

# Gloucester City Council

<b>Meeting:</b>	<b>Cabinet</b>	<b>Date:</b>	<b>6 December 2016</b>
<b>Subject:</b>	<b>Bakers Quay, Gloucester</b>		
<b>Report Of:</b>	<b>Cabinet Member for Regeneration &amp; Economy</b>		
<b>Wards Affected:</b>	<b>Westgate</b>		
<b>Key Decision:</b>	<b>No</b>	<b>Budget/Policy Framework:</b>	<b>No</b>
<b>Contact Officer:</b>	<b>Anthony Hodge, Head of Regeneration &amp; Economy</b>		
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<b>Appendices:</b>	<b>1. Commercial Information (Exempt)</b>		
	<b>2. Site Location Plan</b>		

## FOR GENERAL RELEASE

The special circumstances for non-compliance with Access to Information Rule 5 and Section 100B (4) of the Local Government Act as amended (items not considered unless the agenda is open to inspection at least five days in advance of the meeting) were that the Council was only made aware of the issue and the resulting investigation into a viable solution that would enable the developer to continue to meet their programme and secure the delivery of the project did not allow sufficient time for standard procedures to be followed.

### 1.0 Purpose of Paper

1.1 This report seeks approval for Gloucester City Council to make available to Rokeby Merchant a regeneration enabling loan to assist with the delivery of the Bakers Quay scheme.

### 2.0 Recommendations

2.1 Cabinet is asked to **RESOLVE** that:

- (1) A regeneration enabling loan facility, as detailed in the confidential appendix, that is compliant with Market Economy Investor Principles, be made available through the Regeneration Reserve to Rokeby Merchant for the purposes of contributing towards the delivery of Phase 1 of the Bakers Quay scheme, repayable no later than 24 months after the final payment.
- (2) Payments to the developer be made on a staged basis to reflect private sector investment and activity on the ground.
- (3) The Head of Finance, in consultation with the Head of Regeneration and Economy and the Cabinet Member for Regeneration & Economy, be delegated authority to agree final loan terms with Rokeby Merchant, along the lines set out in the confidential appendix, and subject to his satisfaction that all

necessary due diligence to minimise risk to the Council's investment has been completed.

### 3.0 Background and Key Issues

3.1 Bakers Quay is widely regarded as the final piece in the successful regeneration of the Quays area. The site is identified by the attached plan contained in Appendix 2 and is situated on St Ann Way in the South West of Gloucester City Centre adjacent to the Gloucester Quays development. To recap the scheme consists of the following:

Phase I	- Hotel (104 bed), restaurant and drive-thru units pre-let to Premier Inn, Brewers Fayre and Costa Ltd - Building of a new Provender Mill comprising 46 apartments and 3 A3 units totalling 4,950 sq ft
Phase II	- Malthouse Extension to be refurbished into 74 apartments -
Phase III	- Transit Shed & to be converted into 2 A3 units totalling 6,600 sq. ft. -
Phase IV	- Downings Malthouse to be refurbished into 42 apartments and 18,980 ft. of A3 units

3.2 This scheme has already attracted significant assistance from the Homes & Communities Agency, after thorough due diligence, to enable the site acquisition. This has resulted in the public sector already having a major stake in the development. Without this support, which includes multi million pound private sector investment, the site would potentially remain in its current dilapidated state for the foreseeable future. If this current scheme fails to get moving, the site could return to the public sector and which could result in significantly more public resources to not only secure the warehouses, but to get any future scheme moving forward than this proposed regeneration loan.

3.3 The proposal is that Gloucester City Council make available a regeneration enabling loan to Rokeby Merchant to assist with the delivery of the Bakers Quay scheme, Phase 1. The funds would be repayable within 24 months of the final staged payment, inclusive of appropriate market interest. The additional interest received would be returned to the Council's General Fund.

3.4 It is appreciated that many areas within the Council are seeking funding, not least within a period of limited finance availability. The key distinction of this proposal is that it is a regeneration loan, refundable within an agreed period, which will also generate a return. The loan will be underwritten by the Regeneration Reserve. This Reserve is based on income from the properties transferred to the city following the winding up of the South West Regional Development Agency. A condition of that transfer was that funds generated by those properties would be ring fenced for regeneration purposes.

3.5 The Bakers Quay scheme if delivered would also generate the following additional financial benefits to the taxpayer:

- additional National Non Domestic Rates
- 46 new apartments within the city paying Council Tax plus, within current rules, New Homes Bonus

In addition economic evidence suggests that every house built generates one direct job, 0.5 supply chain jobs and 1.5 indirectly induced jobs.

3.7 Equating this to the Bakers Quay scheme Phase 1 could generate:

- 46 direct jobs
  - 23 jobs in the supply chain
  - Over 50 construction jobs
  - 75 indirect and induced jobs created elsewhere in the supply chain
- Total: 194 jobs

3.8 To date the developer has met all their obligations, namely:

1. To secure the buildings (from theft/arson)
2. To protect the buildings from future damage from the elements
3. To finalise planning permission and dealing with conditions thereof
4. To seek and approve building contractor(s)
5. Initial land payment to HCA

3.9 The developer has already invested a sizeable stake with this development and has stuck with it.

#### **4.0 Asset Based Community Development (ABCD) Considerations**

4.1 The scheme will be delivered by the private sector. However Council officers will encourage the developer, RM, to ensure that as much of the construction and ongoing employment benefit is retained locally and to the benefit of Gloucester City residents. The developer has agreed to appoint a local contractor, Barnwood as lead contractor.

#### **5.0 Alternative Options Considered**

5.1 The following alternative option was considered by the project team and subsequently discounted:

1. Do nothing: the City Council could leave the developer to secure the necessary funding. This would remove any risk from the council becoming a part of the delivery of this scheme. This was not deemed appropriate for reasons set out in the confidential appendix.

#### **6.0 Reasons for Recommendations**

6.1 The proposed recommendations will enable the City Council to unlock this scheme, drawing in the investment, jobs and other financial inputs including additional non-domestic rates and new homes bonus.

#### **7.0 Future Work and Conclusions**

7.1 Should Members be minded to approve the recommendation contained in this report this will result in the commencement and completion of the following action:

- 1) Head of Finance concluding any remaining due diligence to his satisfaction that the risks to the public capital investment are minimised and acceptable, given the wider regeneration benefits of the scheme
- 2) The entering into a regeneration loan agreement with RM to accept funds to be used for the purposes of cash flow, including the provision of staged payments, interest and security.

## **8.0 Financial Implications**

8.1 Capital expenditure regulations allow the Council to give a loan to a third party towards expenditure which would, if incurred by the authority, be capital expenditure.

8.2 The return of the loan to the Council is not guaranteed. If the developer is unable to return any portion of the money this will be charged firstly to the regeneration reserve and then to the General Fund if the reserves are not sufficient. This liability should be considered when evaluating other uses of the regeneration reserve. Any cost incurred will reduce funding for other regeneration schemes and potentially the wider revenue budget.

(Financial Services have been consulted in the preparation of this report)

## **9.0 Legal Implications**

9.1 The Council has to have particular regard to the following obligations/restrictions in connection with the proposals:

1. State Aid: the Council must not confer an advantage on a selective basis to private undertakings (EC Regulation 659/1999, as amended). This advantage can be financial or otherwise. If a complaint that the Council has provided State Aid is upheld, the Council may be obliged to take steps to recover such advantage from the recipient (which may have financial and reputational risks), and may incur penalties if it does not do so
2. The proposed transaction is complex, and care must be taken to ensure that no legal obligations or restrictions imposed on the Council are breached. Specialist legal advice has been sourced to ensure that the structure of the transaction, and its related documents, do not transgress against the Council's statutory obligations. Commercial advice is being sought to ensure that this requirement is also satisfied.

(One Legal have been consulted in the preparation of this report)

## **10.0 Risk & Opportunity Management Implications**

10.1 The primary risks to the Council are:

1. Failure to deliver the scheme: this will be mitigated through staged payments based on activity on the ground
2. Failure by RM to repay the regeneration loan: a charge will be placed on the developer's profit share agreement to reduce this risk

## **11.0 People Impact Assessment (PIA):**

- 11.1 The PIA Screening Stage was completed against the protected characteristics. This did not identify any potential or actual negative impact, therefore a full PIA was not required. This project will give opportunities for all those within the protected characteristics in terms of improved housing, and employment opportunities.

## **12.0 Other Corporate Implications**

### Community Safety

- 12.1 The benefits of this project are positive. Whilst the disused warehouses are on private land, they have been subject to trespass. The warehouses are in a dangerous state and such trespassing is extremely dangerous for those individuals that undertake this activity.

### Sustainability

- 12.2 This scheme is a highly sustainable contribution towards the regeneration of Gloucester. It maximises the reuse of old buildings which their physical condition makes possible, is on previously developed land and is in a city centre location enabling the end residents and commercial users to benefit from public transport and all the amenities of a city centre location.

### Staffing & Trade Union

- 12.3 There are no Trades Union or staffing issues to consider.

**Background Documents:** None