

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

**CORPORATE LEADERSHIP TEAM'S
REPORT TO**

Cabinet
17 October 2023

Report Title: Ryecroft Redevelopment

Submitted by: Deputy Chief Executive

Portfolios: Finance, Town Centres and Growth and One Council, People and Partnerships

Ward(s) affected: Town

Purpose of the Report

To provide Cabinet with an update on progress made with the Ryecroft Development in Newcastle Town Centre and to enable decisions to be taken to move the development forward.

Recommendation

Key Decision: Yes

That Cabinet:-

1. **Note the interests from developers to secure portions of the site for residential development and delegate to the Deputy Chief Executive, in consultation with the Portfolio Holder for Finance, Town Centres and Growth, and Portfolio Holder for One Council, People and Partnerships authority to finalise a masterplan for the hotel and residential developments and agree terms with developers to enable these developments to progress.**
2. **Consider the outcome of the procurement for a Hotel brand for the site, and agree to the selection of Accor Hotels, with their Ibis Styles brand, for the development of the next stage of business case development, at a cost of £50,000;**
3. **Receive further update reports on progress of the various elements as and when further details have been developed.**

Reasons

The Council has been developing plans for several key sites across the Town Centre of Newcastle-under-Lyme as part of the Future High Street Fund and Town Deal Fund, these include the redevelopment of the Council owned Ryecroft site – subject of this Cabinet Report, and the redevelopment of York Place, and the redevelopment of the Midway Multi Storey Car Park – which were subject to a separate Cabinet Report on the 19 September 2023.

As with the previous report's this report enables progress to be made on the Ryecroft site.

1. **Background**

- 1.1 As reported to previous Cabinets, the Council has secured finance from Future High Street Fund and Town Deal Fund for the redevelopment of several key regeneration sites

across the Town Centre. Work has been continuing in the development of the schemes for the past couple of years, and the current position regarding each is as follows:

- Castle Car Park (Ryecroft)– Planning consent was secured in June 2023 and a contract for delivery has been let to Morgan Sindall.
- New Hotel (Ryecroft) - A procurement exercise has been completed for the brand that the hotel will operate under.
- Housing (Ryecroft) – three parties have come forward with interest in developing housing on part of the site, as detailed later in this report.
- York Place – The Council purchased this site in March 2022 and secured planning consent in June 2023 for the demolition of the current building and rebuilding of a mixed-use development. Capital and Centric are now working up plans for the redevelopment of the site, as per the Cabinet approval on the 19 September 2023.
- Midway Car Park – as with York Place, Capital and Centric are now working up plans for the redevelopment of the site, as per the Cabinet approval on the 19 September 2023.

2 Update

Ryecroft - Update on Current Position

- 2.1 The Blueprint for Ryecroft essentially identifies four distinct elements for the site:
- Multi-story Carpark to serve the Town Centre and release Midway and selected surface car parks for re-development;
 - Midrange Hotel, responding to identified market demand;
 - Public Open Space/Urban Park, providing linkage between the Brampton area and the Town Centre, and a new activity space for the town;
 - Housing developments with an element of commercial space on the remainder of the site.
- 2.2 The site is jointly owned by the Borough Council and the County Council, and under the delegation provided by Cabinet in June 2023, terms have been agreed with Staffordshire County Council for the Borough Council to secure full ownership of the site.
- 2.3 The Council has secured planning consent for the construction of the Castle Car Park, with Morgan Sindall commencing construction in early October 2023, with the new facility being open in the summer of 2024. This is funded in part from Future High Street Funding programme and in part through the Council's capital programme.

Residential Development

- 2.4 Currently there are three parties who have entered into discussions for the development of residential units on the site as summarised below:
- **Aspire** – Seeking space for circa 50 social housing residential units; Aspire are prioritising residential development over office accommodation, but are considering relocation to a town centre office base, potentially in the York Place development; Details of the Aspire Proposal is set out in Confidential Appendix B
 - **McCarthy and Stone** – Seeking space for 51 residential units specifically for the over 55 year old aged community. Detail of the McCarthy Stone proposal is set out in Confidential Appendix B
 - **Capital & Centric** – Seeking space for a mixed residential and commercial scheme

- 2.5 The opportunity exists to accommodate all of these within the site, enabling a mix of early capital receipts and deferred receipts and the next step regarding the residential development is to work up a masterplan for this aspect of the site, with a view to settling on a scheme which delivers both the Council's financial and place making aspirations. In addition to the master planning it will be necessary to negotiate final terms with each party to ensure "best consideration" is achieved.
- 2.6 In order to ensure that the site is developed in a cohesive manner, the business case and design work for the hotel will be undertaken as part of this master plan. This will be accommodated within the budget approved at the September Cabinet to progress the York Place and Midway designs, with the design works undertaken by Capital and Centric under the Pagabo framework.

Hotel Development

- 2.7 The development of the Hotel will involve a series of sequential steps, as outlined in the report to Cabinet in June 2023. In summary this involves:
- Agreement of a Hotel brand under which the Hotel would operate;
 - Secure cost certainty on the build and fit out, which will be influenced by the selected brand;
 - Development of a clear business case based on the build costs and terms negotiated with the selected brand;
 - Decision point to proceed to secure planning consent, financing, and commit to the investment
- 2.8 Council has conducted a procurement exercise for a hotel brand as the first step in this process.
- 2.9 In identifying the route to market for a suitable Hotel Branding Partner/Franchise, Officers undertook a broad market engagement identifying four organisations who collectively deliver a wide brand range of both national and international hotel and franchising solutions. Each of the four organisations expressed an early interest in exploring the potential hotel development on the Ryecroft site.
- 2.10 This work was further supported by a combined feasibility study undertaken and produced by Genr8 Kajima Regeneration Limited and Avison Young which was made available to prospective bidders at the commencement of the procurement process. All four organisations were invited to submit their recommended branding solution and income share proposal.
- 2.11 At the closing date for submissions, three proposals were received, these are summarised in the Confidential Appendix to this report (Appendix A). These proposals were reviewed by a panel of four Officers, the outcome of this evaluation process can be found below:

| Bidder | Quality score | Adjusted Quality Score | Commercials Score | 40% x Quality | 60% x Commercials | Total score |
|------------|---------------|------------------------|-------------------|---------------|-------------------|-------------|
| Bidder 'A' | 390 | 100.00 | 98.34 | 40.00 | 59.00 | 99.00 |
| Bidder 'B' | 380 | 97.44 | 100.00 | 38.98 | 60.00 | 98.98 |
| Bidder 'C' | 180 | 46.15 | No submission | 18.46 | 0 | 18.46 |

2.12 From this evaluation, Bidder A was selected as the successful bid. This is Accor Hotels group, with their Ibis Styles brand. Through this report, Cabinet is invited to endorse this selection and the £50,000 cost of Accor developing the business case with the Council.

Next Steps

2.15 As outlined above the next steps for this development are:

- Preparation of designs and full business case for the Hotel on Ryecroft, based on the Ibis Styles brand;
- Finalisation of the master plan for the residential element of the site;
- Finalisation of terms for residential developments, and exchange of contracts;
- Further reports to Cabinet at key decision points.

3. Proposal

3.1 That Cabinet

1. Note the interests from developers to secure portions of the site for residential development and delegate to the Deputy Chief Executive, in consultation with the Portfolio Holder for Finance, Town Centres and Growth, and Portfolio Holder for One Council, People and Partnerships authority to finalise a masterplan for the hotel and residential developments and agree terms with developers to enable these developments to progress.
2. Consider the outcome of the procurement for a Hotel brand for the site, and agree to the selection of Accor Hotels, with their Ibis Styles brand, for the development of the next stage of business case development; at a cost of £50,000;
3. Receive further update reports on progress of the various elements as and when further details have been developed.

4. Reasons for Proposed Solution

4.1 The decision will enable the project to progress, with the associated uplift the status of Newcastle Town Centre as the heart of economic, social and community life in the Borough.

5. Options Considered

5.1 Throughout the gestation of this development, over a number of years, a range of options have been considered as detailed in earlier Cabinet reports.

6. Legal and Statutory Implications

6.1 Section 2(1) of the Local Government Act 2000 permits local authorities to do anything they consider likely to promote or improve the economic, social and environmental well-being of their area. That would include actions to deliver the Future High Street Fund programme for Newcastle Town Centre.

6.2 Should Cabinet approve Accor as the proposed hotel branding partner, Officers will commence the process of establishing and agreeing an appropriate franchise agreement with Accor.

- 6.3 Should Cabinet approve Capital and Centric as a development partner the pre contract services agreement being developed for the York Place and Midway projects (subject of the September Cabinet approval) can be extended to include the Ryecroft works.
- 6.4 Land purchase agreements with Aspire Housing and McCarthy and Stone will be developed up in accordance with the land required for each scheme.

7. **Equality Impact Assessment**

- 7.1 The nature of the project is intended to seek benefits for all people who use the town centre and to support the economic and social health of Newcastle Town Centre as a destination.

8. **Financial and Resource Implications**

Ryecroft Hotel

- 8.1 The proposed Hotel development in the centre of the Ryecroft site is estimated to cost £15m if built as a stand-alone facility. At this stage it is necessary to develop up designs and a business case based on the selected brand. This development work will be led by Capital and Centric, in partnership with the Council, through their work on the Ryecroft masterplan, which will include an initial design and costings for the Hotel, incorporating contributions, advice and standard setting by the Accor, Ibis Styles, design engagement team, at a cost of £50,000. The £50,000 to fund the Accor business case will be funded from the feasibility plan budget within the Council's capital programme.
- 8.2 The funding of the Hotel development will be via borrowing over the life of the asset. The cost of borrowing will be covered by the net income from the hotel after taking into account the costs of operation over the useful life of the development, but will require a budget pressure of circa £0.332m in year 1 of operation which reduces to nil in year 12 of operation. Should the developer be interested in taking ownership of the completed development then the proceeds from the sale will be used to repay the development loan in full (interest costs up to the completion date relating to the loan would amount to circa £0.574m, which would form part of the completion costs and be paid by the developer).

Further Developments

- 8.3 As stated in paragraph 2.4, Aspire Housing and McCarthy and Stone are both seeking to secure part of the Ryecroft site in order to provide a total of 51 residential units. It is currently anticipated that they will purchase the land for these units and develop the space themselves, therefore a capital receipt would be received from both interested developers.
- 8.4 Further developments on the Ryecroft site via Capital and Centric could involve the Council financing the project through the construction phase and then subsequent purchase of the sites by Capital and Centric, as per York Place and Midway Car Park (September 19 2023 Cabinet Report).
- 8.5 Should the developer take on the ownership of the completed developments then the proceeds from the sale will be used to repay the development loan (interest costs up to the completion date relating to the loan would amount to circa £1.127m for the Ryecroft which would be paid by the developer).
- 8.6 In determining the development mix to proceed with the Council will need to ensure that the overall scheme delivers best consideration.

9. **Major Risks**

9.1 Making all elements of the Ryecroft scheme work for each partner and ensuring a coherent site will require robust and timely management of the master planning process and effective stakeholder management.

9.3 The inflationary pressures and the cost of borrowing is a risk to the delivery of all of the schemes and each needs to be planned carefully to minimise the effects of each prior to the start or award of any contract.

10. **UN Sustainable Development Goals (UNSDG)**

10.1 Newcastle Town Centre is a highly accessible location, encouraging greater use of its land and assets enhances its role as a centre for services, leisure, retail and living and its connection to local residents. Further this project is intended to provide redevelopment that sustainable improvements, regeneration and economic benefits and the project supports the realisation of the following UNSDG objectives:-



11. **Key Decision Information**

11.1 This is a Key Decision

12. **Earlier Cabinet/Committee Resolutions**

12.1 October 2019, Cabinet concerning development of the second stage FHSF bid and procurement of consultancy support.

12.2 December 2019, Economy Environment & Place Overview and Scrutiny Committee Town Centre Funding Update (information item).

12.3 July 2020, Cabinet concerning approval for submission of bid into MHCLG (now DLUHC).

12.4 April 2021 Cabinet accepting FHSF Grant monies and grant conditions.

12.5 December 2021 Cabinet purchase of York place Newcastle under Lyme.

12.6 March 2022 Cabinet award of contract for design and build contractor

12.7 January 2023 Cabinet progress report on the York Place project

12.8 June 2023 Cabinet award of contract for the demolition of York Place

12.9 September 2023 Cabinet approval of work on York Place and Midway Car Park

13. **List of Appendices**

13.1 Confidential Appendix A – Hotel Procurement Proposals.

13.2 Confidential Appendix B – Residential Proposals

14. **Background Papers**

14.1 None