



Report of the Cabinet Member for Investment, Regeneration and Tourism

Cabinet - 21 November 2019

City Centre Marketing of Strategic Sites Joint Venture Opportunity and FPR7

Purpose:	To set out future regeneration options building on the catalytic effect of current development projects in the city centre including the marketing of strategic sites to secure a Joint Venture partner.
Policy Framework:	Swansea Local Development Plan: Swansea Central Area Regeneration Framework (2016)(SCARF), Corporate Priority Creating a Vibrant and Viable City and Economy, Council Constitution, Financial Procedure Rules
Consultation:	Access to Services, Finance, Legal, Property Services.
Recommendation(s):	<p>It is recommended that:</p> <ol style="list-style-type: none">1) The revenue funding requirements as set out in paragraph 5.3 are approved.2) Option 3 is progressed and the Joint Venture Opportunity is marketed then advertised on Sell2Wales3) Authority is delegated to the Director of Place and Chief Legal Officer to approve the marketing and tender documentation including Memorandum of Information and draft Legal Agreement/vehicle for delivery.
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1. Introduction

- 1.1 The last major regenerative shift in Swansea occurred following the 2nd world war. Interventions since then by public authorities were generally small scale and failed to trigger private investment. In order to address this the Council commissioned a robust regional economic strategy and produced the most comprehensive analysis of the challenge. Productivity in the region had fallen from 93% of the UK average to 77% within three decades. At the same time it became clear that the future role of cities was changing; shaped by structural changes to the economy, environmental concerns and the growth of the World Wide Web.
- 1.2 The evidence was clear that failure to intervene would see further rapid decline in the City fabric, depopulation, continuing falls in productivity, skills leakage, and increases in poverty and worklessness.
- 1.3 City Centre regeneration became one of the Council's Corporate priorities.
- 1.4 Following the Council's commitment to deliver Swansea Central Phase 1 and the Digital Village that form part of the City Deal programme, it is now pertinent to capitalise on this investment through further regeneration of the city, delivering economic growth and creating a better place for people to live, work and visit in accordance with the Council's priorities and objectives, in particular the Swansea Central Area Framework (SCARF) and LDP.
- 1.5 In particular the fundamental aims are to:
 - Encourage more people living and working in the city centre resulting in a 8 until 8 economy
 - Enhance built environment and green infrastructure
 - Be at the forefront of the digital and tech sectors
 - Create a step change in the city centre through a leisure retail scheme at its heart to attract residents, workers and visitors
 - Capitalise on the significant number of regeneration projects currently being delivered, the Council's financial commitment to Phase 1 and City Deal funding, passing delivery and cost risk to the private sector
 - Provide high quality city centre residential accommodation for 21st century living
 - Emphasise Swansea's distinctiveness and sense of place including culture
- 1.6 Since publication of the SCARF the role of city centres has continued to shift with less emphasis on retail, but in Swansea there is evidence of an increase in demand for office use, particularly from the public sector.

- 1.7 It is the Council's intention to minimise further direct funding on future regeneration projects and therefore officers, in conjunction with property advisors, have been exploring how to attract private investment to ensure ongoing delivery of developing Council owned strategic development sites.
- 1.8 The Council issued a PIN Notice via Sell2Wales on 10/04/2019 asking for potential investors to register their interest. Other organisations have also come forward separately and in total there have been 14 responses.
- 1.9 This report sets out a proposed way forward to secure a Joint Venture partner and seeks authority to proceed with a formal OJEU marketing exercise via Sell2Wales inviting offers from a shortlist of developers through following a Competitive Dialogue procurement process.

2. Background

- 2.1 A separate Cabinet report is recommending approval for the Council to fund the delivery of Swansea Central Phase 1, securing a contribution from City Deal. This would deliver a new Arena, car parking and coastal park on the former LC car park, a bridge over Oystermouth Road, together with an additional multi storey car park, 33 residential units and 478m² of commercial space on part of the St Mary's car park/Wellington Street. A hotel will also be developed by the private sector adjacent to the Arena as part of the scheme.
- 2.2 The City Deal is also providing funding towards the Digital Village project at 71-72 The Kingsway that the Council is taking forward, this will be the subject of a future separate report to Cabinet.
- 2.3 Historically Swansea Council has had a large property holding and there are currently several significant sites that could be brought forward for development in the short, medium and longer term. Seven of these have been identified and they comprise
 - Swansea Central Phase 2 (possibly excluding the first phase of a Public Sector hub if this is to be delivered by the Council)
 - Former Oxford Street School Site
 - Site 9 Swansea Marina
 - Civic Centre Site
 - Sailbridge Site
 - Former St Thomas Station site
 - Hafod Copperworks Site

Plans of these sites are attached as Appendix A.

In addition, there will be the possibility of the inclusion of one or more sites within the wider city region provided there is agreement by the Council and the JV partner to take these forward and there is no compromise to delivering the Council's priority sites.

- 2.4 It is not envisaged that the Council will be in a position to deliver regeneration development projects on these sites without additional funding and therefore Council officers have been asked to consider options for delivery.

2.5 **Option 1**

The Council could dispose of the sites on the open market by simply selling its interests to the highest bidder. This would reflect existing market value of the sites but the Council would only have control over future use through the planning system with little say over delivery timescales. It is unlikely that the Councils regeneration objectives would be met as development by the private sector would be commercially driven.

2.6 **Option 2**

The Council could sell off individual sites on a traditional development agreement approach that would provide a degree of control over future development to ensure regeneration and other Council objectives are met through a formal legal agreement setting out the Councils terms.

- 2.7 Due to the complex nature of these sites and the need for a holistic approach to development given the wider regeneration agenda and Council policies, this would entail a detailed marketing exercise of each at the appropriate time in the development cycle. The marketing exercise would need to include extensive information relating to the site, detailed planning briefs and then drawing up bespoke legal agreements depending on the terms of each disposal following each procurement process. Whilst this option is potentially a way forward to deliver the Council's wider objectives it is likely to require a significant amount of resources from officers with the relevant specialist expertise, alongside input from consultants where required, to undertake each marketing exercise that would need to be timed appropriately to correspond with economic cycles and market forces to ensure values are optimised. It could mean the Council working at risk with a shortage of resources, along with sole responsibility for ongoing management and maintenance of this property portfolio for an unknown period of time.

- 2.8 This approach would not necessarily deliver a cohesive approach due to the likelihood of having separate developers on each site.

2.9 **Option 3**

An alternative approach is to appoint a private sector Joint Venture partner to work alongside the Council to deliver regeneration projects that would allow a transfer of risk and access to wider, potentially more effective resources.

- 2.10 In order to protect the Councils interests it would be a condition of the JV agreement that the Council could add or remove sites from the arrangement, including the possibility of delivering one or more sites

within the wider city region provided there is agreement by the Council and the JV partner to take these forward and there is no compromise to delivering the Council's priority sites.

2.11 There would also be backstop dates for development to ensure that delivery objectives are met and provision for income sharing.

2.12 The benefits of this approach include

- To transfer as much of the future development and cost risk away from the Council and on to the Private Sector as possible
- To increase the breadth and depth of developers in the city centre
- To bring in expertise and assist with the delivery of projects (ie joint ventures)
- To provide funding
- To raise Swansea's profile, thus attracting further private sector investment and new occupiers
- To ensure a cohesive approach to regeneration across the city based on the Council's regeneration objectives

2.13 To ensure success the Council would need to

- Provide long term commitment
- Provide the land
- Champion the projects
- Seek gap funding/other financial interventions where required
- Ensure delivery accords with Council priorities
- Protect public interest to ensure quality of development and delivery in a timely fashion

2.14 Key responses from the EOI indicate the need for scale in terms of value and duration of the Joint Venture arrangement. Investors would require a potential development value in the order of £1bn and in order to deliver this all of the 7 priority sites would need to be included as a minimum. The length of any Joint Venture agreement would need to be at least 20 years.

2.15 Council officers and their advisors recommend option 3 as the preferred way forward.

2.16 **Next steps**

On the basis of Option 3 above the next steps would be to select a Joint Venture partner through a 2 stage OJEU Competitive Dialogue Process.

2.17 This would entail

- Preparation of marketing material, advertising and launch events to promote the opportunity
- Providing relevant property information (including plans, surveys, site investigations, identifying opportunities and constraints) together with reports on title and planning policy background for each site that would be uploaded to a data room to be shared with

potential bidders so that they have sufficient information to be able to develop their proposals, prepare appraisals and formulate a financial offer.

- Preparing the procurement documentation including details of the proposed dialogue meetings (eg dates of meetings and topics to be discussed)
- Agreeing the scoring criteria of submissions and bids to reflect the Council's priorities

2.18 The first stage of this process will involve the Council issuing a Supplier Questionnaire (SQ) to ensure that bidders meet minimum selection criteria in terms of their technical and professional ability, experience and financial standing. Bidders shortlisted at this stage will be taken through to the dialogue stage.

2.19 Once the dialogue stage is complete bidders will provide detailed formal submissions based on 3 of the sites to demonstrate their delivery approach and the financial implications of their proposed Joint Venture model to be analysed and scored by the Council and their advisors.

2.20 In terms of timescales the following key milestones are envisaged

January-March 2020	Launch
March 2020	Issue SQ on Sell2Wales
June 2020	Issue Invitation to Participate in Dialogue (ITPD) to shortlisted bidders
October 2020	Close dialogue
November 2020	Issue Invitation to Submit Final Tender (SFT)
January 2021	Analyse bids and identify preferred bidder
February 2021	Report to Cabinet
March 2021	Appoint partner

2.21 In order for the process to run smoothly governance is a key issue that needs to be addressed, and it is proposed that a Project Board is set up comprising officers from Planning and City Regeneration, Legal, Procurement and Finance that will report through City Regeneration Programme Board and Members Steering Group.

2.22 Once a preferred bidder has been identified then a report would be brought back to Cabinet outlining the bids received and providing detailed information on the terms proposed by the preferred bidder for a decision on whether to proceed to enter into the JV agreement.

3. General Issues

3.1 Property Services are investigating the possibility of a Public Sector office hub in Swansea, with the potential of a first phase in the order of 7,000m²

to be occupied by the Council and another public sector partner on part of the Swansea central Phase 2 site. Due to the timing and funding required it appears beneficial for the Council to deliver this itself therefore it is proposed that the red line excludes an area suitable for this development with the option to either reintroduce it to the Strategic Sites process if the Council does not proceed with this hub or potentially extend the red line to include a wider public sector hub development. This proposal will be the subject of separate reports seeking confirmation of the decision to relocate the Council's services from the existing Civic Centre and the scale and timing of the public sector hub development based on advice received from Rivington Hark, the Council's retained property development managers.

4. Equality and Engagement Implications

4.1 The Council is subject to the Public Sector Equality Duty (Wales) and must, in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

Our Equality Impact Assessment process ensures that we have paid due regard to the above.

4.2 An EIA Screening Form has been completed and is attached as Appendix B - a full EIA report is not required at this stage. Each site will need to be considered in detail once the development proposals are known.

4.3 This project is a good example of the 5 Ways of Working promoted by the Wellbeing of Future Generations (Wales) Act 2015 and will make a significant contribution to the 7 well-being goals. It is an example of collaborative working between the public and private sector in a sustainable way resulting in a long term partnership with the objectives of developing key strategic sites within the city for the benefit of future generations.

This is a major public and private sector investment programme, assisting in the regeneration of our city centre, stimulating economic growth, addressing issues such as city centre decline, poverty, inequality, jobs and skills which directly contributes to the council's obligations to act in a sustainable way pursuant to the WFGA

5. Financial Implications

5.1 The overall budget required to select a Joint Venture partner to work with Swansea Council to deliver development of strategic sites is estimated at £250,000. Also the Council have a contract with external consultants to provide specialist advice and support the Council in delivery of

regeneration projects and a further £600,000 is required to fund this in line with Financial Procedure Rules.

- 5.2 A table is attached as Appendix C setting out the spend allocation.
- 5.3 At present there is no specific funding allocation for this however Cabinet previously authorised a capital budget of £850,000 to develop the Swansea Central Phase 2 scheme, as referred to in the Swansea Central Phase 1 Project Update and FPR7 on 29th November 2018. This is a capital funding allocation however the Joint Venture expenditure proposed is revenue spend. As the project is in feasibility and scoping phase, expenditure shall be revenue in nature until the creation of an asset. It is proposed that the £850,000 required will be funded in the interim by the Capital Equalisation Reserve and the £850,000 capital budget included in the capital programme will be appropriately reduced. A budget will be set up within revenue to deliver the Joint Venture set up.
- 5.4 If this proposal is approved none of the money will be available towards the delivery of the Public Sector Hub that will need a standalone budget moving forward.

6. Legal Implications

- 6.1 The Competitive Dialogue process to appoint a Joint Venture partner will be undertaken in accordance with the provisions of the Public Contracts Regulations 2015.
- 6.2 The council must consider how it will evaluate any joint venture proposals submitted by the bidders. This will require a detailed prior understanding of the various contractual models that are available and their potential financial and legal benefits and risks.
- 6.3 The council has therefore appointed external legal advisors with significant experience in this legally complex area to assist in house lawyers with this project.
- 6.4 External legal costs will be met from the reallocation of funds referred to in paragraph 5.3 above.

Background Papers: None

Appendices:

Appendix A	Plans of the sites
Appendix B	FPR7 allocation of spend
Appendix C	EIA Screening