

Meeting of the Cabinet – 12th March 2014

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 revised cashflows arising from the delivery of regeneration activity in and around Dudley Town Centre to be funded from the subsequent 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 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 inclusion of the proposed Tower Street Car Park in the Capital Programme.

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. Implementation of the ADF is expected to bring significant benefits to the town centre arising from improvements to public and civic spaces and infrastructure, new development, jobs and increased resident population in the town.
5. Work is now progressing on the preparation of the Area Action Plan (AAP) for Dudley Town Centre which will update the ADF and bring the policies and proposals in the plan within the development framework for the Borough. This plan will complete the suite of documents for the Borough's Town Centres. The AAP furthers the objectives of the ADF and seek to gain investor and developer confidence in the Town by creating a greater degree of planning certainty about the regeneration proposals in the Town.

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 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 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 and at the Castle Hill site has been underway since 2007, initially funded by £5.9m of investment from the former Regional Development Agency, Advantage West Midlands. This investment 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.

9. £2.6m 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

10. Funds totalling £7.1m have been secured under the European Regional Development Fund's Sustainable Urban Development programme, and in addition, support has been given by the Council and NHRL to successful funding bids totalling £3m submitted by Dudley Zoo and the Dudley Canal Trust to the Heritage Lottery Fund, European Regional Development Fund and the Black Country Local Enterprise Partnership's Growing Places fund

[c] Dudley Town Team (formerly Dudley Town Centre Partnership)

11. The Dudley Town Team has met on a regular basis over the last 5 years. Its membership includes Elected Members and representatives from business, the community and other key stakeholders. The Team 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

Dudley College

12. The Council and NHRL have worked closely with Dudley College to support the major redevelopment of its property in the town centre. The 'Evolve' Further Education Centre and the Sixth Form College opened in September 2012. Work commenced on site in July 2013 on the 'Advance' Engineering Centre and completion is due in September 2014.

Dudley Town Centre Townscape Heritage Initiative (THI)

13. 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
14. The Council has been successful in securing £2.6m of external funding and is contributing £150,000 from its own funds. The project has been a success, with 10 projects completed and 4 more projects underway, at a total cost of £4.1m

Castle Hill & Zoo

15. 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 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
16. Funding of £4.5 has been secured from the European Regional Development Fund's Sustainable Urban Development programme. In addition, support has been given by the Council and NHRL to successful funding bids totalling £3m submitted by Dudley Zoo and the Dudley Canal Trust to the Heritage Lottery Fund, European Regional Development Fund and the Black Country Local Enterprise Partnership's Growing Places fund

17. 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. 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
18. Work is progressing well on site with the first element of the work, the new £5.9m Dudley Archive centre, complete in October 2013. The access from Tipton Road to the site is complete as is the iconic Zoo Chair Lift and the refurbished premises providing new offices for the Zoological Gardens. The secondary access road and first phase of the car park infrastructure is due to complete in March 2014.

Public Realm developments

19. 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, £6m improvements to the Market Place and Castle Street which includes revised layout of market stalls; restoration of the fountain, demolition of the existing toilet block and replacement with improved toilet provision; repositioning of the Duncan Edwards statue; new street furniture, refurbishment of the floorscape with highly durable and natural materials.
20. ERDF funding for the works has been secured and work commenced on preliminary works in July 2013. The first phase of the main construction works, along Castle Street, commenced in January 2014 and the second phase based around the Market Place itself, is due to commence in June 2014

Foodstore developments

21. 3 planning applications have been approved for major foodstores in the Town Centre; 2 on the Cavendish House site and surrounding land and the third on the Falcon House site adjacent to King Street. Each of the 3 proposals includes significant tracts of Council land, and Compulsory Purchase Powers are likely to be required for each. Negotiations are currently underway with developers and operators to assist in the identification of the preferred proposal

Residential developments

22. One of the key principles of the ADF was to increase the population living in and around the Town Centre. Although the delivery of this has been adversely affected by the economic downturn, over 250 new homes are currently being built on the former Wolverhampton University campus site and on the former Gasworks site at Constitution Hill. Development of the former site has been possible as a direct result of Dudley College vacating this site as part of their Town Centre redevelopment strategy

Proposed Tower Street car park

23. An early aspiration in the ADF development programme was the provision of a multideck car park associated with a foodstore in the Tower Street Opportunity Area. A car park in this location is proposed given its convenient location for the Town Centre and to provide car park capacity to mitigate for the loss of car parking elsewhere to development. The location of the proposed car park is shown in Appendix B to this report. Following market testing with potential foodstore operators it became clear that other sites in the Town Centre were preferred and as a result it is proposed, subject to a detailed feasibility study, to develop the Tower Street site for a multideck car park on its own at an estimated capital cost of £2.5m. The levels of car park charging in the Town Centre do not make it attractive to the private sector and it is therefore proposed that the Council provide and manage the car park.

[f] Development of financial model

24. A funding model has been prepared for the Dudley ADF and Castle Hill and Zoo developments based on funding secured via investment from external sources 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.
25. This 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.
26. The Cabinet has considered a number of reports on the delivery of the ADF, most recently on the 16th March 2011 when, amongst other things, approval was given to the reinvestment of surplus capital receipts generated by disposal of Council owned land and property and all other income generated through from the Dudley ADF and Castle Hill portfolios of property to support the delivery of the regeneration of Dudley Town Centre and Castle Hill.
27. The report referred to in Paragraph 26 above recognised that there will be a timing difference between expenditure on this project and receipt of funding where expenditure is funded from grant drawdown and related capital receipts. Based on the values and programme for development and capital receipts at the time the maximum expenditure to be financed by the Council in advance of capital receipts was estimated to be not greater than £3m.

28. One of the largest capital receipts supporting the ADF development programme relates to the disposal of Council owned land required for a proposed major foodstore. Since that time, proposals for 3 separate foodstore developments on the Cavendish House/Falcon House sites have been successful in securing planning permission, and this has led to delay in the anticipated date of a capital receipt. In addition, the value of the anticipated receipt has reduced and this has led to an increase in the size of the cashflow facility required from the Council if the ADF programme is to be delivered.
29. The potential value of the capital receipt has reduced because one of the possible foodstore proposals to come forward carries significant costs that reduce the value of the capital receipt. This proposal brings about major improvements to the public realm and the integration of the foodstore with the Town Centre as well as a significant amount of non-food retail space which will provide a footprint of space currently lacking in the town, plus a significant ongoing business rate income. It is proposed that the details of the preferred foodstore proposal, with details of the benefits that it will bring to the Town Centre, will be considered by the Cabinet in due course.
30. Given the above, the expenditure to be financed by the Council in advance of capital receipts is now estimated to be no greater than £9m. However, on the basis of estimated capital receipts later in the development programme, the ADF delivery programme is estimated to return to a positive balance in the 2017/18 financial year and provide a net return of £3.9m to the Council by the end of the development programme in 2021
31. In addition to the positive balance expected to be received at the end of the development programme referred to in paragraph 30, the development programme is anticipated to result in significantly increased levels of revenue from Council Tax and Business Rates.

Finance

32. Reinvestment of any capital receipts generated by disposal of Council-owned land and property within the Dudley ADF and 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 project.
33. The developments detailed within this report will be funded from a package consisting of ERDF, HLF and Growing Places contributions, as well as capital receipts generated from the sale of the development sites.
34. At current interest rates, the revenue cost of financing the cashflow set out in this report will rise to £120,000 at the highest point (currently projected to be 2015/16). The overall development plan is expected to result in increased revenue income from Council Tax and Business Rates.
35. The financial projections in this report are subject to delivery of the programme as set out. Delivery of the programme is subject to economic, commercial, planning and other risks.

Law

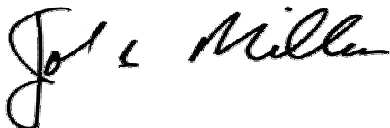
36. Section 2 of the Local Government Act 2000 enables the Council to do anything which it considers likely to achieve the promotion or improvement of the economic, social and environmental well being of its area.

Equality Impact

37. 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,
38. All work undertaken in connection with delivery of the Dudley Town centre regeneration programme will be carried out in accordance with the Council's Equality and Diversity Policy.

Recommendations

39. It is recommended that:
- Cabinet recommend the Council to approve and include the proposed Tower Street car park in the Capital Programme.
 - Cabinet note the regeneration activity underway in and around Dudley Town Centre.
 - Cabinet give authority to incur capital expenditure of up to £9m on regeneration activity in Dudley Town Centre and Castle Hill in advance of capital receipts from the project.
 - That reports be submitted to Cabinet at least annually to review the implications on the Dudley Town Centre ADF programme of any variances in the value and timing of project costs and capital receipts.



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List of Background Papers

'Developer Selection Protocol', Dudley MBC Standing Orders

Cabinet Report (16 March 2011) 'Dudley Town Centre Regeneration', Joint report of the Directors of the Urban Environment & Corporate Resources

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.