

# Gloucester City Council

<b>Meeting:</b>	<b>Cabinet</b>	<b>Date:</b>	<b>11 March 2020</b>
<b>Subject:</b>	<b>Kings Quarter Delivery Proposal</b>		
<b>Report Of:</b>	<b>Cabinet Member for Performance and Resources</b>		
<b>Wards Affected:</b>	<b>Westgate</b>		
<b>Key Decision:</b>	<b>Yes</b>	<b>Budget/Policy Framework:</b>	<b>Yes</b>
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<b>Appendices:</b>	<b>A - Site &amp; Plot Layout Plan</b>		

## FOR GENERAL RELEASE

### 1.0 Purpose of Report

- 1.1 To secure approval from Cabinet to authorise Officers to enter into legal negotiations for a joint venture to realise the Council's regeneration aspirations for Kings Quarter.

### 2.0 Recommendations

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

- (1) the Head of Place in consultation with the Leader of the Council, the Cabinet Member for Performance and Resources and the Head of Policy and Resources is authorised to continue to negotiate a joint venture to develop Kings Quarter into a high quality mixed use hub, packed with community features aimed at attracting new companies to Gloucester, based on the latest proposals outlined in this report. Once agreed, officers will bring a final proposal back to Cabinet and Council for approval
- (2) it be noted that progress made on the demolition and enabling activities being carried out at Kings Quarter and the imminent determination of the planning application.

### 3.0 Background and Key Issues

- 3.1 This report seeks approval for the continuing delivery of Kings Quarter and directly relates to approvals and the previous update submitted to Cabinet on the 15<sup>th</sup> January 2019. To recap the primary approvals given were:
- a) The surrender back to the Council of the present long lease to NCP Limited for the Bruton Way multi-storey car park. This was completed on 19<sup>th</sup> January 2020.

- b) The demolition of Bruton Way Car Park and Bentinck House. Wye Valley Demolition are now undertaking the works and progressing towards completion at the end of April 2020.
- c) The agreement to proceed with additional surveys and associated technical work to enable a planning case to be made to remove an objection raised by the Environment Agency. The objection was removed following a meeting on 22<sup>nd</sup> January 2020 and determination of the planning application is scheduled on 3<sup>rd</sup> March 2020.

- 3.2 Both the Joint Core Strategy and the emerging City Plan clearly emphasize that “the primacy of Kings Quarter is fundamental to the delivery of the city centre regeneration and that it will act as a significant catalyst for the City’s transformation bringing considerable positive effects to the local economy”.
- 3.3 The Kings Quarter development has had a protracted history as a result of the economic downturn. Originally the subject of a fully compliant EU procurement process in 2008 resulting in Thornfield Properties being appointed, but not progressing due to financial failure. Stanhope Properties then signed a development agreement in 2012 but again failed to progress a planning application or design a viable scheme and subsequently withdrew. The City Council then decided to enable this development and procured a full design team. Following investigation works and negotiations, a planning application was submitted at the end of 2018. This is scheduled for determination on 3<sup>rd</sup> March 2020.
- 3.4 As part of the investment in Kings Quarter and to demonstrate commitment to this scheme, the City Council took the lead and with financial assistance from GFirst Local Enterprise Partnership developed the Gloucester Transport Hub, opened successfully at the end of 2018, and are now progressing similar improvements in partnership with the LEP and GWR for the railway station. In addition, Kings Walk shopping centre is being refurbished jointly with Reef Group, to include new and improved retail facilities, to complement the Councils completely regenerated Kings Square, now under re-construction with completion expected at the end of this year.
- 3.5 The actual delivery of the remainder of the scheme is now crucial, and the appointment of a delivery partner is the key to its success. It was reported in the last update paper that there was considerable occupier interest being generated in Kings Quarter. The Officers and Project Manager are pleased to be able to report that working together with a possible joint venture partner who has an adjoining land interest, more detailed proposals have been brought forward for consideration.
- 3.6 The scheme is similar to that shown in the planning application but increases the office element on plot 4 to cater for the present demand from specialist digital companies favouring this area but not being able to occupy grade A office accommodation as none presently exists in the city centre. This increase in city centre offices has been welcomed by employers who are in discussion with the possible joint venture partner. In addition, the possibility of circa 1,175 new jobs in the city centre will vitalise both the lunch time and evening economies, offer opportunities for local employment and assist struggling retailers.
- 3.7 Future management and maintenance of the public realm within Kings Quarter is proposed to be undertaken by a dedicated Management Company as is successfully the case in Gloucester Docks. This will ensure that the large

investment in this regeneration scheme is maintained to an excellent standard and funded partly from service charge income and part from pop-up and event income.

- 3.8 It is anticipated that a final report with recommendations to Cabinet and Council will be made during mid-summer followed by negotiation of legal agreements, determination of planning modifications and procurement of building contracts. This could enable a start on site for archaeological investigation and construction of phase one in the autumn of this year.

#### **4.0 Social Value Considerations**

- 4.1 The social value of the Council's plans for Kings Quarter could be considerable and the Project Manager has been working with the Council's Economic Development Team to maximise this impact.
- 4.2 The joint venture proposals for Kings Quarter propose that over the next 3-4 years an additional 1,175 new job positions could be created in the city centre. The joint venture party is offering to put in place a task force to ensure that a programme to help the local community upskill appropriately is created and the development is fully linked to the new digital access programmes at local Higher Education and Further Education institutions.

#### **5.0 Environmental Implications**

- 5.1 The proposal from the joint venture party emphasises how sustainable design will underpin the redevelopment of the Quarter. All buildings will be constructed with a design life well beyond the 60-year industry standard, with layouts, utilities infrastructure and floor to ceiling heights future proofed for new technologies and uses. For instance, they have proposed a way in which the proposed multi-storey car park can be readily converted to alternative use should our current reliance on the car lessen. They have committed to incorporating features such as cycle storage, car sharing systems, electric charging points as minimum and will be considering how solar panels and green roofs can technically be incorporated.

#### **6.0 Alternative Options Considered**

- 6.1 The Council Officers have reviewed alternative options to bring forward the redevelopment of Kings Quarter. The options include:
- Utilising Public Works Loan Board funding and managing the redevelopment of the site in house using procured contractors for each separate phase.
  - Advertising for a development partner and seeking expressions of interest.
  - Selling the site on a plot by plot basis with planning consent.
- 6.2 There are several disadvantages with each of the reviewed options such as: insufficient internal resources and experience, inability to maintain control over an important council regeneration asset, and significant delay in achieving activity on site.

#### **7.0 Reasons for Recommendations**

- 7.1 The proposal offered has the potential to provide a high quality and rapid opportunity for the Council to see its regeneration aspirations for the Quarter realised. It would potentially create employment space for up to 1,175 new employees, which could equate to £102m injected into the local economy each year. Being able to secure that number of new workers into the city centre would not only boost the local spend, but the provision of the 18-hour facilities proposed would extend that spending window from only working hours into the evening and night-time economy.
- 7.2 Officers believe the proposal put forward by the joint venture party is worthy of serious consideration and recommend that approval is given to work with them to refine the proposition. Extensive due diligence has been undertaken by Jones Lang LaSalle to evaluate and negotiate the financial appraisal. Legal opinion has been provided by Trowers & Hamblins for the heads of terms and to advise on a joint venture agreement. The intention is to refine the terms and seek approval to commit the Council to a binding relationship.

## **8.0 Future Work and Conclusions**

- 8.1 The Council will continue to require the assistance of the property expert and external lawyers to scrutinise the final Heads of Terms and to negotiate a legal contract.

## **9.0 Financial Implications**

- 9.1 Cabinet approval is requested to enter into legal negotiations with a potential joint venture partner. The legal and property costs for completing due diligence and finalising a legal agreement could be substantial. These costs were budgeted for within the original Kings Quarter approval and can be funded from existing arrangements.

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

## **10.0 Legal Implications**

- 10.1 Initial independent specialist legal advice is being provided by Trowers & Hamblins.

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

## **11.0 Risk & Opportunity Management Implications**

- 11.1 The main risks associated with this proposal are financial. The overall level of funding required to bring forward a development opportunity of this magnitude is considerable. Whilst all due diligence can be applied, investing in property can be particularly difficult to accurately predict.
- 11.2 It is a known fact that development in Gloucester can be financially challenging and the independent financial appraisal completed by the Council for the planning application showed a significant gap between value that can be generated and total development cost. Completing the development by way of a straightforward funding process is not viable for any party. The end land values do not sustain the cost of

development. This means that the Council needs to explore mechanisms that utilise the potential income generating value of the development. When viewed over a longer-term period, the income generated can support the costs. Obviously again, predicting the growth of revenue projections is difficult and there is a risk that they may not grow as predicted. Equally, there is also a possibility of greater returns than anticipated. The Council should take comfort in the fact that a private developer is sufficiently confident that an offer of partnership has been made, in which they intend to share in the risk and cost whilst providing some guarantees.

- 11.3 Council officers have sought independent advice to verify the financial appraisals underpinning this offer in order to mitigate future risk. As a consequence of the significant technological survey work and planning application process undertaken by the Council directly, it is in a good position to verify the projected development costs, and the risk of further abnormal costs and complications have already been minimised. Further conditions can also be applied as part of the legal agreement to limit the financial and programme risks to the Council.

## **12.0 People Impact Assessment (PIA) and Safeguarding:**

- 12.1 At present there are no adverse impacts identified for any of the Protected Characteristic Groups. As the regeneration of Kings Quarter progresses, the design process has been carefully devised to ensure maximum community engagement with a focus on achieving engagement with disabled and other minority groups. Further Impact Assessments will be considered as part of the planning process where relevant.

## **13.0 Community Safety Implications**

- 13.1 There are believed to be limited community safety implications at this stage. Any agreement to proceed with this proposal will involve construction taking place within a busy part of the city centre. During construction periods the contractors will be legally obliged to ensure the health and safety of not just their staff but also the local community.
- 13.2 The future design of the development will need to be agreed via the normal planning mechanisms and this will provide an opportunity for further scrutiny by key stakeholders such as police, counter terrorism teams, and the Fire Service.

## **14.0 Staffing & Trade Union Implications**

- 14.1 There are no staffing and trade union implications at this stage.

**Background Documents:** None