

Report of:	Richard Horniman - Director of Regeneration and Culture Councillor Eric Polano - Executive Member for Regeneration
Submitted to:	Executive - 27 May 2021
Subject:	Joint Development Priorities

Summary

Proposed decision(s)
<p>It is recommended that Executive:</p> <ul style="list-style-type: none"> a) approve the entering into a collaborative joint venture with Jomast Developments Ltd (Jomast), for the purposes of exploring development opportunities, and external funding, for key town centre assets – as set out in appendix A; and, b) notes the recent progress made in regenerating and occupying commercial space on Albert Road North.

Report for:	Key decision:	Confidential:	Is the report urgent? ¹
Executive	No	N/A	No

Contribution to delivery of the 2021-24 Strategic Plan		
People	Place	Business
Collaborative working aims to attract and retain growth in key sectors and local talent. This can result in significant investment within the Middlesbrough, to contribute to the objective that <i>"We will ensure that we place communities at the heart of what we do, continue to deliver value for money and enhance the reputation of Middlesbrough"</i>	Joint working can continue to stimulate investment within the town centre and address notably town centre property - aimed at creating new opportunities and jobs, to contribute to the objective that <i>"We will transform our town centre, improving accessibility, revitalising unused assets, developing iconic new spaces and building more town centre homes"</i> .	Collaborative working will continue to build Middlesbrough's commercial base, providing confidence and winning new investment by <i>"making sure we work as effectively as possible to support our ambitions for People and Place"</i> .

Ward(s) affected
The properties under consideration for collaborative working are based in in the Central Ward.

What is the purpose of this report?

1. Executive approval is sought to work in formal collaboration with Jomast Developments LTD and to explore development opportunities for key central Middlesbrough properties including Church House, Gurney House, the (former) Barclays Bank building on Albert Road and land on Bridge Street East Detailed in appendix A.
2. Whilst this joint venture does not amount to a financial relationship, external funding opportunities will be explored to bring enable investment in, and reuse of, prominent town centre properties. A joint venture relationship does not imply any undertaking for the Council to commit direct investment.

Why does this report require a Member decision?

3. As this proposal for collaborative working concerns key strategic town centre development sites, it is considered appropriate that Executive consider the merits of joint working.

Report Background

4. Jomast Developments Ltd are a significant and prolific property owner across Middlesbrough, the Tees Valley and across the northeast. The organisation has the experience, commercial structure and commercial networks to drive major investment into Middlesbrough.
5. The Council's Town Centre Strategy report (24 November 2020) set out the underlying challenges to Middlesbrough's urban economy and, in particular, how these challenges have been amplified and accelerated by the Covid-19 pandemic. This calls for an expansion of the scale, scope and speed at which transformation is required, to deliver a thriving local economy. The report also set out the need to fundamentally rethink the function of town centres and enable a rapid transformation.
6. The expansion of Middlesbrough's Boho Digital Cluster, along with the major investment in Centre Square office space has reinvigorated the local commercial market. Such investment has encouraged Jomast Developments Ltd to work with Council officers to grasp this improving situation to drive development viability and invest in its existing commercial stock.
7. Recent achievements include major investment into Baker and Bedford Street Property – driving a thriving independent cluster; the transformation of the Albert North area with shop frontages brought back into use; C.40k sqft of floor space let to the expanding digital cluster in 16 / 26 Albert Road (testament to the cluster's building strength); investment in Jomast properties in Queen's Square and the development of the Premier Inn hotel on Wilson Street.
8. Jomast Developments Ltd owns key properties, which are synonymous with Middlesbrough and have, historically, struggled to develop plans for a commercially viable use. Growing confidence in Middlesbrough's market, and emerging regeneration priorities, has inspired Jomast Developments Ltd to revisit the development potential of vacant properties such as Church House (residential potential), Gurney House (commercial potential), Former Barclays Bank building, Albert Road (commercial potential); and, emerging ideas for a mixed use development of some available Council land on Bridge Street East.

9. To align with Middlesbrough's strategic priorities and to maintain coherence of vision, Jomast Developments Ltd are keen to work closely with Middlesbrough Council to align visions, market compelling proposals for prospective tenants / investors and explore external funding support to aid commercial viability. The heads of terms agreement at appendix A, outlines the purpose and framework of the proposed relationship; although this does not amount to a financial relationship or exclusivity option for any Council-owned land.
10. A similar collaborative relationship was instrumental in many of the recently progressed town centre developments undertaken by Jomast and a mutual understanding of shared priorities and market constraints has enabled this investment.
11. Appendix A sets out the full scope and conditionality of a collaboration agreement / joint venture.

What decision(s) are being asked for?

It is recommended that Executive:

- a) approve the entering into a collaborative joint venture with Jomast Developments Ltd (Jomast), for the purposes of exploring development opportunities, and external funding, for key town centre assets – as set out in appendix A; and,
- b) notes the recent progress made in regenerating and occupying commercial space on Albert Road North.

Why is this being recommended?

12. Private sector input is key to support the future aspirations of Middlesbrough. Church House and Gurney House are of particular local interest and have been vacant for many years. They are prominent properties on Middlesbrough's skyline and are in dire need of investment, activity and animation. Bringing such property back into use will aid the economic ambitions for the area and provide a major boost in raising perceptions in the area.
13. The proposed relationship represents no financial commitment or obligations and, as such, is of minimal risk to the Council; whilst the strategic benefits could be extensive.

Options

Do not enter into a Joint Venture

14. The Council is not obliged to formalise a relationship with Jomast Developments Ltd however missing an opportunity for strategic alignment of priorities and promoting the refurbishment and reuse of properties may take much longer to deliver.

Enter into a Joint Venture

15. Historical collaborative working with the organisation has proved to rapidly progress mutual regeneration objectives for both parties. The properties in scope of this agreement are of local note and are symbolic to the local population. Bringing these properties back into use will provide a significant injection into the urban market for commercial space and residential opportunities, aiding the recovery of our local economy and building on the momentum of recent commercial and residential priorities.

Impact(s) of recommended decision(s)

Legal

16. Executive approval / endorsement of the Joint Venture will be followed by the formalisation of the agreement between Middlesbrough Council and Jomast Developments Ltd.
17. As project proposals develop, should there be a strategic opportunity for the Council to align priorities, support the development, or even consider a compelling case for direct investment; this would be brought back to Executive for consideration, as appropriate.
18. The potential inclusion of Council land in development priorities is illustrative and does not amount to an option or exclusivity agreement. Should a case for property consolidation come forward, this would require Executive approval.

Financial

19. Whilst this joint venture does not amount to a financial relationship, external funding opportunities will be explored to bring enable investment in, and reuse of, prominent town centre properties. A joint venture relationship does not imply any undertaking for the Council to commit direct investment.
20. Any external funding bids which result from this Joint Venture, which require the Council to be a party or signatory, will seek Executive approval prior to submission.
21. No funding is committed as a consequence of this proposal.

Policy Framework

22. The decision will not conflict with the existing policy framework.

Equality and Diversity

23. This Joint Venture agreement does not impact on groups with protected characteristics.

Risk

24. The relevant risks this decision would influence are cited below, with an explanation as to why they are relevant and how it would affect each risk.

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.	Delivery of the proposals within this report will enhance economic growth and prosperity of the town.
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.	By putting residential properties within the town this will have a positive impact the new housing programme in achieving its targets.
O1-049	If town centre property values continue to decline, a national response may include an overall Business Rates review that would impact upon the Council's financial position unless mitigated.	By developing a mixed economy in the town so it is not just reliant on retail but includes leisure and residential should help mitigate this risk.

Actions to be taken to implement the decision(s)

25. If a Joint Venture is approved, Council officers will work with Jomast Developments Ltd to deliver a sequential development programme, whereby the progression of Church House and Gurney House, if successfully delivered, has the potential to unlock further joint working at Bridge Street East. Marketing and masterplanning will commence and external funding bids will be developed from available national funding programmes.

Appendices

26. Appendix A – Head of Terms Joint Venture Agreement

Background papers

Body	Report title	Date
N/A	N/A	N/A