

**Report of the Cabinet Member for Enterprise, Development and
Regeneration**

Cabinet - 16 March 2017

**SWANSEA CITY CENTRE REGENERATION - DELIVERY AND FUNDING
STRATEGY**

Purpose:	To seek Cabinet agreement to proceed to the next stages of City Centre regeneration and confirm funding in accordance with Financial Procedures Rules.
Policy Framework:	Swansea Local Development Plan: Deposit Plan, Swansea Unitary Development Plan (2008), Swansea Central Area Regeneration Framework (2016) Corporate Priority Creating a Vibrant and Viable City and Economy
Consultation:	Finance, Legal, Commercial Services, Corporate Building and Property Services, Access to Services
Recommendation(s):	It is recommended that Cabinet: <ol style="list-style-type: none"> 1. Approves the financial implications as outlined within the report 2. Funds an overarching economic regeneration assessment to underpin any decisions to invest in the capital delivery of projects including a skills assessment to underpin delivery. 3. Authorises officers to approach WG to request that Swansea City Centre is designated TIF area. 4. The necessary annual capital and revenue funding required to enable delivery of the projects is agreed. 5. That Cabinet note the interdependencies for other aligned schemes being developed for Castle Square and the Kingsway Infrastructure
Report Author:	Huw Mowbray
Finance Officer:	Ben Smith
Legal Officer:	Debbie Smith
Access to Services Officer:	Sherill Hopkins

1. Introduction

One of the Council's main Corporate Priorities is to create a vibrant and viable City & Economy. Despite this ambition, Swansea City Centre has been in decline over recent years. The Javelin VENUESCORE ranking shows that in 2016, Swansea was the second biggest faller in the top 100 towns after Wolverhampton. In the surrounding areas of Cardiff, Newport and Carmarthen, the offer has significantly improved. The impact of a new scheme is demonstrated clearly in Newport, climbing 59 places as a consequence of Friars Walk opening.

However, Swansea has a major opportunity with an identified £158m trading gap that could be clawed back through successful regeneration. Swansea also has a clear plan through the adopted Swansea City Area Regeneration Framework (SCARF) to address regeneration across the city Centre.

Due to economic and viability issues the private sector will not invest in major City Centre projects in Swansea at this time and stage of their development. So simply doing nothing is not an option as Swansea's decline will inevitably continue.

The Swansea Bay City Region has progressed a City Deal bid to Welsh and UK governments. The proposals put forward by Swansea aims to facilitate the growth of higher value activities particularly in Tech businesses to increase footfall in line with the recommendations of SCARF. This builds on the city's two universities and embryonic technology capability within the City. The CCS project objectives are: -

- a. To create 100,000 sq. ft. of offices at Kingsway – Digital Village.
- b. An arena, hotel and public realm at Swansea Central - Digital Sq.

This deal is in the process of being finalised with both UK and Welsh Governments and a decision is expected by the time of cabinet. The Council will need separately to consider future match funding is in place to progress the bid once the second stage of the City deal is agreed. This will be subject to further reports as and when the specific business cases are developed and agreed with the respective governments.

It should be noted that whilst the Council has the ability to borrow money, there are a number of competing priorities including the 21st Century Schools programme. If the Council is to borrow for projects then there must be prioritisation, and risks must be managed in line with the Council's fiduciary duty.

There is now a short window of opportunity to deliver projects within the current economic cycle. Given the absence of a private sector lead unless the council acts quickly there is a clear risk that the projects will miss the economic cycle and fail. In order to ensure projects are given the best possible chance of being delivered then resources must be focused on the priorities.

As council has already endorsed the agreement to the City Deal then work to develop the priority areas and aligned City Centre development must continue to maintain progress.

As such this paper sets out the priorities both for City Deal “work up” and also the aligned schemes that logically must proceed in tandem to ensure appropriate interconnectivity across the City Regeneration programme.

2.0 Regeneration Schemes

The sections below set out the regeneration schemes, their current position, aims and next steps for delivery.

Swansea Central - A mixed use scheme currently comprising a cinema, 20 retail units, 8-10 restaurants, a university library and learning facility, Multi-Story Car Park (MSCP) and residential, all North of Oystermouth Road and linked by a wide land bridge to the South side which includes a 3-3500 capacity indoor arena, approximately 500 car parking spaces, a hotel and parkland connections to the Civic Centre site.

Aims

- To improve the current City Centre offer.
- To generate economic benefits including creating new jobs and prosperity.
- To attract new retailers and shoppers back to the city to capture leakage.
- Create a first class environment to attract occupiers and visitors.
- Improve the city to benefit future generations.

Progress to date

- Cabinet appointed Rivington Land, ACME as development managers.
- Scheme options have been considered and plans drawn up.
- Full consultant team now appointed.
- Preparation of marketing material
- Discussions held with occupiers.
- Draft outline planning consent published.
- Consultation with affected stakeholders undertaken.
- Arena feasibility study completed.
- Arena OJEU procurement process for operator underway.
- Discussions with University for a new library/student learning facility underway.
- Consideration of potential funding sources.

Next steps

- Submit outline planning consent.
- Undertake detailed design
- Secure agreements with key occupiers
- Appoint Arena operator.
- Market hotel opportunity

Kingsway – There are two critical parts to this project:-

Firstly, to develop the infrastructure and “public realm” to simplify the road network, create a vibrant and green public realm to provide the environment where people want to live and work and therefore stimulate development. This is subject to a separate report following public consultation.

Secondly, to build 100,000 sq. ft. of offices at the former Oceana site together with a new pedestrian link between Kingsway and Oxford Street.

Aim

- To create modern efficient offices to fill a gap in city center provision and generate additional footfall in the City.
- Provide grow on space for small business, in particular for the Tech industries.
- To retain graduates and promote future business start-ups.
- Stimulate private sector investment and development on the Kingsway.

Progress to date

- Acquired Oceana and demolition to be completed in March.
- Masterplan for offices prepared to RIBA stage 2.
- Acquired additional properties in accordance with the overall strategy.
- Detailed designs for Kingsway highway improvements undertaken.
- First phase of roadworks at Westway completed.
- Bid made to ERDF for £4m towards £10m highway scheme.

Next steps

- Undertake final land assembly.
- Undertake detailed building design.
- Submit planning application.
- Once there is commitment to build then progress discussions with occupiers.
- A separate Cabinet report on Highway improvement works.

Civic Centre Site - A seafront site with a masterplan to create 500 homes, a tourist attraction for 300,000 visitor’s p.a. with 6-8 restaurants around a new public square for events all set in an attractive public realm, new seafront promenade with access to the beach and car parking.

Aims

- Deliver the council’s policy of linking the city to the sea.
- Create a waterfront destination.
- Create a public square on the waterfront.
- New tourist attraction.
- Provide a range of housing to support city living.

Progress to date

- Cabinet appointed Trebor Developments and their team as development manager.
- Discussions with the University for a Hydro Hub and research facility as a tourist attraction.

- Detailed work on relocation of council offices undertaken which would create a vacant site.
- Flood Consequences Assessment (FCA) in progress.
- WG approached to provide Civic relocation design and planning costs.

Next steps

- Consider recommendations of the FCA and cost of works in order to mitigate flood risk.
- Once FCA requirement identified agree the timing for the Civic relocation.
- Consider phasing options of the scheme that accord with the timescales for relocation.
- Finalise scheme design and secure a planning consent to facilitate relocation of the Civic Centre when funding is available.

3.0 Progressing Delivery

In order to progress the projects the Council needs to fund additional work up costs to take the current schemes to the point where a construction contract can be tendered and the council can decide whether it wishes to fund and deliver the projects, or alternatively, advertises for a funder/developer to deliver the scheme with the Council providing gap funding, if necessary. The risks and financial rewards of each option will be analysed and included in future reports.

Swansea Central – It is envisaged that this will be delivered in three phases, firstly the LC car park site for an arena, MSCP and hotel (part funded by the potential City Deal). Secondly, the southern part of St Mary's car park for university and leisure facilities, and thirdly, the Northern area of the site for retail and leisure.

The arena as the first phase will be an anchor for the City Centre. The council has already commenced an OJEU process aiming to secure a preferred operator by May 2017. The construction cost of the arena will only be established once the operator requirements are finalized at the end of the procurement process.

As the Swansea Central project has progressed the scheme has increased in size and consequently the overall work up costs have increased.

Kingsway Offices (located at former Oceana site) - As indicated above the next crucial stage is to develop the scheme with detailed design and planning permission

Civic Centre and Office Relocation - The initial findings of the Flood Consequences Assessment indicates additional work is required on flood mitigation to define the degree of flood protection work and potential design of the scheme required to meet NRA requirements. In addition, work is required to secure a detailed design and planning consent for a new Civic Centre in order to progress its relocation and provide a vacant Civic Centre site for future development. The funding requirement of £1.3m for progressing the Civic relocation to detailed planning consent is being sought from WG although in the meantime an allocation of £200k is sought to complete the flood mitigation work and detailed feasibility on the site post relocation of the Civic Centre to the City Centre.

3.1 Economic Benefits

There are potentially significant economic benefits to the city in delivering the schemes which includes additional GVA, creating prosperity, new quality jobs, spend in the local economy and growth. In addition the skills required in the local economy to deliver these schemes need to be identified. This will also be raised through the SERP.

An arena will not be delivered by the private sector as it does not create an income stream to fund the construction cost however the economic benefits generated for the local authority area is significant. Hull council recently contracted to build a 3500 capacity arena due to the significant economic benefits it generates for the Hull economy.

Independent detailed analysis is required to quantify the benefits to the city. The cost of such analysis for the arena, Swansea Central and Kingsway would be in the order of £50K. The commission should also provide further independent advice as to how the Council can maximise the impact of its investment to further its Corporate Priorities, including poverty reduction.

4.0. Cost of next stage of works.

The table below sets out the anticipated additional work and budgets required to deliver the next stages.

Project	Additional Work Required	£
Swansea Central	Design and professional fees to pre-tender based on current scheme with university building and larger arena. *Preparing the construction tender and associated professional fees up to start on site will be in addition.	£6,575,000
Kingsway Offices	Detailed Design & planning	£850,000
Civic Centre Relocation	Feasibility and flood mitigation assessment	£200,000
Economic benefit analysis	Undertake analysis on St David's, Arena, and Kingsway	£50,000
Delivery Strategy	Prepare a delivery Strategy for the projects which considers the best use of public resources and the potential for	Within existing budget

	private sector investment.	
Contingency		£250,000
Total		£7,925,000

*For Swansea Central whether the Council bears the costs of construction tendering will depend on the agreed delivery model to be progressed. This will need to be the subject of a further cabinet report.

In looking at delivery models and the need for capital borrowing, consideration must be given to the level of capital commitment required by the council to deliver its corporate priorities including for example the 21st Century Schools programme. An overall programme will need to be agreed and financial implications and risks identified.

4.1 Kingsway Infrastructure and Castle Square

Due to the advanced progress of the Kingsway infrastructure works and the fact that there is a need to report on the public consultation a separate FPR report will be presented to cabinet. In addition, due to the requirement to formally report back on the public consultation on Castle Square a separate report seeking way forward is also due to be submitted to cabinet to coincide with this report.

5. Grant /External Funding

The original requirement for £6.2m of work up costs for Swansea Central was requested from WG. Further discussion with WG has confirmed that Welsh Government have linked this to the City Deal and a formal response is expected shortly.

The Council has submitted funding bids to Welsh and UK government for City Deal funding. The details of the overall financial impact on the council will need to be worked up as part of the final city deal proposal once endorsed by both UK and Welsh Governments. At this stage authorisation is only being sought to move the next stage of the process with subsequent reports to cabinet required once the business cases are agreed.

6. Taxation Incremental Funding

If Swansea City Centre was designated a Taxation Incremental Funding (TIF) area the council could keep the Business Rates from any new build properties for a 20 year period to support works. This is being done in Scotland and England and is widespread in North America. This could help finance borrowing costs for the city center schemes by delivering revenue stream and in order to do so the Council should approach Welsh Government for a Swansea City Centre TIF.

The Kingsway and Swansea Central schemes alone would generate in the order of £1.2m in rates per annum. Initial discussions have taken place with WG who are considering the request but cabinet authorisation is being sought to formalize the request from the council

7. Summary and Conclusions

In order to maintain momentum the Council needs to fund the next stage of works as set out in this report.

Provided the council has the appetite to commit to these works, and based on progress to date, the advice from its external industry experts, Rivington Land and Cushman Wakefield is that with adequate funding in place these projects are entirely deliverable and therefore any expenditure should not be abortive although ultimately this is always a risk.

However, it has already been accepted that doing nothing is not an option and if further work is not undertaken the projects will not proceed and Swansea will continue to decline. Marketing has previously shown that there is no appetite to deliver these schemes in the private sector without the projects being de-risked. To ensure Swansea City Centre regeneration progresses, only the Council can unlock these schemes.

It is hoped that an announcement on the City Deal will be forthcoming in March after which a five case business model will be required which will take 6-9 months. During this time the work set out in this report can be progressed and if City Deal funding is released the Council will be ready to start on site with the City Deal projects.

Once the council has undertaken the recommended work to de-risk the schemes then viability will be known and the Council can consider what delivery strategy to follow. It can continue to fund the schemes itself or if that is considered too much of a risk then the Council could consider making the scheme viable by providing any necessary gap funding for the private sector to take the schemes forward. Therefore the council may not need to raise all of the capital funding required. However, that can only be ascertained nearer the time.

Decisions on committing to capital funding will need to be considered in a further cabinet report once this initial programme of work, including delivery models, have been prepared.

8. Legal Implications

Any procurement for works or services, including professional services necessary to deliver these schemes must comply with the Council's Contract Procedure Rules and European procurement legislation as appropriate.

Any offers of grant funding are likely to contain terms and conditions which are legally binding on the Council. The Council will need to ensure that the conditions are reasonable and that it is able to comply with the same.

9. Financial Implications

The financial implications are embedded within the body of the report but the key facts are that to move the schemes listed within the report to the next stage a total capital budget of £7.925m is required. This is partly offset but the offer from Welsh

Government of an interest free loan of £6.2m as previous confirmed so the additional required is £1.725m. This would be additional unsupported borrowing and in anticipation of upfront additional costs to develop large scale capital programmes additional capital financing provision has been built into the 2017-18 Revenue Budget.

There is a risk that if the schemes do not progress or add to the underlying value of assets that the costs become abortive and would need to be written off to revenue.

In addition the council needs to embed the revenue resources to deliver these projects of £450k for each of the 3 years to avoid the need to seek budget during each budget cycle.

10. Equality and Engagement Implications

Full EIA reports are underway for both the Swansea Central Scheme and Kingsway with guidance from the Access to Services Team. The documents will continue to be informed by feedback from public consultation and scheme progress. Other project elements will also be subject to the EIA process as early as possible in their development.

Background Papers: None.

Appendices: None.