

REPORT TO EXECUTIVE

Date of Meeting: 2 June 2020

Report of: City Surveyor

Title: CityPoint – Update on Paris Street and Sidwell Street Regeneration

Is this a Key Decision?

No

Is this an Executive or Council Function?

Executive

1. What is the report about?

To update Members on the progress of plans to bring forward the comprehensive development of the CityPoint site, comprising the former Bus and Coach Station and adjoining areas of Paris Street and Sidwell Street.

2. Recommendations:

- 1) That the progress to date on bringing forward the CityPoint site be noted;
- 2) That the provisionally agreed Memorandum of Agreement with the principal land owners be progressed to facilitate the next steps towards the comprehensive redevelopment; and
- 3) That the City Surveyor be authorised to explore, in conjunction with our partners, potential routes to early appointment of a development partner/s for the delivery of the scheme which can deliver our collective vision and objectives for the scheme in a timely manner.

3. Reasons for the recommendation:

In times of great uncertainty the City Council is keen to ensure that we look to maintain momentum on key projects such as this which will define the City's future as we emerge from the pandemic. The recommendations will put us in a position to be able to accelerate the development process and bring together a collaborative land owner partnership that can focus on driving delivery without the complications associated with site assembly and associated property disputes.

4. What are the resource implications including non-financial resources.

The proposals in this report and its recommendations can be funded from the existing project budget and staffing resource. Should additional funding be required at a later stage a further report will be brought to the Executive Committee for recommendation to Council.

5. Section 151 Officer comments:

There are no additional financial implications arising from the report.

6. What are the legal aspects?

These negotiations are at an early stage and are not intended to be legally binding on the Council

7. Monitoring Officer's comments:

As matters progress care will need to be exercised to ensure the Council complies with the procurement regulations.

8. Report details:

Covid 19 Impact and the Property Market

We are advised by our consultants (JLL) that the current market uncertainty means that investors cannot price risk or cash flow impacts and so cannot ascertain value nor accurately determine asset prices. As a result, a number of UK funds have been gated but long term investors are still active and institutions generally remain cash rich. However, most of these are erring on the side of caution for the time being in anticipation of a market correction in 6-9 months. As a result, the investment market is likely to experience a delay in decision making and the adoption of a 'wait and see approach'.

In purely commercial terms, it would be prudent to delay taking any new project to the market in this climate until there is greater market certainty, things have started to return to normal and we are in a position to fully and more accurately assess any long term impacts on the scheme, not just in terms of viability but also the overall scheme mix and quantum of uses.

There is some concern that the trend towards higher utilisation and densification of offices may reverse as transmission risk of highly dense, large, open plan offices is now clearly up for debate. The Council may also decide to review its own workplace and risk mitigation strategies and take less space as a result, with clear implications for investor interest in the income strip opportunity and its ability to solve what will otherwise be a substantial viability gap on the office element.

That said, it is felt that any impact on residential investment yields will be short-lived as the market fundamentals have not changed – there is still an acute shortage of good quality homes, very strong investor demand for well-located opportunities in the residential BTR sector generally (although appetite for co-living as an experimental concept in Exeter may be impacted) and both housing and infrastructure delivery will be a key focus for any Government initiatives to re-start the economy.

The main risk for the scheme rests on the speculative hotel and office elements. However, whilst investor and developer interest is likely to be more cautious over the next 9-12 months, our view is that it will still be there for this scheme as we have been successful in positioning the site as the best opportunity in the city. In fact, despite Covid-19, there remains strong investor demand for annuity grade investments and indeed greater focus on long term stable income sources, with local authority income backed and residential investment opportunities being particularly sought after. Our aspiration now, therefore, must be to explore how we can deliver partnerships with other organisations that are not only attracted to the fundamentals of the proposed scheme but also are inclined to take a long view of the development potential of the CityPoint site. Officers are now engaged in exploring this potential and intend to report back further in the near future.

Memorandum of Agreement and Ownership Structure

9. What risks are there and how can they be reduced?

There is significant uncertainty in the economy as we emerge from the pandemic. This may impact significantly on the viability and development timeframes. However, by setting up the recommended structures for land holding and promotion with the other key land owners we will retain control over the development process and should be able to make informed decisions on delivery and financial implications as the project progresses.

10. Equality Act 2010 (The Act)

11.1 Under the Act's Public Sector Equalities Duty, decision makers are required to consider the need to:

- eliminate discrimination, harassment, victimisation and any other prohibited conduct;
- advance equality by encouraging participation, removing disadvantage, taking account of disabilities and meeting people's needs; and
- foster good relations between people by tackling prejudice and promoting understanding.

11.2 In order to comply with the general duty authorities must assess the impact on equality of decisions, policies and practices. These duties do not prevent the authority from reducing services where necessary, but they offer a way of developing proposals that consider the impacts on all members of the community.

11.3 In making decisions the authority must take into account the potential impact of that decision in relation to age, disability, race/ethnicity (includes Gypsies and Travellers), sex and gender, gender identity, religion and belief, sexual orientation, pregnant women and new and breastfeeding mothers, marriage and civil partnership status in coming to a decision.

11.4 In recommending this proposal no potential impact has been identified on people with protected characteristics as determined by the Act because, at this stage the City Council is working to progress a development concept for the site which, in itself, has no direct equality or diversity implications. Whilst there are no explicit recommendations that require immediate consideration, these matters will be at the heart of our deliberations as more detailed plans begin to come forward.

11. Carbon Footprint (Environmental) Implications:

In light of the City Council's declaration of a Climate Emergency, the City Surveyor has had further discussions with the appointed consultancy team on the implications for the project of the Council's commitment to Net Zero Carbon and has commissioned a report on sustainable energy which will review existing City Council Policies against current global best practice and UK legislation; set out some "guidelines" for the Council to adopt for suitable sustainable energy standards to 2040 (i.e. to match the Liveable Exeter Vision); set some sustainable energy visions and aspirations e.g. net zero by 2030; consider briefly the current and likely future position on wide area district

heating; and set out some criteria for assessment in a schedule that the City could use as a checklist for different kinds of development. These criteria could be used to assess potential development partners' proposals for CityPoint and inform the appointment of any development partner/s.

The team are also exploring an approach to amending the emerging website so that the 'climate emergency' and commitment to carbon neutrality by 2030 are suitably represented.

12. Are there any other options?

We have considered alternative approaches for delivery of the scheme by the land owners but these would either restrict our ability to direct the project or render the scheme financially unviable. The collaborative approach is felt to give the best opportunity to secure regeneration, generate new sustainable income streams and avoid protracted negotiations with third parties.

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Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:-
None

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