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AGENDA ITEM 7

REPORT TO THE MIDDLESBROUGH DEVELOPMENT CORPORATION BOARD

THURSDAY, 25 JULY 2024

REPORT OF THE CHIEF EXECUTIVE

GRESHAM UPDATE

SUMMARY

The Middlesbrough Development Corporation appointed Development Partner Tarras Park Properties Limited to progress regeneration ambitions for the Gresham Focus area. This report provides an update on the development and progress towards submitting planning permission in summer 2024.

RECOMMENDATIONS

It is recommended that the Middlesbrough Development Corporation Board:

- i. Notes the progress made to date.
- ii. Approves the proposed designs to be submitted for Planning approval (Confidential appendix 7.1)
- iii. Approves an additional £635k to continue development and due diligence.

DETAIL

BACKGROUND

1. The MDC Masterplan identifies Gresham as a Focus Area to be progressed in the short-term, bringing forward a new mixed-use development for the town, supporting the growth of the university and creating local facilities for the existing community.
2. At the MDC Board meeting on 22nd March 2023, the Board approved a competitive dialogue procurement to seek a private sector development partner. At the board meeting on 29th November 2023, the board appointed Tarras Park Properties Limited (TPPL) as development partner.

3. The indicative proposal put forward by TPPL was based on the opportunity outlined in the invitation to tender. This suggested a mix of uses for the site and formed the basis of the subsequent Competitive Procurement dialogue. The approach of the bid was for MDC to fund phase one development which includes:
 - Outline planning for the site; and
 - Design and detailed planning for the first project including production of a full business case that will identify any viability gap and allow the project to come to market.
4. Following board appointment, the Pre-Development Services Agreement (PDSA) was signed. This legal agreement set out the scope of the first stage of the initial development phase, to deliver a site Masterplan and allocated £400,000 to cover costs for three months.
5. The Masterplan was delivered under budget and within the three-month timescale. At the meeting on 14th March 2024, the board approved the site-wide Masterplan, following workshops to input into the development plans. This led to the ambitious, yet deliverable, masterplan proposal to regenerate the site.

PROJECT DEVELOPMENT

6. The Board agreed to commit £2m to develop detailed plans to RIBA 3 and prepare the planning submission. To complete the plans to RIBA 4 construction phase and attract private sector investment, a further £2.5m will be required; of which £635k is requested in this report and the remaining £1.9m is subject to a Board decision in October. The total development funding committed to date will be included in the full project cost and will in part close the viability gap.
7. The project team has developed the detailed designs and proposals for the site, which have been shared with the Board at the engagement workshop on 1st July. Planning permission is expected to be submitted in August. The slides discussed in the workshop are provided at Confidential Appendix 7.1. Public consultation ahead of planning permission submission is scheduled to take place on 17th July.
8. The design work has resulted in some changes to the Masterplan, to optimise its outcomes, which will be delivered in phases. Phase 1 includes:
 - Block 1: Hotel of 200 keys
 - Block 4: Build To Rent – 235 units, 6-12 storeys.
 - Block 5: Purpose Built Student Accommodation) – 448 beds, 6-11 storeys.

9. Future Phases include:

- Block 2: Temporary surface level car park (Phase 1). Then Multi-storey car park / 12 residential units in Phase 2.
- Block 3: Build To Rent – 67 units, 5-12 storeys.
- (Block 6: no longer proposed)
- Block 7: Build To Rent – 69 units, 6 storeys.
- Block 8: 12 residential mews houses

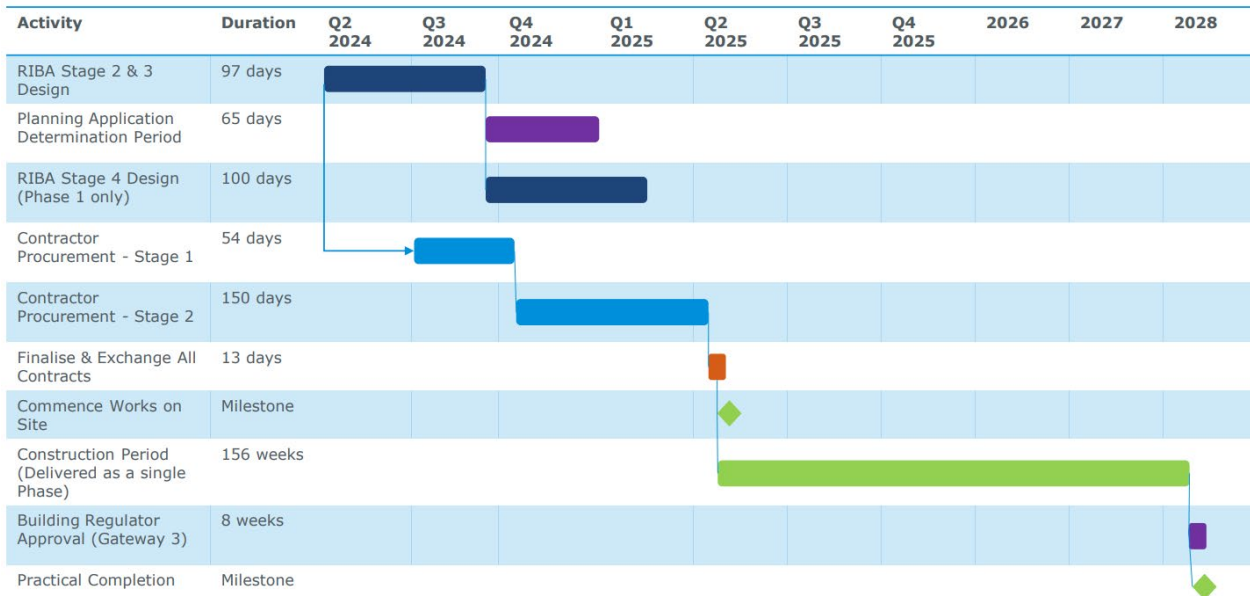
10. Total changes to the Masterplan are summarised below:

Masterplan	Current	Variance
PBSA – 511 beds	PBSA – 448 beds	Reduction by 63 beds
BTR – 522 units	BTR – 371 units	Reduction by 151 units
PBSA – 6 units	Residential – 24 units	Increase in units by 18 no.
Hotel – 153 keys	Hotel – 200 keys	Increase by 47 keys
0 car parking spaces	138 car parking spaces	Increase by 138 spaces

NEXT STEPS

11. Indicative costs to identify the funding gap and investor contribution are being worked up in parallel with the design as this will be required ahead of planning permission submission. This is to mitigate the risk of a scheme that is not deliverable due to funding. The optimum scheme minimises the funding gap, whilst maximising investor funding.
12. The cost to construct the scheme will be confirmed when the contractor is tendered, indicated in the Programme below, as Contractor Procurement Stage 2. This cost information will contribute to the calculation of the actual viability gap between construction costs and resultant asset value, and the required public sector support for the scheme. This will inform the investment proposal that will come to the MDC Board in December.
13. The phasing proposed for Phase 1 is predicated upon the land in the control of the public sector, with future phases dependent on acquiring property in private sector ownership.

Programme update – Phase 1 only



14. To ensure the second phase can also progress, MDC needs to agree an acquisition strategy for the required properties on Linthorpe and Borough Road. Initial contact has been made with the owners of the affected properties, and dialogue has taken place regarding their plans and the proposals for the area, with an aim to acquire properties by private treaty. The first stage is securing agreement to value the properties to provide a cost for consideration by the Board. Legal advice on how to proceed with land assembly has been provided by Ward Hadaway and we will bring forward a strategy to the next meeting with options for implementation.

15. The Crown is a derelict building on a prominent site within the Gresham Masterplan area. The future use of the Crown has not been confirmed, the condition survey is in progress. The unused and unsafe nature of the building has required significant work to progress the condition survey – waste from pigeons has been removed, and a survey has identified asbestos is present within the premises, which would affect the redevelopment of the building. A further report is awaited to advise on the condition and will inform decisions on future use for the building.

FINANCIAL IMPLICATIONS

16. Funding Request: This board paper requests a commitment of £635k from the MDC Project Funding to continue the development and due diligence of the scheme to inform the investment proposal.

LEGAL IMPLICATIONS

17. Legal advice on how to proceed with land assembly has been provided by Ward Hadaway and we will bring forward a strategy to the next meeting with options for implementation.

RISK ASSESSMENT

18. In line with TVCA Group policy, a project risk register has been developed and is reviewed regularly at MDC project meetings. The risk register is cognisant of the impact that TPPL held risks could have on the successful delivery of the scheme. The open sharing of risk information provides an overview of which organisation has the liability for the risks, enabling escalation should issues arise. The significant risks within the control of the MDC project team are:
 19. Reputational Risk – to Mayors, TVCA, MDC Board and MBC of putting plans in the public domain that are not deliverable. This risk is mitigated once the following items are resolved:
 - Land Ownership: completion of the asset transfer.
 - Viability Gap Funding: completion of the business case which identifies and provides evidence for the viability gap.
 20. Financial Risk. TVCA secured £5m of DLUHC funds for the Gresham project which has been included in the MDC Project Funding. Should a viable project not progress, the development costs will be abortive, however the phased approach to development is mitigating this risk.
 21. Cost Risk: Delaying planning submission will result in delays to the whole programme, which risks the loss of interest from constructors, and will have cost implications due to inflation.

CONSULTATION AND COMMUNICATION

22. The Board has been consulted during the development of the site Masterplan, the most recent on 1st July. In addition, the developer has engaged with individual stakeholders independently as part of the development process.
23. The developer has a Marketing, Communications and PR plan which is shared with TVCA Marketing and Communications team. (Confidential Appendix 7.2)
24. Consultation as part of the required planning submission process will take place on 17th July.

EQUALITY AND DIVERSITY

25. It is not expected that the subject of this report will have negative equality and diversity implications.

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