

Report of:	Director of Regeneration and Culture: Richard Horniman Executive Member for Regeneration: Cllr Ashley Waters
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Submitted to:	Executive – 23 February 2021
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Subject:	Future Development of Middlehaven
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Summary

Proposed decision(s)
<p>That Executive approves:</p> <ul style="list-style-type: none"> a. the appointment of BCEGI via NEPRO3 Framework as the Council’s strategic partner at Middlehaven; b. the development of a masterplan to be brought back to Executive for endorsement; c. reallocation of £3.9m of TVCA and Council resources freed up from the Boho X budget into the wider development of Middlehaven, with a further £1.5m returned to the Council’s Capital Programme; d. ringfencing the income generated from Boho X to supporting the wider development of Middlehaven; e. accepting the Brownfield Housing Fund offer of £7.9m from TVCA, subject to final sign off by the Director of Finance; f. commencing the infrastructure works identified through the Brownfield Housing Fund; g. committing up to £538,000 from the former Boho X funding to the stabilisation of the Captain Cook Pub.

Report for:	Key decision:	Confidential:	Is the report urgent?¹
Decision.	Yes	No	No

Contribution to delivery of the 2020-23 Strategic Plan		
People	Place	Business
The development of new homes and commercial space in the area will contribute towards the urban living objectives in Middlesbrough’s Housing Growth Programme and	Investing in Middlehaven will support the wider regeneration of the town, and the town centre and help create an attractive place to live, work and visit.	The proposed development of new homes and commercial space at Middlehaven will generate significant additional Council Tax and Business Rates income to support the

increase the quality and quantity of employment opportunities available to residents.		Council's Medium Term Financial Plan.
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Ward(s) affected
Central Ward

What is the purpose of this report?

1. The purpose of the report is to set out proposals for the future development of Middlehaven, and the steps required to take it forward.

Why does this report require a Member decision?

2. The proposal relates to appointment of a long-term development management arrangements, and utilisation of funding significantly in excess of £150k.

Report Background

3. Middlehaven is the key regeneration area in Middlesbrough, with the potential to transform the economic prospects of the town, and provide new communities for people to live in. Its proximity to, and influence on, the town centre makes it vitally important that the development of Middlehaven is taken forward successfully.
4. The development of Middlehaven has been underway for some time, and is most notably home to the growing digital cluster within the Boho Zone. A number of attempts have been made in recent years to accelerate the speed and scale of the activity happening there, with varying degrees of success. These have generally been held back by a lack of available funding to undertake vital infrastructure works, and by the gap that exists in Middlesbrough (and most of the North East) between the cost of building new space, and the values achievable from it.
5. Given that there is now a critical mass of development activity underway at Middlehaven, and interest from private sector developers is growing, this suggests that the opportunity to accelerate the development of Middlehaven is greater than ever. The current availability of significant external funding to deliver this acceleration, and address some of the commercial challenges requires the Council to take a number of significant steps to ensure the opportunity can be capitalised upon.

Current Progress

6. On top of the existing digital focused commercial hub within the Boho Zone, the following developments are either on site, or are financially and contractually committed:

Boho 8	10,000 sq ft of new modular commercial space for the digital sector	On site, and due for completion in March 21
Bohouse North	40 new 'live work' properties for digital and creative professionals	On site, and due for completion in May 21
Boho Zero	Refurbishment of commercial space at	Virtually complete

	former Royal Middlehaven House	
Boho X	60,000 sq ft of Grade A commercial space for the digital sector	Planning application submitted, and due on site in August 21
Boho Bright Ideas	60 homes and apartments for families and young professionals	Planning approved, and due on site in March 21
Outward Riverside Academy	900 place secondary school specialising in technology	On site April 22 and complete September 23

7. Alongside the above developments, option agreements are being negotiated with developers for a total of around 400 high quality town houses and apartments, and further commercial space.

New Opportunities

8. Alongside the announcements about the above developments, there are a number of new opportunities that need to be factored into any future plans for Middlehaven. These include:

Snow Centre

9. The option on Council owned land provided to the potential developers of a snow centre at Middlehaven lapsed in January 2021, bringing the prime development sites next to Middlesbrough College, and also around the south side of the dock back under the Council's full control. As the snow centre development will not now be taken forward by the previous developers the opportunity exists to replan the future of those two sites, and seek alternative uses.
10. A snow centre has been a key factor in previous plans for Middlehaven, the developers who secured the option on the site were ultimately unable to bring forward a commercially fundable scheme, or one that the public sector could support without risking tens of millions of pounds of taxpayers money over the lifetime of the project. It is therefore proposed that the role of these sites in the future development of Middlehaven be reconsidered in the context of the development of a strategic masterplan.

Government Relocations

11. Recent announcements by the Government have indicated that a number of Civil Service jobs will be relocated from London to the North East. Although this will be a highly competitive process, Middlehaven offers an excellent opportunity to relocate Government jobs, and as such this needs to be a feature of any strategy for Middlehaven – both now and in the future.

External Funding

12. Recent bids to the Government's Future High Streets Fund, and Brownfield Land Fund have secured around £22m for Middlesbrough, and a further bid for £25m from the Town's Fund is still to be announced. A significant proportion of these funds has been allocated to projects at Middlehaven that will need to be progressed quickly to adhere to funders timescales. These funds will enable the Council to invest in the infrastructure around Middlehaven, and close the financial gap on developments to make them commercially viable. Allied to existing funds secured, such as the Indigenous Growth Fund, the resources immediately available to make progress at Middlehaven are significant.

Strategy

13. The different investments and developments emerging at Middlehaven have the opportunity to make a significant difference to the area, and to the economy, but need to be planned in a coherent way. There is a danger of different schemes competing with each other, infrastructure requirements falling between the boundaries of different schemes, and the phasing of activity working against what the wider market can accommodate. There is therefore a need to have a clear, up to date strategic masterplan for developing Middlehaven, and for capitalising on the financial opportunities currently available.
14. It is also necessary for the Council to work closely with the relevant development partner to be able to put the strategic masterplan into practice, and ensure that the available funding opportunities are not missed.
15. This report sets out how the Council proposes to work in partnership with a strategic partner to develop the masterplan for developing Middlehaven, develop the necessary site infrastructure, and move into the delivery phase on multiple projects.

Strategic Partner

16. The role that is required of a strategic partner at Middlehaven would include:
 - a. developing a strategic masterplan and phasing plan to ensure developments are brought forward in the right place at the right time;
 - b. an infrastructure plan detailing the works required to deliver the masterplan, covering issues such as site preparation and designing the spaces between the individual red line boundaries of projects;
 - c. bringing in the construction expertise to deliver the infrastructure works; and,
 - d. taking forward individual developments either in partnership with other organisations, or independently to ensure momentum.
17. The Council has worked closely with a company called BGEI on the Boho X project, following their appointment as Development Manager on the scheme in 2019. BGEI is an international property developer and construction company, specialising in bring projects to fruition through strategic partnerships and investment. Operating in 27 countries, BGEI is currently leading on billion pound projects such as Airport City and Middlewood Locks in Manchester.
18. BGEI were originally procured via the NEPO503 Neutral Vendor Managed Service for Specialist Professional Services (NEPRO3) framework and there is the ability to extend that engagement beyond Boho X, and into wider work at Middlehaven. As BGEI clearly have both the development expertise, and financing that is required to take forward schemes like Middlehaven, this has been explored further, and a proposal is being prepared working with BLOOM as the framework supplier.
19. It is proposed that via the NEPRO 3 Framework BGEI be formally procured as the strategic partner for Middlesbrough Council.
20. Responsibility for concluding the final agreement, in line with the role described above would be delegated to the Director of Finance.

21. The boundary of the area proposed for the arrangement with BCEGI is included as Appendix I.

Strategic Masterplan

22. As identified above, there is a clear need to develop a strategic masterplan for the future development of Middlehaven that will show how the different elements will be taken forward in a coherent way, and phased to ensure developments are appropriate to market need.
23. The masterplan would be used to guide investment decisions, prioritise projects and manage timelines for utilising external funding. It is intended that BCEGI would develop the masterplan, in conjunction with Council staff, to ensure that the transport infrastructure, public realm and heritage assets are built in to it.
24. The masterplan would also drive the wider infrastructure requirements, and assist in the proactive prioritisation of works to the spaces in between the red lines around individual projects that can often be left to the Council to address afterwards.
25. The development of a strategic masterplan does not signal a change of direction for Middlehaven, but needs to be prepared to ensure that the direction remains deliverable. Development of the plan would take around three months, and would be presented back to Executive to ensure the Council's longer term buy-in. This is expected to be presented to Executive in the Summer.

Funding

26. The Council has secured access to a number of funds, for a range of projects across Middlehaven. Further funding is likely to be available through the Towns Fund if successful, but this report seeks to confirm the resources available, and to seek approval to progress a number of schemes that the funding is attached to.

Future High Streets Fund / Town Fund

27. A total of £14m has been secured through the Government's Future High Streets Fund, for projects that will seek to diversify the centre of town, increase the urban living offer, and reduce the reliance on retail. An offer letter is anticipated in March, and an Executive report will follow in due course to set out the overall governance arrangements for the programme.
28. A bid for a further £25m has been made to the Government's Towns Fund, to further develop the urban living offer, build new commercial space, and develop the economy of the town. An announcement is expected in March.
29. A significant proportion of the total secured across both funds (potentially up to £10m) would be directed towards Middlehaven projects, including the development of new housing, and commercial space. Funding is also included to contribute towards the restoration of the Old Town Hall and Captain Cook Pub. The exact figures, and project list won't be confirmed until the outcome of the Towns Fund is known, and would be confirmed in subsequent Executive reports relating to both funds.

Brownfield Housing Fund

30. A further £7.9m has also been secured for Middlehaven from the Government's Brownfield Housing Fund, distributed locally via TVCA, which would allow infrastructure works to be undertaken across the Middlehaven area. Five sites have been identified for infrastructure works, to enable them to be brought forward for urban living developments totalling 634 units, with the funding targeted at those sites where an abnormally high level of remediation, or preparatory work is preventing them coming forward.
31. The sites identified as part of the Brownfield Housing Fund programme are as follows:

Site	Funding	Outputs
Boho Bright Ideas	£0.65m	61 units
Middlehaven PF	£2.25m	215 units
Northern Parcels	£2.7m	188 units
Boho Towers	£1.4m	90 units
Jap City	£0.9m	80 units
Total	£7.9m	634 units

32. The funds allocated are to be spent during 2021 and 2022 on preparatory work, with developments on site by 2025. As the first wave of funding made available through the Brownfield Housing Fund has been delayed by the Government, undertaking the works in line with the revised timetable would be challenging, and would require the engagement of a major partner to undertake the work. It is proposed that BCEGI act as development manager on the programme, and support the Council in moving towards contractual arrangements for delivery.
33. The funding offered is covered by a detailed agreement that sets out the risks, constraints and expectations of the funding, and the current version has been included as Appendix II. Although there is still significant negotiation to be undertaken on the terms, timing and deliverables, it is recommended that the Council accepts this funding, and that responsibility for entering into the final funding and delivery arrangements be delegated to the Director of Finance.
34. As strategic partner, it is proposed that BCEGI would be responsible for taking forward development, and securing appropriate end users for the Middlehaven PF, Northern Parcels, Boho Towers and Jap City sites. The Boho Bright Ideas site is already contractually committed and as such would not be part of the agreement with BCEGI.
35. All sites are identified on the plan included as Appendix I.

TVCA Funding / Council Capital Programme

36. The £30m funding package originally allocated to the Boho X and Boho 8 projects at Middlehaven comprised £26.2m from TVCA, and £3.8m from the Council's Capital Programme, and other specific grants applicable to Middlehaven. As the revised plans for Boho X are costing less than originally proposed, a sum of £5.7m would potentially be released. It is proposed that £1.5m of this be returned to the Council's Capital Programme, and the remaining £3.9m be made available to fund further development at Middlehaven. As the previous Executive approval identified the full £30m solely for Boho X and Boho 8, it is recommended that this approval be superseded to enable the

£3.9m to be made available for the delivery of development at Middlehaven in line with the overall strategy for the area, and the conditions attached to any external funding.

Income

37. In line with the funding agreement governing its usage, any funding secured through the use of the TVCA funds should be utilised for the further development of Middlehaven. It is therefore proposed that resources secured through the letting of space in Boho X is also directed towards delivery of the proposed strategic masterplan developed in conjunction with BCEGI. It is anticipated that the annual income from a fully let Boho X could be up to £1m per year.

Funding Summary

38. The reallocation of funds from the revised Boho X scheme, the income from lettings within Boho X and the Brownfield Housing Fund would therefore all be directed towards the development of Middlehaven, in line with the proposed strategy. Further resources from the Future High Street Fund and Town's Fund would also be applied to specific projects as part of the development of Middlehaven, once released through future Executive decisions.

Captain Cook Pub

39. One immediate funding priority is the restoration of the Captain Cook Pub located on Durham Street. The Jacobean style building, designed by Middlesbrough's Robert Moore, was erected in 1893 and is classified as a Grade II Listed Building.
40. The Captain Cook Pub is now the Old Town's last surviving public house, and in 2020 it was listed as one of the Top Ten Most Endangered Buildings by the Victorian Society. As a result, the restoration has been prioritised for a number of years, but the Council has lacked the resources to take it forward. Resources have been sought from the Towns Fund that would enable some of the restoration work to take place on both the Old Town Hall and the Captain Cook Pub, if successful.
41. Unfortunately the deterioration of the Captain Cook Pub building has accelerated, and major stabilisation works are required as a matter of urgency. As building works are proposed on the Boho Bright Ideas site next door, it is felt that these stabilisation works need to take place immediately, if the building is to survive the disruption and vibration that is inevitable. The costs of the stabilisation are estimated to be around £538,000 and would include:
- a. replace the roof covering in its entirety with new slate type covering, renewed roof timbers, rafters etc. as required;
 - b. all rainwater goods will be replaced;
 - c. all structural issues to gables will need to be demolished and rebuilt;
 - d. skin the main exposed gables to make them safe and water tight off an extended foundation;
 - e. remove all plaster ceilings to allow access to damaged roof and floor timbers;
 - f. remove plaster from external walls to allow repointing / brick repairs where necessary;

- g. remove all damaged internal walls, fixtures and fittings suspended ceilings etc., remove all finishes to leave a bare / stripped building including all redundant M & E; and,
- h. demolish and remove 2no single storey extensions added as toilets etc. as these are structurally unsafe and block up apertures as required.

42. In undertaking these works Middlesbrough Council would not only preserve a Grade II Listed Building and prevent harm to life, but would also turn the asset into an appealing prospect for a potential future user. The building is considered suitable for a range of commercial and leisure purposes.
43. To ensure that the works can be undertaken urgently, it is proposed that resources be allocated to the project from the funding displaced from the original Boho X budget, and reallocated to the development of Middlehaven. If successful, the Towns Fund resources would enable the Captain Cook refurbishment to be completed, and the building brought back into full commercial use.

Next Steps

44. Once the appointment of BCEGI is confirmed, the strategic masterplan would be developed, and individual schemes within Middlehaven would be progressed accordingly. The overall process would be governed through a joint steering group comprising senior officers from both organisations.
45. The contractual arrangements with the Brownfield Housing Fund infrastructure works and the stabilisation of the Captain Cook Pub would be progressed immediately to meet the necessary timescales for their implementation.
46. The strategy developed for Middlehaven would be brought back to Executive in the coming months, for endorsement and some form of public launch.

What decision(s) are being asked for?

47. That Executive approves:
- a. the appointment of BCEGI via NEPRO3 Framework as the Council's strategic partner at Middlehaven;
 - b. the development of a masterplan to be brought back to Executive for endorsement;
 - c. reallocation of £3.9m of TVCA and Council resources freed up from the Boho X budget into the wider development of Middlehaven, with a further £1.5m returned to the Council's Capital Programme;
 - d. ringfencing the income generated from Boho X to supporting the wider development of Middlehaven;
 - e. accepting the Brownfield Housing Fund offer of £7.9m from TVCA, subject to final sign off by the Director of Finance;
 - f. commencing the infrastructure works identified through the Brownfield Housing Fund;
 - g. committing up to £538,000 from the former Boho X funding to the stabilisation of the Captain Cook Pub.

Why is this being recommended?

48. The redevelopment of Middlehaven is key to the future economic growth of the town. The funding package identified to deliver the Council's aspirations at Middlehaven is starting to come to fruition, but needs to be applied to a coherent strategy and phasing plan, and delivered in partnership with an organisation that is capable of taking it forward.

Impact(s) of recommended decision(s)

Legal

49. BCEGI will be procured via the NEPRO3 Framework which is a compliant procurement route and will be contract managed through those framework arrangements.

50. Each of the funding sources identified above would be subject to detailed offer letters that will be formally signed off by the Director of Finance, but would require detailed analysis to ensure legal compliance.

51. The stabilisation works at the Captain Cook Pub would require appropriate consents, as the Grade II listing may necessitate approval from Historic England.

Financial

52. The financial resources set out above, would all be applied to the development of Middlehaven, but would all have individual compliance requirements to adhere to. The offer letters accompanying each source would require endorsement by the Director of Finance, and would be governed through the Council's existing financial procedures.

53. The summary of the funding highlighted in this report, and its status is as follows:

Funding Source	Amount	Status
Future High Streets Fund	£14m	Offer received from MHCLG, report to Executive on final programme likely in April/May 21 (not all to be applied to Middlehaven)
Towns Fund	£22m (est)	Awaiting offer from MHCLG, report to Executive on final programme likely in April/May 21 (not all to be applied to Middlehaven)
TVCA / Council's Capital Programme	£3.9m	Approved as part of Boho X / Boho 8 package, but needing reallocation to additional Middlehaven projects (including stabilisation of the Captain Cook Pub). A further £1.5m would be returned to the Council's Capital Programme
Brownfield Housing Fund	£7.9m	Offer letter received from TVCA, and needing approval to commence
Boho X Income	Up to £1m p.a.	Not yet secured

Policy Framework

54. The decision would not affect the Council's policy framework. The decision is aligned with the Strategic Plan aims around developing central Middlehaven and creating new commercial and residential development.

55. The decision is also aligned to the Medium Term Financial Plan as the proposed housing development would generate significant income from Council Tax, and Business Rates.

Ward

56. The property is situated in Central Ward and the respective Ward Members would be consulted on the development of a future strategic masterplan for Middlehaven.

57. Members would be also be further consulted on any subsequent proposal made as part of the normal planning process.

Equality and Diversity

58. An Impact Assessment has been undertaken, concluding that the decision would not have any disproportionately negative impacts.

Risk

59. The following high level risks, which are identified in the Strategic and Directorate Risk Registers, would be reduced if Middlehaven is developed appropriately:

- a. O1-005 - If poor economic growth occurs, then this will reduce public and private sector investment in the town, including town centre retail, housing development and business.
- b. O1-045 - If delivery of the new housing programme does not meet the projected targets then this can have a negative impact on the assumptions within the MTFP.

60. The individual risks associated with each funding stream would be addressed in the approval arrangements for each one, and their sign off. These would be managed through the Council's existing risk management processes.

Actions to be taken to implement the decision(s)

61. Subject to Executive approval, the Council would progress the arrangements with BCEGI, and commence preparation of the proposed strategy. The contracting required to progress the Brownfield Housing Fund infrastructure works, and the stabilisation of the Captain Cook Pub would also be taken forward immediately.

Background papers

Body	Report title	Date

Appendices

- Appendix I – Middlehaven Boundary and Brownfield Housing Fund Plots
- Appendix II – Current Offer Letter for Brownfield Housing Fund