

Summary Sheet

Name of Committee and Date of Committee Meeting

Cabinet – 17 December 2018

Report Title

Swinton Town Centre Redevelopment – Development Brief, Appointment of Developer and Disposal

Is this a Key Decision and has it been included on the Forward Plan?

Yes

Strategic Director Approving Submission of the Report

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Report Author

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Ward(s) Affected

Swinton

Executive Summary

This report updates Cabinet on progress following the market testing of a redevelopment opportunity for two sites one a vacant Council owned site proposed for residential development and the other the existing Council buildings in Swinton Town Centre, which for the purpose of the redevelopment and this report will be treated as one.

The site is fronted by Council owned retail and residential units and community facilities, the rear of the site is vacant. The vacant element is suitable for housing and the development of this land offers the opportunity to bring forward improvements to the Council owned assets. This report also requests the approvals required to progress this project through the submission of a Development Brief to the open market.

Recommendations

1. That approval be given to the aims and objectives for the redevelopment of Swinton Town Centre as set out at section 2 of this report.

2. That approval be given for an OJEU compliant procurement process to be undertaken in accordance with Rotherham Council's Contract Procedure Rules and Domestic and European Procurement Law.
3. That approval be given to Option 2 as set out at paragraph 4.2 of the report. This option foregoes an amount of capital receipt to the Council in order to achieve regenerative benefits to the Community and the Council in relation to the redevelopment.
4. That a further report be submitted following the evaluation of the tender submissions received, which recommends the endorsement of the preferred proposal and any approvals required for the disposal of land and property.

List of Appendices Included

Appendix 1 Map showing Swinton Town Centre redevelopment area

Appendix 2: Open Market Valuation (Exempt)

Background Papers

Swinton Prior Information Notice

Swinton Town Centre Redevelopment – Development Brief and Acquisition of Integral Site Cabinet Report – 16th October 2017

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No

Council Approval Required

No

Exempt from the Press and Public

An exemption is sought for Appendix 2 under paragraph 3 (Information relating to the financial or business affairs of any particular person (including the authority holding that information)) of Part I of Schedule 12A of the Local Government Act 1972, as this report contains sensitive commercial information with regards to the potential disposal of land and negotiation strategy which could disadvantage the Council if the information were to be made public.

It is considered that the public interest in maintaining the exemption would outweigh the public interest in disclosing the information, as the parties' commercial interests could be prejudiced by disclosure of this commercial information.

Swinton Town Centre Redevelopment – Development Brief, Appointment of Developer and Disposal

1. Recommendations

- 1.1 That approval be given to the aims and objectives for the redevelopment of Swinton Town Centre as set out at section 2 of this report.
- 1.2 That approval be given for an OJEU compliant procurement process to be undertaken in accordance with Rotherham Council's Contract Procedure Rules and Domestic and European Procurement Law.
- 1.3 That approval be given to Option 2 as set out at paragraph 4.2 of the report. This option foregoes an amount of capital receipt to the Council in order to achieve regenerative benefits to the Community and the Council in relation to the redevelopment.
- 1.4 That a further report be submitted following the evaluation of the tender submissions received, which recommends the endorsement of the preferred proposal and any approvals required for the disposal of land and property.

2. Background

- 2.1 Swinton Town Centre has excellent transport links and the town centre previously consisted of a number of public service provisions as well as independent and national retailers. Over the last few years various services have been relocated and buildings demolished leaving a cleared site which is in need of redevelopment. There remains a strong community with well-used but tired facilities. To bring about regeneration and improve the Town Centre new housing and a community focussed redevelopment is proposed.
- 2.2 A report was considered by Cabinet in October 2017 which detailed a number of options for Swinton Town Centre. Five options were considered:
 - Option 1: The site to remain in its present state with no action or intervention
 - Option 2: Sale on the open market
 - Option 3: Development through a potential Special Purpose Vehicle for housing and regeneration
 - Option 4: Development of grant-funded affordable housing, rather than a mixed tenure provision.
 - **Agreed Option 5:** Submission of a Development Brief to developers together with the acquisition of the integral site. This was the agreed option.
- 2.3 The approved option involved the issuing of a Development Brief in the form of a Prior Information Notice (PIN) to test the market appetite for a development partner to lead the regeneration of the Swinton Town Centre site.

- 2.4 In total 8 responses were received demonstrating a healthy appetite for the scheme. The responses have been presented to Ward Members as well as Council officers and the proposals have helped to refine the aims and objectives for the redevelopment.
- 2.5 An officer workshop was held on the 4th September 2018 to further clarify the aims and objectives for the redevelopment, these are set out below. The workshop identified four key deliverables (community facilities, housing, public realm and green space) which would bring about the regeneration of Swinton Town Centre; these have been considered in terms of their regenerative and financial impact.
- 2.6 It is proposed that a competitive procurement process will enable developers to deliver a revitalised town centre. In summary, the Development Brief will stipulate the delivery of new housing together with improvements to Council owned assets which will remain in the Council's ownership. The developer's ability to deliver the Council's requirements will be assessed through the production of a masterplan, accompanying financial appraisal and commentary which details their capability and capacity to deliver, and the rationale behind the masterplan. Although the Development Brief will guide developers to meet the Council's requirements the detail of the scheme will come from the chosen developer's submission. The following will be conveyed to the bidders through the Development Brief.
- 2.7 **Community Facilities:** The current community facilities are well-used and have the potential to be the heart of the town for both existing and new residents. It is for this reason that the Council wish to take the opportunities provided by the delivery of new development, on the vacant area to the rear of the site, to co-design the library service, civic hall and other community facilities alongside the local community and partnerships in order to ensure that the Council are meeting their needs and creating a welcoming well-designed and well-regarded 'Community Hub'.
- 2.8 The existing library is owned and operated by the Council. It was built in 1975 and is a typical 1970's concrete construction, and externally the building is in an unsatisfactory condition, both aesthetically and functionally. Internally the property is tired and would benefit from refurbishment. The Civic Hall is owned by the Council and is well used, being occupied most evenings and frequently in the daytime and accommodates a not-for-profit community café. Constructed in 1972 the building is generally in a serviceable condition, however the roof is in need of attention and internally the building is showing signs of disrepair.
- 2.9 The Development Brief will encourage bidders to rationalise the community facilities into one building, either by providing a new building or through the refurbishment of an existing building. The economies of scale brought about by this rationalisation are anticipated to bring about a reduction in maintenance costs in the future and the immediate repair costs anticipated by retaining the buildings in their current condition. The revenue costs of the community buildings are summarised in Exempt Appendix 2.

- 2.10 The rationalisation of the community buildings will require some capital investment, which is expected to be part of the development and thus likely to reduce any potential capital receipts from the wider site accordingly.
- 2.11 Housing: The vacant site could support a minimum of 70 units across the site, 50 on the lower, 20 on the upper site. Developers will be asked to provide innovative, aspirational housing which will drive a regenerative change in the neighbourhood. Developers will be encouraged via the development brief to have at least 25% of the site attributed to affordable housing and adhere to the Council's affordable housing policy. However this is subject to viability.
- 2.12 Public Realm and Greenspace: There are currently problems with vandalism and anti-social behaviour (ASB) associated with the existing public realm. The Development Brief will require bidders to put forward measures to design out the potential for ASB and encourage the community to use and take pride in the public realm and greenspace provision. It is anticipated that the maintenance of the public realm will be passed to a management company thus alleviating the Council of maintenance costs and ensuring maintenance in perpetuity.
- 2.13 Retail: Transferring the ownership of the existing retail units (which have Council housing above) is not considered to be a suitable option as retail analysis has shown that the existing units are popular. The Council will therefore retain ownership and Developers will be asked to improve the frontage of the parade of residential and retail units by providing a suitable, contemporary façade which amalgamates and complements the new retail and civic hall provision there will also be the opportunity to provide one or two new additional larger units as part of the development.
- 2.14 The retail units have a maintenance backlog and the associated public realm is dated. The Development Brief will request that this is addressed through the redevelopment and bidders will be asked to provide low maintenance solutions in their proposals.
- 2.15 Proposals to upgrade the existing retail units or improve the public realm could reduce the potential capital receipt to the Council. A final scheme will be subject to Planning.
- 2.16 Revenue costs and income are detailed in Exempt Appendix 2.

3. Key Issues

- 3.1 The sites are shown in Appendix 1. The Development Brief for the procurement process is for the site 1 and site 2. The market will be asked to consider the site as a whole.

- 3.2 The detail of the final design will be determined by the developer submissions and it is likely that the site (or elements of the site) will be taken out of Council ownership and disposed of to the successful developer. The existing retail units, the new community hub and garage units are proposed to remain in the ownership of the Council.
- 3.3 The land value is contained in Exempt Appendix 2. As the Development Brief will ask for improvements to the public realm, existing retail offer and new or refurbished community facilities (the library and Civic Hall) there will be a cost associated with this. It is therefore recommended that Cabinet agrees that the capital receipt is likely to be less than market value in exchange for these outcomes to be delivered. The value of the enhancement and regenerative works will be no less than the reduction to the market value received. The use of the competitive process through the OJEU will result in the best value for the site being brought back to the Council.

4. Options considered and recommended proposal

- 4.1 In response to the release of the Prior Information Notice (PIN) developer interest has been proven and through consultation the aims and objectives for the site have been considered, see section 2.0 above, this exercise leads to two options to consider in moving the project forward:
- Option 1: Seek the maximum capital receipt from the land value (Exempt Appendix 2). This option is essentially equivalent to sale on the open market which was originally considered and rejected at Cabinet in October 2017; however for the sake of comparison it is included. This option seeks the maximum financial value generating aspects to the development, i.e. housing and privately owned retail units, thus reducing the qualitative benefits to the Community by refurbishing or providing new community facilities.
 - Option 2: Forgo some of the capital receipt (Exempt Appendix 2) to achieve benefits to the Council and community. A reduction in the capital receipt will allow the improvement and redevelopment of the area. It will provide rationalised and improved community facilities and improvements to the retail and residential units, which all remain as Council assets. This option will also mitigate some revenue pressures on the Council for the backlog maintenance and repair of the existing buildings and public realm.
- 4.2 Option 2 is recommended to bring about the maximum regenerative impact and mitigate future costs to the Council. In order to deliver this option a full development brief is to be submitted to the market via the OJEU open procedure.

5. Consultation

- 5.1 Ward Members and members of the Stakeholder Working Group have been consulted on the submissions received in response to the Prior Information Notice, from these consultations and in line with recommended Option 2 the aims and objectives of the Development Brief have been captured. Further consultation with these parties will be undertaken in respect of the detailed proposals received in response to the Development Brief. Any future scheme will also be subject to the planning process which will also include consultation.

6. Timetable and Accountability for Implementing this Decision

- 6.1 The Development Brief will be ready to be submitted to the market in early 2019, if approved by Cabinet. The Open Procedure through the OJEU is proposed and bidders will be given approximately 6 weeks to respond. The bidder's submissions will be evaluated in accordance with procurement procedures and requirements. A preferred developer will be identified in May 2019 and a subsequent Cabinet report scheduled for July 2019.

7. Finance and Procurement Implications

- 7.1 An Open Procedure through the OJEU is proposed, the process will begin in January 2019 and complete in May 2019.
- 7.2 The Council currently owns and maintains the following properties on the site: - the customer service centre, civic hall, library and shop units. The details of running costs, backlog of repairs and estimated site valuation are contained in the Exempt Appendix 2.
- 7.3 Under the redevelopment some of the future repair costs on these 3 buildings may be avoided.
- 7.4 It is unlikely that there will be any revenue savings on these buildings as a result of the redevelopment. There will be some buildings which continue to be owned and operated by the Council and thus will still incur running costs.
- 7.5 It is not expected that the income from the shops will be adversely impacted. In fact an improvement in the general appearance of the site will likely mean that units are more sought after and potentially reduce void periods.
- 7.6 Any capital receipt generated will contribute towards the minimum £2m a year required as part of the Council's budget.
- 7.7 The redevelopment will also create some housing, which in turn will benefit the Council in terms of Council Tax and New Homes Bonus.

8. Legal Implications

- 8.1 A development agreement will be concluded between the Council and the appointed developer. The appropriate process whereby the successful developer is to be identified is set out within the body of the report.
- 8.2 It is likely that the disposal of the site to the successful developer will be at less than best consideration. The Council can dispose of property at less than best consideration (the difference between fair value and the proposed consideration) that can reasonably be obtained so long as it does not exceed £2m, and the Council considers that the disposal and redevelopment will help to secure the promotion or improvement of the economic, social or environmental wellbeing of its area. As such it is considered that the site may be disposed at less than best consideration in these circumstances.

9. Human Resource Implications

- 9.1 There are no direct HR implications arising from this report.

10. Implications for Children and Young People and Vulnerable Adults

- 10.1 The chosen option will focus on the provision of family housing within a range of market and affordable housing options, which are likely to enhance the lives of children, young people and vulnerable adults. The new enhanced community provision will increase services to the entire community, in particular young families, the elderly and other vulnerable adults by allowing the existing community work to continue and flourish.

11. Equalities and Human Rights Implications

- 11.1 None.

12. Implications for Partners and Other Directorates

- 12.1 There will be implications for the Library service and the process and developer submissions will be shared with the service and a project team approach will be implemented.

13. Risks and Mitigation

- 13.1 The refurbishment of the retail units and the improvements to the community facilities and public realm may not be covered within the cost envelope for this project i.e. the additional requirements from the Council cost more than the value of the land. This would result in the project requiring gap funding which may not be available.
- 13.2 The requirements of the Council to refurbish and retain the retail and community facilities may result in a lack of interest from the market. However the process of market testing via the PIN process has assisted in mitigating this risk, although the full viability will be obtained via the full procurement route.

14. Accountable Officer(s)

Paul Woodcock, Acting Strategic Director, Regeneration and Environment
Paul Smith, Head of Asset Management
Lindsay Johnson, Strategic Asset Manager
Lorna Vertigan, Senior Programme Manager

Approvals obtained on behalf of:-

	Named Officer	Date
Strategic Director of Finance and Customer Services	Julie Copley	01.10.2018
Assistant Director of Legal Services	Stuart Fletcher	26.09.2018
Head of Procurement	Lorna Byne	25.09.2018
Assistant Director of Human Resources	John Crutchley	25.09.2018