



Item No.

8

NORTHAMPTON
BOROUGH COUNCIL

CABINET REPORT

Report Title	The Grosvenor Centre and the Greyfriars bus station
---------------------	--

AGENDA STATUS: **Public**

Cabinet Meeting Date:	1 October 2007
Key Decision:	Yes
Listed on Forward Plan:	Yes
Within Policy:	Yes
Policy Document:	No
Directorate:	People, Planning and Regeneration
Accountable Cabinet Member:	Councillor Richard Church
Ward(s)	All

1. Purpose

This paper reports on progress of the collaboration between NBC and Legal & General ('L&G') on The Grosvenor / Greyfriars project. Following completion of an assessment of Legal & General's financial appraisal of the project, the Council is progressing negotiations towards a development agreement. Heads of Terms are targeted for end of September. A further paper will be tabled for Cabinet on 1st October to report on progress up to 30 September. The complex and challenging timescales mean negotiations will be progressing up to the target date.

2. Recommendations

- 2.1 Cabinet is requested to
- 2.1.1 Note reported progress and confirm a continued commitment towards the project
- 2.1.2 Agree further expenditure of the agreed budget (detailed in a separate paper to be submitted on 1st October).

3. Issues and Choices

3.1 Report Background

3.1.1 The project is NBC's priority Regeneration and Growth project. Its satisfactory pursuit should, lead to a step change in the economic prosperity of the town centre and catalyse much of the wider residential, retail, employment and associated development in for the Borough over the next 5 to 20 years.

3.1.2 The proposal is complex and the success of the scheme is conditional upon the satisfactory clearance of a series of commercial, economic and procedural hurdles, not all of which are within the control of the parties.

3.1.3 The retail property markets are presently volatile and it should be noted that the progression and success of the scheme are subject to their fluctuations and wider investment confidence.

3.1.4 From a strategic view and as reported previously, it is considered that, in relation to the redevelopment of the town centre, a commercial relationship with L&G represents the most likely to deliver an optimal scheme.

3.1.5 Negotiations have been protracted, spanning more than 7 years and stalled in 2006. After focussed effort on behalf of the Council, negotiations restarted in Quarter 3 of 2006.

3.1.6 Progress since the cabinet report of 30 July 2007

3.1.6.1 AtisReal Appointment

Three national professional real estate advisory practices (Knight Frank, Lambert Smith Hampton and AtisReal) were selected from the OGC framework to submit a proposal to take on the role of commercial adviser to NBC. AtisReal and Lambert Smith Hampton were interviewed, AtisReal were selected.

AtisReal's instructions are twofold; first to report on the viability of the scheme as proposed and to make recommendations regarding the further investment of funds and, second, to represent NBC in the pursuit of negotiations with L&G to reach agreement of Heads of terms and completion of a Development Agreement. AtisReal have completed the first part of their instruction and have commenced the second part.

3.1.6.2 AtisReal appraisal of the scheme

AtisReal advise that the proposed scheme is not presently viable – in that it does not generate sufficient monies to pay for the costs of land assembly, construction costs, abnormal costs and developers' profit.

However, they conclude that with a small number of alterations to the assumptions made, as well as a substantial grant, then it could be deliverable.

Their recommendation is that the project is within the envelop of scheme viability and can reasonably be pursued. This is based on:

- The results of their appraisal of the project
- Their experience of similar schemes
- Evidence of L & G and NBC working actively and positively together
- Likely availability of Grant Funding

3.6.1.3 Leader/ portfolio approval to proceed with Heads of Terms negotiations

On the basis of AtisReal's confidential report The Leader and Portfolio Holder agreed, on 31 August 2007, that a further £35k of the agreed budget be drawn down to commence negotiations towards agreement of heads of terms, which are targeted to be completed by the end of September 2007.

3.6.1.4 Progress to date

At a meeting between the partners on 6 September it was agreed that negotiations should be structured so as to produce a single development appraisal agreeable to both sides. This in turn will be the basis for the agreement of heads of terms (which must reflect the basis of the development appraisal) and the joint 'project' view of viability which will form the basis of any submission / application for grant funding in the future.

At the request of NBC, L&G has undertaken to progress an Economic Impact Assessment of the proposal which would form an integral part of both any grant application and any planning application. At a joint NBC/L&G meeting during August 2007, EMDA agreed in principle to assist in the funding of such an assessment with L&G and NBC. Following this meeting, a further meeting with WNDC, in September, has been arranged to discuss potential grant funding.

A further series of meetings between NBC and L&G have been arranged during September to facilitate detailed negotiations.

3.6.1.5 Targets for Heads of Terms and Development Agreement

It remains the parties' joint intention to complete the negotiation of a conditional agreement by the end of 2007. In order to do this, heads of terms should be agreed by the middle of October 2007. Both professional teams have, however, been instructed to complete negotiations by the end of September 2007 – which is a challenging target.

3.2 Issues

The key matters which remain to be negotiated are:

- The value of NBC's assets which will form its equity investment in the project and subsequent revenue returns. NBC must observe the normal statutory rules on such transactions and AtisReal are instructed to protect the Council's position in this respect.
- The acquisition of land at Edgar Mobbs Way proposed for the relocation of the bus layover facility.
- Securing of a substantial grant (perhaps in the range £15m to £20m) from one or more public sector funding bodies. (Discussions are underway with EMDA and WNDC).
- Agreement between the parties with regard to the detailed valuation and appraisal of the scheme – such that a single agreed position be reached.
- Avoidance of the imposition of heavy financial burdens on the scheme from s.106 and s.278 costs. (Discussions are underway with WNDC and NCC).
- The efficient and smooth management of a planning application by WNDC and the partners.
- The securing, by L&G of major retailer tenants to 'anchor' the proposed new development.

3.3 Choices (options) –

NBC has 3 choices:

3.3.1 ONE: Do nothing. This would be to abrogate NBC's responsibilities towards the town and render obsolete the investment of time money and resources committed to date in seeking to reach agreement with L&G for what is expected to be an optimal scheme.

3.3.2 TWO: Continue negotiations with L&G

Negotiations continue towards a development agreement in line with the recommendations submitted in this paper.

In the event that negotiations are successfully completed, it has already been agreed that a significant proportion of NBC's fee expenditure to date will be refunded to it by L&G under the terms of the development agreement.

In the event of a wholesale failure to complete a development agreement, NBC will have the opportunity to act to take advantage of its property assets in the town centre to promote regeneration and redevelopment. Any such alternative would, it is presently considered, be sub-optimal.

3.3.3 THREE: Pursue alternative commercial scheme.

Negotiations with L&G might be abandoned. This would have the short term effect of saving fee expenditure by NBC. In the medium term, there would be the opportunity to pursue alternative commercial opportunities. There would be substantial expenditure required to investigate this further.

NBC's professional advisory team recommend that negotiations continue as per Option 2 at 3.3.2 above.

4. Implications (including Financial Implications)

4.1 Policy

This project provides a major contribution to the Councils Corporate Plan Priorities in particular those relating to regeneration and economic development of Northampton. Progressing a new shopping centre is a key recommendation of the Central Area Framework report by BDP which is supported by WNDC, The Town Centre Commission, EMDA, EP and NCC.

4.2 Resources and Risk

4.2.1 NBC officers

It is anticipated that the final stages of the negotiation of this matter may consume a substantial and increased (but necessary) amount of officer resources.

4.2.2 NBC's professional team

A further paper will be submitted to the 1 October 2007 cabinet to set out the details of further progress made in negotiations.

If the recommendations are accepted and the work proceeds as anticipated, NBC will be likely to incur further costs until a development agreement is entered into. All of that expenditure will be at risk unless negotiations are successful.

An Medium Term Plan bid has been submitted as part of the budget process for 2008/9 to secure further resources to progress this scheme to fruition.

4.3 Legal

4.3.1 The legal section has no particular comments to make on the report.

4.4 Equality

4.4.1 It is not believed that there are any equality implications deriving from the content of this paper.

4.5 Consultees (Internal and External)

4.5.1 Consultations have been undertaken with The Leader, Portfolio Holder, Director (PP&R), Finance Director and Legal.

4.6 How Proposals deliver Priority Outcomes

4.6.1 Corporate Plan

This project provides a major contribution to the Councils Corporate Plan Priorities in particular those relating to regeneration and economic development. Progressing a new shopping centre is a key recommendation of the Central Area Framework report by Building Design Partnership which is supported by West Northants District Council, The Town Centre Commission, East Midlands Development Agency, English Partnership and Northampton County Council.

4.6.2 Delivery Plan

This project is considered a major catalyst to regeneration of the Town Centre and major generator of inward investment. Positive progress of this project in the form of reaching Development agreements will give confidence to both public & private sector investors which should, in turn, attract further inward investment. It therefore provides a major contribution to the delivery plan items relating to regeneration and economic intelligence strategies and inward investment plan. Inward investment can be vital to the long-term improvement of services in Northampton. The Councils Regeneration paper submitted to the Cabinet on 19 December identifies the Grosvenor/Greyfriars project as key to regeneration of Northampton.

4.7 Other Implications

5. Background Papers

5.1 From Cabinet Paper 30th July 2007:

This project will contribute to the achievement of other Key Objectives of other key Strategies including:

- Regional Spatial Strategy
- MK & South Midlands sub regional plan
- Emerging Joint Core Strategy and Town Centre Action Plan
- NBC Draft Housing Strategy
- WNDC stated objectives

Chris Cavanagh, Corporate Manager, Regeneration and Growth, tel: 8754 and EC Harris

