

Report of:	Richard Horniman, Director of Regeneration and Culture. Councillor Eric Polano, Executive Member for Regeneration.
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Submitted to:	Executive - 21 September 2021
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Subject:	Future Development of Middlehaven
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Summary

Proposed decision(s)
That Executive approves:
<ul style="list-style-type: none"> a) the planned approach to the development of Middlehaven; b) the granting of an option agreement to BCEGI to facilitate the development of St Hilda's; and, c) any variation to the final terms of the agreement (from those set out in this report) to be delegated to the Director of Regeneration and Culture and the Council's Section 151 Officer.

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

What is the purpose of this report?

1. The purpose of the report is to set out the approach to be taken to the development of Middlehaven, and the agreement proposed to enable BCEGI to facilitate the development of over 500 new homes at St Hilda's.

Why does this report require a Member decision?

2. The approach to be taken at Middlehaven will guide the Council's activities and investments at Middlehaven, such as the granting of an option agreement for BCEGI to facilitate significant development activity.

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.
6. 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 plan for developing Middlehaven, and for capitalising on the financial opportunities currently available.

Strategic Partner

7. The Council has therefore partnered with BCEGI to bring forward a coherent approach to developing the area, understand the necessary infrastructure, and to plan the steps required to get different strands of activity underway.
8. BCEGI is an international property developer and construction company, specialising in bring projects to fruition through strategic partnerships and investment. Operating in 27 countries, BCEGI is currently leading on billion pound projects such as Airport City

and Middlewood Locks in Manchester, and have been working with the Council on the development of Boho X, which started on site recently.

Planned Approach

9. BCEGI have partnered with commercial specialists CBRE to develop an approach to Middlehaven that will demonstrate the longer term vision to deliver around 1,000 new homes, and 600,000 of new commercial floorspace by becoming:
 - a) a business cluster driven by innovation and creativity;
 - b) a new urban residential neighbourhood;
 - c) an education quarter inspiring future generations; and,
 - d) a vibrant waterfront destination.
10. BCEGI and CBRE have also considered the steps required to build on market opportunities and funding availability, and this is reflected in the proposed approach set out in Appendix I, detailing:
 - a) how each zone would be developed
 - b) key development trends
 - c) demographic opportunities
11. In summary, the approach will focus on developing four distinct, but overlapping zones that will have their own characteristics and their own target markets, but blend to form a single cohesive community. The four zones are identified as:

Digital & Creative Hub

12. The Digital and Creative Hub would hosts an array of uses to attract target tenants, including traditional offices, flexible start-up spaces and incubator units as well as small workshop/maker spaces. Ground floors would accommodate a mix of independent cafes and cultural establishments to enhance the vibrant atmosphere of the quarter. This would be complemented by a range of living options to appeal to young urban professionals including conventional apartments but also loft living and live-work units.

St Hilda's Neighbourhood

13. A range of residential accommodation would be provided from family housing to maisonettes and apartments. The Old Town Hall would be refurbished, opening up the market square to events such as markets, and other public gatherings. The new neighbourhood would also accommodate ancillary facilities to benefit and incubate a new community, including local shops such as an artisan bakery or deli, corner shop and a local sports/fitness studio. Residents will benefit from gardens, play areas, a high quality landscaped public realm, and other community spaces including the Urban Farm. The southern side of St Hilda's will be more diverse with flexible live/work spaces, small workshops, studios, galleries and culture/art/exhibition spaces, providing a smooth transition into the Digital and Creative Hub.

Education Quarter

14. The Education Quarter would bring together educational institutions including a nursery, secondary school and Middlesbrough College to create an educational journey from starting out in life to transitioning into the work place. Additional education, science, health and community facilities add to the mix as well as provision

of sports facilities, green spaces, and play areas that complement the 'campus' type feel of the quarter.

Middlehaven Docks

15. The docks could be transformed into a destination in its own right, providing a key leisure attraction for local, national and international visitors. This could be in the form of a major attraction hosting concerts, events and exhibitions or a multi-sport centre, offering indoor and outdoor activities and events for a range of traditional, minority and emerging sports for example. A 'Dock Loop' would be created for runners, connecting the entire Middlehaven development. This location would be attractive for footloose firms, government departments or other business seeking to build a base in the area, and for a new waterside residential community.
16. The approach advocated by BCEGI and CBRE is to concentrate development within these zones at a pace that the market can take. There will however be opportunities that present themselves to accelerate development, and the approach is flexible enough to accommodate the necessary replanning within zones that might be required.
17. The planned approach set out in the document will be used by both the Council and by BCEGI to stimulate activity and guide existing and future investment towards delivering the overall Middlehaven vision.

Funding

18. The Council has already committed significant funding towards the delivery of the vision at Middlehaven, and as previously detailed, significant elements of the Future High Streets Fund, Towns Fund and Brownfield Housing Fund are already committed to projects captured within the planned approach.
19. At this stage, no further Council investment is required to adopt the proposed approach, and any additional funding required to take forward individual developments in future would be brought to Executive for consideration.

Option Agreement

20. To enable the coherent delivery of the next phase of development at Middlehaven, it is necessary for the land at St Hilda's to be formally made available to BCEGI as our strategic partner. As a result, a five-year option agreement has been prepared that allows BCEGI the certainty to commit significant funds to further design, planning and preparatory work that will be essential to taking forward the construction of new housing and commercial space within that zone.
21. The basis of the option agreement would be as follows:
 - a) BCEGI will prepare a business case for each individual development within St Hilda's;
 - b) A board comprising of BCEGI and Middlesbrough Council would consider the business cases;
 - c) if proposed developments fit with the planned approach, and stack up financially, then BCEGI have the ability to purchase individual plots to commence development; and,

d) land would be purchased at the established 'market rate', which may vary from plot to plot.

22. The plan included as Appendix II outlines the area covered by the agreement.
23. Successful delivery against the option agreement would see around 500 homes underway by 2026.
24. Within the Heads of Terms, there are a number of performance targets to ensure that development keeps pace with expectations. If these targets are not met, the Council would have the ability to cancel the agreement and look at alternative ways to take development forward.
25. Any variation to these terms would be delegated to the Director of Regeneration and Culture, and the Council's Section 151 Officer.

Exclusivity Agreements

26. In addition to the formal option agreement proposed for St Hilda's, further agreements will be put in place for Middlehaven Docks to allow BCEGI to complete feasibility work on the potential for destination leisure attractions, dockside living, and for the use of the dock itself. These agreements are not formal options, and do not allow BCEGI the ability to draw the land down, but provide them with a period of exclusivity within which to complete their work, and present firm proposals to the Council. Should these be acceptable, then further option agreements would be put in place to enable the proposals to be taken forward. It is anticipated that these 'exclusivity' agreements cover a period of less than one year.
27. These agreements are necessary to enable BCEGI to invest the significant sums of money required to complete the feasibility and preparatory work that is essential to taking forward any significant scheme on/around the docks.

Next Steps

28. The proposed option agreement between the Council and BCEGI would be formalised over the next month, with the joint arrangements for approving individual business cases established in the same period. The short term exclusivity arrangements for the dock area would be developed at the same time.
29. It is anticipated that the first business cases would come through immediately, with land being drawn down for the first developments by Christmas 2021.
30. The option agreement would cover a period of five years, but the first target within that would be to have housing units on site during 2022.

What decision(s) are being asked for?

31. That Executive approves:
 - a) the planned approach to the development of Middlehaven; and,
 - b) the granting of an option agreement to BCEGI to facilitate the development of St Hilda's; and,

- c) agreement of the final terms of the agreement (and any variation to those set out in this report) to be delegated to the Director of Regeneration and Culture and the Council's Section 151 Officer.

Why is this being recommended?

- 32. The redevelopment of Middlehaven is key to the future economic growth of the town. The funding identified to deliver the Council's aspirations at Middlehaven is now available, 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

- 33. The option agreement for St Hilda's would be prepared in conjunction with Legal Services, and would be the guiding document for the Council's relationship with BCEGI.
- 34. The exclusivity agreement for Middlehaven Docks would also be prepared in conjunction with Legal Services.

Financial

- 35. The financial resources to be utilised at Middlehaven are a mixture of Future High Streets, Towns Fund, Brownfield Housing Fund and Indigenous Growth Fund (all external sources) and existing approvals within the Council's Capital Programme. No additional resources are being requested as a result of this report.
- 36. The drawing down of land through the option agreement with BCEGI will be done at 'market rate' that will be agreed between BCEGI and the Council's Section 151 Officer.

Policy Framework

- 37. 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.
- 38. 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

- 39. The property is situated in Central Ward and the respective ward members would be also be further consulted on any subsequent proposal made as part of the normal planning process.

Equality and Diversity

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

Risk

41. 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.
42. The individual risks associated with each subsequent development 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)

43. Subject to Executive approval, the Council would progress the arrangements with BCEGI, and commence preparation of the option agreement.

Background papers

Body	Report title	Date

Appendices

- Appendix I – Planned Approach to Developing Middlehaven
Appendix II – Red Line Boundary for Option Agreement