

TO: Executive
12 February 2019

STRATEGIC REVIEW OF DELIVERING FURTHER REGENERATION IN BRACKNELL
Chief Executive / Director: Finance

1 PURPOSE OF REPORT

- 1.1 To present to the Executive for consideration the outcome of the review commissioned by the Council from GVA and Pinsent Masons of different approaches to secure development of key council owned sites in Bracknell as well as a related proposal for the Council to play an active role in working with the Bracknell Regeneration Partnership to take forward development of The Deck and refurbish Princess Square, to complete this phase of the town centre regeneration.

2 RECOMMENDATIONS

That the Executive:

- 2.1 **Endorses the vision and objectives for future development in and around Bracknell town centre set out under paragraph 5.9;**
- 2.2 **Notes the findings of the Place Based Review of Bracknell, undertaken as part of the One Public Estate programme, included as Annex C;**
- 2.3 **Supports the findings of the Strategic Case developed by GVA and Pinsent Masons that considered options available to take forward development of the key council owned sites, summarised in paragraph 5.13, and authorises the Director: Finance to commence a procurement process to seek a Joint Venture partner to help deliver the agreed vision and objectives, noting that the final decision on a preferred partner would be taken by the Executive in late 2019;**
- 2.4 **Agrees to include the sites detailed in paragraph 5.21 in the Council's offer to potential joint venture partners;**
- 2.5 **Authorises the Chief Executive to finalise an agreement with Bracknell Regeneration Partnership that will ensure delivery of The Deck and secure significant investment in Princess Square, in accordance with the broad terms set out in paragraph 5.18 of the report;**
- 2.6 **Subject to recommendation 2.5, proposes the addition of £4.5m to the existing Town Centre Regeneration capital budget in the final 2019/20 budget proposals to Council, with financing as set out in paragraph 6.3 of the report.**

3 REASONS FOR RECOMMENDATIONS

- 3.1 To help ensure that the successful regeneration of Bracknell continues into the future.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 The Strategic Case assesses all options to secure development of the identified council owned sites, including alternatives to a Joint Venture. These are considered unlikely to give the Council the level of control over the form of development on key sites in and around the town centre, nor make the optimum financial return for the Council..
- 4.2 The Council could decide not to play an active role in the development of The Deck, which would at best lead to long delays in completing this part of the Lexicon development and result in Princess Square's continued isolation from the new part of the town centre. However, this goes against the Council's long established aim to regenerate the whole town centre.

5 SUPPORTING INFORMATION

Executive Summary

- 5.1 It has previously been identified to the Executive (June 2018) that the Council's active participation in developing sites it owns in and around Bracknell town centre through a Joint Venture would potentially offer advantages over the alternative approach of disposing of the sites for a one-off capital receipt. The key advantage would be an ability for the Council to shape the nature and timing of development on the sites and promote further regeneration that specifically complements the successful development that has recently been completed and is still on-going in the Lexicon and other sites. Though it is not the key driver, participation in a JV would also enable the Council to share in development profits in addition to receiving a capital receipt for the land value, albeit this would involve sharing the full development risk over a longer period of time.
- 5.2 A Strategic Case has been developed using external expertise from GVA Grimley Ltd (GVA) and Pinsent Masons solicitors that provides a detailed assessment of different delivery mechanisms for identified key council owned sites against the vision and objectives for the town centre, developed by members of the Bracknell Town Centre Regeneration Committee and published earlier this year. This has confirmed that participation in a JV as described in the strategic case would offer the best match.
- 5.3 The Strategic Case also provides outline financial appraisals for the three identified initial sites that would be the initial focus of a JV. This concludes that development of the sites primarily for residential development could deliver around 500 units, including 25% affordable, and realise an overall land value of £6m - £7m plus offer a possible additional financial return to the Council of around twice that value. The latter sum, representing a share of the JV's development profit and income from loan note interest, could be used to support front-line service delivery, which is not the case for a capital receipt.
- 5.4 In parallel with development of the strategic case, the Council has been working with the Bracknell Regeneration Partnership (BRP) to understand and help secure their plans for further development in the Lexicon. A commercial deal is proposed that, if agreed, will see work commence this Spring on a major refurbishment of Princess Square and help secure construction of The Deck starting in 2020, following the demolition of the ex-Bentalls store.
- 5.5 The deal would see the Council potentially benefit from a share of future rental uplifts in Princess Square and, most importantly, take ownership of the whole Southern Gateway site. Inclusion of this site as a longer term pipeline opportunity

for a JV would significantly increase the market attractiveness of the Council's offer to potential partners and strengthen the Council's hand in securing a high quality JV partner that will help achieve its regeneration objectives.

Property Joint Venture

5.6 In June 2018 the Executive considered a report from the Director: Finance setting out various options to take forward development of key council owned sites around Bracknell town centre. Having been presented with potential advantages of taking an alternative approach to a straight market disposal, the Executive resolved that:

- i) a possible Joint Venture approach to develop Council owned sites in the Borough be explored, and
- ii) to proceed to procure legal and property advice to help develop, in the first instance, a business case that would determine whether a JV approach could be the best option to secure the Council's objectives.

5.7 Following this, a procurement exercise was undertaken that led to the appointment of a long-standing partnership of GVA and Pinsent Masons to take forward the work on a business case. In doing so, it was clear that any alternative options for delivery would be benchmarked against a straightforward market sale of the initial sites identified;

- Market street
- Coopers Hill
- Jubilee Gardens / Stanley Walk

5.8 The Executive report also identified other sites that could potentially be delivered through a JV where development could be expected to occur at some point in the relatively near future, including;

- Easthampstead House / Library / Magistrates Court
- Commercial Centre

5.9 In order to inform development of the business case, Members of the Town Centre Regeneration Committee, other Leading Members and key officers participated in two workshops facilitated by GVA and Pinsent Masons. The first of these identified an overarching vision and key objectives in relation to further development of the town centre, as follows;

The **Overarching Project Vision** is:

To deliver high quality development that supports a thriving, 18 hour town centre and catalyses further regeneration in the area, and that serves the needs of all residents and businesses, including new community facilities and affordable housing, fostering a sense of local ownership.

The **Strategic Objectives** are to:

- support and help deliver the Council's strategic plan;
- proactively facilitate the physical delivery of the strategic vision for the town centre;
- deliver new commercial and residential uses that support the on-going regeneration of the town centre contributing to economic development, and a balance of daytime and evening trade and activity;
- deliver development of high design quality, setting the bar for further future development;
- enable the provision of affordable residential homes, space for specific commercial occupiers and typologies, and new community facilities to ensure development delivers benefits for all;
- maximise regeneration potential by responding flexibly to each opportunity and leveraging development expertise and resource to identify new opportunities, including with other public sector partners; and
- provide long term revenue streams to the Council to support future service delivery and furtherance of objectives under the Council's strategic plan whilst managing risk exposure per site.

- 5.10 At the second workshop, GVA and Pinsent Masons presented a qualitative evaluation of the suitability of different delivery mechanisms in relation to delivery of the identified objectives and provided an illustration of the potential financial returns. Subsequently, they have written up their findings, including addressing points made during the workshops, in the form of a Strategic Case for Members to consider. An executive summary of their report is included as Annex A to this report, with more detail provided in the full report which is attached as Exempt Annex B.
- 5.11 To inform their conclusions, GVA contacted a range of organisations in a "soft market testing" exercise to seek their views around the attractiveness of the core sites and other pipeline sites that the council had identified. While the overall market response was generally positive, this highlighted that the inclusion in the pipeline of a wider range of sites than originally identified would better enable the council to attract interest from a diverse range of potential partners.
- 5.12 In that respect, the council itself has been undertaking a Place Based Review of Bracknell under the auspices of the One Public Estate programme. The final draft of the outcome of this review is included as Annex C to this report. While there is inevitably some overlap with the sites originally identified to the Executive as possible opportunities for a JV, the review has highlighted a wider range of potential sites that could be taken forward through a JV, if created. Market

interest, following the sharing of a draft of this document with GVA for discussion with potential partners, was significantly heightened.

- 5.13 The key findings of the work undertaken by GVA and Pinsent Masons are as follows:
- A multi-site Joint Venture option appears to best fulfil the council's identified regeneration objectives, although the identified financial returns would be at risk and potentially not received if the schemes fail;
 - Development of the three core sites identified primarily for residential use would deliver around 500 units, including 25% affordable, and realise an overall land value of potentially £6m - £7m;
 - Participation in a JV could see the council receive additional returns from the three schemes through sharing in development profit and securing loan note interest of around twice that value;
 - The Council would need to invest cash (a maximum of around £5m for all 3 core sites) in the JV in addition to including its land holdings, in order to match the funding that would be needed from the private sector partner to take forward site development
 - In a JV approach the Council would not receive its land value or profit until the scheme was developed, meaning there would be a time lag relative to straight disposal. While there can be no guarantee, it is not felt that this time lag would be significant.
 - Inclusion of additional sites that would be available to deliver through a JV would attract greater market interest and achieve most competitive proposals from potential JV partners.
- 5.14 A comparison of the implications on the Council's revenue budget of pursuing a JV approach rather than straight capital disposal of the three core sites is shown in Exempt Annex D. This highlights that the Council could potentially face a revenue shortfall of up to £330k in early years, but would receive additional revenue funding of around £10m over a 10 year period, solely from the identified core sites.

The Lexicon

- 5.15 The Lexicon development has transformed Bracknell and proved to be a great success since it opened in September 2017. Visitor numbers to Bracknell town centre have increased sixfold to 16 million per year, exceeding targets set. The restaurants and cinema on Bull Lane have created the start of a previously missing night time economy.
- 5.16 It is important, however, that the regeneration of the leisure and retail part of the town continues hand in hand with the current and future residential development. In this respect, delivery of The Deck is key to both providing an enhanced offer that will help achieve the vision of an 18 hour town centre as well as completing the figure of eight pedestrian route, enabling direct access from Princess Square to the new Lexicon development area. Further refurbishment of Princess Square is also now required to enhance its attractiveness to both retailers and consumers.
- 5.17 The Council has been participating in on-going discussions with Legal and General and Schroders, who together comprise the Bracknell Regeneration Partnership (BRP) around their plans for both sites, which are in their ownership.

While planning permission has been secured for The Deck and significant progress has been made in identifying and signing up a number of potential occupiers, economic uncertainty has understandably resulted in reluctance from BRP to commit the significant funds necessary to commence the development.

- 5.18 Council officers and BRP have very recently been negotiating heads of terms on an approach that would involve the Council investing in The Deck in return for a share of future rent uplifts in Princess Square, purchasing land either side of the bus station site from BRP and paying for public realm work on Council owned land in Bull Square. If agreed, this transaction would provide the catalyst for BRP commencing a major refurbishment of Princess Square in Spring 2019 and actively taking forward work to procure contractors for the Deck and seek further planning permission that would be necessary before work could commence.
- 5.19 If agreed by the Council and the company Boards, all parties have undertaken to agree and sign up to heads of terms in early March. On this basis, BRP would commence the refurbishment of Princess Square almost immediately. The wider arrangement would remain conditional until BRP have all the necessary approvals to commence and pre-lets hit an agreed threshold. It has, however, been agreed that a realistic timescale would see the Deck opening in 2022 at the latest.
- 5.20 The Council's purchase of land around the bus station would see it gain ownership of the full Southern Gateway site, which has significant regeneration potential in the medium to longer term, as identified in the agreed Town centre Vision (Bracknell Vision 2032). If added to the pipeline of sites identified in the Strategic Case for a JV, this would constitute a significant enhancement to the Council's offer.

JV Core and Pipeline Sites

- 5.21 Should Members support the case to secure a JV partner to develop council owned sites, it is recommended that those initially offered to secure expressions of market interest are those highlighted in the Strategic Case and the Place Based Review plus the Southern Gateway as a whole, as follows:

Core Sites:

- Market Street
- Jubilee Gardens
- Coopers' Hill

Phase 2 Sites:

- Southern Gateway (includes land south of Jubilee Gardens, identified in the Strategic Case as a site not currently in the Council's ownership and the Bus Station identified in the Strategic Case as a possible long term opportunity)
- Albert Road car park
- Easthampstead House

Longer Term potential sites (not guaranteed):

- Civic Quarter (broader Easthampstead House site)

- Other sites identified in the Place Based Review including those in the ownership of other public bodies

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 6.1 The specific legal issues are addressed in the report.

Borough Treasurer

- 6.2 As was identified in the report to the Executive in June 2017, the estimated cost of professional advisers to support the procurement of a Joint Venture partner would be around £0.25m, which would be funded from the Regeneration Reserve. There are no other immediate financial implications in relation to a Joint Venture at this point, although there is likely to be a requirement for the Council to support development through a Joint Venture with assets and cash, as set out in the report.
- 6.3 The proposed arrangement with BRP would be funded initially by additional borrowing, to be repaid from capital receipts on the disposal or development of the core town centre sites identified in paragraph 5.21. The revenue costs of borrowing pending the capital receipts would be met from the additional business rates income to be received as a result of the Council's Business Rate Pilot status in 2019/20.

Equalities Impact Assessment

- 6.4 There will be no impact on specific groups arising from this report.

Strategic Risk Management Issues

- 6.5 Commercial development, by its nature, cannot be risk free. The proposed approach is intended to strike a balance between minimising the Council's risk exposure while allowing it to achieve its regeneration objectives for Bracknell town centre.

Assistant Director: Property

- 6.6 The property implications are included in the body of the paper. However, the Council will need to be mindful at all times of its duties in law for best consideration (s123) and state aid rules in any transactions.

7 CONSULTATION

Principal Groups Consulted

- 7.1 None

Method of Consultation

- 7.2 Not applicable

Representations Received

- 7.3 None

Background Papers

Annex A – Strategic Case (Executive Summary)

Annex B (Exempt) – Strategic Case (Full)

Annex C – Bracknell Place Review (One Public Estate)

Annex D – Cashflow Comparison Capital Disposal v JV Development

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