

REPORT TO EXECUTIVE

Date of Meeting: 3 December 2024

Report of: Strategic Director Place and Strategic Director Corporate Resources

Title: City Point Update

Is this a Key Decision?

No

Is this an Executive or Council Function?

Executive

1. What is the report about?

1.1 The report reviews recent developments regarding the City Point site and proposes the next steps for bringing forward development, including meanwhile uses for the former Exeter Bus Station site.

2. Recommendations:

That Executive resolves to note:-

2.1. the progress to date following the withdrawal of The Crown Estate's interest as lead developer;

2.2 that meanwhile uses for the Former Bus Station site will be considered and that the Executive note, that officers will develop medium term uses for the site, giving consideration to there being no financial resources at the current stage;

2.3 that officers will work with potential development partners, including the new adjoining landowners, on the potential for a comprehensive delivery solution and present proposals to Executive in early 2025; and

2.4 that officers will commission a market insight report to look at delivery options for the land within the City Council's control.

3. Reasons for the recommendation:

3.1 Working with potential delivery partners including adjoining land owners will facilitate comprehensive redevelopment and enable delivery of much needed homes, generate financial returns to the City Council and contribute to the success of the City Centre.

4. What are the resource implications including non financial resources

4.1 Resource implications can be met within ECC's existing legal and Corporate Property teams. The market insight report will be funded from existing budgets within Commercial Assets.

5. Section 151 Officer comments:

5.1 The level of risk associated with the Crown Estate proposal meant the Council would take on the lease for the entire office accommodation and then have to rely on letting the majority of the space to remain financially viable. Even the cost of the element the Council would have occupied and therefore not passed on far exceeded the cost of the existing Civic Centre.

5.2 There are a number of options available to the Council, which have varying levels of risk. Councillors will have to be comfortable with the level of risk identified with each option presented bearing in mind our existing financial position.

5.3 Members are also reminded of the Council's limited capital resources and aspiration to generate capital receipts.

5.4 There is no approved budget available for any meanwhile use. The demolition of the former bus station was funded by the surplus funds from the Guildhall Shopping Centre, which is not able to be used for any meanwhile use solution owing to the restrictions placed on the fund by Government. Any proposals will need to be either cost neutral or Councillors will have to identify a project to stop or accept and identify reductions to the overall budget to set aside funds for the meanwhile use.

6. What are the legal aspects?

6.1 The Council must comply with public procurement legislation when considering joint ventures and selecting a delivery partner(s).

6.2 Any third parties providing professional services to the Council must be appointed in accordance with the Public Contracts Regulations 2015 and the Council's internal procurement and Contract Procedures.

7. Monitoring Officer's comments:

7.1 Members will note the content of this report. The Monitoring Officer has no additional comments.

8. Report details:

Background

8.1 At its meeting of 10th September 2019 Executive noted progress in bringing forward comprehensive redevelopment of the City Point site and authorised the (then) City Surveyor, in consultation with the Leader and the then Chief Executive, to negotiate and enter into a land-holding collaboration vehicle with the other main land owners (The Crown Estate and Nuveen Real Estate) on the site and set up a working group to establish the City Council's requirements for a new Civic Hub facility on the site.

8.2 At a subsequent Executive meeting on 2nd June 2020 further authority was given to progress a memorandum of agreement with the principal landowners on the site to facilitate comprehensive redevelopment and to explore potential development partners.

8.3 Following those decisions, the City Council and The Crown Estate agreed arrangements to jointly promote comprehensive redevelopment of the site for a mixed-

use scheme in accordance with the concept masterplan and delivery strategy prepared by Corporate Property and JLL in association with Clifton Emery design.

8.4 Principles were also agreed for a new layered leasehold ownership structure whereby The Crown Estate and Nuveen Real Estate, as joint owners of the existing long leasehold interests in the Sidwell Street and Paris Street retail blocks, would receive a new 250-year lease of the whole site in return for a one-third share of any development or disposal proceeds.

8.5 It was envisaged that The Crown Estate would directly deliver the first phase and act as master developer to procure delivery of subsequent phases via selected / specialist third party developers.

Phasing strategy

8.6 It was originally intended that the first phase would comprise the site of the former bus station fronting Paris Street (see Appendix 1) and provide apartment and office blocks including an integrated Civic Hub for use by the City Council, various Central Government departments and partner organisations.

8.7 The Crown Estate's commitment to this first phase was entirely conditional on the City Council entering into an overriding regeneration lease (income strip) to fund the Civic Hub and speculative office blocks, which would require the City Council to commit to significant financial liabilities and risks over the proposed 40-year lease term.

8.8 Following a detailed review of the Council's budget strategy, and in the context of substantial cost savings required to deliver the Medium-Term Financial Plan, the proposal was deemed unaffordable and the Crown Estate were asked to reconsider options.

Market and planning context

8.9 Since then, post-covid changes in occupational markets (with office occupiers requiring less space on more flexible terms); increased build costs (due to inflation and building safety requirements); and, weakening investment yields and increased borrowing costs, have negatively impacted financial viability, and made it very difficult for developers to fund and progress complex multi-phase mixed-use schemes such as this.

8.10 The Council's occupational requirement has substantially reduced over the last 2-3 years due to post-Covid hybrid and remote working practices; the Government Property Agency is no longer promoting a consolidated presence for Central Government departments in the City Centre.

8.11 With insufficient occupational interest to support the delivery of a Civic Hub, continuing reliance on that concept to fund an initial phase of development is no longer an appropriate or realistic proposition.

8.12 City Point forms part of a strategic allocation, known as East Gate, identified in the emerging Exeter Plan. East Gate is a Liveable Exeter brownfield regeneration opportunity for a mixed-use development delivering homes, employment and a city gateway that creates a sense of arrival into Exeter.

Current ownership position and potential for meanwhile uses

8.13 The wider City Point site is held freehold by the Council with parts subject to various medium term headleases (see Appendix 2), previously held previously by The Crown Estate and Nuveen Real Estate and assigned in October 2024 to the Frasers Group, a major retail investor.

8.14 The Council is unable to bring forward a comprehensive development on its own and is unable to compel an adjoining owner to co-operate or sell its interests in a site without utilising potentially expensive and protracted compulsory purchase powers.

8.15 Officers have held productive initial meetings with the new adjoining landowners who are interested in discussing the progression of the wider scheme and we will now work with them to try and achieve a comprehensive redevelopment option for the whole area. Officers are also aware of interest from potential developers to take forward a scheme for the former Exeter Bus Station site, which the City Council has control of.

8.16 No budget has been allocated for developing meanwhile uses on the lower concourse. This part of the site has a number of constraints which need to be further investigated before proposals for meanwhile uses can be considered.

8.17 The site of the former Exeter Bus station has been included in the most recent Parking Places Order, in order for the City Council to have the ability to charge and enforce on this location. A temporary car park could be provided on the top concourse, as it is a flat site and has good access from the highway. Income generated from the first year of the temporary car park could be utilised to pay for works required, such as signage, painting parking bays and making the site good as well as funding meanwhile uses once these have been determined.

8.18 Officers will continue to evaluate the condition of the lower concourse and explore options for meanwhile uses which link to the City Council's emerging Corporate Plan and City Centre Strategy, at nil cost to the City Council.

9. How does the decision contribute to the Council's Corporate Plan?

9.1 This decision will contribute to the Council's strategic priority of 'Leading a Well-Run Council'. By working towards comprehensive development on the City Point site the Council will be advancing the corporate priorities of a prosperous local economy and delivering housing and building great neighbourhoods and communities.

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

10.1 Development partnerships can expose parties to varying levels of development risk and at the appropriate time ECC will need to procure independent professional advisors to manage and identify options to mitigate the ECC element of that risk.

10.2 It may take significant time and expense to get adjoining land holdings to a comparable development position at the Former Bus Station site and any future decisions made regarding phasing and cross subsidy will need to be made by members with explicit independent advice on the scale of the financial decision being undertaken at the time.

11. 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 no substantive actions are being proposed that would impact on equality concerns.

12. Carbon Footprint (Environmental) Implications:

12.1 There are no direct carbon/environmental impacts arising from the recommendations. However, the eventual redevelopment arising will have clear carbon implications that will inform the form and content of any scheme that comes forward.

13. Are there any other options?

13.1 The Council could seek to procure a development partner for the former Bus Station site in the open market but this may prejudice the opportunity for comprehensive redevelopment.

13.2 The Council could seek a straight unconditional or subject to planning disposal which may maximise the level and timing of receipts but would relinquish control over the site and quality and design would become a matter for planning negotiations.

13.3 The recommendation to explore comprehensive redevelopment with adjoining land owners via a partner approach could deliver comprehensive development on a key city centre site and catalyse further projects whilst retaining control over the scale, design, quality and mix of the scheme delivered.

Strategic Director, Place, Ian Collinson and Strategic Director, Corporate Resources, Dave Hodgson

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

Background papers used in compiling this report:-

- 1) Indicative Former Exeter Bus Station Red Line Plan
- 2) Northern Properties – Paris Street and Sidwell Street

Contact for enquires:

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