

PARTNERSHIP WORKING WITH BLUEPRINT IN THE WATERSIDE AREA

Report of the Acting Corporate Director of Regeneration and Culture

1. Purpose of Report

This report seeks Cabinet approval to the principle of City Council engagement with Blueprint within the Waterside Intervention Area. This Area is outlined in Plan 1 attached to this report.

2 Summary

2.1 This report outlines the broad proposals both the City Council and Blueprint have for the Waterside Intervention Area, and how working together in partnership can create a mutually beneficial outcome. It will describe the basic process for the waterside regeneration project and seek Members approval to the principle of engagement with Blueprint to progress. The report also describes the structure and ethos of Blueprint.

2.2 Any formal agreements arising from the partnership working as recommended below (e.g. Development Agreements, Land Sale Agreements and Compulsory Purchaser Order (CPO) Indemnity Agreements) will be subject to further Cabinet resolutions.

3. Recommendations

3.1 Cabinet is recommended to approve the principle of working in partnership with Blueprint and the Council's other regeneration partners: English Partnerships (EP), East Midlands Development Agency (EMDA) and the Leicester Regeneration Company (LRC) within the Waterside Intervention Area.

3.2 Cabinet is recommended to approve the principle of working in partnership with Blueprint and the Council's other regeneration partners (EP, EMDA and the LRC), if appropriate on other regeneration/development proposals, which it is thought are beneficial to the City Council.

3.3 Cabinet are to note that further reports will be brought as required to formalise agreements and other issues arising from partnership working.

- 3.4 That cabinet recommend that the service directors for Legal and Finance are satisfied that all proper legal, financial and procurement procedures (including where appropriate EU procurement rules) have been satisfied or addressed prior to agreement on further engagement with the agencies referred to in paragraphs 3.1 and 3.2 above.

4. Financial and legal Implications

Financial Implications – (Nick Booth, Extn. 7460)

- 4.1 This report proposes that the Council engages with Blueprint regarding the waterside intervention area, and as such, there would be no direct financial implications from this report, as any results from these discussions (such as any proposed development agreement or CPO indemnity agreement) would be subject to further cabinet approval.
- 4.2 The Council owns 5 plots of land in the waterside intervention area, the value of which would be expected to increase as a result of regeneration. Blueprint are a 50%/50% public/private developer and as such may be expected to assist in obtaining substantial public sector subsidy from English Partnerships which it is believed is required to promote regeneration of the area.

Legal Implications – (John McIvor, Extn. 7035)

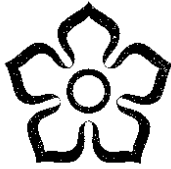
- 4.3 Any disposal of the Council's land referred to in the report will be subject to the Council's legal duty to obtain the best consideration pursuant to Section 123 of the Local Government Act 1972. The Council will also need to ensure that its fiduciary duty to its taxpayers is complied with. The legal issues arising from these requirements (see para 1.21 in the Supporting Information), will need to be fully explored and addressed during any consideration of the disposal of Council and any prospective development agreement.
- 4.4 A consequence of entering into a lock-out agreement is that the Council will be unable to treat with any other party with regard to its landholdings in the area contained within the agreement. If considered necessary, The District Auditor will continue to be consulted during the period of the lock-out agreement.
- 4.5 The Decision to make a CPO is a matter reserved to the Council, and is subject to such decision being made on the basis of a full proposal and formal request for the Council to use its powers. The Council will also need to comply with the requirements for making a CPO as set out in the Department for Communities and Local Government Circular 06/2004, which sets out the matters that need to be addressed when considering and making a CPO. This includes a requirement that the Council has the necessary resources (both in respect of funds and staffing) to carry out the CPO process and to pay any compensation.

4.6 In the event that the City Council resolves (at its discretion and if it considers it necessary and appropriate) to make a CPO then the Council must be certain, (assuming the Order is confirmed by the Secretary of State), that the costs of acquisition are available. The Council may require any developer to provide it with a CPO Indemnity Agreement, which will commit the developer to reimburse all the City Council's costs paid out in compensation to the displaced owners and occupiers.

4.7 In the event that the Council proposes to enter into more formal arrangements with Blueprint by way of a development agreement, the Council will need to be satisfied that all procurement issues (including where necessary compliance with EU procurement rules) have been addressed prior to the Council entering into such arrangements.

5. Officer to contact:
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Ext. 6516

Andy Keeling
Acting Corporate Director of Regeneration of Culture



Leicester
City Council

**WARDS AFFECTED:
ABBEY WARD**

CABINET

2 April 2007

PARTNERSHIP WORKING WITH BLUEPRINT IN THE WATERSIDE AREA

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SUPPORTING INFORMATION

1. Report

Background to Blueprint

- 1.1 EMDA needed to maximise funding for physical regeneration projects in the region's cities. EMDA had inherited from EP the regions portfolio of 550,000 sq.ft. of ex-English Estates public sector industrial buildings. This portfolio has an estimated capital value of around £20m.
- 1.2 In order to utilize the value in this portfolio to promote physical regeneration, EMDA conceived the 'East Midlands Property Investment Fund'. This placed the aforementioned portfolio in a delivery vehicle along with other EMDA owned development sites with matching equity investment from a private equity partner.
- 1.3 EP then offered their own development sites plus cash up to the same value as EMDA. The potential disposable resources are therefore around £80m on a 50/50 public/private basis (plus any borrowing) to be deployed in Leicester and the other cities in the EMDA region. The long term target is a completed development value of around £500m.
- 1.4 EMDA/EP obtained detailed legal advice before setting up this delivery vehicle and EU agreement to the vehicle for state aid purposes was obtained. The private sector partner was then sought competitively and Igloo Regeneration Fund was selected. The competition for a private sector partner was rigorous and attracted around 80 initial expressions of interest. The vehicle was then launched under the operating name of 'Blueprint'.

- 1.5 The Igloo Regeneration Fund is the specialist regeneration part of Morley Fund Management. Morley Fund Management was at 31 December 2005 the largest property fund manager in Europe. Property assets managed by firms within the Morley Group of companies were valued in excess of £27 billion. The value of the Igloo Regeneration fund is approximately £200m.
- 1.6 As explained above, Blueprint is a public/private limited partnership with a ten-year lifespan. Igloo hold 50% and EMDA and EP 25% each. The board is made up with senior people from all 3 organisations and an experienced executive team has been recruited.
- 1.7 Blueprints function is to hold and manage the investment portfolio transferred to it by EMDA and to take forward sites in the target areas through land assembly, masterplanning and project delivery. EP/EMDA sites are offered to Blueprint on the basis that, if accepted, they will deliver on them the vision in the relevant masterplan/SPD for that area. Blueprints stated aim is not to carry out full development of all the sites it facilitates, but particularly to put later phases to the market, with careful briefing, to engage normal commercial developers.
- 1.8 According to its website, Blueprints remit is to:-
- “Deliver social, economic and environmental outputs within a commercial framework, with its overall goal being to facilitate, through regeneration, environmentally sustainable and transformational property development, the delivery of EMDA and EP’s core objectives (the creation of a flourishing region and sustainable communities).
- 1.9 The focus of activity is in those areas of need where the market, left to its own devices, would not deliver the optimum regeneration solution and where there is a need to accelerate or catalyse the process of change”.
- 1.10 As described earlier and as outlined in the recommendations of this report, approval is also sought to collaborate with Blueprint in areas other than the Waterside Intervention Area where it is thought to be beneficial to the City Council. As with this report on the Waterside Intervention Area, any collaboration work will be subject to further Cabinet reports, providing full details, prior to any formal agreements being entered into.

Background Information on Waterside

- 1.11 The Waterside Intervention Area is one of the original five intervention areas outlined in the LRC’s Master plan published in 2003. The Master plan was designed to re-balance Leicester’s economy and supporting that aim by improving the City’s image and quality of life.

- 1.12 The Masterplan vision for the Waterside Intervention Area was for large-scale regeneration of the river and canal side in an area immediately west and northwest of the City Centre adjacent to the River Soar. The regeneration when completed is expected to create at least 3,500 new homes, 28,000 sq.m. of restaurants, leisure facilities and commercial premises as well as improved school, health care and community facilities, focused on existing and new water frontage.
- 1.13 The Masterplan vision was enhanced by a draft Supplementary Planning Document (SPD) in July 2005 titled Leicester's New Waterside. This document received Cabinet approval. It is anticipated that an Interim SPD will be formally adopted in April 2007. This document will only be interim because work will still be on-going on the Highway Transport Assessment and S.106 developer contributions tariff. It is hoped these will be added soon after April 2007 to achieve a completed formally adopted Waterside SPD.
- 1.14 It was always anticipated that to successfully develop the Waterside Intervention Area as per the SPD would require substantial public sector subsidy especially for areas like the public realm and highways. It is envisaged this public subsidy would be enhanced by the S.106 developer contributions tariff. At present the vast majority of public sector funding is expected to be provided by EP, however, infrastructure works in the area may be a candidate for Growth Point funding in the future, if available.
- 1.15 The main area that Blueprint is proposing to develop is the Exemplar Area, which was previously known as the 'Pilot Area'. The Exemplar Area (the area of which extends along Soar Lane, along the river and canal to Northgate and along Northgate to its junction with Soar Lane/Sanvey Gate) has an area of approximately 12 acres and comprises over 40 separate ownerships. Blueprint has acquired a small number of plots (totaling approximately ¼ of the total area) and is in active negotiations with several more, but it is still very likely that the comprehensive development required will require a Compulsory Purchase Order (CPO).
- 1.16 EP is the main public sector funder for the Waterside Intervention Area and Blueprint is their chosen delivery vehicle, therefore the City Council should engage with them to deliver the objectives for the Waterside Intervention Area. The stated objectives of Blueprint match the Council's vision for the Waterside Intervention Area and a working relationship has already been forged. The formal agreements can ensure these stated objectives are actually delivered when the area is developed.

- 1.17 As well as the Waterside, Blueprint currently owns or has options on other sites at Abbey Park Road, Rocket Studios on Wolsey Island and Morledge Street. They are more active in Leicester than most of the region's other cities.

The Waterside Proposals

- 1.18 The provisional boundary of the exemplar area runs along Soar Lane, along the river and canal to Northgate and along Northgate to its junction with Soar Lane/Sanvey Gate. This boundary will be kept under review with Blueprint as the project proceeds (the provisional area is shown on plan 1). It is expected to utilise the River Soar and the Grand Union Canal water frontages to create a desirable residential-led mixed-use development. Blueprint has already embarked on substantial investment here by purchasing several key sites on an opportunity basis.
- 1.19 The purpose of the Blueprint led development is to deliver an exemplary standard development, both in terms of design and sustainability. One of the specific objectives, at present, is to deliver a wider range of size and type of accommodation than could be achieved through a traditional speculative development approach. The proposal is anticipated to create new market types of accommodation that might not otherwise be viable in this location. The hope is that if it is successful it will persuade developers of surrounding sites to diversify the types and sizes of property they develop.
- 1.20 This vision is to be subjected to a 'Housing Market Assessment' from a leading team of external consultants. This will inform the likely levels of demand over time and unit type, mix, size and tenure. This should be completed by the end of April and will inform the masterplanning process that will be required as part of the process of achieving a successful planning consent.
- 1.21 The recommendation in this report also allows discussions to begin with Blueprint outside the exemplar area but within the Waterside Intervention area as a whole should opportunities arise which are beneficial to both parties. At present there are no discussions taking place with Blueprint for sites outside the exemplar area within the Waterside Intervention Area.

Issues to be resolved

- 1.22 Before a further Cabinet report be considered by Members detailing and seeking approval for formal agreements for the Waterside Intervention Area, several areas need clarification.

If the Council agrees to work in partnership with Blueprint, these are the other issues that need to be considered:-

- i) Compulsory Purchase

The Council may consider the use of its powers to make CPO's on a case-by-case basis, in order to facilitate the regeneration of the Waterside Intervention area in accordance with its general policy and practice on the use of CPO powers as envisaged by the draft Waterside SPD (July 2005). The decision to use CPO powers is a decision for Cabinet and at present the Council is precluded from fettering its discretion as to whether or not it should agree to use its powers. To use its CPO powers the Council will need to demonstrate there is a compelling case in the public interest.

The Council will need to assess the benefits of the project (including viability) on an objective basis. Before agreeing to use its powers, the Council will need to consider a full and comprehensive proposal for the scheme as well as entering into an acceptable CPO Indemnity agreement, which covers the Council's costs in connection with exercising its CPO powers.

ii) Land and Property Issues

The Council is under a legal obligation to obtain best consideration reasonably obtainable in the circumstances for the sale of its land, as well as ensuring its fiduciary duty is satisfied and capital programme achieved. Again the final decision for disposal of Council land and property is one for Cabinet.

The Council may also require proposed development parties to enter into a Development Agreement, in order to ensure the development is carried out to the Council's satisfaction. Again, Cabinet approval will be sought for any Development Agreement to be entered into.

iii) Relocation

The development of the Waterside Intervention Area will result in some current occupiers requiring relocation.

The Council plans to adopt its current relocation policy, which states that:-

"Insofar as it is not inconsistent with City Council policies [it will] seek to use land holdings and maximise available flexibility in disposal arrangements in support of the LRC Master plan".

Blueprint will need to convince the City Council of a real and present need for any property to be earmarked as a potential relocation site. If it is decided to assist in relocating companies from the Waterside to City

Council held land, the issues on best consideration as outlined in (ii) above will need to be resolved.

iv) Lock-out Agreements

The Council may consider use of these where appropriate. Their use will be subject to the Council's own land and property requirements and should not conflict with the Council's programme for land and property disposals. Again its use is reserved for Cabinet.

v) Officer time

It is normal practice for the City Council to recover all its costs for undertaking a CPO, through the Indemnity Agreement. To deviate from this set procedure would again be a matter for Cabinet.

vi) Other Issues

The City Council would also wish to give consideration to ensuring that following issues are covered as part of any collaboration process:-

- a. That regular project management liaison takes place and is established via project boards and project teams.
- b. A clearly defined transparent establishment of roles and responsibilities.
- c. Responsibility for costs is clearly defined.
- d. That FOIA and "Public Agenda" to which the Council is subject are observed and addressed.
- e. That the Council's Community Cohesion Strategy is considered.
- f. The City Council's discretion in its role and responsibilities as a public and statutory body should not be fettered.
- g. The City Council's procurement regime should be adhered to.

Corporate Commitment

1.23 The amount of officer time and Council resources required to implement the Waterside Intervention Area as proposed by the SPD cannot be underestimated. It is clear from the work undertaken so far by other developers in the area that comprehensive development in areas of multiple land ownerships is hard to deliver.

1.24 As stated in 1.15 above, the main area that Blueprint is proposing to develop is the Exemplar Area, which was previously known as the "Pilot Area". Blueprint and its regeneration partners have informally requested the Council

to investigate the use of these powers to achieve this aim. The Council will require a formal request to proceed with a CPO (subject to the issues raised in 1.22(i) above being satisfied). A successful CPO will create certainty for Blueprint and the Council and minimise risk.

1.25 As well as any CPO, the Council is likely to have to commit to disposing of its small landholding in the area (5 plots) and to entering into a development agreement with Blueprint.

1.26 Areas in which substantial officer time may be required are:-

1. Masterplanning of the Waterside Area.
2. S.106 tariff work.
3. Grant applications for various streams of public sector funding.
4. Compulsory Purchase Order and Indemnity Agreement.
5. Property Agreements (Development Agreement and Land Sale Agreement).
6. Highway strategy and potentially alterations.
7. Project management of all these processes.

1.27 The above list is not exhaustive and there may be other areas of work required to deliver the Blueprint led development in the Waterside Intervention Area. More detailed information will be given in later Cabinet reports, should the current ideas be worked up into substantial, detailed plans, which are deliverable and acceptable to the City Council.

Other City Council involvement with Blueprint

1.28 In addition to the Waterside Area, Members are aware that the Council is developing a relationship with Blueprint in the project to replace the Phoenix Theatre. Issues arising out of this process will be developed in the later reports on this project to Cabinet.

2 FINANCIAL, LEGAL AND OTHER IMPLICATIONS

2.1 Financial Implications (Nick Booth – Extn. 7460)

See Summary Report.

2.2 Legal Implications (John Mclvor – Extn. 7035)

See Summary Report.

3. Other Implications

OTHER IMPLICATIONS	YES/NO	Paragraph Within Supporting information	References
Equal Opportunities	NO		
Policy	NO		

Sustainable and Environmental	YES	Sustainability and environmental issues will form part of the masterplanning process.
Crime and Disorder	NO	
Human Rights Act	NO	
Elderly/People on Low Income	YES	The proposals will include an element of residential development and it is anticipated that this will include some form of affordable housing provision.

4. RISK ASSESSMENT ANALYSIS

As yet the risks to the City Council are not yet clear and will not be until later Cabinet reports when the heads of terms will be drawn up for the various formal agreements.

As always the City Council will only enter into agreements that minimize its risk, and at present it is not envisaged there will be any major risks to the City Council by working in partnership with Blueprint.

5. Consultations

Neil Gamble – Head of Property Development, Property, Resources Department.

Brendan McGarry, Principal Valuer, Regeneration Team, property, Resources Department

Deborah Rose, Development Team Manager
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Joanne Ives, Lead Officer for the replacement of the Phoenix Theatre
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