

MIDDLESBROUGH COUNCIL

EXECUTIVE REPORT

Gresham – Masterplan and Redevelopment

Executive Member for Regeneration: Charles Rooney

Executive Director of Economic Development and Communities: Kevin Parkes

1st November 2016

PURPOSE OF THE REPORT

1. The vision for Gresham is to deliver an ambitious, aspirational development. In order to achieve this ambition, this report will seek Executive approval for a high level masterplan that will underpin a Compulsory Purchase Order (CPO) and be incorporated into a development brief for a Student Village that establishes Gresham as a key gateway site.

SUMMARY OF RECOMMENDATIONS

2. It is recommended that the Executive approves:
 - a) the adoption of the high level masterplan attached as Plan 1;
 - b) delegated authority for the Executive Director of Economic Development and Communities, following consultation with the Executive Member for Regeneration and the Strategic Director Finance, Governance and Support to take all necessary steps to secure the making, confirmation and implementation of a Gresham CPO and any associated Notice to Treat or General Vesting Declaration, and to acquire the Order Land including any steps necessary to agree and pay compensation including negotiating and entering into agreements or undertakings with landowners setting out the terms for the withdrawal of objections to the Order, including where appropriate, seeking exclusion of land from the Order; and,
 - c) the commencement of a formal market engagement process to identify developer interest in the proposed Student Village.

IF THIS IS A KEY DECISION WHICH KEY DECISION TEST APPLIES?

3. It is over the financial threshold (£150,000)
It has a significant impact on 2 or more wards
Non Key

X

DECISION IMPLEMENTATION DEADLINE

4. For the purposes of the scrutiny call in procedure this report is
Non-urgent
Urgent report

X

BACKGROUND AND EXTERNAL CONSULTATION

5. There is a growing development momentum in the town as evidenced by the following projects:
 - a) House building – build rates are at the highest level since records began.
 - b) Holiday Inn Express – a £12m investment has provided a 138 room hotel in the town centre. Work to increase the number of rooms is already underway.
 - c) Baker/Bedford Streets – the redevelopment of Baker and Bedford Streets has created a unique home for an emerging and growing collection of independent retailers.
 - d) Orange Pip Market – the last Saturday of every month sees Baker and Bedford Streets transformed into an engaging 21st century culinary bazaar, featuring music, arts and performance.
 - e) University Expansion – the University campus has benefited from nearly £250m of investment in recent years, including the £30m Campus Heart scheme.
6. The success of schemes such as those listed above mean that the time is now right to build upon this momentum and to realise the potential afforded by the location of the Gresham site.

GRESHAM MASTERPLAN

7. The Gresham site is excellently located, in close proximity to the town centre and Teesside University's campus, and presents an opportunity to create a new gateway into the town from the A66/A19. The site was previously hidden behind the commercial properties on Borough Road but their recent demolition has created a frontage and visibility onto this busy thoroughfare.
8. Middlesbrough town centre has the third biggest shopping centre in the North East (after Newcastle and the Metro Centre) with over 160,000 sq m of retail floor space, and is the retail hub for the Tees Valley. It offers a wide range of High Street brands and a thriving independent retail sector including: Baker and Bedford Streets, home to a variety of independent retailers, traders, eateries and bars; and, Linthorpe Road Central with its array of boutiques and restaurants.
9. A vibrant evening economy and leisure offer has also been established, with entrepreneurs quick to explore niches in the night-time marketplace to provide quality eating, bars and music venues.
10. This report will recommend the adoption of a high level masterplan for Gresham that will exploit its location and establish a commercially viable way forward for the site that will enable developers to bring forward deliverable proposals. The masterplan, which is attached as Plan 1, designates areas for the development of a student village, new housing and public open space. Individual development briefs will be produced for each area but broad principles are set out in the following sections of this report.

Student Village

11. Teesside University has experienced a period of unprecedented growth that has seen an investment of £250m to develop the town-centre campus. The University is committed to investing in growth and enhancing the experiences of their students, businesses they work with and the local community. The Teesside 2020 – University Corporate Strategy includes the stated aims to:
 - a) Grow student numbers and revenue on and off campus; and,
 - b) Deliver and maintain a high-quality campus and associated infrastructure to maximise the student experience.
12. In order to achieve the aims stated above, the University is undertaking a review of its Estates Strategy to establish the development priorities for the coming years. The provision of high quality student accommodation, by both the University and the private sector, is likely to be a key priority.
13. The Council has held discussions with Teesside University and have identified Gresham as an ideal location for a high quality, private sector off campus development. The aspiration is to provide modern accommodation that offers everything a student needs for university life: secure, well equipped accommodation; fast Wi-Fi and a student hub; space to study; and, space to play with fitness facilities and multi-use games area.
14. The Gresham site, with close proximity to both the town centre and the University campus, creates an opportunity for a private sector student village development. It is envisaged that the development would provide modern accommodation on the upper floors, with the potential to incorporate retail and leisure facilities on the ground floor and landscaped areas perfect for study or socialising. It is anticipated that if high quality accommodation were provided, the site's location would prove popular with students.
15. The creation of a student village will constitute the first phase of the redevelopment of Gresham and will act as a catalyst for future development.

Residential development

16. The Council's vision is to encourage developers to deliver high quality homes, predominantly for sale but with some for affordable rent, to assist in the creation of a stable, vibrant and balanced town centre housing market. It is envisaged that a range of house types will be provided to help diversify the housing offer and attract new residents into the area.
17. The template for an improved housing offer in this area has been set by the improvements currently underway to Wentworth/Waverley Street. The improved properties will act as a bridge between the retained housing to the west and the redevelopment site to the east.
18. It is envisaged that residential development will be the second phase of redevelopment, following the creation of the student village.

Public Open Space

19. Open space plays a vital role in creating a strong sense of place and in achieving wider place-making objectives, and can assist in changing perceptions of an area and in turn help deliver a step change in housing stock. Quality open space can also enhance property values.
20. The open space identified as part of the Gresham masterplan performs many of these functions. Achieving a high quality public realm, similar to that on Southfield Road, will support the wider aspirations and transformational nature of the proposed development. The Gresham area is a dense area with little publically available open space. The proposed space will address this shortage and help improve the quality of living and help with meeting objectives of healthy living.
21. The location of the open space is a critical part of achieving a high quality urban design and provides a buffer between the two elements of the masterplan – student accommodation and residential development. This will enable a number of the design challenges of locating the two types of development next to each other to be resolved in an acceptable and appropriate manner.

MARKET ENGAGEMENT

22. If the Executive are minded to approve the adoption of the masterplan proposed in this report, the Council will commence a formal market engagement process. The market engagement will be an opportunity to promote the Gresham site as part of Middlesbrough's thriving town centre.
23. In order to gauge the interest for the redevelopment of the site it is proposed that the Council issues a formal Prior Information Notice (PIN) and commences soft market testing via promoted market engagement days. The market engagement days, in particular, will be an opportunity to sell the vision for Gresham.
24. If the outcome of the market engagement is positive, the Council can commence an OJEU Competitive Dialogue process that would run concurrently with the proposed CPO. The benefit of Competitive Dialogue is that it enables the market to demonstrate their commercial expertise and come forward with high quality proposals based on the Council's development brief. The Council is able to challenge and influence the bidders' submissions throughout the OJEU process to ensure that they accord with the ambition for the site.
25. An indicative timetable for the OJEU Competitive Dialogue process is given below.

Table 1: Competitive Dialogue Timetable

Stage	Date
PIN notice issued	November 2016
Market engagement event	November 2016
Advertise tender	December 2016
Final evaluation	June 2017
Formal contract award	July 2017

COMPULSORY PURCHASE ORDER

26. Property acquisitions in the area are well advanced, with only 18 of the 561 properties left to acquire. All acquisitions to date have been freely negotiated against a background of potential CPO and reflect the market value of either freehold or leasehold interest, with all aspects of compensation, disturbance and business extinguishment payments calculated in accordance with statutory compensation procedures.
27. The Council also introduced two additional, non-statutory measures to help facilitate full site assembly:
- Relocation grants** – the Council introduced the Older Housing Relocation Assistance Scheme in 2006. The scheme provides owner-occupiers relocating to another terraced property within the town centre with up to £15,000 to bridge the gap between property values. The scheme also provides up to £7,500 for owner-occupiers who relocate to elsewhere in the town.
- Home-swaps** – introduced in 2010, properties acquired by the Council under exceptional circumstances were made available to property owners within the clearance area, who would also benefit from a grant package of up to £35,000 bridge the gap in property values and fund property improvements.
28. The Council has the capital resources in place to complete site assembly. There are, however, several instances where owners have refused to engage with the Council for the sale of their property, or where negotiations have reached an impasse as a consequence of differing valuations. If the preferred option of acquisition by agreement is exhausted, the Council will be required to have recourse to its CPO powers in order to achieve full site assembly. A plan showing the proposed CPO boundary is attached as Plan 2.
29. The Council does, however, remain committed to acquisition by agreement, wherever possible, and will continue to negotiate with property owners throughout the CPO process.
30. When seeking a CPO, the Council is required to establish:
- a) that there are no planning impediments to the scheme; and,
 - b) why the land is required now?

In relation to the former point, the Council's adopted Housing Local Plan supports the scheme. In relation to the latter, it is valid for a CPO inspector to request an approved masterplan or planning application as evidence of why the CPO is being brought forward. Since the announcement of the scheme the Council has remained convinced that the piecemeal redevelopment of the land would lead to a reduced standard of development and the isolation of the remaining Gresham residents. This report will, therefore, recommend the adoption of the high level masterplan, which demonstrates that the acquisition of the land is in the public interest, and is required to facilitate the comprehensive redevelopment of the area.

31. An indicative timetable for the CPO process is given below:

Table 2: CPO Timetable

Stage	Date
Council to make formal resolution to use CPO powers	November 2016
Prepare the Order	February 2017
Make the Order	April 2017
Objections	October 2017
Statement of Case	December 2017
Proof of Evidence	February 2018
Inquiry	April 2018
Land in GVD vests in Council and title transfers	July 2018

32. The timescale for the CPO is estimated at between 18 to 24 months from the date the Executive approves the resolution. This presents an opportunity to simultaneously commence the market engagement process. The two processes are mutually beneficial: the start of the CPO process will give developers confidence of the Council's ability to deliver a cleared site; and, the market engagement will help shape deliverable proposals for the area.

IMPACT ASSESSMENT (IA)

33. The proposal presented in this report constitutes the progression of a project that has previously been subject to an Impact Assessment and a further assessment is therefore not required.

OPTION APPRAISAL

34. There are only 18 properties left to acquire in the Gresham area. The capital resources are in place to complete the acquisitions and there is a growing development momentum in the town. The Council therefore has the following options to bring forward redevelopment.
35. **Option 1: Private Land Sale Treaty**
The Council could elect to complete the acquisition programme and then sell the assembled site through a private land sale treaty. In the absence of a formal development agreement, the Council could not dictate what is developed and could only control the quality of the development through the planning process.
36. **Option 2: Adoption of a Masterplan (Preferred Option)**
The Council can adopt a high level masterplan for the area that will underpin a CPO and establish a commercially viable framework for developers to bring forward deliverable proposals.
37. Discussions between the Council and Teesside University have identified Gresham as an ideal location for a high quality off campus development of student accommodation. The University has held positive discussions with developers, who have indicated they would be interested in the opportunity.

38. This report will therefore recommend adoption of a masterplan, and the start a market engagement process to identify developer interest in the Student Village proposal.

RISK ASSESSMENT

39. The proposals set out in this report seek to bring forward the redevelopment of Gresham. However, there remain some risks to the success of the project, which are set out below.
- a) **Failure to secure a CPO** – The ability to deliver a fully assembled site is key to securing development partners. As the vast majority of properties have been successfully acquired through negotiation, the number of potential objectors to the CPO has been reduced.
 - b) **Capital funding shortfall** – The Council is required to have the funding in place to acquire the remaining properties. The Gresham acquisition budget is closely monitored as a requirement of the Council's Project and Programme Management Framework.
 - c) **Lack of developer interest** – Teesside University has confirmed that there is a demand for high quality student accommodation in the right location and have held positive discussions with developers. The proposed market engagement will present an opportunity to sell the Council's vision for the site.

FINANCIAL, LEGAL AND WARD IMPLICATIONS

Financial Implications

40. The estimated capital funding is in place to complete the acquisition and demolition of the remaining properties within the CPO boundary. In addition, a Search of the Index Map (SIM) will be required from the land registry to highlight any unregistered land and covenants.
41. The recent Middlehaven CPO cost in the region of £30,000, including the public enquiry. Assuming a comparable cost for Gresham, and that the SIM will cost less than £2,000, the total cost can be met from the approved capital budget.

Legal Implications

42. The Council will be required to use its legal powers to support compulsory purchase action. Under the provision of Section 226 of the Town and Country Planning Act, 1990 (as amended by the Planning and Compulsory Purchase Act 2004) the Council can justify a CPO as a means of contributing towards the improvement of the social, economic and environmental well-being of Gresham. The Legal Department has been consulted on the potential CPO Order and has advised on the content of the report and the process.
43. Considerations regarding the impact on the human rights of landowners are attached as Appendix 1.

Ward Implications

44. The Gresham redevelopment area is in the Newport Ward.

RECOMMENDATIONS

45. It is recommended that the Executive approves:
- a) the adoption of the high level masterplan attached as Plan 1;
 - b) delegated authority for the Executive Director of Economic Development and Communities, following consultation with the Executive Member for Regeneration and the Strategic Director Finance, Governance and Support, to take all necessary steps to secure the making, confirmation and implementation of a Gresham CPO and any associated Notice to Treat or General Vesting Declaration, and to acquire the Order Land including any steps necessary to agree and pay compensation including negotiating and entering into agreements or undertakings with landowners setting out the terms for the withdrawal of objections to the Order, including where appropriate, seeking exclusion of land from the Order; and,
 - c) the commencement of a formal market engagement process to identify developer interest in the proposed Student Village.

REASONS

46. The recommendations will enable the Council to develop and implement a holistic plan to support, sustain and regenerate Gresham.

BACKGROUND PAPERS

The following background papers were used in the preparation of this report:

Middlesbrough Council (17th March 2015) Executive Report: *Gresham – Next Steps*

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IMPACT ON THE HUMAN RIGHTS OF LANDOWNERS

1. The decision to make a CPO will engage the provisions of the Human Rights Act 1998. This act incorporated into UK domestic law the European Convention on Human Rights (“ECHR”). The aim of the ECHR is to protect the rights of the individual.
2. In relation to CPOs, the guidance contained in Circular 06/2004, “Compulsory Purchase and the Crichel Down Rules” (as amended by Circular 04/2010) advises that before a CPO can be made there must be “a compelling case in the public interest”. The Council is required to act in accordance with the ECHR in deciding whether or not to make a CPO. Article 1 of the First Protocol of the ECHR provides that every natural or legal person is entitled to the peaceful enjoyment of his possessions.
3. Compulsory acquisition of property involves an interference with a person’s rights under this Article. These rights are enjoyed by corporate bodies as well as individuals and if their property rights will be affected by the compulsory acquisition then the rights under the convention are engaged.
4. The right to peaceful enjoyment of possessions pursuant to Article 1 is a qualified, rather than an absolute, right, as the wording of the Article permits the deprivation of an individual’s possession where it is in the public interest and subject to the conditions provided for by law. The Council will need to balance the public interest and the individuals’ rights whereby any interference with the individuals’ rights must be necessary and proportionate.
5. Proportionate in this context means that any interference with the property rights must be no more than is necessary to achieve the identified legitimate aim. A fair balance must be struck between the rights of the individuals and the rights of the public.
6. In the present case, it is considered that the exercise of CPO powers would be a proportionate response to the situation. The Council has an opportunity to regenerate the Gresham clearance area in accordance with the redevelopment framework. In the prevailing economic circumstances, securing investment partners for brown-field developments are rare, and as such, it would be both necessary and proportionate to implement a CPO to secure this investment and its associated social and economic benefits.



