

NORTHMINSTER REDEVELOPMENT

Councillor Seaton, Cabinet Member for Finance

Deadline date:

Cabinet portfolio holder:	Councillor Seaton, Cabinet Member for Finance.
Responsible Director:	Steve Cox, Executive Director Place and Economy
Is this a Key Decision?	Yes Unique Key decision Reference from Forward Plan: KEY/20JAN19/02
Is this decision eligible for call-in?	NO
Does this Public report have any annex that contains exempt information?	NO
Is this a project and if so has it been registered on Verto?	YES

R E C O M M E N D A T I O N S

It is recommended that the Cabinet Member:

1. Supports collaboration between the Council and the Peterborough Investment Partnership to take forward the regeneration of council-owned land assets at Northminster, as discussed within this report.
2. Approves the Council providing the Peterborough Investment Partnership with an option agreement to draw down the land at Northminster, as required to facilitate development,
3. Delegates to the Executive Director for Place and Economy and the Director of Law and Governance authority to finalise and agree the necessary legal and related documents needed to execute the recommendations above and the approach outlined in the report.
4. Delegates authority to the Corporate Director Resources for transferring the freehold interests of Council owned assets at Northminster to P.I.P (Fletton Quays) Limited.

1. PURPOSE AND REASON FOR REPORT

- 1.1 This report is for the Cabinet Member for the Cabinet Member for Finance to consider exercising delegated authority under paragraph 3.4.3 of Part 3 of the constitution in accordance with the terms of their portfolio at paragraph (a).
- 1.2 This report sets out proposals for taking forward the comprehensive redevelopment of council-owned land and property assets around the City Market in the Northminster area of Peterborough. The area in question includes the City Market, the Market Car Park and Laxton Square. It is shown outlined in red at appendix 1.
- 1.3 Ordinarily, such property transactions are taken in consultation with the Leader of the Council. However the Leader has an interest in this matter by virtue of his appointment to the Board of PIP, by the Council. The Deputy Leader has been consulted and agrees to the transfer. The decision to sell land does form part of the Cabinet Member for Resources remit.

2 BACKGROUND

- 2.1 Northminster lies close to the city centre and is badly in need of investment to support its regeneration and renewal. The City Market is 56 years old and the Market Car Park is currently being deconstructed by demolition contractors. Shops in the area have struggled for footfall following the closure of offices in the area and the night-time economy has declined leading to the closure of several night clubs and restaurants. The area has begun to suffer problems arising from anti-social behaviour, illegal drug use and rough sleeping. The planned relocation of the Passport Office to Fletton Quays will cause a further loss of local footfall which has already been impacted significantly following the closure of the Market Car Park. It is evident that without fresh investment and fresh thinking that the Northminster area will experience further decline.
- 2.2 In December 2014 the Council set up a growth and regeneration joint venture partnership, the Peterborough Investment Partnership LLP (PIP). The purpose of PIP is to bring forward commercially viable schemes that will deliver growth in the city by creating jobs, new homes and regenerate land. The PIP will develop a scheme for a site and obtain planning consent. Whilst a scheme is being developed, PIP will work with potential partners who will deliver the scheme after planning consent has been received. The PIP operates through a member's agreement and the Council is a party to this.

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	N/A
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4. CONTEXT

Northminster is an important part of Peterborough City Centre located a few minutes' walk from the Queensgate Centre and Cathedral Square. It is an area of mixed-use development with a strong core of commercial office buildings with some recent conversion to residential use under permitted development rights. Many of the buildings were constructed during the time of the Peterborough Development Corporation and are showing their age. A number of restaurant and leisure related businesses have closed down and there are few prime retail outlets.

The challenges posed to the UK retail sector from online shopping, out of town malls and the division between premium brands and value retailers are evident in Northminster and the

adjacent North Westgate area. Despite the city's growing population its retail offer has shrunk to a core in and around the Queensgate Centre.

The City Market has maintained a loyal customer' base but footfall has declined since the closure of the Market Car Park. The 56 year-old Market building is outdated and in need of fresh investment.

Given the changes in the retail landscape it is likely that new development in Northminster will be residential-led and the city's local plan anticipates this change. Northminster is well placed to become a sustainable residential neighbourhood given its proximity to the city centre and to the Bus and Rail Stations. The Council's ownership of the Market, the Car Park and Laxton Square means it is in a good position to control the direction of future development using its land and property interests to attract development finance.

However, the Council is not well placed to provide the funding, skills and experience to develop a commercially sustainable regeneration scheme given its current resource constraints. This is a similar situation the Council faced with another key city centre regeneration opportunity: Fletton Quays. The Peterborough Investment Partnership (PIP) was created in 2015 to help deliver viable regeneration schemes for key sites in the city, with Fletton Quays being its first project. It is proposed that the Council should work through this vehicle for Northminster's regeneration, with PIP bringing forward a scheme using the same – now tried and tested – approach it used on Fletton Quays. PIP would begin this by preparing a concept scheme for the comprehensive redevelopment of the Council's landholdings at Northminster with a view to securing outline planning approval and attracting private sector development interest and investment.

The PIP has adopted this approach successfully at Fletton Quays, where it has led the regeneration of a derelict, brownfield site to deliver a mix of commercial, residential and other development types. It has worked with a wide range of parties to bring forward the site's physical regeneration, and continues to do so. The announcement of plans for a Government Hub on plot 2 and the front of the site on London Road and the construction of a Hilton hotel on plot 1 by the riverside are the most recent signs of the success of the PIP model.

Some very early stage work has already been undertaken by local architects to assess the scale and massing of development in Northminster, as this work was needed to ensure that sight lines of the Cathedral are not unduly compromised by the much-needed regeneration. This suggests that it may be possible to accommodate a range of uses at scale in a revitalised area, including a substantial number of apartment units, a replacement car park and a new Market Hall with some ancillary units at ground floor level. PIP will need to undertake significant work to determine the exact nature and scale of the development, and will need to take full account of the need to deliver commercially viable outline planning consent as this will be key to attracting external development and securing the regeneration of Northminster.

There is an opportunity to develop a landmark scheme in this important area of the city centre, delivering a range of uses consistent with the Council's adopted Local Plan. Some of the anticipated uses will be revenue generating with the potential to create long term income streams. It is likely therefore that there will be developer appetite in bringing these forward and owning them, to support the viability of the scheme. However, depending on how the scheme is developed, it may be in the Council's interests to secure long-term revenue by owning assets in the area once regenerated. First and foremost, though, will be the development of an appropriate, planning compliant scheme that is economically deliverable, as has been the case at Fletton Quays.

5 Options appraisal

There are four main options open to the Council:

1. Do Nothing and leave the area left by the demolished car park as a surface car park next to the Market;
2. Take on the development of the area directly using prudential borrowing to create a council financed scheme for Northminster;
3. Sell the site on the open market to the highest bidder;
4. Invite the PIP to develop a viable concept scheme through to outline planning stage and secure an investment partner or partners.

Option 1

Would leave the area abandoned with a failing Market and is not a viable course of action.

Option 2

Is not a feasible option for the Council to pursue given the resource pressures it is currently facing and the shortage of in-house skills and expertise in large scale urban regeneration work.

Option 3

Is viable but would see the Council lose control of its assets and the shape of future regeneration in the area.

Option 4

Is the recommended approach; it allows the council to retain a greater degree of control over the future development of this important area of the city centre through its part-ownership of PIP, offers a return for its land value with exposure to profit, and will allow the PIP to engage with private developers who can bring the necessary investment to ensure a high quality scheme that will meet the Council's overall objectives. It will also enable planning and development to proceed at a faster pace than would be the case through the other options.

Next steps in executing the recommended option

Should the recommendation of this report be accepted, the following will take place:

1. The Council will prepare to sell its relevant landholdings to PIP, in the same way it did with its landholdings at Fletton Quays. This will be by granting PIP an option agreement on the site and ensuring it can transfer the site cleanly with vacant possession. The Council is already working with a number of market traders with relation to the impacts from deconstruction of the Market Car Park and this work would continue to ensure the Market could be decanted and temporarily relocated.
2. PIP will work to develop a viable, deliverable scheme and submit it for planning consent in the same way any other developer would. PIP is likely to market test the scheme as it develops to ensure the scheme will ultimately be deliverable and lead to the desired regeneration outcomes.

The timeline for the planning application and the delivery of the scheme will be a matter for PIP to develop and communicate. However, it is acknowledged that there is a need to minimise the period of time during which the site will remain undeveloped once the Market Car Park has been deconstructed. In drafting the option agreement, regard will need to be given to ensuring that the market and temporary surface car park can continue to be operated by the Council (with any revenue retained by the Council) up to the commencement of contractor mobilisation prior to the commencement of construction work.

6. CONSULTATION

- 6.1 There has been no consultation with Ward Councillors about the proposal for the PIP to take on the Northminster assets and prepare a plan for comprehensive regeneration of the area.

Local Councillors and other stakeholders will be fully consulted as a concept scheme is developed for the area and submitted for planning approval.

- 6.2 There will also need to be consultation with key stakeholders such as the Cathedral, Civic Society and adjacent property owners, businesses and local residents during the pre-planning application period.

7. ANTICIPATED OUTCOMES AND IMPACT

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8. REASONS FOR RECOMMENDATION

Inviting the PIP to develop a viable concept scheme through to outline planning stage and secure an investment partner or partners. Will allow the Council to retain a greater degree of control over the future development of this important area of the city centre through its part-ownership of PIP, offers a return for its land value with exposure to profit, and will allow the PIP to engage with private developers who can bring the necessary investment to ensure a high quality scheme that will meet the Council's overall objectives.

9 ALTERNATIVE OPTIONS

1. Do Nothing and leave the area left by the demolished car park as a surface car park next to the Market.
This would leave the area abandoned with a failing Market and is not a viable course of action.
2. Take on the development of the area directly using prudential borrowing to create a council financed scheme for Northminster.
This is not a feasible option for the Council to pursue given the resource pressures it is currently facing and the shortage of in-house skills and expertise in large scale urban regeneration work.
3. Sell the site on the open market to the highest bidder.
This is viable but would see the Council lose control of its assets and the shape of future regeneration in the area.

10 IMPLICATIONS

10.1 Financial

By transferring the Northminster assets to the PIP the Council will receive an agreed capital receipt based upon an independent market valuation of the site. The PIP will also return to the city revenue generating assets including a new car park, market and retail units. All development costs will become the responsibility of the PIP and external investors / developers.

10.2. Legal

Section 123 of the Local Government Act 1972 permits the Council to dispose of land in any manner which they wish subject to the provision that the property is not to be sold for a consideration less than the best that can reasonably be obtained. The Council has not marketed the sites as they form part of a portfolio of assets to be transferred to the PIP. The Council has satisfied itself through an independent valuation being obtained, that best consideration is being secured.

There are no procurement implications in relation to the Public Contracts Regulations 2015, as the sale of land falls outside of these rules.

The transfer of land does not raise any state aid implications as the Council has a power to dispose of the assets and in a way as to secure best consideration. The Council will receive consideration for the land transfer based on the independent valuation and by way of loan notes equal in value to satisfy the transfer price.

10.3 Equalities

There are no specific equalities issues arising from these proposals. Appropriate consideration will be required for access by people with restricted mobility and other groups when reserved matters are dealt with at the detailed planning application stage.

11. DECLARATIONS / CONFLICTS OF INTEREST & DISPENSATIONS GRANTED

This decision would normally be taken by Councillor Peter Hiller as Cabinet Member for Strategic Planning and Commercial Strategy and Investment, in consultation with Councillor John Holdich as Leader of the Council and Deputy Mayor of the Cambridgeshire and Peterborough Combined Authority. However, both Councillors are unable to take this decision as they have declared conflicts as non-executive directors on the Board of the Peterborough Investment Partnership.

12. BACKGROUND DOCUMENTS

None