

Executive

Bicester Civic Building

5 September 2011

Report of Head of Regeneration and Estates

PURPOSE OF REPORT

To consider the brief and options for the procurement of a new civic building for Bicester, and determine the preferred method of procuring this building.

This report is public

Recommendations

The Executive is recommended:

- (1) To resolve that the Council pursue the development of the Franklins Yard car park site with a new civic building, to comprise offices and a public library, together with a proposed hotel, on the basis that the Council finances the development in return for a future revenue income, subject to the terms of the pre-letting agreements being approved by this Committee, and completed, prior to the scheme being committed;
- (2) That any costs or expenses incurred in fees and expenses necessary to progress this proposal being met from the existing capital approval for the Bicester town centre redevelopment scheme;
- (3) To earmark £5m of general capital receipts to this project and a further report be submitted seeking the necessary capital approval, when the costs and income achievable are known.

Executive Summary

Introduction

- 1.1 The Bicester town centre redevelopment scheme submitted for planning approval in 2007 included a new civic building to be acquired by the Council. This building comprised a local office for this Council and a new public library for Oxfordshire County Council.
- 1.2 When the town centre scheme was redesigned to address financial viability issues, it was agreed that the civic building should be omitted, but that the Franklins yard car park be largely excluded from the proposals, so that this site could be developed by the Council with a civic building as a second

phase.

- 1.3 This report sets out proposals for what the civic building should comprise, and how it should be procured.

Proposals

- 1.4 The County Council's existing public library is substantially smaller than the standard which applies to a town the size of Bicester, even disregarding the planned and ongoing growth of the town. Consequently the acquisition of a replacement library having a floor area of 10,000 square feet is a high priority in the County Council's capital programme. This Council occupies 38 Market Square as its local office, a property which is held on a lease expiring in 2013. That building provides a Linkpoint on the ground floor, with offices on the first floor occupied by the Council's street wardens and Bicester Vision.
- 1.5 The proposal is that the new civic building should accommodate both a new public library, and replacement Council offices. A draft brief setting out these requirements is attached to this report as Appendix 1. The opportunity exists to incorporate other public facilities in these premises, such as offices for Bicester Town Council, and this is still being explored.
- 1.6 The site is capable of accommodating substantially more accommodation than that required by the Councils. The Council's planning guidance for the town centre development, which covers this site, makes it clear that a comprehensive development is desirable, and that the whole of the site should be included in any proposals submitted. Consequently the draft brief at Appendix 1 covers the potential development of those parts of the site which would not be occupied by the Councils. The brief has been drafted as guidance to potential development partners, should the Council choose to proceed by seeking such a partner.
- 1.7 In order to provide a regularly shaped site, which is capable of being developed efficiently, a land exchange has been agreed with the owner of Broadribb's cycle shop. Some buildings soon to become redundant to the rear of those premises are being acquired in exchange for part of the existing car park having similar site area, to the side of Broadribb's retained property. The land being transferred to Broadribb in exchange will be let back to the Council so it can continue to be used for car parking until autumn 2013, when the car park is scheduled to close. The draft brief at Appendix 1 includes the land being transferred to Broadribb, to ensure that a comprehensive scheme is designed. If the development of the Broadribb's land is procured at the same time as the Council's, it would be subject to an agreement that Broadribb meet the full cost associated with this.
- 1.8 It is anticipated that the commercial elements of any scheme will generate substantial value, and it is proposed that this be used to assist in financing this Council's office accommodation. The County Council have indicated that they will wish to finance their library through a capital payment. At this stage it is not known whether the Town Council will want accommodation within the scheme, and if they do, whether they will want to finance this through a capital payment, or by paying an annual rental.

Procurement Options

- 1.9 There are two methods of procuring the comprehensive development of this site. The first would be for the Council to act as the developer, building both the civic elements of the scheme, and any commercial elements which could be let as an investment, or possibly sold. It will be necessary for an agreement to be in place with OCC for them to take a long leasehold interest of the library premises, and to meet the costs associated with this part of the premises. If the Town council decide that they do want to acquire offices within the development, it would be reasonable to expect a suitable commitment from them too.
- 1.10 If the Council chose to develop the remainder of the site for commercial or residential purposes, without having any formal agreement in place with an occupier or occupiers for that space, the Council would be taking on a significant degree of development risk, which is not considered to be appropriate. However, it appears that an opportunity may exist to secure a pre-let in respect of the remainder of the site a significant national hotel operator. A proposal has been received from Stockdale Land, which indicates that the Council could expect to develop the site for itself, OCC and a hotel, and provide offices for Bicester Town Council, and secure a return on capital of between 6.5 and 7% per annum. The gross capital cost would be in the order of £5 million.
- 1.11 Under this proposal, Stockdale Land would act as development manager in return for a fee to be agreed. They would pull together all the commercial elements of the scheme, and ensure it is delivered on a basis which would be acceptable to the Institutional property market, should the Council ever wish to sell this asset in the future. Stockdale were selected as the Council's preferred development partner for the town centre scheme in 2005, and this land forms part of the site identified at that time.
- 1.12 The alternative procurement method would be for the Council to go out to the development market seeking competitive offers from developers. Interested developers would be provided with the Council's brief when finalised, and would be required to provide the premises specified therein. In return the appointed developer would be free to develop the remainder of the site for whatever purposes were considered to be appropriate. This approach is likely to produce a capital receipt from the developer which could be used to offset the cost of the civic building, rather than a revenue income.

Background Information

- 2.1 Relevant background information is included in the draft brief attached at Appendix 1.

Key Issues for Consideration/Reasons for Decision and Options

- 3.1 The key issue is whether the Council wishes to invest further capital in Bicester town centre in return of a commercial rate of return. If it does so it can maintain full control over the project.
- 3.2 If the Council does not wish to invest in this site, it could look to the market to provide the premises required, and secure a capital contribution towards the cost of the proposed new offices. However, it would be necessary to transfer a significant degree of control over the project to the developer selected.

The following options have been identified. The approach in the recommendations is believed to be the best way forward

Option One

The Council to act as developer, and to build the new civic building and a hotel, assuming pre-letting agreements can be secured with OCC and a hotel operator, and Bicester Town Council if relevant. The Council will have to commission a degree of design work before it is possible to secure the binding occupier agreements, but beyond that, it would not be required to proceed unless it was reasonably satisfied that the return would be as expected. It would be possible to finance these professional fees from the existing £10m capital approval relating to the town centre scheme, as the terms agreed with the developer of that scheme indicate that the net expenditure which the Council will incur will not exceed £8.55m.

At this stage the projected return on capital appears to be very attractive, and in line with normal commercial expectations. The process of designing the scheme, obtaining planning consent and letting a building contract is likely to take around 18 months, and consequently it would not be necessary to finalise the brief until spring 2012, if a start in autumn 2013 is desired. Autumn 2013 is the time when the existing car park is scheduled to close following the opening of the new town centre scheme car park.

Option Two

To advertise the development opportunity on the open market, and seek to appoint a development partner who would enter into a development agreement with the Council to provide the civic building, in part consideration for the opportunity to develop the remainder of the site. This would be designed to allow the market to identify the

most valuable use for the site, but it is likely to be difficult to secure a revenue return rather than a capital contribution. The developer will take a proportion of the development value as profit. This approach is likely to involve a substantial lead in period before development could start, as it would be necessary to select a development partner and negotiate a development agreement. Significant legal costs are likely to be required. The process is likely to take at least two years, and hence, if the development is to commence in the autumn of 2013, an early start is needed. This presents a problem as OCC are not yet able to commit to acquiring the library, and there is no certainty as to the Town Council's possible requirement.

Consultations

Bicester Members

A briefing meeting was held to which all Members of the Council for Bicester were invited, together with Town and County Council Members, when the draft brief was discussed. The draft brief reflects comments received.

Implications

Financial:

This proposal appears to be commercial sound generating a future income stream for the Council at a rate of return on capital of between 6.5 and 7% per annum at the same time as providing a purpose built Civic Building. There is an existing capital budget available (PHEE020) to meet the costs of preparing a full business case proposal.

The costs of any development would need to be funded from general capital receipts. These receipts are reducing so in order to ensure that funds are available in the future to continue to fund investment in the District – projects such as this proposal with income streams should be considered. It is recommended that £5m of general capital receipts is earmarked for this project whilst the business case is developed. If then the project is not deemed suitable then these funds can be unearmarked.

Comments checked by Karen Curtin, Head of Finance, 01295 221551.

Legal:

Under either option, quite complex legal documentation is likely to be required, and external legal advice may be required to handle this. Under option two in particular, the Council's experience has been that development agreements can be complex and challenging agreements to conclude.

As the Council will be procuring new civic offices through this process it will be necessary to ensure that all relevant procurement rules are observed.

Comments checked by Richard Hawtin, Team Leader,

Property and Contracts 01295 221695

Risk Management:

All construction projects carry construction related risks which need to be mitigated by proper contract arrangements and professional project management.

Any development also carries financial risks, as substantial investment is required to create new assets. The approach proposed at option one is designed to mitigate these risks by securing pre-letting agreements for all occupiers of the site before construction starts. However, the Council would be acting as investor, and incurring substantial capital expenditure

If option one is chosen there will be no market testing to establish that the most valuable commercial uses of the site are selected. Option two would achieve this, but the timescale required to do this is likely to be longer, and there can be no certainty of a successful outcome.

There will always be a balance between risk and reward in any investment decision, and the analysis of the two options is intended to address this.

Comments checked by Claire Taylor, Corporate Strategy and Performance Manager 01295 221566

Wards Affected

Bicester Wards

Corporate Plan Themes

An accessible, value for money Council

Executive Lead Member

Councillor Norman Bolster
Lead Member for Estates

Document Information

Appendix No	Title
Appendix 1	Bicester Civic Building - Brief
Background Papers	
None	
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