

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

**CORPORATE LEADERSHIP TEAM'S
REPORT TO CABINET**

06 February 2024

Report Title: Town Centre Regeneration Update

Submitted by: Deputy Chief Executive

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

Ward(s) affected: Town

<u>Purpose of the Report</u>	<u>Key Decision</u>	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
<p>To provide Cabinet with an update on the progress made by Capital&Centric on York Place, the Midway Car Park and The Ryecroft projects in Newcastle Town Centre, and to make recommendations to Council to enable the projects to progress to the next stage.</p>			
<p><u>Recommendation</u></p> <p>That Cabinet:</p> <ol style="list-style-type: none"> 1. Notes the progress made to date by Capital&Centric on the York Place, Midway Car Park and The Ryecroft projects in Newcastle Town Centre; 2. Recommend that Council: <ol style="list-style-type: none"> a. Approve expenditure of up to £2,649,000 to develop the three schemes to the end of RIBA Stage 3, and the submission of a planning applications; b. Authorise 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 to progress legal agreements to enable the appointment of Capital&Centric under three Pre-Development Services Agreements (PDSA) for the development of the three schemes through a direct award under the Pagabo Development Management Framework; c. Authorise 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 to enable re-development works to commence on York Place, through Capital&Centric's PDSA, at a cost not exceeding £500,000 (the cost of which is included in the overall budget above). 			
<p><u>Reasons</u></p> <p>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.</p> <p>This report enables progress to be made across these sites.</p>			

1. **Background**

- 1.1 As reported to previous Cabinet meetings, the Council has secured Future High Street Fund and Town Deal Fund for the re-development of several key regeneration sites across the Town Centre. In September 2023 the Council appointed Capital&Centric to undertake feasibility studies for the re-development of the former York Place Shopping Centre, of the re-development of the Midway Car Park upon its closure in late 2024, and the development plans for The Ryecroft site.
- 1.2 The Process being followed with Capital&Centric, across the three development sites is an incremental one, with Capital&Centric having completed their initial development proposals (RIBA Stage 2) for each of the sites. If the Council is satisfied with the RIBA Stage 2 works, as summarised in this report, and in the attached Appendix, the Council would then use the Pagabo Framework to appoint Capital&Centric to:
 - Develop the scheme design and costs for each of the three sites to RIBA Stage 3, under an individual Pre-Development Services Agreement for each site.
 - Manage the procurement and delivery of re-development works at York Place including stripping out and retaining the concrete frame to suit the design for the overall scheme, again under an individual Pre-Development Services Agreement.
 - Upon receipt and approval of the fully costed RIBA Stage 3 designs and costs, Council would then determine whether to enter into a further contract for the construction and marketing works on each site.
- 1.3 This incremental approach has been used successfully by the Council on both the Kidsgrove Sports Centre refurbishment and on the construction of the new Castle Car Park. Crucially, it enables the Council to take a phased approach to the developments, with cost certainty secured before progressing to the next stage.
- 1.4 This report deals only with updating on progress to date across the three sites and securing commitment to progressing to RIBA Stage 3 designs, and initial work on the redevelopment of York Place.

2. **Update**

York Place – Update on Current Position

- 2.1 The shopping centre is on track to be vacated by all tenants by the end of February 2024 and will be prepared for strip out and re-development works thereafter. The majority of the tenants present in the building upon acquisition of the building have relocated into existing vacant units in the town centre, thus avoiding the loss of valuable retailers.
- 2.2 Capital&Centric have been assisting the Council in preparing a re-development scope of works that is based upon the principles of retaining as much of the existing concrete frame as possible and re-engineering the structure for commercial and residential purposes. It is proposed to procure a demolition contractor through the Pagabo Pre-Development Services Agreement with Capital&Centric, to manage the strip out and concrete frame retention to suit the developing design for the overall scheme. The forecasted costs associated with this work are included in the budget for the project.
- 2.3 Discussions have been continuing with Joules Brewery for the live music venue adjacent to The Bulls Head Pub and Capital&Centric have been investigating how

this element of the scheme can be incorporated. Previous Cabinet approval gave authority to sell a parcel of land to Joules Brewery for the independent development of the music venue. It is essential that the Joules Brewery initiative works as part of the development as a whole and is consistent with the design values overall.

- 2.4 The design is at the early stages, but the current proposals (See Appendix A) forecast the provision of 47 modern apartments for young professionals, down sizers and families with the following room mix:
- 17,222sq.ft. of commercial space
 - 24 one bed apartments
 - 23 two bed apartments
 - Resident amenity space will be provided in the Midway development and will be made available for residents of this building.
 - Astley Performing Arts Centre is due to relocate from its existing smaller facility on Merrial Street to a larger unit within the new development.
- 2.5 Previous Cabinet reports had indicated that an element of the scheme could be for office use, but the size requirements of the anticipated third party are not able to be accommodated on a single floor plate (their preferred option) and multiple office levels is not of interest to the third party, so the upper floors of the development will now all be residential.
- 2.6 The early feasibility costs for taking the project to RIBA Stage 3 (the submission of planning) and the partial demolition works are estimated at £1,175,020 with a project timeline of 6 months to submit a planning application for approval and complete all partial demolition and enabling works. A breakdown of the costs and the funding sources are set out later in this report.

Midway – Update on Current Position

- 2.7 The Midway Car park will close in late 2024 upon completion of the new Castle Car Park on The Ryecroft site. Morgan Sindall have commenced construction works on the new carpark site.
- 2.8 Since their appointment in November 2023 Capital&Centric have been developing plans for the re-development of the Midway structure, based around the principle of retaining the concrete frame and floors and re-engineering the structure for residential purposes. This not only saves all the embodied carbon in the concrete frame, but also creates both time and cost savings for the development, whilst also creating an architecturally aspirational development.
- 2.9 The design is at the early stages, but the current forecasted development (See Appendix A) would deliver 106 modern apartments for young professionals, down sizers and families broken down as follows:
- 60 one bed apartments
 - 44 two bed apartments
 - 2 three bed apartments
 - Extensive shared facilities including a gym, residents lounge and private dining. It is expected that the facilities at Midway will be used by residents on the other projects being delivered by Capital&Centric in the town.
- 2.10 The early feasibility costs for the development to RIBA Stage 3 (the submission of a planning application) are estimated at £624,883 with a project timeline of 6 months to submission. A breakdown of the costs and the funding sources are set out later in this report.

The Ryecroft – Update on Current Position

- 2.11 In January 2024 foundation works commenced on the new Castle Car Park works, through the construction contract with Morgan Sindall, signed in 2023. Works will continue throughout 2024 with a completion date of late November 2024.
- 2.12 The Council has recently been in discussion with McCarthy and Stone for the sale of a portion of the Ryecroft site, along Merrial Street, for the development of an over 55-year-old residential apartment block. They have been liaising with Capital&Centric on how the placement of their development will sit alongside the potential wider site proposals, in order that it works as part of the overall development and is consistent with the design values overall. Heads of Terms have been exchanged and McCarthy and Stone are finalising the site requirements with the Council and will be working up the details of a planning application, expected in late Spring 2024.
- 2.13 The Council has now signed the Franchise Agreement with Accor Resorts for the development of the Ibis Styles branded hotel anticipated for the site. Their design consultants have been in discussions with Capital&Centric to set design parameters for the new hotel that is to be incorporated into the overall development.
- 2.14 Discussions have also been progressing with Aspire Housing and their aspirations for residential units on the site to sit alongside the other elements of the site. It is anticipated that we will agree for Capital&Centric to enter into a forward funding agreement with Aspire Housing to deliver between 35-40 homes on the site. The cost to fund the design development to commencing on site is included in the budget and will be refunded to the Council through a receipt from Aspire. Once planning permission is obtained for this element of the project then Aspire will contract with Capital&Centric directly and there will be no further costs to the Council, and a capital receipt for the land will then be paid to the Council from Aspire, as per the previous Heads of Terms agreed with Aspire.
- 2.15 Capital&Centric have now, as a consequence of the discussions outlined above, developed a revised master plan for the site which incorporates all of the constituent parts, namely:-
- The new Castle Car Park
 - The McCarthy and Stone residential scheme
 - A hotel including Capital&Centric commercial proposals below
 - The Aspire Housing residential scheme
- 2.16 Further development of the design is required, but the current proposals suggested by Capital&Centric includes:
- Circa 10,000 sq.ft. of commercial space
 - 36 houses
 - 110 key hotel with associated amenity area
- 2.17 Two feasibility studies have been undertaken for the site; for the Aspire housing development and the market residential, hotel and commercial space.
- 2.18 The early feasibility costs for taking the Aspire housing scheme to RIBA Stage 3 (the submission of planning) are estimated at £326,338 with a projected timeline of 6 months to submit a planning application. This cost will be covered by Aspire Housing.

2.19 The hotel development including commercial use and market residential has an estimated cost to planning submission of £522,759 and a forecasted planning submission within 8 months.

Cost and Funding Considerations

2.20 A summary of the costs supplied by Capital&Centric to undertake the works outlined above is included below, including the timescales for delivery of the work:

Site	Cost to RIBA Stage 3	Project Commencement
Midway Carpark	£624,883	6 months
York Place	£1,175,020	6 months
Ryecroft – Housing (Aspire)	£326,338	6 months
Ryecroft – Hotel	£522,759	8 months
Total*	£2,649,000	

**See financial section below for budgetary information*

2.21 The above projects will be funded by the following sources; £2,185,678 Future High Street Fund, £326,338 Aspire Housing and £136,984 from the Council's Capital Programme. As the total expenditure is over £2m, Cabinet will need to refer this matter to Full Council to secure authority to proceed.

Cost impact of the Capital&Centric Model

2.22 As highlighted in previous Cabinet reports, Capital&Centric are a social impact property developer who pride themselves on the design quality of their developments. Their model of retaining assets beyond completion ensures that they have a vested interest in the long-term success of the development with a focus on the experience of the end user, aspirational placemaking and creating developments which are an asset to the community.

2.23 Their approach, whereby they retain ownership and management of the developments once completed has a significant positive impact for the Council in terms of both financial and operational risk.

2.24 This model requires only short-term financing by the Council, rather than long term borrowing. This reduces interest costs from c.40 years to 2-3 years; the model also removes the need for the Council to fund Minimum Revenue Provision (MRP), which is in effect the "capital repayment" element of PWLB borrowing as the asset would transfer ownership once complete and shifts the ongoing risk of maintaining occupancy of the finished development away from the Council and onto the operator.

Next Steps

2.25 Whilst the Capital&Centric model envisages taking developments through to completion and then purchasing the completed development and assuming the lead

role in managing the operation of the development, there are a series of gateways controlled by the Council through which the projects must pass to ensure their viability. These gateways will be pre-agreed and form part of the Pagabo Pre-Development Services Agreement. Further Cabinet and Council approval will be required to progress to the next stage of the process (detailed design and procurement) and the delivery stage of each project. At each gateway an updated business plan will be presented for each scheme including updated costs and a delivery programme.

2.26 As highlighted in the September 2023 Cabinet report the gateways through which schemes must pass to assure their viability were listed but it is worth noting them here again for clarity of where the Council currently sits and what is still to be commissioned / undertaken.

- Stage 2 - Once feasibility is assessed then the scheme design and costs will be developed for each of the three sites to RIBA Stage 3 under a new Pre-Development Services Agreement will be entered into for each project – these agreements will include obtaining planning permission and establishing a cost envelope for each site. This stage will also include the management of the procurement and delivery of re-development works at York Place including stripping out and retaining the concrete frame to suit the design for the overall scheme, again under an individual Pre-Development Services Agreement.
- Stage 3 - Upon receipt and approval of the fully costed RIBA Stage 3 designs and costs along with the receipt of planning permission, the Council would then determine whether to enter into a further contract for the construction and marketing works on each site.
- Stage 4 – Once a fixed price has been received and agreed, we will seek further approval from Full Council to progress to the delivery stage of the project.

2.27 At this currently approved stage 1, the commitment to Capital&Centric extends only to developing a feasibility study. The submitted plans / proposals for the three schemes that are being considered by this Cabinet report are the result of this stage and have been assessed and subject to the approval will be accepted and used as the basis of next stage.

2.28 Subject to this Cabinet report being approved at Full Council the Council would progress to step 2 and incur the expenses for full planning drawings and submission to gather planning approval. As highlighted above the costs for this element of the work is £2,649,000.

2.29 In addition to the above, and subject to approval allow Capital&Centric to procure and manage the re-development elements of York Place, to suit and accommodate the developing design. This is allowable through the Pagabo Pre-Development Services Agreement, and the costs of which are included in the above budget.

2.30 The final decision on whether or not to commit to borrow and develop is then taken before the final Stage 4 and would be subject to a subsequent Council approval, after the submission of Stage 4 (RIBA 4) designs and costs later in 2024.

2.31 A critical part of this final stage would be determining which of the elements would remain in Council ownership, and which would be bought by Capital&Centric. Critically, the model which involves Capital&Centric purchasing the end development is highly significant in terms of the Council's borrowing for the schemes. Rather than borrowing over, say, a 40year period, during which the Council would need to both pay interest and capital, the Council's borrowing would only be for, approximately, the duration of the build, as any loan and associated interest would be repaid upon sale

of the asset. This minimises the financial impact on the Council's General Fund Revenue Account of the schemes for the Council.

3. Proposal

3.1 That Cabinet:-

Notes the progress made to date by Capital&Centric on the Midway Car Park, York Place and The Ryecroft projects in Newcastle Town Centre;

Recommend Council to approve:

- a. Expenditure of up to £2,649,000 to develop the three schemes to the end of RIBA Stage 3, and the submission of a planning applications;
- b. Authorise 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 to progress legal agreements to enable the appointment of Capital&Centric under three Pre-Development Services Agreements (PDSA) for the development of the three schemes through a direct award under the Pagabo Development Management Framework;
- c. Authorise 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 to enable re-development works to commence on York Place, through Capital&Centric's PDSA, at a cost not exceeding £500,000 (the cost of which is included in the overall budget above).

4. Reasons for the Proposed Solution

- 4.1 The decision will enable the project to progress as per the programme agreed with Government and the Future High Street Fund awards and commitments and get York Place underway.
- 4.2 To use this Government funding opportunity to support delivery of Council Plan objectives.
- 4.3 To uplift the status of Newcastle Town Centre as the heart of economic, social and community life in the Borough.
- 4.4 Bring a national developer to Newcastle to assist in the transformational programme of regeneration that is being undertaken.

5. Options Considered

- 5.1 The report above highlights the options that have been considered in some detail.

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 and Town Deal Fund programme for Newcastle Town Centre.

6.2 Pre-construction services agreements (PCSA) are used to appoint a design and build contractor to carry out services before entering into a formal building contract. A PCSA is sometimes referred to as a pre-construction agreement (PCA) and is used in two stage tendering to obtain further design input, buildability/technical advice and detailed costs information from a prospective contractor. This is a formal agreement to provide the specified services/works and is not a letter of intent.

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

Cost Summary

Site	Pre- Application Gateway 1 (£)	Planning Submission Gateway 2 (£)	Total Costs (£)
York Place	99,500	1,175,020	1,274,520
Midway Car Park	82,395	624,883	707,278
Ryecroft Aspire – Housing	25,000	326,	354,975
Ryecroft Hotel/Residential	25,000	541,396	541,396
Total Cost	231,895	2,649,000	2,880,895

8.1 Approval was given at the Cabinet meeting on 19 September 2023 to spend up to £256,500 with Capital&Centric to develop plans and business cases for the York Place and Midway Car Park sites. This expenditure is shown in the above table (Pre-application / Gateway 1 £231,895).

8.2 As the report details, the next stage is to commission works to take the regeneration projects to the next stage (Planning Submission / Gateway 2). The costs of completing this are summarised in the table above and require Full Council approval as per the Financial Regulations due to the costs exceeded £2m.

Funding of RIBA Stage 3

8.3 The table below summaries the Future High Street Fund allocations and expenditure up to 15 January 2024:-

Project	FHSF allocation (inc contingency) (£)	Spend as at 15/01/24 (£)	Balance remaining (£)
Ryecroft Site	3,756,191	2,841,344	914,847
MSCP Development	3,500,000	960,601	2,539,399
York Place (Purchase, relocation and re-development)	3,015,218	1,977,182	1,038,036
Stone public realm	321,251	0	321,251
Market Stalls	75,600	27,438	48,162
Programme Management	380,000	284,159	95,841

Total	11,048,260	6,090,724	4,957,536
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York Place

8.4 The RIBA Stage 3 costs include the management of the procurement and delivery of re-development works at York Place including stripping out and retaining the concrete frame to suit the design for the overall scheme, amounting to £1,175,020. The majority of these works will be funded through the Future High Street Fund (£1,038,036) with the remaining balance being funded via the capital programme. £16m has been included in the capital programme for the estimated development costs of York Place.

Midway Development

8.5 The RIBA Stage 3 costs of £624,883 will cover the development plans up to and including the submission of the planning application for the re-development of the Midway Car Park. The principle around the re-development would be to retain the concrete frames and floors and re-engineer the structure for residential purposes, delivering around 106 modern apartments. The works would be funded through the Future High Street Fund as detailed in the table above.

The Ryecroft Site

8.6 The RIBA Stage 3 works cover two projects on the Ryecroft Site, these are the Aspire Housing residential scheme and the hotel / aparthotel including Capital&Centric commercial proposals.

8.7 The Aspire Housing residential scheme will involve the delivery of 35-40 homes. It is anticipated that an agreement will be made for Capital&Centric to enter into a forward funding agreement with Aspire Housing. The costs of £326,338 to fund the design development to commencing on site will be refunded to the Council from Aspire Housing. Once planning permission is obtained then Aspire Housing contract directly with Capital&Centric resulting in no further costs to the Council. In addition Aspire Housing will pay the Council a capital receipt for the acquisition of the land as previously agreed with them in the Heads of Terms.

8.8 The hotel including Capital&Centric commercial proposals will cost £522,759 and will be funded through the Future High Street Fund as detailed in the table above. Further developments of this design are required but early indications include 10,000 sq ft of commercial space, 36 homes and 110 key hotel or aparthotel with associated amenity area.

9. Major Risks & Mitigation

9.1 The proposed re-development of York Place is in a densely occupied town centre location and therefore will require careful management throughout the contract.

9.2 The potential for multiple re-development and / or construction projects being undertaken in a short period of time in the town centre could impact negatively on the enjoyment of the town amenities by users and will need careful messaging and monitoring. Each stakeholder will be able to assist with this.

9.3 The scheme for Midway is based on retaining the existing structure which saves on demolition costs and the construction of a new frame in addition to saving the embodied carbon. Whilst initial assessments have been undertaken on the scheme, intrusive structural surveys are required to ensure the building can be reused. If the structure is

unusable then these benefits won't be achieved, however, this is currently not believed to be the case.

9.4 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. Construction inflationary pressures are now easing but are still a consideration.

9.5 Each scheme / project will have a dedicated risk register for the potential risks of each scheme from the feasibility stage to the construction phases.

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. Furthermore this project is intended to enable the redevelopment of an underused retail complex that is in a poor state of repair and currently blocks good connectivity between the Ryecroft site and Ironmarket / High Street, bringing with it sustainability improvements, regeneration and economic benefits as well as in that respect, 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 June 2023 Cabinet approval for procurement of Hotel Brand and Design and Build Contractor
- 12.10 June 2023 Cabinet award of contract for Castle Multi Storey Car Park
- 12.11 September 2023 Cabinet approval for Town Centre Regeneration Feasibility Studies

13. List of Appendices

13.1 Capital&Centric Proposals for York Place Re-development, Midway Car Park and the Ryecroft Development.

14. Background Papers

14.1 None