

Meeting of the Cabinet – 16th March 2011

Joint Report of the Director of the Urban Environment and Director of Corporate Resources

Dudley Town Centre Regeneration

Purpose of Report

1. To update Cabinet on regeneration activity in and around Dudley Town Centre
2. To seek Cabinet approval to the reinvestment of any surplus capital receipts generated by disposal of Council owned land and property, and all other income generated, from the Dudley Town Centre (Area Development Framework) and Castle Hill portfolios of property to support the delivery of regeneration activity in and around Dudley Town Centre
3. To seek Cabinet approval for the partial extinguishment of the existing compulsory purchase powers in Dudley Town Centre and at the Castle Hill site

Background

4. The Dudley Area Development Framework (ADF) was adopted as supplementary planning guidance by the Council in 2005. Its vision is to achieve comprehensive redevelopment of nine opportunity areas together with public and civic spaces which will act as a catalyst for the transformation of the town centre.
5. Implementation of the ADF is expected to bring significant benefits to the town centre including creation of:
 - £15m of improvements to public and civic spaces and infrastructure
 - new development worth £300m
 - a catalyst for complementary development in and around the town
 - 700 - 1000 residential units
 - an additional population of between 1300 and 1800 residents in the town centre.
6. Since the adoption of the ADF the following have taken place

[a] Establishment of New Heritage Regeneration Ltd

7. The Arms Length regeneration company, New Heritage Regeneration Ltd (NHRL), was launched on 30 January 2009 and the Chair, Robin Butler, and Chief Executive, Bill Kirk, were appointed shortly afterwards. The organisation

aims to work at arms length to, but on behalf of, the Council and its public sector partners to provide a broad range of expertise in programme management and design, public and private finance, valuation, cost, commercial and legal advice, and funding. It is structured for a ten year life with a review in the fifth year and seeks, through close working with the Council, to achieve major regeneration via the complementary skills of the private and public sectors.

[b] Public sector investment

8. A successful programme of land acquisitions in the town centre has been underway since 2007, funded by £5.9m of investment from AWM. This investment, focussed on the Wolverhampton Street/Priory Street/Tower Street area of the town centre, has acted to reduce development risk by bringing land within the control of the Council, and secured an income stream from rental income to support the running costs of NHRL. Furthermore, NHRL and the Council are in detailed discussions with the Homes and Communities Agency (HCA) to secure resources to support the delivery of the HCA's Local Investment Plan, for which a key priority is Dudley Town Centre.
9. AWM has recently completed a Strategic Asset Review of its land and property holdings. Whereas the Council is the freehold owner of the properties in Dudley Town Centre acquired using AWM funding and as a result the properties are not subject to transfer with other AWM assets to the HCA, they have been included in this review. The review recommends that the properties should continue to be used to support the delivery of the ADF as originally intended, and that the HCA should formalise this proposal and remove ring fenced restrictions on the original acquisitions.
10. In addition, a further £2.39m has been secured for the Dudley Town Centre Townscape Heritage Initiative from the following sources;
 - The Council
 - Heritage Lottery Fund
 - Department of Communities and Local Government (DCLG) Growth Points initiative
 - English Heritage's Partnerships in Conservation Areas programme
11. Bids totalling £8m have been submitted under the European Regional Development Fund's Sustainable Urban Development programme, and in addition, support has been given by the Council and NHRL to funding bids totalling £3m submitted by Dudley Zoo to the Heritage Lottery Fund and the new Regional Growth Fund

[c] Dudley Town Centre Partnership

12. The Dudley Town Centre Partnership has now been established and has met on a regular basis over the last 2 years. Its membership includes Elected Members and representatives from business, the community and other key stakeholders. It is anticipated that the Partnership will continue to play a key role in allowing effective consultation and engagement with stakeholders as details emerge on individual projects within the ADF

[d] Development activity

13. The Council and NHRL have worked closely with Dudley College to support the planned major redevelopment of its property in the town centre. Of the college's six sites, four are to be disposed of either wholly or substantially. Planning permission is currently being sought for the proposed Sixth Form Centre and construction of the Vocational Centre, following the demolition of the Council's former ICT building at Tower Street, is expected to commence in March 2011.

Tower Street East

14. The first major development project to be brought forward by NHRL is that at Tower Street East. This project proposes the delivery of a 6,000 sq m food store and 400 space car park, with a high quality of design to respect both the frontage onto Castle Street and the backdrop to Dudley Castle which is consistent with the planning policy aspirations of the Town Centre. A specialist development team has been assembled and market testing with selected food store operators has been completed, which has demonstrated that there is interest from operators in this development. It is proposed that NHRL will submit a planning application for this project which will seek to increase developer confidence and fix the design quality from an early stage.

Dudley Town Centre Townscape Heritage Initiative (THI)

15. The THI is a Heritage Lottery Fund (HLF) grant giving programme to assist the repair and regeneration of the historic environment within conservation areas in towns and cities. Its aims include:
- to use built heritage as a stimulant for economic regeneration;
 - to contribute to the sustainability of local economies ;and
 - to support the communities that live and work in each project area
16. The Council has been successful in securing £4.1m of grant from HLF and AWM for the 'Common Fund', plus a £150,000 contribution from the Council. A Project Officer has been appointed and liaison has been underway with the occupiers of 35 property projects interested in taking part in the initiative. However, the initiative suffered a major setback in August 2010 when Advantage West Midlands, following a strategic funding review, withdrew their £2.1m investment. Since that time strenuous efforts have been made to secure alternative funding, resulting in a revised funding package comprised of investment as follows;
- HLF (£1.9m, secured)
 - The Council (£150k, secured)
 - English Heritage (£140k, secured)
 - ERDF (£500k, bid submitted and in appraisal)
 - Growth Points (£191k, secured)
17. A revised programme of properties based on the above funding package has been assembled, and grant offers are currently being prepared by the Council for 4 priority properties where statutory consents and tenders have been secured and suitable funding is in place. Further grant offers are expected to be made upon confirmation of the ERDF funding, for which approval is currently expected in March 2011

Castle Hill & Zoo

18. The opportunity is being taken to ensure that, under the coordination of NHRL and with the strategic engagement of Dudley Zoo, the Black Country Living Museum and the Dudley Canal Trust, ambitious proposals for the site are effectively integrated with town centre development. The proposals for the comprehensive redevelopment of the site are based on;
- an ambition to raise visitor numbers from the present 600,000 per annum to 1 million per annum, which would place the attractions on a level with Warwick Castle and the Eden Project, and twice that of Cadbury World
 - a new access (for which planning permission was granted on the 2nd February 2010) from Tipton Road
 - preparation of land for new and complementary tourism/leisure development
 - further capital investment in the Zoo
 - acquisition of further land required for development, for which compulsory purchase powers were secured in November 2009
19. A funding bid of £4m has been submitted under the European Regional Development Fund's Sustainable Urban Development programme. In addition, support has been given by the Council and NHRL to funding bids of £1m and £2m submitted by Dudley Zoo to the Heritage Lottery Fund and the new Regional Growth Fund
20. The Council has taken the opportunity to carry out acquisitions of strategic sites to support the delivery of this project, and in late 2010 secured the purchase of the former Gala Bingo and Royal Brierley sites. Proposals are currently being prepared for the former site, and the Council's Archives relocation is now proposed to be located on the latter. The change in proposed location from the Black Country Living Museum car park to the Royal Brierley site has secured a saving of approximately £1m to the Council and provided early and complementary development activity at the Castle Hill site

Public Realm Developments

21. A key element of the ADF is the enhancement of the town's public realm; its streets, squares, parks and gardens. Work is underway on the preparation of proposals for enhancements that will support safe, accessible and attractive public spaces. The first of these to be brought forward is the Market Place project, for which a £3m ERDF bid is currently in preparation, and for which a consultation exercise is currently underway.

[e] Development of financial model

22. The Cabinet has considered a number of reports on the delivery of the ADF, most recently on the 17th June 2009 when, amongst other things, approval was given to a revised delivery mechanism proposed by New Heritage Regeneration Ltd, and to the recycling of capital receipts and other income generated from properties held by the Council in the ADF area to support delivery of the regeneration of Dudley Town Centre.
23. This revised approach is based upon development proposals being prepared for each project within the ADF programme, which will include sites within opportunity areas and public realm and transport infrastructure projects. Mechanisms for delivery of proposed development will be adopted to suit each area of development. New Heritage Regeneration will take an active lead role in

preparation of development proposals where appropriate and in some instances will manage preparation of planning applications for development of sites, and then sell sites at an enhanced value with a planning consent. Money received will be fed back into the programme to deliver later phases of development. In other cases public sector partners, including registered social landlords and private sector developers will lead the planning application process.

24. The report to Cabinet on the 17th June 2009 also referred to the role of New Heritage Regeneration Ltd in bringing forward the redevelopment of the Castle Hill and Zoo. Since that time the Council and New Heritage Regeneration Ltd have, in partnership with Dudley Zoo and the Black Country Living Museum;
25. A funding model has been prepared for the Castle Hill and Zoo development which mirrors that for the Dudley ADF set out in paragraph 22 above. This model is based on funding secured via investment from external sources (ERDF, HLF and RGF) and on the reinvestment of surplus capital receipts and other income generated from land and property owned by the Council at the Castle Hill site.
26. There will be a timing difference between expenditure on this project and receipt of funding where expenditure is funded from (a) grant drawdown and (b) related capital receipts. Every effort will be made to minimise the length of this timing difference and at present the maximum exposure to the Council will not be greater than £3m. Expenditure to be funded by grant income will not be committed until the grant has been secured; expenditure to be funded from capital receipts will not be committed unless there is a reasonable expectation that such receipts will be realised. The revenue impact of funding this facility will be managed within the Council's overall cashflow.

[f] Securing Compulsory Purchase Order powers

27. Proposals are now well advanced, with significant developer interest, for a major food store and car park on the Tower Street East site. This development would provide a major retail frontage onto Castle Street and would complement the Dudley College campus development which is currently under construction on the Tower Street West site. Whereas the Council is the owner of the majority of the land in this Opportunity Area, a number of property interests remain outside of its ownership. Acquisition will be required to complete the comprehensive land assembly required to deliver this development. Whereas every effort will be made to secure these properties by negotiation, the use of CPO powers may be required. The land for which CPO powers have been authorised is shown in Appendix 1 to this report.
28. Cabinet approved the principle of using CPO powers, subject to finance and indemnities from development partners, for all the Opportunity Sites proposed in the ADF on the 21st September 2005 and the 8th February 2006. However, the intention at the time was that the ADF would be delivered by a single development partner, rather than the programme approach referred to in paragraph 5 of this report. As a result, a wider CPO resolution was sought at that time. Cabinet also authorised on the 28th October 2009 the making of a CPO for the acquisition of land at Castle Hill, in respect of which part of the land covered by this resolution (the former Gala Bingo building) was subsequently acquired by the Council by negotiation. However, the remaining land covered by this CPO resolution is no longer currently required to support the developments proposed for the Castle Hill project. It is now considered appropriate therefore to extinguish

these existing powers and ask the Cabinet to authorise the Council to make a new resolution as the need arises within each opportunity area, with the exception of those powers in place for the Tower Street site as referred to in paragraph 8

Finance

29. Reinvestment of any capital receipts generated by disposal of Council-owned land and property within the Castle Hill project area will assist cash flow and enable a positive return on investment to be generated. This will be essential for supporting the overall delivery of the Castle Hill project.
30. There are no direct financial consequences arising from extinguishment of existing CPO powers which are no longer required. Cabinet may in future be asked to authorise new CPO resolutions as the need arises.
31. The developments detailed within this report will be funded from a package potentially consisting of ERDF, HLF, RGF and Homes and Communities Agency contributions, as well as capital receipts generated from the sale of the development sites.

Law

32. Under Section 226(1)(a) of the Town and Country Planning Act 1990 (as amended by the Planning and Compulsory Purchase Act 2004) a Local Authority has a general power to make a compulsory acquisition of any land in their area in order to facilitate the carrying out of development, redevelopment or improvement in relation to the land.

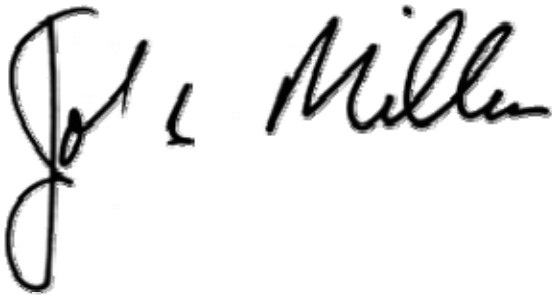
Equality Impact

33. Delivery of the Dudley regeneration programme would bring significant benefits to Dudley Town Centre. It would have a major positive effect on all users of the town centre including residents, visitors, businesses, investors and developers. Benefits would be achieved for people of all ages, including children and young people,
34. All work undertaken in connection with delivery of the Dudley Town Centre regeneration programme will be carried out in accordance with the Council's Policy on Equality and Diversity.

Recommendations

35. It is recommended that:
 - The existing decision made to make a CPO for the Dudley Town Centre ADF and for land at Castle Hill be extinguished, excepting those powers already in place for the land at Tower Street East as shown on Appendix 1 to this report
 - Any surplus capital receipts generated by disposal of Council owned land and property and all other income generated through from the Dudley Town Centre (Area Development Framework) and Castle Hill portfolios of property are ring fenced & reinvested to support the delivery of the regeneration of Dudley Town Centre and Castle Hill

- A cashflow facility of up to £3m to support the delivery of regeneration activity in Dudley Town Centre and Castle Hill be approved to cover any timing differences between expenditure and receipt of funding as set out in paragraph 26.



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List of Background Papers

‘Developer Selection Protocol’, Dudley MBC Standing Orders

Cabinet Report (17 June 2009) ‘Delivering the Masterplan for Dudley Town Centre’, Joint report of the Directors of the Urban Environment, Law and Property and Finance

Cabinet Report (11 June 2008) ‘Delivering of regeneration in the Borough: a proposed arms length company’, Report of the Director of the Urban Environment

Cabinet Report (31 October 2007) ‘Delivering the Masterplan for Dudley Town Centre’, Report of the Director of the Urban Environment

Cabinet Report (13 June 2007) 'Delivering the Masterplan for Dudley Town Centre', Report of the Director of the Urban Environment

Cabinet Report (13 December 2006) 'Dudley Area Development Framework: Cavendish Quarter Compulsory Purchase Powers', Joint Report of the Directors of the Urban Environment and Law and Property

Cabinet Report (15 March 2006) 'Appointment of Consultants in Connection with Dudley Town Centre Area Development Framework', Joint Report of the Directors of the Urban Environment, Law and Property and Finance

Cabinet Report (8 February 2006) 'Dudley Area Development Framework: Cavendish Quarter Compulsory Purchase Powers', Joint Report of the Directors of the Urban Environment and Law and Property

'Dudley Area Development Framework' (December 2005) Dudley MBC

Cabinet Report (21 September 2005) 'Dudley Area Development Framework: Compulsory Purchase Powers', Joint Report of the Directors of the Urban Environment and Law and Property

Executive verbal report (17 December 2003) 'Establishment of the Dudley Town Centre Partnership', Director of the Urban Environment.