

Executive Decision Report

Waterside Regeneration – Appointment of Development
Partner

Decision to be taken by: City Mayor

Decision to be taken on: 14 November 2016

Lead director: Andrew L Smith



City Mayor

Useful information

- Ward(s) affected: Abbey Ward, Fosse Ward
- Report author: David Beale
- Author contact details: Ext 2904
- Report version number: 2.0

1. Summary

The purpose of this report is to approve the appointment of Keepmoat Homes Ltd as Developer Partner for Waterside Phase 1, to enter into an associated Development Agreement and to add the necessary resources to the capital programme.

2. Recommendations

The City Mayor is asked to:

1. Approve the appointment of Keepmoat Homes Ltd as Developer Partner for Waterside Phase 1;
2. Approve entering into a Development Agreement for the sale, purchase and development of Leicester Waterside Phase 1, Northgate Street on detailed terms to be agreed by the Strategic Director (City Development and Neighbourhoods) in consultation with the City Mayor; and
3. Add £12m to the capital programme in respect of infrastructure works to be undertaken by the Developer, underwritten by Prudential Borrowing as necessary in advance of the receipt of expected funding

3. Supporting information including options considered:

The City Mayor announced a proposal to regenerate Leicester Waterside in January 2015. Waterside is defined as land along the River and canal corridor, north of West Bridge, to the River crossing of the A6, St Margaret's Way.

The area has long been recognised as struggling due to the decline of key industries leaving a legacy of underuse, vacancy and dereliction. It has significant potential to contribute much more to the City's prosperity and well-being than it does presently. The City's Local Plan and previous versions dating back to 2006 recognise the regeneration potential of the area for new homes and modern office space within an attractive waterside environment. It is a strategic regeneration priority for the City.

A vision for the regeneration of the area was set out in the Waterside Supplementary Planning Document (SPD), adopted by the Council in August 2015 following public consultation. Amongst other matters, the Waterside SPD set out plans for the mix and

distribution of new development within the area and identified the location of a first phase of redevelopment, to be facilitated by the Council.

An Outline Planning Application for the first phase area followed, which was approved following public consultation in December 2015. It provided for redevelopment of the site for up to 500 homes, 5,500sqm of new office space and ancillary retail and leisure space.

The Waterside development is a major regeneration scheme with an expected gross total cost of some £35m over the 5 year period 2015-2020. The Council was successful in securing £20m of the Government's Local Growth Fund grant via the Leicester and Leicestershire Enterprise Partnership to facilitate delivery of the scheme, over the period 2015-2020. A further £5m has been made available by the Council through the Economic Action Plan. Land receipts of circa £10m are expected in due course.

The phase 1 area comprises some 18 acres, and the Council has successfully acquired over 75% of the land and property through negotiation since 2014, in order to facilitate the delivery of a comprehensive regeneration scheme. Alternative delivery options were considered including market-led redevelopment; Council as lead-developer; and, a partnership between the Council and a lead developer. Evidence suggested the market could not deliver on its own and the Council did not have a sufficiently strong track record of delivery of schemes of this nature to make the best possible case for a necessary Compulsory Purchase Order. A partnership approach however, could provide a robust and deliverable route to development of the first phase.

The Council initiated a competitive tender process to identify a preferred developer partner via a Procurement Framework (the Homes and Communities Agency Delivery Partner Panel 2). Keepmoat Homes Ltd were successful in this tender process and have been identified as preferred partner.

Full Council in July 2016 received a project update and approved the underwriting from corporate resources of the costs of the Compulsory Purchase Order and the proposed infrastructure works for Waterside Phase 1. These are estimated at £21m, in the event that future years' Local Growth Fund monies and receipts from land sales are not confirmed in full or in part as expected.

Council also delegated authority to the City Mayor to enter into a Development Agreement with the selected developer for Waterside Phase 1, following the conclusion of the tender process and to add the necessary resources to the capital programme.

The next stage to progress the project is therefore to enter into a Development Agreement with Keepmoat Homes Ltd for delivery of the site enabling works, site infrastructure and development proposed in the Keepmoat winning bid comprising 5,500sqm of office space, ancillary food and beverage space and 325 new homes, including 50 affordable homes.

The Development Agreement will commit the Council in a number of regards, including fully assembling the land to be made available to the Developer and to requiring the Developer to enter into contracts estimated at £12m for major infrastructure works such as roads and river walls. The £12m is as reported to Full Council and is provided for

within the scheme's projected overall £35m funding. It will need adding to the approved capital programme as the Development Agreement is signed.

4. Details of Scrutiny

14th January 2015 - Scrutiny Committee – Minute 49
17th September 2015 – Scrutiny Committee – Minute 22
4th July 2016 – Scrutiny Committee – Minute 13

5. Financial, legal and other implications

5.1 Financial implications

As described in the report to Full Council in July 2016, the Waterside development is a major regeneration scheme with an expected gross total cost of some £35m over the 5 year period 2015-2020. £20m is expected from the Government's Local Growth Fund (LGF) via the LLEP, of which £9.2m has already been secured for 2015/16 and 2016/17; £5m of Council resources through the Economic Action Plan (EAP) has been approved and £10m is expected to come mainly from the disposal of land and buildings. Hence the formally approved funding from LGF to date and the EAP totals £14.2m.

The remaining £20.8m funding expected but not yet formally confirmed comprises £10.8m LGF and £10m from land disposal. This is rounded up to £21m, which Full Council agreed to underwrite.

Some £12m now needs to be added to the capital programme for infrastructure works to be delivered under the proposed Development Agreement, to which the Council will be contractually committed once the Agreement is signed. Payments will not however start to be made until late 2017 at the earliest, and will then be phased over approximately twelve months. This means that the 2017/18 and 2018/19 LGF allocations should have been confirmed and an initial land receipt payment may have been received as the £12m is actually paid out.

Therefore, although the £12m will need to be underwritten with access to Prudential Borrowing, any such borrowing should only be short term to even out the timing differences between the expected cash inflows and outflows already approved for the Waterside scheme. Nonetheless, part of the underwriting risk envisaged in the Council report will be brought into effect and would crystallise should LGF allocations or land sales not materialise as expected.

Colin Sharpe, Head of Finance ext. 37 4081,

5.2 Legal implications

The Development Agreement will commit the Council to the following matters:

- The making of a Compulsory Purchase Order in relation to the Waterside Phase 1 land. The Council shall meet the cost of making the CPO, all inquiry costs and all compensation.
- The disposal of the Waterside Phase 1 land to Keepmoat Limited at an agreed headline price. This headline price is likely however to be subject to deductions, to be agreed, to reflect any abnormal costs in relation to matters such as adverse ground conditions. The disposal and consequent receipt is expected to be made in 3 Phases.
- The contribution by the Council of funds of up to £12,000,000 plus vat in relation to the Infrastructure works within Waterside Phase 1.

The Development Agreement will also provide for the following:

- Agreement to be conditional upon confirmation of the CPO by the Secretary of State, Reserved Matters Approval for the Initial Phase and possibly other aspects to be negotiated.
- Delivery by Keepmoat of agreed Infrastructure, 5,500m² office space, ancillary food and beverage space and circa 325 homes
- A commitment by Keepmoat to provide the Initial Phase (Infrastructure, 1,858m² offices and 100 homes) by 31 December 2019 as regards Infrastructure and 30 September 2020 as regards the offices and houses. The target date for completion of the remainder of the development is 31 December 2023. It is anticipated that provisions shall need to be conceded allowing for extensions of time to reflect events which cannot reasonably be anticipated and adverse conditions in the housing market.
- The potential payment to the Council of an Overage. Terms are yet to be finalised, but broadly the intention is that the Council receive 40% of the amount by which sales receipts from houses exceed current forecasted receipts, after taking into account typical deductions such as build cost inflation.

5.3 Climate Change and Carbon Reduction implications

Sustainability issues were initially considered in the bid from the developer and at outline planning.

The Waterside regeneration area is identified as having potential for decentralised energy heat networks to serve principle buildings and new housing development. A Feasibility Study tender document is being prepared, in connection with funding received from the Department of Business, Energy and Industrial Strategy in order to develop heat networks in Leicester Regeneration Areas .

- Mark Jeffcote, Environment Team x372251

5.4 Equality Impact Assessment

An Equalities impact assessment has been undertaken for the project. The Council is satisfied that the Scheme would strengthen the vitality and viability of the City Centre and would not have any negative impacts on equality and diversity

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

none

6. Background information and other papers:

Leicester Waterside Phase 1 – Update of project and obtaining necessary approvals to proceed, Full Council, 14th July 2016

7. Summary of appendices:

None.

8. Is this a private report (If so, please indicated the reasons and state why it is not in the public interest to be dealt with publicly)?

No

9. Is this a “key decision”?

Yes

10. If a key decision please explain reason

Capital expenditure of over £1 million is to be committed on a scheme that has not been specifically authorised by Council. Approval to take the decision was delegated to the Executive by the Council in July 2016.