increasingly long opening hours and the on-line ordering / delivery service arrangements;
- fourthly, the loss of many day time office workers from the town centre - e.g. based inside the former Blackburn House, Lancaster Building, Marches House, or Copthall House (again to out of centre locations) who would have provided significant custom for the town's shops and services and;
- lastly, shopping now taking place via the internet.

3.4 While some of these trends are here to stay, people are still drawn to town centres that are attractive and vibrant, as spaces to socialise and interact with the range of goods and services on offer, so the situation is not irrecoverable.

- Why this site?

3.5 It lies within the ring road (essential if the remainder of the town centre is to share in the benefit of increased footfall around the town); it is big enough (there are not many available sites in the town centre which could accommodate a development of the scale required to make the 'step change' necessary to the town's offer and; thirdly it is achievable (because of the scale of the land assembled by the Borough and County Councils - NBC already own the Civic Offices and the two parties jointly acquired the former Sainsbury's store - thereby creating a core site that can be taken to the market).

- Why is it necessary for the Council to relocate its present offices in order to bring forward this development?

3.6 Without the site of the current Civic Offices, the former Sainsbury's site on its own is not big enough to create the scale of development opportunity that would deliver the required step-change in the town centre's retail offer. But equally importantly it would not be well enough linked to the main shopping streets of the town to drive footfall more widely through to the High Street and The Ironmarket; redevelopment of the former Sainsbury's site in isolation could mean that any shops established there could operate in a manner that is completely detached from the core of the town centre.

- What will this cost the Council?

3.7 The Borough Council's contribution to building replacement offices is estimated at up to £9 million (based upon the work undertaken with the County Council to prepare an Outline Business Case). At this stage it is envisaged that this would be funded from short-term borrowing which would be re-paid from the receipt from the sale of the Council's share in the Ryecroft site supplemented as necessary from other capital receipts. With regard to the running costs of the new building it is estimated that this would be about £140,000 p.a. less than the current cost of running the Civic Offices and associated premises at St George's Chambers.

3.8 As part of the decision-making process at the Council meeting last month, approval was given for officers to prepare a full business case for the re-provision of Council Offices; the outcome of the latter will be reported back to Members along with feed back from the developer selection process (for the Ryecroft retail-led regeneration and redevelopment scheme) in order that decisions can be made about whether the scheme proceeds. It is anticipated that the said full business case will provide members with much greater clarity about the likely capital costs of any preferred option along with a more accurate prediction about future running costs.

- What steps need to be taken to bring forward this development?

3.8 Our expert retail property advisors, Cushman and Wakefield, having 'warmed up' prospective developers over the past 6-9 months, will be formally taking the scheme to the market in January 2014 with an advert in the national property press and a development prospectus setting out the Councils' development objectives for the site. This will invite bids in a two stage process (requiring only the short listed developers to go to the expense of working up fully costed schemes and undertake advanced negotiations with prospective anchor tenants). It is intended that the Councils will be in a position to receive and review the short listed submissions by the middle of next year. These will be assessed against a number of pre-agreed criteria such as

scheme content, the calibre of the anchor stores, the developers' (and retailers') level of commitment, record of delivery, design (including linkages to the town's principal shopping thoroughfares), the delivery programme and the financial offer.

3.9 In this process the Borough Council will be working alongside its partners the County Council and be advised by Cushman and Wakefield. As referred to earlier, the outcome of the developer selection process will be reported back to members along with the full business case for re-provision of Civic Offices – at that point members will be able to assess both the financial and non-financial benefits of the proposals.

- What are the risks?

3.10 There are perhaps three principal risks to a successful outcome to the process:

- insufficient developer interest and retail demand;
- our dissatisfaction with the quality of what is being offered (e.g. the occupiers or the scheme design) and;
- a poor financial offer for the Council's interest in the overall Ryecroft site, so making the re-provision of the Civic Offices more costly or unaffordable.

3.11 Your officer's view is that the best bulwark against the above risks is to employ a highly experienced and capable retail consultancy with which to work and take advice. At this stage it is not possible to design out the above risks. Once bids are received and the strength of interest is seen, we will then be in a position to re-assess as may be necessary.

- Why is the site of the former St Giles & St Georges School considered to be the best site for any re-provision of Civic Offices?

3.12 A number of options have been considered including re-providing the Councils' offices within the Ryecroft site, redeveloping the Library / Police Station site and acquiring and refitting other privately-owned premises in the town centre. An independent study has been undertaken to evaluate these options and the provision of a new building on the site of former St Giles & St Georges School was considered to be the most cost-effective and the most practical option.

- When would the re-provision of Civic Offices be completed (if members agree to proceed with it)?

3.13 It is estimated that it would take between 2.5 to 3 years to deliver replacement Civic Offices. Broadly speaking there would be three key stages in the process.

- First of all it would be necessary to procure specialist consultants to design and seek the necessary approvals for any scheme (as the Council did with Jubilee 2); depending upon the chosen route – i.e. via OJEU or through a Framework Agreement – this overall stage could take about 12 months.
- Secondly, procurement of a building contractor would be required and this could be commenced a few months behind the first stage (running in parallel) and would take about 10 months. Overall the first and second stages would take about 12 to 14 months.
- Realistically it would take around 6 weeks for the two Councils to sign off and commit to proceeding before commencing the third and final stage of construction and fitting out; this would take about 18 to 20 months.

- How long would it take for the retail scheme to be built / completed (on the assumption that the Councils have identified a preferred developer and agreed to proceed)?

3.14 At the time of writing it is impossible to know this with any level of precision or certainty. Nevertheless it is possible to speculate based upon experience and knowledge from other similar schemes.

3.15 During the developer selection process the preferred developer will have worked up a draft scheme to a relatively detailed level and this would form the basis of both the Development Agreement (to be signed off by the three parties) and an application for planning permission. It is anticipated that these two processes would take up to 12 months to complete.

3.16 It is anticipated that the demolition of all buildings and structures on the site would take about 4 to 6 months. The building of the scheme as a whole would probably take about 12 to 18 months plus up to 6 months for fitting out (depending upon occupier's individual requirements). Of course it may be possible and preferable for the developer to build the scheme in two phases (beginning with the former Sainsbury's site). Clearly the outcome of the developer selection process will inform the Council in due course.

#### 4. Outcomes

4.1 The outcomes which could result from a successful scheme are considerable and are expected to comprise:

- 150,000 to 180,000 sq. ft. of new, purpose built retail premises in the town providing space for retailers who presently are choosing not to locate here because of the lack of premises of the right size and configuration.
- 400 to 700 new jobs
- an increase in footfall around the town, so helping existing retailers to increase their own custom base.
- the introduction of one or two new 'anchor' stores into the town (such as a 60,000 sq. ft. small to medium size format department store) which help to attract catchment from further afield.
- new family friendly places to eat
- new fashion stores
- a food store
- a new 750-1000 space car park
- good quality urban design
- good pedestrian linkage to The Ironmarket and the High Street via Merrial Street and Red Lion Square.

#### 5. Supporting information

Report to Council, 27<sup>th</sup> November 2013 'Proposed retail-led regeneration and redevelopment of land at Ryecroft comprising sites of the former Sainsburys supermarket and the Civic Offices'.

6. Invited partners / stakeholders

It is suggested that Cushman and Wakefield, who have been advising the two Councils on the scheme be invited to address the committee at its meeting on March 12<sup>th</sup>. (Note: as the company is London based, the Committee may wish to consider bringing forward the time of the meeting to 6.00 p.m?)

7. Relevant Portfolio Holder

Cllr Terry Turner

8. Local Ward Members

Although an investment of this scale is of Borough-wide interest and impact, the two local members (Town Ward) are Councillors Taylor and Mrs Shenton.