MIDDLESBROUGH COUNCIL	

Report of:	Director of Regeneration - Richard Horniman
Relevant Executive Member:	Executive Member for Development - Cllr Theo Furness
Submitted to:	Executive
Date:	12 November 2025
Title:	Middlehaven Housing
Report for:	Decision
Status:	Public
Council Plan priority:	A successful and ambitious town
Key decision:	Yes
Why:	Decision(s) will incur expenditure or savings above £250,000
Subject to call in?	Yes
Why:	Non-urgent Report

Proposed decision(s)

That Executive:

a) **Approves** the appointment of Capital and Centric as the Council's development partner to lead the regeneration and development of Middlehaven;

b) **Approves** the use of £3.6m from the Towns Fund grant allocation for Urban Living and Placemaking to develop designs up to RIBA Stage 4 to enable the procurement of a main contractor; and,

c) **Delegates** authority to the Section 151 Officer (in consultation with the Director of Regeneration) to agree any variations to the proposals within the overall budget allocation.

Executive summary

This report seeks Executive approval to appoint Capital and Centric as the Council's development partner to lead the regeneration of Middlehaven and develop proposals for the area up to RIBA Stage 4.

The proposed redevelopment could ultimately deliver circa 3,400 housing units and provide high quality public space and ancillary retail and leisure facilities, which will contribute to the achievement of the Council's ambitions for Middlehaven.

Capital and Centric have a track record of delivering award-winning developments that demonstrate their ability to combine expertise in creating a masterplan vision, with a commitment to long term community creation and curation. Their appointment as development partner for Middlehaven could positively impact residents and visitors for generations to come.

Uniquely, Capital and Centric are both a Development Partner and End User who will be invested in the area and ensure the sustainability of the site in the long-term. This contrasts with previous proposals, which were to act solely as the Council's Development Partner.

Although the recommendations of this report will not directly deliver the redevelopment of Middlehaven, it will provide a significant and necessary step towards its future development. The appointment of Capital and Centric as the Council's Development Partner will enable the feasibility work to be undertaken and planning approval to be secured that will be required to bring forward a sound business case for investment.

1. Purpose of this report and its contribution to the achievement of the Council Plan ambitions

1.1 This report seeks Executive approval to appoint Capital and Centric as the Council's development partner to lead the regeneration of Middlehaven and develop proposals for the area up to RIBA Stage 4.

1.2 The proposed redevelopment could ultimately deliver circa 3,400 housing units and provide high quality public space and ancillary retail and leisure facilities, which will contribute to the achievement of the Council's ambitions, as set out in the table below.

Our ambitions	**Summary of how this report will support delivery of these ambitions and the underpinning aims**
A successful and ambitious town	This project aims to transform the area into a thriving, vibrant destination with high-quality housing and a complementary commercial and leisure offering. Capital and Centric will seek to partner with the best that the Northeast has to offer to create a new destination in the town centre that will complement existing businesses and help attract more people to Middlesborough.
A healthy Place	The proposals would seek to create vibrant, verdant, accessible spaces for the community to gather, socialise, exercise and play.

	The holistic living spaces could provide amenities such as green roofs, community gardens, and wellness-focused facilities.
Safe and resilient communities	Capital and Centric's design approach will seek to emphasise community centric design and animation to create connections through public green spaces, active streetscapes and shared amenities to create a community that functions.
Delivering best value	The proposals enable the Council to retain ownership of the land through the Pre-Development process and require Gateway approvals to retain full control of its financial exposure.

2. Recommendations

2.1 That Executive:

a) **Approves** the appointment of Capital and Centric as the Council's development partner to lead the regeneration and development of Middlehaven;

b) **Approves** the use of £3.6m from the Towns Fund grant allocation for Urban Living and Placemaking to develop designs up to RIBA Stage 4 to enable the procurement of a main contractor; and,

c) **Delegates** authority to the Section 151 Officer (in consultation with the Director of Regeneration) to agree any variations to the proposals within the overall budget allocation.

3. Rationale for the recommended decision(s)

3.1 The redevelopment of Middlehaven is needed to address several critical challenges faced by the town and its surrounding areas, which are common to many towns and cities across the north. These include:

a) A lack of high-quality urban housing that appeals to a broad demographic, particularly young professionals and families.
b) Underused land with limited visual and economic contribution to the town.
c) A population decline, and in particular, the out migration of economically active individuals, resulting in reduced discretionary spending and local investment.
d) Highly trained or qualified young people leaving the town and not returning.
e) The need for the Council to generate additional income streams, such as enhanced Council Tax receipts will be greatly enhanced by the development of Middlehaven.

3.2 Addressing these challenges requires a bold, collaborative approach to urban regeneration. Middlehaven's development will capitalise on the area's proximity to major transport links, its rich history, and its potential as a cultural and economic hub.

3.3 Capital and Centric have a track record of delivering award-winning developments that demonstrate their ability to combine expertise in creating a masterplan vision, with a commitment to long term community creation and curation. Their appointment as development partner for Middlehaven could positively impact residents and visitors for generations to come.

3.4 Uniquely, Capital and Centric are both a Development Partner and End User who will be invested in the area and ensure the sustainability of the site in the long-term. This contrasts with previous proposals, which were to act solely as the Council's Development Partner.

4. Background and relevant information

4.1 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.

4.2 The development of Middlehaven has been underway for some time and has seen a number of projects on site in recent years including:

- Completion of Boho X, the 60,000 sq ft headquarters of Double 11
- Outwood Riverside secondary school scheduled to be complete by Spring 2027
- Completion of the TTE technical training facility in March 2025

4.3 The ongoing investment in Middlesbrough Railway Station and Exchange Square also provide a much improved gateway into the area. Middlehaven is however most notably home to the fastest growing tech cluster outside of London within the Boho Zone, with innovative companies providing hundreds of digital jobs, serving clients including Microsoft and Sony.

4.4 The growth of the digital sector has been rapid and expansive, but risks being limited by a lack of available urban living options for young professionals who are not seeking the traditional suburban product available in the rest of the town. Unless a housing offer develops at the same pace as the sector, highly trained and highly sought after young people will potentially seek accommodation elsewhere.

4.5 It is therefore critical to the future success of the town that Middlehaven is developed.

<u>Development Proposals</u>

4.6 The vision for Middlehaven is to create a development that complements the surrounding area and integrates with the great new buildings that have already been delivered by the Council. The proposal provides an opportunity to take vacant brownfield sites that are creating a visual burden for the town and transform them into a market leading residential offer with a vibrant, active and place making commercial offer, across a mix of tenure types including a proportion of affordable housing.

4.7 Although the recommendations of this report will not directly deliver the redevelopment of Middlehaven, it will provide a significant and necessary step towards its future development. The appointment of Capital and Centric as the Council's Development Partner will enable the feasibility work to be undertaken and planning approval to be secured that will be required to bring forward a sound business case for investment.

4.8 The initial design proposals for Middlehaven separate the site into three distinct areas that would form new neighbourhoods, accommodating 762, 1,257 and 1,397 units of urban housing respectively. Proposals are also likely to include public squares, green parks and areas for limited ancillary retail and leisure to provide a more mixed use environment.

Pre-Development Agreement

4.9 It is acknowledged that the development of Middlehaven presents financial challenges as property values in the area are lower than those of larger more established cities, despite build costs being broadly comparable.

4.10 As a result of the viability gap, private sector funding will not be forthcoming for the initial feasibility work, resulting in the site either stalling, or being brought forward as a poor-quality development which will ultimately be a blight on the town in years to come. In these circumstances, innovative funding structures are needed with local government support, to overcome the lack of confidence from traditional funders.

4.11 If the recommendations of this report are approved, the Council will utilise £3.6m from the existing Urban Living and Placemaking grant from the Towns Fund to appoint Capital and Centric via the Bloom Framework to deliver Pre-Development Services.

4.12 The investment of £3.6m is significant but, if the proposals are delivered, it is only likely to be circa 1% of the gross development value of the project and is proportionate with the fees that would be expected of a development of this scale.

4.13 A breakdown of the proposed use of the £3.6m Towns Fund Urban Living and Placemaking grant is given in Table 1 below.

Table 1 – Breakdown of Fees

	Budget
Appointment Costs	£40,000
Planning Costs	£410,400
Professional Fees	£1,849,600
Survey Fees	£360,000
Construction Costs	£75,000
Pre-Development Costs	£660,000
Letting and Marketing	£35,000
Bloom Fees	£170,000
TOTAL	**£3,600,000**

4.14 The proposed structure of the agreement with Capital and Centric will enable the Council to retain ownership and control of the site through the Pre-Development phase

4.15 The Council's existing Towns Fund grant will enable Capital and Centric to fund the feasibility/survey work required to reduce the viability gap and potentially attract external funding from Homes England and the private sector. Capital and Centric will develop designs up to RIBA Stage 4, which will provide sufficient detail to allow procurement of a main contractor via a fixed price, design and build contract.

4.16 Following conclusion of the Pre-Development phase, it is proposed that Capital and Centric would be appointed as Developer under the Bloom Framework by Middlesbrough Council and enter into a Development Agreement to bring forward the development.

4.17 In making the investment for the planning and Pre-Development phase, the Council's interests will be protected by ensuring that designs, surveys and technical drawings will be warranted for the benefit of Middlesbrough Council. This means that, in the event that the development was not fundable / viable in the current market, that the Council could retain rights to the plans, to bring forward in a more favourable funding landscape.

Governance and Security

4.18 In addition to retaining control of the land during the Pre-Development process, the Council will have full reliance on all site surveys undertaken via a suite of collateral warranties and be provided with a royalty free licence to use the design work completed specifically for the scheme, if external funding is not secured.

4.19 The Council will also retain full control of the financial exposure through a series of Gateways which mean that Capital and Centric cannot continue to progress work until they have received formal approval from the Council that they are satisfied with the work completed, meaning that the Council is only ever committed to the cost up to the next Gateway.

Gateways and Programme

4.20 The Gateways are described below.

4.21 Stage 1 – Concept Design: This includes the initial conceptual design work which reflects RIBA stage 1 and 2. Other costs including surveys, site investigations and community/placemaking events. The output from this stage will be the submission of a pre-planning application.

4.22 Stage 2 – Planning: The planning stage allows the development of the detailed planning design of RIBA stage 3. During this stage the concept design will be developed to allow submission of a planning application.

4.23 Stage 3 – Detailed Design and Procurement: This stage sees the development of detailed design including RIBA stage 4 to develop sufficient information to allow procurement of a fixed price, design and build contract. The output at the end of the stage will be the completion of the Stage 4 design and the procurement of a main contractor.

4.24 If the recommendations of this report are approved, Table 2 below sets out the indicative 20-month programme to complete the RIBA Stage 4 process and commence works on site.

Stage	Gateway	Stage Description	Total	Start	End
1	Gateway 1	RIBA Stage 1 Concept design	£270,200	January 26	March 26
2	Gateway 2	RIBA Stages 2 and 3 Planning design & submission	£2,111,050	April 26	September 26
3	Gateway 3	RIBA Stage 4 Detailed design & contract execution	£1,218,750	October 26	July 27
	Total		**£3,600,000**		

4.25 It may however be possible to align elements of the programme differently to enable Stage 3 to be completed much earlier and open up the possibility of a start in site in late 2026. The Council will be working closely with Capital and Centric to facilitate this where possible.

Capital and Centric - Track Record

4.26 Across their current portfolio of live developments Capital and Centric have secured more than £120m of grant support from central government via Homes England, MHCLG and a number of combined Authorities.

4.27 Capital and Centric are confident that Middlehaven is ideally placed to secure grant support, given that the proposals are to deliver substantial housing development on a key brownfield regeneration site which falls perfectly in line with the current levelling up agenda.

4.28 In addition to securing grant support, Capital and Centric have a significant track record of deploying the funding and delivering tangible outputs and believe that this knowledge and experience can deliver the successful regeneration of Middlehaven.

Case Study – Weir Mill, Stockport

4.29 Weir Mill is a site at the heart of Stockport town centre, home to a complex of dilapidated mill buildings and dissected by a Grade I listed railway viaduct. The site fronts onto the River Mersey and is just a two-minute walk to Stockport Interchange, which is on the direct West Coast Mainline between Manchester and London Euston. The buildings offer stunning original features, such as brick vault arches, cast-iron columns, and a vast expanse of bare brick, while the ground floor spills out directly onto the waterside. It is bounded to the west by the iconic brick viaduct – a truly prominent and iconic site for the town.

4.30 The development is securing a future for the two historic textile mills, creating a new chapter in their story, and delivering 253 design-led new homes. The project will feature a mix of one, two and three-bedroom apartments across the mill conversion and new build block, providing real choice and diversity of product. Weir Mill will boast a tenants' lounge and private dining space, which will spill out onto a rooftop terrace, with such high-end amenity adding further significant value to each apartment.

4.31 The development secured planning approval in October 2021, and construction began in May 2022, with John Sisk and Son appointed to deliver the whole development under a JCT Design & Build contract. The total cost of the development is £70m.

<u>Case Study – Goods Yard, Stoke</u>

4.32 Goods Yard occupies a highly prominent location adjacent to Stoke-on-Trent Railway Station and the Trent & Mersey Canal in the heart of Stoke Town centre. The development is a mixed-use scheme that will re-purpose a listed goods shed, and over one acre of brownfield land, to create a vibrant destination neighbourhood. The development comprises the following:

a) 35,000sq.ft. of commercial and leisure space.
b) 174 apartments.
c) 20,000sq.ft. vaulted goods shed fronting onto the canal.
d) 2,500sq.ft. signal box.
e) 10,000sq.ft. new two-storey contemporary office building.
f) Half an acre of new public realm.

4.33 Goods Yard will provide Stoke-on-Trent with an area they can be proud of, contributing to the enhancement of the local architecture, as well as creating a neighbourhood with real identity, one that nods to the city's rich heritage but writes a new, exciting chapter. A genuine community will be created with everything available to support a city centre lifestyle.

4.34 The Goods Yard is a strategic priority for Stoke-on-Trent City Council, and accordingly the project was awarded £16m of levelling up funding in 2022. As a result of this grant funding support, the development is able to deliver a premium product which incorporates an industrial feel to apartments with exposed concrete soffits and exposed services, providing a 'New York loft' feel interior with generous floor to ceiling heights.

4.35 The development secured planning approval in April 2022, and construction began in September 2022, with Bowmer and Kirkland appointed to deliver the whole development under a JCT Design & Build contract. The total cost of the development is £60m.

5. Ward Member Engagement if relevant and appropriate

5.1 The Members for Central and Newport Wards have been briefed on the proposals and recommendations set out in this report.

6. Other potential alternative(s) and why these have not been recommended

6.1 The Middlehaven site was identified in the Mayoral Development Corporation – Consultation report that was endorsed by Executive on the 22 February 2023.

6.2 The previous proposal to transfer a number of Council assets over to the MDC has been paused by the Secretary of State due to wider concerns over the governance of mayoral development corporations.

6.3 In the absence of a decision by the Secretary of State, the proposal from Capital and Centric presents an opportunity to progress the comprehensive development of the site.

6.4 The Council can elect not to proceed with the appointment of Capital and Centric and the £3.6m Towns Fund allocation could be re-purposed for urban living initiatives across the town, but the redevelopment of Middlehaven will not proceed unless significant investment can be secured.

7. Impact(s) of the recommended decision(s)

Topic	Impact
Financial (including procurement and Social Value)	<u>Financial</u> The element of the Towns Fund grant that is being proposed to be used to fund the works was provided for Urban Living and Placemaking, so this is an appropriate use of the grant. The proposed £3.6m of expenditure does not automatically result in the physical works being undertaken. In order for those to progress, Capital and Centric would need to secure financial backing from funding partners. For demonstrative purposes, in 2020 the Council, in conjunction with Tees Valley Combined Authority and planning consultants Hive, undertook feasibility studies regarding housing at Middlehaven. The studies concluded that developing 638 housing units within Middlehaven would cost in the region of £90m. Whilst this proposed development can be broken into smaller phases, it is clear that the amount of external funding that Capital and Centric would need to secure would be substantial. Additionally, TVCA (or Middlesbrough Development Corporation) have ambitions to develop Gresham, providing a relatively similar offer. The plans for Middlehaven do not contradict the MDC/TVCA priorities and would not exclude their future participation. Capital and Centric have indicated to the Council that they will not have secured a funding partner prior to the conclusion of Gateway

3 works. Whilst the Council does have the ability to decommission works at the end of each Gateway, given that a funding partner won't be identified until after Gateway 3, it is logical that the Council would fund the project up to that point in to hope that Capital and Centric would attract funding thereafter.

Taking all of the above into consideration, it requires acknowledging that this element of the project and the expending of £3.6m could result in no physical works actually being undertaken.

Capital and Centric are seeking a developer fee of £660,000, equates to 25% of the total other costs excluding the Bloom fee. 25% is unusually high, industry standards range from 10% (£270,000) to 15% (£405,000). It is, however, acknowledged that Capital and Centric are also a potential End-User and, if the proposals are delivered, the fee will be less than 1% of the gross development value of the project.

Capital and Centric are not currently in a position to provide details of proposed property Council Tax bands nor timescales for the construction of the development and until such time that they can it is not possible to provide details of the financial benefits that would be achieved from the scheme. However, if developed as planned the benefits would include:

- Significantly increased revenue to the Council through additional Council Tax and Business Rates; and,
- Increased footfall within the town centre, which will provide greater opportunities for town centre retail / leisure to stabilise and thrive. This includes business within both the Council owned Cleveland Centre and Captain Cook Precinct.

It is not inconceivable that the Council Tax revenue generated by a completed development would exceed £5m per year.

<u>Procurement Assurance</u>

The procurement of Capital and Centric will be via the Bloom Framework, which offers the public sector a fully OJEU / FTS compliant and cost-effective route to market for professional services.

<u>Social Value</u>

Capital and Centric have founded the Regeneration Brainery, a not-for-profit academy to inspire a diverse generation of young adults into careers in the built environment.

	Over 6,000 students have benefited from the programme across five major cities, with over 500 industry mentors actively involved with plans to expand into new locations including Newcastle and Middlesborough if appointed. The Council's Social Value requirements will be agreed at appointment and will become a contractual requirement of the commission.
Legal	The appointment of Capital & Centric as both development partner, and ultimately as developer, must comply with internal Contract Procedure Rules, Procurement and all Council governance requirements. The development agreements, and all linked contractual arrangements must be reviewed by Legal Contracts to ensure that the Council's interests, including all intellectual property rights/warranties etc., are appropriately preserved. Middlesbrough Mayoral Corporation ('MDC') has the required approval from the Secretary of State under Localism Act 2011 (applied to the Middlesbrough Development Corporation by the Tees Valley Combined Authority (Functions) Order 2017) to acquire the land in Middlehaven along with other Council assets. At the time of writing, progress on this asset transfer is on hold as (far as legal are aware). The MDC asset transfer therefore remains a real, albeit seemingly less likely possibility now. Nevertheless, the Council must consider the possibility that it may still be compelled to transfer the land at Middlehaven to MDC and reserve its position in this respect. The title to this site is vast and it is recommended that a full report exercise on the legal title is undertaken as part of, or alongside all other due diligence.
Risk	<u>O1-024 – Reduced Middlesbrough population and changes in the demographic profile stretch the Council's capacity to deliver services</u> The development of Middlehaven could deliver circa 3,400 units of high-quality urban housing that appeals to a broad demographic, particularly young professionals and families. <u>Ability to Deliver</u> Capital and Centric have provided details of developments that are either completed or coming up to completion, including Weir Mill, Stockport and Goods Yard, Stoke. Across their current portfolio of live developments, they have secured more than £120m of grant support from central

	government via Homes England, MHCLG and a number of combined Authorities. They believe this development is ideally placed to secure support from any of those organisations, given they are substantial housing developments on key brownfield regeneration sites which falls perfectly in line with the current levelling up agenda. <u>External investment not secured</u> If external investment isn't secured, the Council will have full reliance on all site surveys undertaken via a suite of collateral warranties and will have a royalty free licence to use the design work completed specifically for the scheme. The Council will also retain full control of the financial exposure through a series of Gateways which mean that Capital and Centric cannot continue to progress work until they have received formal approval from the Council. There is no obligation for the Council to proceed beyond the Pre-Development phase. <u>BCEGI – Middlehaven Option Agreement</u> The Council entered into an Option Agreement with BCEGI in April 2022. Under the terms of the Agreement in was incumbent on BCEGI to satisfy Development Conditions. The first Development Condition was not satisfied, and the Council exercised its right to terminate the agreement on the 15th January 25.
Human Rights, Public Sector Equality Duty and Community Cohesion	The proposal is not judged to have any negative impacts on Human Rights, Public Sector Equality Duty and Community Cohesion.
Reducing Poverty	Educational opportunities such as those proposed to be supported by the development of The Campus are one of the most significant determinants in reducing poverty within Middlesbrough.
Climate Change / Environmental	Developments in England must deliver a Biodiversity Net Gain of 10%. This means a development will result in more or better-quality natural habitat than there was before development. The proposed development of Middlehaven will adhere to all current planning and building control requirements and meet the highest environmental standards.

Children and Young People Cared for by the Authority and Care Leavers	The proposal would not have any disproportionately negative impacts on Children and Young People Cared for by the Authority and Care Leavers.
Data Protection	There are no Data Protection issues of consequence for this proposal.

Actions to be taken to implement the recommended decision(s)

Action	Responsible Officer	Deadline
Complete concept designs and site investigations	Capital and Centric	March 26
Submit Planning Application	Capital and Centric	September 2026
Procurement of Main Contractor	Capital and Centric	July 2027

Appendices

1	N/A
2	
3	

Background papers

Body	Report title	Date
N/A		

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