

## READING BOROUGH COUNCIL

### REPORT BY EXECUTIVE DIRECTOR FOR ECONOMIC GROWTH & NEIGHBOURHOOD SERVICES

<b>TO:</b>	POLICY COMMITTEE		
<b>DATE:</b>	11th JULY 2022		
<b>TITLE:</b>	DEVELOPMENT OF THE MINSTER QUARTER		
<b>LEAD COUNCILLOR:</b>	COUNCILLORS BROCK / PAGE	<b>PORTFOLIO:</b>	LEADERSHIP
<b>SERVICE:</b>	DEGNS	<b>WARDS:</b>	ABBAY
<b>LEAD OFFICER:</b>	FRANCES MARTIN/ EMMA GEE	<b>TEL:</b>	07841 253880 07817 085309
<b>JOB TITLE:</b>	EXECUTIVE DIRECTOR /DEPUTY DIRECTOR	<b>E-MAIL:</b>	<a href="mailto:frances.martin@reading.gov.uk">frances.martin@reading.gov.uk</a> <a href="mailto:emma.gee@reading.gov.uk">emma.gee@reading.gov.uk</a>

#### 1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report provides an update to Policy Committee on the Minster Quarter development project (“the Project”) following a June 2021 report where the Committee resolved to prepare the site for sale by way of a Development Agreement as the preferred delivery vehicle and to appoint a professional team to support and lead this process.
- 1.2 It seeks approval to commence marketing the Project as a development opportunity through a procurement strategy, developed with commercial and legal advisors to stimulate the best possible response from the market to the Council’s scheme vision and objectives.
- 1.3 It recommends a series of delegations to allow officers to take the Project to market and to identify a preferred developer before bringing a report setting out the details of a contract award to Policy Committee.
- 1.4 Appendices to this report are:
  - Appendix 1: Site development boundary

#### 2. RECOMMENDED ACTION

That the Committee:

- (i) Agree the project vision, strategic objectives and key development principles and the priority afforded to those as set out at paragraph 4.4 and 4.6.
- (ii) Notes that updates and progress will be reported to the Civic Board.
- (iii) Delegates authority to the Executive Director for Economic Growth and Neighbourhood Services (DEGNS) in consultation with the Chief Financial Officer, Assistant Director of Legal and Democratic Services, Assistant Director Procurement and Contracts, Assistant Director of Asset and Property Management, the Leader and the Deputy Leader to:

- a. finalise procurement arrangements, documentation and negotiations with bidders up to contract award, at which stage a report will be brought back to Policy Committee;
- b. Agree the terms of and complete acquisitions and disposals of property; at market value or less than market value as necessary to enable the development to proceed;
- c. Agree terms for obtaining vacant possession of commercial and other non-residential properties affected by the project including the leasing of further RBC land at Holy Brook and Appleford Road to the occupiers of Lavender Gardens;
- d. Make compulsory purchase orders as necessary for land required for the project;
- e. Make stopping up orders as necessary to facilitate the development;
- f. Appropriate existing Council land under the relevant statutory powers as necessary to enable the implementation of the scheme, including appropriation of land for planning purposes and of any third-party land interests necessary for, or affected by, the Project.

### 3. POLICY CONTEXT

#### 3.1 The Minster Quarter Development

- 3.1.1 The Council owned development opportunity known as 'Minster Quarter' forms part of the Minster Quarter Area Development Framework which was adopted in 2019. The Framework sets out the vision and principles to underpin the future regeneration of the quarter as a residential led development opportunity delivering a new urban quarter for the town. As an adopted Supplementary Planning Document (SPD), it was subject to extensive consultation with residents, stakeholders, Councillors and community organisations. It provides an important guide for the future development of the quarter and is of material consideration with respect to the planning process.
- 3.1.2 The Council's decision in June 2021 authorised work to commence preliminary steps to procure a developer for the Project including producing more detailed designs and costs and to define the terms of a development scheme by establishing robust objectives.
- 3.1.3 Since June 2021 the Council has:
  - (a) Set up robust governance arrangements to ensure successful delivery of the Project;
  - (b) Secured £2 million Brownfield Land Release grant funding to deliver enabling works to release the site for residential development;
  - (c) Secured a further £80K from OPE Round 9 funding to facilitate a design solution for Ministry of Justice car parking within the Civic Car Park site;
  - (d) Appointed professional advisors to guide the procurement and contract award process;
  - (e) Undertaken an assessment of procurement options that will inform a procurement strategy that will attract quality developers with a track record of delivering residential led, mixed use development, leveraging in the necessary skills and resources;
  - (f) Taken legal and procurement advice, to ensure the proposed development partnership approach is robust;
  - (g) Undertaken soft market testing with potential development partners to ensure the proposed process works for all parties;

- (h) Undertaken site survey work and taken legal advice on leases, covenants and other site specific matters;
  - (i) Prepared tender documentation in readiness for a market launch;
  - (j) Met and maintained ongoing dialogue with local organisations and adjacent landowners including Thames Valley Police and Broad Street Mall to discuss the Project and how it affects their schemes.
- 3.1.4 In June 2021, the Policy Committee approved the appointment of a professional team to support and lead the process of developing proposals for the Site and bringing forward the Project. The Council has since retained commercial and professional advisers with Eddisons acting as the Council’s commercial and procurement consultants and Freeths LLP its solicitors, appointed in November and December 2021 respectively.
- 3.1.5 The June 2021 paper set out the key objectives of the Council for the Project:
- (a) Affordable Housing
  - (b) High quality public realm (including seeking to address the impact of the Inner Distribution Ring Road [IDR] in the context of the Minster Quarter SPD)
  - (c) Zero carbon development
  - (d) Divesting long term liability
  - (e) Masterplan solution across the wider Minster Quarter area
  - (f) Enhanced arts and cultural offer
- 3.1.6 These objectives have been further refined and prioritised at Section 4 of this report in order to incorporate them into award criteria and subsequently inform discussions with potential bidders through the procurement process.
- 3.1.7 This paper also requests delegations for a number of decisions required to take the project forward, specifically to enable the Council to take the scheme through a procurement process. The delegations set out in this report will enable an efficient delivery process which will be critical in achieving the best possible outcomes for the Council.

## 4. THE PROPOSAL

### The Vision and Key Objectives

- 4.1 In June 2021, the Policy Committee confirmed that the Council will look to adopt a “hierarchy of need approach” in relation to the key objectives set out at 3.1.5.
- 4.2 From this, strategic objectives and key development principles have been developed for the Project to which prospective bidders will need to respond. The Council expects the development partner to bring experience and expertise in mixed-use developments and to maximise regeneration potential by responding flexibly and innovatively to the opportunity, leveraging development expertise and resource to identify opportunities, including with other public sector partners and adjoining landowners.
- 4.3 The *Overarching Project Vision* is a statement of the core focus and purpose of undertaking the Project, the *strategic objectives* are of critical importance to the Council; and a set of *key development principles* expand on the vision with greater detail on exactly what the Council is seeking to achieve and how.
- 4.4 The **Overarching Project Vision** is to regenerate the Minster Quarter area into ‘*a high quality, sustainable and inclusive location that has Reading people, businesses and arts, culture and community at its heart. The regeneration will offer new opportunities for urban living and create a new urban quarter which offers a mix of tenures alongside a commercial, arts and cultural offer that will re-invigorate the public realm and breathe new life into this quarter of town*’.

4.5 The **Strategic Objectives** in order of priority are:

- (a) The provision of 30% planning policy compliant levels of affordable housing across a mix of tenures.
- (b) Delivery of high-quality public realm in the context of the Minster Quarter Area Outline Development Framework (adopted 2019) with a particular focus on linking the site to the south and west with links to Queens Walk and St Mary's Butts and mitigating the impact of the Inner Distribution Ring Road (IDR) on the development.
- (c) Delivering a zero-carbon development in accordance with the Council's Climate Emergency and Zero Carbon policies.

4.6 The vision is underpinned by several **Key Development Principles** to:

- (a) Enhance the setting of the Hexagon Theatre, improve its accessibility, visibility and visual impact, reimagining the entrance and allowing for the creation of an outside performance space within the public realm.
- (b) Transfer the long-term asset management responsibility for the site from the Council to the appointed development partner.
- (c) Improve linkages and connectivity across the Minster Quarter Area and into the wider town centre, including the safeguarding of a landing zone for a pedestrian and cycle access across the Inner Distribution Road (IDR) and seek to address the wider environmental impact of the IDR on the site in terms of use, aesthetics, noise and air quality into the scheme.
- (d) Deliver a comprehensive masterplan, aligned to the Minster Quarter Area Outline Development Framework, which allows for cooperation with adjoining landowners to facilitate the physical delivery of the strategic vision for the town centre.
- (e) Provide a long-term arts and culture offer in support of the Hexagon Theatre in step with Council's aspiration to improve its arts and cultural offer across the town.

4.7 These priorities and bidders' responses to them will form the basis of the requirements contained in the contractual obligations that the Council and its appointed development partner, following a procurement process, will enter into. Financial viability will be sensitive to those strategic objectives outlined at 4.5. Agreement to the strategic objectives and key development principles set out above as a base line will be essential in setting out our requirements for bidders to establish a position from which to negotiate.

4.8 The priority afforded to the 3 strategic objectives is in line with the Council's corporate priorities including our commitment to affordable housing and journey to net zero.

#### **Council Concept Scheme**

4.9 Eddisons subcontracted architects, AEW, have developed an indicative/concept scheme to test uses, layout and density for the Project. Eddisons have subsequently carried out viability appraisals to test that concept scheme against the Council's objectives for the site and to ensure the scheme is viable and attractive to developers on the open market.

4.10 These concept proposals have been worked up in consultation with the Council's external consultants and advisers, Urban Place Lab and Planning Officers in a pre-

application capacity. These discussions have resulted in positive adjustments to the original masterplan and respond to the Minster Quarter Development Framework 2019. These changes have been made with the aim of maximising the outputs, efficiencies and viability; and to provide additional benefits to current and future residents and ensuring the Project as delivered meets the aspirations of the Minster Quarter Area Development Framework (adopted December 2019) and other relevant Council policies.

4.11 The Councils current concept scheme has been divided into two phases:

**Phase 1:** Approx. 190 apartments and active ground floor uses. A 90 bed hotel block located on part of the Civic Car park; This phase benefits from the successful award of Brownfield Land Release Fund of £2 million to deliver enabling works.

**Phase 2:** Approx. 428 apartments together with active ground floor uses.

4.12 The concept proposal illustrates what might be possible on the site. It will need to be tested by an experienced, well-resourced development partner. As a part of the procurement process, bidding developers will be encouraged to consider the Council's concept scheme in bringing forward their own proposals for the Project as well as their own phasing plan.

#### **Enabling Works and Vacant Possession**

4.13 In September 2021, the Council was awarded £2 million from the BLRF for enabling works which result in the release of Phase 1 of Minster Quarter (as shown in the Council's concept scheme) to a developer by March 2024. Phase 1 comprises the land adjacent to Hosier Street and to the Civic Car Park to the rear of the Magistrates' Court. The Council is prepared to make the grant available to a future development partner, within the conditions it permits, to help de-risk Phase 1 of the Project and support its early release. This contribution to upfront capital costs can be used to address an infrastructure deficit arising from abnormal development costs associated with Phase 1 including part demolition and reinforcement of the concrete podium structure, providing new servicing and utilities to serve the Project together with small-scale infrastructure, including highway level changes.

4.14 Works to be carried out in advance of commencement of the main development works will include:

- (a) Demolition of part of the Civic car park / existing podium structure
- (b) Strengthening of the remaining structure where required
- (c) Provision of new services and utilities
- (d) Re-levelling the access road (if required).

4.15 In accordance with the grant funding agreement the land needs to be released by the end of March 2024. Release is defined as the unconditional sale or transfer of the land to the development partner. The grant funding agreement sets specific milestones within the timetable but there is some flexibility to vary these timescales by mutual agreement with the Cabinet Office.

#### **Lavender Gardens**

4.16 During the tender preparation process Council Officers have been working with the occupier for Lavender Gardens, Food4Families. To date, Food4families have vacated approximately 50% of the site and relocated some of their activities to the Royal Berkshire Hospital.

4.17 To facilitate the relocation of the remaining occupiers this paper seeks approval to grant leases of further community land owned by Council at the Holy Brook, close to Berkeley Avenue and land at Appelford Road.

## **Inner Distribution Ring Road**

- 4.18 The new community at Minster Quarter will be adjacent to the town's Inner Distribution Ring Road (IDR). This has potential environmental and visual implications for residents including noise, air quality and outlook. In pursuit of a quality living environment bidders will be expected to demonstrate how they intend to mitigate or attenuate those issues to achieve good residential amenity for those living within the scheme.
- 4.19 In addition, one of the aspirations set out in the Minster Quarter Development Framework is to improve movement across the IDR and into the town centre from the west by a new connection over the IDR. The Framework recognises that these solutions need to be tested for affordability.
- 4.20 There will be a minimum requirement for the preferred bidder to safeguard a landing zone for a bridge across the IDR to promote good accessibility if funding is identified by the Council at a point in the future. The Council will continue to proactively seek funding where possible to realise this ambition.

## **Procurement and Delivery Strategy**

- 4.21 A procurement exercise will be undertaken and a competitive tendering process followed to identify a suitable development partner.
- 4.22 The Council's commercial advisors consider that a viable scheme can be delivered which is acceptable to the Local Planning Authority and is in line with the Minster Quarter Area Development Framework; although rising construction values and future market uncertainty are identified as risks to that position.
- 4.23 The procurement process will need to be open to all potential bidders and will be run through the Find a Tender Service (FTS - the successor to OJEU). Eddisons will work with the Council to shape the process and marketing to target those developers most likely to be able to deliver the Council's objectives.
- 4.24 During the tender process the Council's commercial advisors will be able to review developers' financial responses to the procurement and work with the preferred development partner to deliver as many of the Council's key objectives as possible while achieving an acceptable level of return. Early soft market testing has identified good interest in the Project.
- 4.25 With a Policy Committee decision to procure the scheme through the contractual arrangement of a development agreement with a development partner, Eddisons have reviewed options for procurement routes that involve a competitive selection process. building and testing the client/supplier relationships, which will be fundamental to success.
- 4.26 There are a number of procurement routes that could be followed in relation to Minster Quarter to help achieve the Council's objectives for the Project in the context of the wider town centre strategy and regeneration. In taking forward the Project, the council needs to have regard to a range of factors including control over quality, ability to deliver within timescales, financial returns and exposure to risk. The Council is seeking a procurement route that:
- (a) corresponds with the timelines for the planning and development of adjacent development (for the purposes of comprehensive design solutions for the area but also giving thought to absorption rates (sales) for residential units in the area in this location over the next 5 years)
  - (b) offers sufficient flexibility to allow for innovation by developers as experts in delivery

- (c) generates as much interest from the market as possible in changing market conditions on a complex, multi-level site
  - (d) takes account of the additional master planning work carried out by the Council to establish design parameters and viability which offers more certainty to developers
- 4.27 Following the selection of the most appropriate procurement route, evaluation of proposals will be carried out against agreed award criteria and a preferred development partner will be appointed on a conditional basis and subject to a negotiation period before a final decision on contract award is made.
- Option 1:** Competitive Dialogue: minimum 3 stage tender process - Approximately 9-12 months duration.
- Option 2:** Competitive Negotiated Procedure: minimum 2 stage process - Approximately 4-5 months duration.
- 4.28 The procurement process will be compliant with the Public Contracts Regulations 2015. The Council has appointed external legal advisors to advise on the procurement process and to prepare the relevant contract documentation.
- 4.29 The procurement process will be compliant with the Public Services (Social Value Act) 2012 by ensuring it seeks additional social value during the tender process.

### **Project Governance**

- 4.30 An officer Project Board, chaired by the Executive Director of Economic Growth and Neighbourhood Services meets fortnightly to develop, deliver, oversee and monitor the Minster Quarter as an area-based regeneration programme and to make recommendations to the relevant Council committees.
- 4.31 It provides overall strategic direction to the Project to ensure it delivers on the Council's objectives. This arrangement enables timely and effective decision-making identifies and mitigates strategic risks and will ensure the Project and associated activities are delivered on time and to budget.
- 4.32 The Project Board will provide regular reports to the Civic Board as appropriate, with all necessary decisions recommended to Policy Committee with delegations as required. This Civic Board is a cross-party body formally established by the Council with its terms of reference in the Constitution. Ward Members will also be engaged throughout the process.
- 4.33 A detailed risk register has been developed which identifies which risks may affect the project and actions to mitigate these risks. The register is reviewed regularly by the Project Board and updated to take account of new developments and changing circumstances.

## **5. ENVIRONMENTAL AND CLIMATE IMPLICATIONS**

- 5.1 The Council declared a Climate Emergency at its meeting on 26 February 2019 (Minute 48 refers). Any major development proposal has the potential to generate significant environmental impacts and carbon emissions, and compliance with national standards and local plan policies as a minimum will be a pre-requisite of any development proposal. Over and above this the Council has aspirations for the Minster Quarter to be an exemplar of low carbon development. The Disposal Strategy and subsequent stages of project development for Minster Quarter will therefore take full account of the Council's climate change policy commitments as set out in the Reading Climate Emergency Strategy 2020-25, the Council's Carbon Plan 2020-25 and the Reading Local Plan, particularly the 'Zero Carbon Homes' policy in the latter.

## **6. COMMUNITY ENGAGEMENT AND INFORMATION**

- 6.1 Section 138 of the Local Government and Public Involvement in Health Act 2007 places a duty on local authorities to involve local representatives when carrying out "any of its functions" by providing information, consulting or "involving in another way".
- 6.2 The key statements of Council policy in relation to the Minster Quarter are contained within the Reading Local Plan and associated Supplementary Planning Document which were subject to extensive public consultation in line with the statutory requirements for spatial planning. The development management process will provide further opportunities for community engagement and consultation in relation to specific development proposals.

## **7. EQUALITY IMPACT ASSESSMENT**

- 7.1 It is not considered that the decision will have a differential impact on: racial groups; gender; people with disabilities; people of a particular sexual orientation; people due to their age; people due to their religious belief and therefore no Equality Impact Assessment (EqIA) is relevant to the decision. The principle of improving economic opportunities for all sections of the community does, however, inform the Council's objectives for the Minster Quarter and EqIA may be necessary at appropriate stages of specific development proposals as they come forward and through the planning process.

## **8. LEGAL IMPLICATIONS**

- 8.1 As part of site assembly for the Minster Quarter Project the Council may be required to acquire land or dispose of land.
- 8.2 The Council has the power to dispose of its land as it deems fit under s.123 of the Local Government Act 1972 for a consideration reasonably obtainable. Where land disposal is to be at an undervalue, Secretary of State consent is required and the Secretary of State has provided general consent under *Circular 06/03: Local Government Act 1972 general disposal consent (England 2003)* for such land provided the objective is to secure the promotion or improvement of the economic, social or environmental well-being of its area; and where they apply, takes account of the Council's community objectives.
- 8.3 Where a council wishes to dispose of land on a conditional basis to see works constructed then the Court of Appeal has confirmed that such projects are covered by the Public Contracts Regulations 2015 and must be advertised as a public procurement.
- 8.4 The Council's powers of acquisition are under section 120 of the 1972 Act which permits the Council to acquire land by agreement for any of its functions or for the benefit, improvement or development of its area.
- 8.5 Under Section 226 of the Town and Country Planning Act 1990 the Council is empowered to compulsorily purchase land and other properties for the purposes of development and regeneration. There are also powers under section 227 Town and Country Planning Act 1990 to acquire land by agreement for purposes for which it could be acquired compulsorily.
- 8.6 By section 247 of the Town and Country Planning Act 1990, the Council may by an order of the Secretary of State "stop-p" a public highway to allow development take place if it has received planning permission; or may receive planning permission (section 253 of the same Act); and such orders may sometimes create new highways or footpaths. The Council may by an order of the Magistrates Court under sections 116 and 118 of the Highways Act 1980 stop-up public a highway that is no longer in use or that can be moved to make it nearer or more commodious to the public.



- 8.7 The Council has the power to appropriate land under Section 122 of the Local Government Act 1972 following which, in accordance with section 203 of the Housing and Planning Act 2016, development can proceed if there is planning consent for the building or maintenance work (i.e., the erection, construction, carrying out or maintenance of any building or work), notwithstanding the existence of any third party rights (i.e. any easement, liberty, privilege, right or advantage annexed to land and adversely affecting other land (including any natural right to support)), subject to payment of compensation.
- 8.8 Other legal comments are incorporated in the body of this report.

## **9. FINANCIAL IMPLICATIONS**

- 9.1 The capital programme approved in February 2022 as part of the Budget and MTFS included £0.250m in 2021/2022 plus £1m in 2022/2023 to help fund initial work to progress regeneration sites including Minster Quarter. To April 2021, £0.096 (£0.51m in 19/20 and £0.44m- 20/21) had been spent on progressing the scheme. To April 2022 a further £0.094 was spent.
- 9.2 The June 21 Policy Committee report sought approval to spend up to £0.250m from the approved capital budget to enable preparation of the site for market without further recourse to Committee approvals. This included the procurement of a professional team and preparation of procurement, legal, technical and commercial documentation to support the tender. £0.154m of this budget has been committed to date (June 22) with the remainder allocated for the developer selection process up until announcement of a preferred development partner.
- 9.3 Expenditure can only be classified as capital expenditure if a Capital scheme is delivered. If a scheme is not delivered, then it will need to be charged to revenue expenditure. No provision has currently been made for this within the revenue budget but this could be funded from earmarked reserves available for this purpose with delegated agreement from the Director of Finance.
- 9.4 There is a further line in the Capital programme for the Brownfield Land Release Fund, which is £2m Expenditure funded in full from the Grant received. A total of £0.235m is anticipated to be spent during 2022/2023 drawing down the grant funding. Further sums will be released to finalise due diligence prior to tender.

## **10. BACKGROUND PAPERS**

June 2021 Policy Committee Report