



# Delivering Regeneration in Bracknell Strategic Case

January 2019

# Executive Summary

Bracknell Forest Borough Council (the 'Council') has long held the ambition of delivering new development in Bracknell town centre and beyond, in order to promote economic development, enhance vitality, and secure new homes and facilities for local residents and businesses.

GVA and Pinsent Masons are instructed by the Council to determine what may be the optimal approach to secure delivery of this new development, ensuring that what comes forwards is of a form, scale and inclusive of uses that the Council wants.

## Project Objectives

We have reviewed the Council Plan, the Local Plan and the Town Centre Vision, as well as feasibility, viability and design work previously undertaken for numerous sites in and around the town centre. Following a workshop held with the Council and subsequent discussions, a series of Project Objectives are emerging. These are split into the Overarching Project Vision, and a series of Strategic Objectives as below.

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 the objectives under the Council's strategic plan whilst managing risk exposure per site.

## Delivery Options

In discussion with the Council five potential delivery options have been identified for the core pipeline sites, as follows:

- Site Disposals (baseline) – effectively a ‘do minimum’ option where the Council promotes the pipeline sites simply by selling them. This would typically be by marketing through informal tender, disposing of the sites to the highest bidder;
- Individual Site Development Agreements (‘DAs’) – contracts with a development partner for the delivery of a specific scheme. Typically they include a lot of detail regarding objectives and parameters for the development of a site, and negative, reactive controls. This option is for separate DAs for each site;
- Single Multi-site Development Agreement – as above but a single DA across multiple sites;
- Individual Site Joint Ventures (‘JVs’) – formal partnership with another party based on joint decision-making and control over development. They can be contractual or corporate, i.e. formed as a distinct vehicle; and
- Single Multi-site Joint Venture – as above but a single JV across multiple sites.

These options are varied but their key characteristics can be summarised into a series of categories, as follows:

- risk exposure;
- relative financial return;
- Council control over development;
- set up cost and procurement; and
- Council resource required (staff, expertise and financial).

The schedule below illustrates at a high level the relative strengths and weaknesses of each delivery option with reference to these characteristics. This is for relative and illustrative purposes only.

|                           | Site Disposals | Individual Site DAs | Multi-site DA | Individual Site JVs | Multi-site JV |
|---------------------------|----------------|---------------------|---------------|---------------------|---------------|
| Risk Exposure             | ●              | ●                   | ●             | ●                   | ●             |
| Relative Financial Return | ●              | ●                   | ●             | ●                   | ●             |
| Control                   | ●              | ●                   | ●             | ●                   | ●             |
| Set-up                    | ●              | ●                   | ●             | ●                   | ●             |
| Resource Requirement      | ●              | ●                   | ●             | ●                   | ●             |

## Qualitative Analysis

In order to assess the relative strengths and weaknesses of the different delivery options, we have set out a series of evaluation criteria against which to score the options. These criteria are in part based upon the Project Objectives, and some further criteria have also been used for the specific purpose of evaluating delivery options. These criteria and our assessment of scoring for each are set out below:

|                      |  | 1. INDIVIDUAL SITE DISPOSALS | 2. INDIVIDUAL SITE DEVELOPMENT AGREEMENTS | 3. MULTI-SITE DEVELOPMENT AGREEMENT | 4. INDIVIDUAL SITE JOINT VENTURES | 5. MULTI-SITE JOINT VENTURE |
|----------------------|--|------------------------------|---|-------------------------------------|-----------------------------------|-----------------------------|
| STRATEGIC OBJECTIVES | Strategic control over development – use and quality   | 3                            | 7   | 6                                   | 9                                 | 9                           |
|                      | Governance and control over delivery   | 2                            | 3   | 4                                   | 7                                 | 8                           |
|                      | Leverage development expertise for the Council and partners, including identifying new sites | 2                            | 4   | 6                                   | 6                                 | 9                           |
|                      | Flexibility in delivery per site   | 2                            | 4   | 3                                   | 8                                 | 8                           |
|                      | Generating revenue streams   | 1                            | 5   | 5                                   | 9                                 | 9                           |
|                      | Development risk exposure  | 8                            | 7   | 7                                   | 2                                 | 2                           |
| OTHER ISSUES         | Likely market interest   | 8                            | 6   | 7                                   | 2                                 | 5                           |
|                      | Set-up complexity including procurement  | 9                            | 7   | 5                                   | 4                                 | 3                           |
|                      | Council resource requirement – staff and expertise   | 7                            | 3   | 7                                   | 2                                 | 3                           |
| <b>TOTAL</b>         |  | <b>42</b>                    | <b>46</b>                                 | <b>50</b>                           | <b>49</b>                         | <b>56</b>                   |

Within this qualitative analysis the multi-site JV option appears to score highest. In this analysis we have not sought to weight the evaluation criteria, but some factors may be more important than others and this should be borne in mind when assessing the scoring.

In particular we would suggest that market interest is a key factor and whichever delivery option is taken the Council must be satisfied that it is adequately met. Currently in our view the scale of opportunity provided by the core pipeline sites may be of interest for a JV for some parties and not for others, i.e. it is 'in the balance'. The market interest in a JV (and hence the score for this element) could be improved in our view with greater certainty over further pipeline sites.

Soft market testing is of assistance in gauging levels of interest prior to committing to any of the options. A soft market testing exercise is currently on-going but comments received thus far suggest there is generally positive interest in the opportunity and in the form of a JV, though the more than can be done to categorise sites as more rather than less readily available for development the better.

## Financial Analysis

We have undertaken residual appraisal analysis for each of the core pipeline sites, based on the estimated capacities of development. This analysis generates a development land value associated with each scheme by subtracting estimates of all development costs, including a reasonable developers' profit, from projected values of assets to be developed and sold. As such they are an estimate of the financial return to the Council in the event it chose to deliver development through straightforward site disposals.

In addition to this residual appraisal analysis we have also undertaken a high level analysis of the cashflows that would arise for the same schemes in the event a JV delivery option was taken. That is, with the Council investing land value and sharing in development profits in the manner described in section 4, rather than receiving a land payment.

Results of this analysis are summarised below:

|                 | Individual Site Disposals | Joint Venture |
|-----------------|---------------------------|---------------|
| Absolute return | £6.0 - 7.4m               | £18.8 - 20.2m |
| Present Value   | £5.8 - 7.2m               | £16.4 - 17.8m |

It should be noted that these figures are indicative estimates based on current assumptions and for relative comparison purposes.

The analysis suggests that a JV approach may generate significantly greater returns for the Council. However this assumes the success of the schemes and these returns would be at risk; in the event of poor performance there is the potential for the Council's land investment not to yield any return.