

Executive Decision Report

7th February 2014

REDEVELOPMENT OF NEW WALK CENTRE SITE

Lead Director: Frank Jordan



Useful information

- Ward(s) affected: **Castle**
- Report author: Frank Jordan
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- Report version number: 001

1. Summary

This report outlines the current status of the New Walk Site redevelopment project. It provides further information about the:

- i. the preferred procurement option for taking the project forward
- ii. the demolition programme

It is recommended that the following decisions are taken:

- i. A public procurement programme be progressed in accordance with the public contracts regulations (2006) (as amended) by way of a Competitive Dialogue process to secure a development partner to deliver regeneration of the New Walk Centre Site and the procurement of demolition works contract.
- ii. To add the procurement of a development partner to redevelop the New Walk Centre site to the 2013/14 procurement plan;
- iii. To add the procurement of a demolition contractor to the 2013/14 procurement plan

2. Main report:

The Council are due to vacate the New Walk Centre (NWC) buildings and site by end of June 2014.

This releases the NWC site for potential redevelopment in conjunction with the adjacent Marlborough House site (see Site Plan in **Appendix 1**) that is already cleared and secured.

2.1 Soft Market Testing and Feedback

In order to assess the potential interest in the redevelopment and regeneration of the NWC and Marlborough House sites the Council sought Expressions of Interest (EOI) from potential developers in May 2013. This highlighted the following:

- Overall, the market appears to be very keen on the development potential of the site.
- Any procurement process or next steps need to be clear, succinct and well managed.

2.2 Approach and Options Appraisal

The outputs from the EOI process have been used to inform an option appraisal process. The key factors that were considered in this option appraisal exercise were:

- The impact of the various possible delivery routes on the project programme.
- The ability to deliver development on the site that meets the strategic objectives for the Council
- Enabling the potential bidders to propose a deliverable and viable scheme
- The importance of the design of the scheme
- Creating a mix of development that is appropriate to the site, surrounding area and that is deliverable

Taking these issues in to account, the preferred option is to procure a partner by way of a public procurement compliant process utilising the Competitive Dialogue procedure.

The Council is required to select its development partner in accordance with the Public Contracts Regulations 2006. The procurement process will include the issue of an OJEU Notice, evaluation of potential bidders by way of a Pre-Qualification Questionnaire following which bidders are selected to participate in a formal dialogue process. This will lead to the selection of 3 parties to present final proposals before a development partner is selected.

The legal structure for the contract will be a development agreement.

2.3 Demolition

The project team has gathered data on the existing buildings and site and met with stakeholders. The current position is as follows:

- The demolition programme has been developed to detail all activities that need to take place to deliver demolition of the buildings on site.
- An identification of the demolition options has been completed and these are summarised as follows:
 - High reach - demolition undertaken by 'high reach plant' to break down the building, in accordance with agreed structural approach i.e. not floor by floor.
 - Top down – demolition of the building from the rooftop downwards, comprising floor by floor deconstruction. Building is fully scaffolded & encapsulated, temporary structural support likely to be required with heavy cranes.
 - High speed implosion - Demolition by use of high speed explosives (ie blowdown by implosion).

It is proposed that demolition will commence once the NWC buildings are vacated. A preferred demolition option is not finalised at this stage, however the highest cost option has been estimated as being £4.2m. The final estimate for the demolition of the buildings will be confirmed once the detailed option appraisal and procurement has been finalised.

2.4 Programme

The programme is intensive but achievable and in summary comprises the following:

- Formal Approval of the development and demolition strategies (Mid Feb 2014)
- OJEU notice released (Mid Feb 2014)
- Tender for Demolition contract starts (Feb 2014)
- Sign-off of demolition contractor (April 2014)
- Decant NWC staff (June 2014)
- Vacant Possession of NWC site (July 2014)
- Final Redevelopment proposals received (Sept 2014)
- Contract signed with preferred development partner (Dec 2014)

3. Details of Scrutiny

The Overview Select Committee received a presentation on the project at its meeting on January 16th 2014 and supported the approach outlined in this paper.

4. Financial, legal and other implications

4.1 Financial Implications

New Walk Centre will be vacated by the end of June 2014, and it is the Council's objective to bring forward demolition and redevelopment of the site at the earliest opportunity maximising the regeneration benefits to be achieved.

Whether the Council undertakes the demolition of NWC itself or leaves this to a private developer (with a consequent reduction in capital receipt), would be open to negotiation and would depend on the best and most cost-effective way of promoting regeneration of the site. However, the acceleration of the demolition programme (to be undertaken during the development partner procurement exercise) will bring forward the timescales for redevelopment of the site and avoid the mothballing of the building for at least 6 months. Doing nothing during this time would undoubtedly incur revenue expenditure in both on-going site security and maintenance. The estimated cost of demolition is now estimated to be in the region of £3.5 million and £4.2 million.

It is proposed to progress a compliant public procurement programme by way of Competitive Dialogue to secure a development partner to deliver regeneration of the NWC site (including the cleared Marlborough House site) alone. This is hoped to give the Council more say over the subsequent development though this will still depend upon the market.

Current revenue budget estimates assume that the Council will not take up end user office space in a subsequent redevelopment of the NWC site.

The total estimated cost of the procurement exercise (including all work undertaken thus far) is estimated at £510,000. When this sum is added to the cost of demolition this leaves a total cost of between £4.04 million and £4.69 million. There is already a provision within the existing accommodation strategy project budget of £3 million. It would also be prudent to include a contingency sum due to the significant uncertainty around the type of demolition to be undertaken and the nature of the building (ie asbestos levels etc). Therefore the total cost of the scheme is estimated to be £5m.

No account of any sale value of the site has been included within the scheme financing costs as this would be dependent on the route to market. At this stage, what value the Council would receive for the disposal of the site is not certain and is dependent upon development proposals received. However, the latest current estimate of potential receipts from the sale of a cleared site is around £2m. Therefore it is proposed that the scheme is funded through the existing provision of £3m and deferred capital receipts of £2m.

A successful redevelopment of the site for mixed use leisure, retail, office and residential would also result in additional business rates, which under current rules would result in the Council being entitled to 49% of such income and an increase in the taxbase (the number of dwellings paying council tax), which be of added benefit to the on-going revenue budget position

Alison Greenhill – Director of Finance

4.2 Legal implications

Council officers and external professional advisors have been considering various options for the New Walk site redevelopment project. The summary of the outcomes are in the main body of the report.

The options analysis on the preferred delivery solutions, which has resulted in the recommendations sought, was undertaken with advice from the Council's external advisors including legal advisors, and which took into account the Council's requirements. The preferred procurement approach with which to go forward, and the recommendations are contained in the main body of this report and in section 4.3. Legal advice will continue throughout this project.

The Council must comply with its Contract Procedure Rules and the Public Contracts Regulations (2006) (as amended) and as noted in 4.3, the procurement of the development partner and demolition works need to be approved by the Executive.

Beena Adatia – Principal Solicitor (Commercial, Contracts & Capital)

Although the report is mainly concerned with the procurement aspects of the project, in respect of any proposed future disposal of property, the Council will be under a legal obligation under s.123 of the Local Government Act 1972 to obtain best consideration in the disposal of land and property, and to proceed in accordance with its adopted Property Disposal Framework. The Council is further required to ensure that its fiduciary duty to its taxpayers is discharged in respect of the disposal of assets.

John McIvor – Regulatory and Property

4.3 Procurement

In order to gain the required level of control for this project, it has been identified that a procurement process would be required (rather than a simple land sale), and that this procurement process would be subject to the Public Contract Regulations 2006 (PCR), and therefore require an “OJEU-compliant” process.

The PCR set out four procurement procedures which can be followed and during the workshop, officers and advisors identified the Competitive Dialogue (CD) procedure as the most appropriate for this contract.

As well as being appropriate to the Council’s requirements, it was considered the required justification for using the CD process set out in the PCR was met, but the further justification required to use the Negotiated Procedure – that the CD procedure would not be appropriate – was not.

This procurement process is not currently listed in the council’s Procurement Plan. It is recommended that approval is given to add this contract onto the Council’s Procurement Plan.

Neil Bayliss – Head of Procurement ext 4021

4.4 Climate Change and Carbon Reduction implications

The demolition and sale of the New Walk Centre site will have a positive impact on Leicester City Council’s own carbon footprint. The extent of this impact is being modelled by the Environment Team as part of the city centre accommodation strategy.

However, whether the redevelopment of this site has a net positive or negative impact on the citywide carbon footprint will be highly dependent on the site’s design and operation. Current planning policies such as Core Strategy policy CS2 on climate change, energy efficiency and flooding as well as saved policy BE16 on renewable energy should ensure that any development at this site has mitigated and adapted to climate change. In addition to planning policy, the sustainability of the redevelopment could be further influenced by the inclusion of appropriate conditions in the sale of the land, if the Council so wished.

Charlotte Wood, Senior Environmental Consultant (Climate Change), Environment Team 29 8174

4.5 Equality Impact Assessment

None.

4.6 Other Implications (You will need to have considered other implications in preparing this report. Please indicate which ones apply?)

None

5. Background information and other papers:

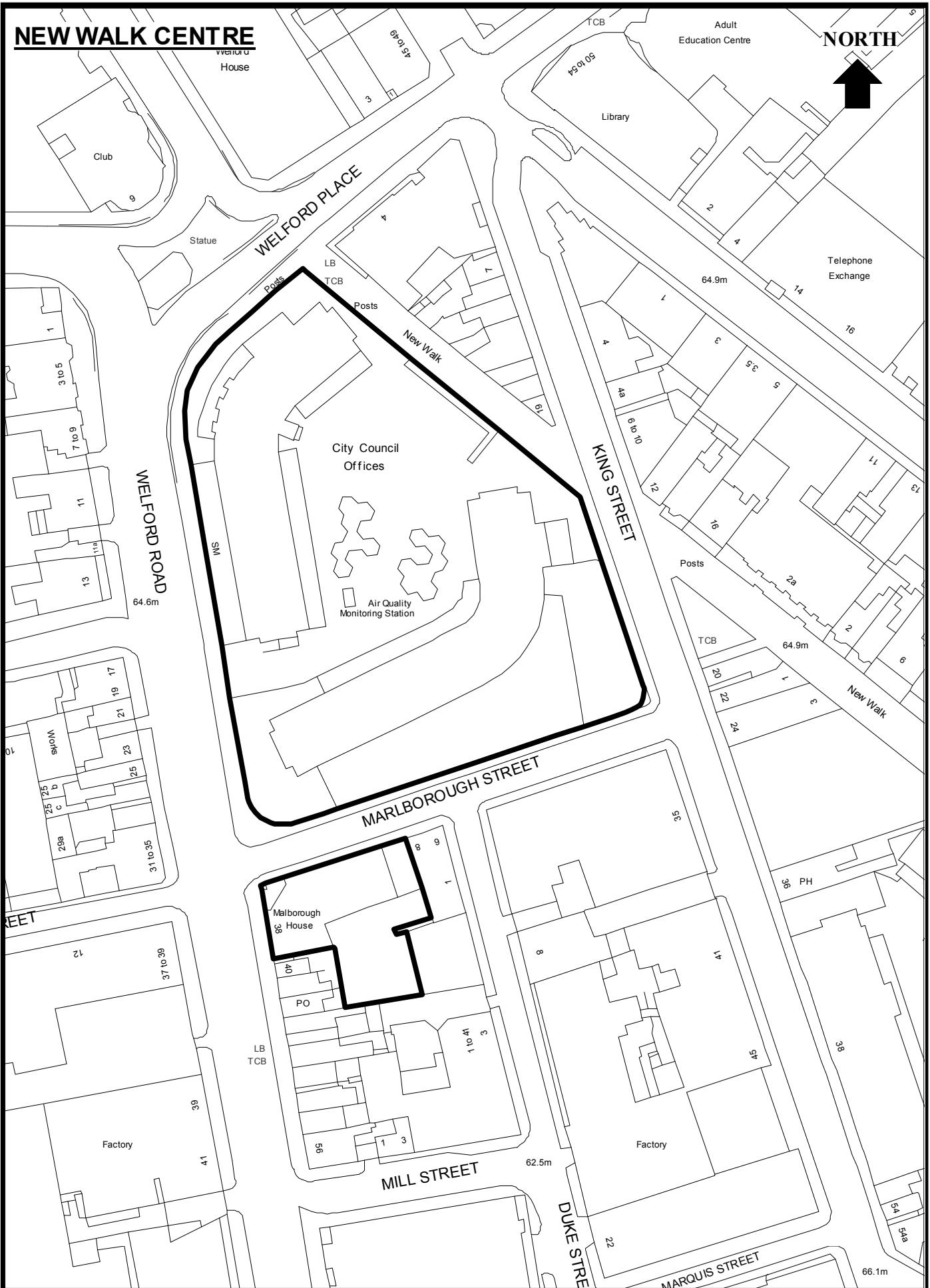
None.

6. Summary of appendices:

- I. Site Plan

NEW WALK CENTRE

NORTH



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