

Cabinet

Date of Meeting: 29 September 2015

Report of: Caroline Simpson,
Executive Director for Economic Growth & Prosperity

Subject/Title: Crewe Town Centre Regeneration: Royal Arcade redevelopment scheme

Portfolio Holder: Cllr Don Stockton, Regeneration & Assets
Cllr Peter Groves, Finance & Assets

1. Report Summary

- 1.1 Crewe town centre is at a pivotal point in terms of its future direction. It has faced the challenge of out-of-centre developments, but it now stands to benefit from millions of pounds of investment, with both the Crewe Lifestyle Centre and University Technical College opening in 2016, as well as the prospect of significant growth opportunities should Crewe be selected as the location for the HS2 North-West Gateway hub station. Whilst the retail and leisure sectors are experiencing significant change nationally and globally, the Crewe town centre core has been assessed as having great potential as a destination, which is not being harnessed currently.
- 1.2 The Council has taken a lead in identifying what more needs to be done to further support the regeneration of the town, which includes the development of a Regeneration Delivery Framework for the town centre. This sets out a strong vision for the future of Crewe town centre with supporting objectives which include the development or enhancement of key sites and the strengthening of planning policy to help ensure that future investment is focused on the town centre, rather than out-of-centre locations such as Grand Junction Retail Park. The Framework also provided the rationale for the Council's acquisition of the Royal Arcade property, a landmark site which lies at the town's heart.
- 1.3 Throughout July, the Council undertook the first 'Your Town, Your Choice' consultation with local Crewe residents and businesses on the future of the town centre, which resulted in a strong endorsement of both its overall vision and its regeneration objectives, as identified in the Regeneration Delivery Framework.
- 1.4 During the consultation process, it became evident that there is a significant opportunity to maintain dialogue with key stakeholders, including residents, who have responded constructively through the process. Based on this, and the success of a similar approach in Macclesfield, it has therefore been agreed that a Stakeholder Panel be established, with an independent Chair, to play a key role in overseeing the redevelopment of the Royal Arcade site, as well as other aspects of town centre regeneration identified in the draft *Crewe Town Centre Regeneration Delivery Framework for Growth*.
- 1.5 Over the summer the Council invited developers to submit informal expressions of interest for the redevelopment of the Royal Arcade site, and received a strong

response which gives confidence that a transformative leisure-led, mixed-use redevelopment of this site can be impactful, deliverable and sustainable. It is evident from these responses and dialogue with developers that the timing is right to bring this site forward. It is ideally positioned to deliver regeneration benefits for the whole of the town centre and provide a strong counter-balance to the ongoing threat of further out-of-centre development.

2. Recommendations

2.1 It is recommended that Cabinet agrees to:

- i) the procurement of a development partner for the redevelopment of all or part of the Royal Arcade site, authorising officers to take all necessary actions to facilitate and secure the identification of a preferred development partner, including the use of existing budgets. The procurement process will comply with the Public Contract Regulations 2015 (the Regulations).
- ii) delegate authority to the Portfolio Holder for Regeneration & Assets, in consultation with the Portfolio Holder for Finance & Assets, the Executive Director for Economic Growth & Prosperity, Chief Operating Officer and Head of Legal Services to determine the mechanism for selection of a preferred development partner and scheme, to commence this process and to continue this through to the identification of a preferred development partner.
- iii) request that a final decision on the appointment of a development partner and scheme is brought back to Cabinet prior to any contractual commitments being made.
- iv) endorse the creation of a new Stakeholder Panel to support and promote the regeneration of Crewe town centre, including the appointment an independent Chair.

3. Other Options Considered

3.1 The Council could retain all or part of the Royal Arcade site without seeking to redevelop it. Whilst this would represent value to the Council as an ongoing investment, it would fail to deliver transformative regeneration benefits for Crewe town centre, which the Council, residents and businesses believe is much needed.

3.2 A number of options to enable delivery of a leisure-led, mixed use redevelopment on part of the site have been explored including:

- (A) direct delivery of a redevelopment scheme by the Council;
- (B) offering land for sale to developers for a redevelopment scheme;
- (C) appointment of a Development Manager to deliver a redevelopment scheme for the Council;
- (D) appointment of a Development Partner to deliver a redevelopment scheme with the Council;
- (E) the creation of an asset-backed joint venture vehicle in which the Council invests a number of sites to be developed

- 3.3 These options are evaluated in Appendix 1.
- 3.4 Having considered these alternative delivery options, the recommended approach is to procure a development partner through an OJEU-compliant process to deliver a leisure-led, mixed-use redevelopment scheme with the developer carrying all of the development risk.
- 3.5 On the basis that this approach is approved, consideration needs to be given to the alternative procurement options compliant with the Public Contract Regulations 2015. Each of these have different implications in terms of delivery timescales, risk and the degree of flexibility the Council has to influence specific proposals within development proposals. These are also identified and evaluated in Appendix 1 (Options D1-D5).
- 3.6 Through the procurement route selected under delegated authority (paragraph 2.1ii), potential development partners will be shortlisted on the basis of their:
- technical and professional ability: their current and immediate past track record in delivering town centre redevelopment schemes, including those with public sector partners. Also, the technical skills and experience of their key personnel, including their role, qualifications, relevant experience, current projects and capacity.
 - financial proposal: this will be the financial terms on which they are willing to acquire the part of the site from the Council to undertake the redevelopment. It will include any upfront or deferred payments to the Council, details of their required profit return and overage arrangements.
 - economic and financial standing, e.g. most recent and previous five years financial accounts.
 - approach to partnering.
 - approach to financing, including their capacity to provide or access development finance.
- 3.7 Any potential development partners shortlisted as part of the procurement process, will be invited to submit scheme proposals within a defined set of parameters outlining the broad composition of a redevelopment scheme. Proposals will be evaluated utilising a scoring matrix that will, amongst others, assess how schemes:
- deliver regenerative benefits;
 - align to existing and emerging planning policy, and the Council's vision for Crewe and the town centre;
 - impact on current town centre interests including economic and physical considerations;
 - impact on Council asset values;
 - are programmed for delivery, with realistic timescales / milestones and due regard to risk;
 - generate future capital receipts/income, including potential business rate income; and
 - provide evidence of viability and deliverability.
- 3.8 The weightings of these scoring criteria will be determined, under the proposed delegation in paragraph 2.1, by the Portfolio Holder.

4. Reasons for Recommendations

- 4.1 Based on a number of factors, it is evident that Crewe town centre is under-performing and there is a strong appetite for a major new development scheme in the town centre. This is based on:
- commercial property vacancy rates;
 - investment in competitor and benchmark town centres;
 - recent commercial investments at Grand Junction Retail Park and elsewhere;
 - responses from the 'Crewe: Your Town –Your Choice' consultation which indicates an overwhelming preference for town centre investment and regeneration; and
 - expressions of interest from developers and investors, which indicate that there is substantial confidence that a new redevelopment scheme could be delivered in line with the Council's aspirations for the Royal Arcade site.
- 4.2 The benefits of a redevelopment will be extensive and are likely to include:
- increased footfall within the town centre
 - stimulus to the town's evening economy and benefits of increased consumer dwell times arising from an improved leisure offer
 - increased retention of local consumer expenditure within Crewe and the wider South Cheshire area, benefitting local businesses and residents through the multiplier effect
 - an enhanced physical environment and a stronger sense of civic pride and confidence amongst residents, visitors and investors
 - enhanced values for other property in Crewe, including other Council assets
 - increased business rate generation and income for the Council
- 4.3 Having considered the alternative delivery options referred to in paragraph 3.2 and detailed in Appendix 1, the recommended approach is to procure a development partner through an OJEU-compliant process to deliver a leisure-led, mixed-use redevelopment scheme with the developer carrying all of the development risk. The likely timetable for delivery will be dependent on the process undertaken, but a developer could be appointed within 6-9 months if appropriate resources are made available. This option carries low risk of challenge and most developers are familiar with this approach. Indeed, through the informal dialogue process, it has emerged as the preferred option for developers, as they would seek for the Council to be engaged throughout this process as a partner, sharing ownership and refining the scheme.
- 4.4 During the consultation process referred to in paragraph 1.3, it became evident that there is a significant opportunity to maintain dialogue with key stakeholders, including residents, who have responded constructively through the process. Based on this, and the success of a similar approach in Macclesfield, it has therefore been agreed that a Stakeholder Panel be established, with an independent Chair, to play a key role in overseeing the redevelopment of the Royal Arcade site, as well as other aspects of town centre regeneration identified in the draft *Crewe Town Centre Regeneration Delivery Framework for Growth*.

5. Background /Chronology

- 5.1 In April 2015, under Cabinet Procedure Rule No 53 of the Council's Constitution, the Council decided to acquire the Royal Arcade site in Crewe town centre. This decision was taken at Cabinet on 21st April 2015.
- 5.2 Following the acquisition of the Royal Arcade site, the Council commenced the first stages of its delivery plan for the site's redevelopment. It has been in dialogue with a number of interested parties in relation to the future of the site, including existing occupiers of the properties, developers, the owners of other sites/properties and other key stakeholders.
- 5.3 The Council has also undertaken an evaluation of the different options for delivery of a redevelopment scheme on this site. This has been done through internal discussions with Council officers and its external advisers, Cushman & Wakefield (formerly known as DTZ) and takes account of delivery timescales, financial implications, deliverability issues and risks. The main options are detailed further in Appendix 1 but, in summary, include those options identified in paragraph 3.2.
- 5.4 Following this evaluation and an analysis of the responses from developers (summary in Appendix 2), the preferred option recommended in this report is to select and appoint a development partner through a procurement process which is compliant with the Regulations referred to in paragraph 2.1i).
- 5.5 Under this option, the Council would select and appoint a commercial development partner to deliver a leisure-led, mixed-use redevelopment scheme with the developer carrying the development risk. The Council would need to undertake a compliant procedure process undertaken pursuant to the Public Contracts Regulations 2015. The likely timetable for delivery would be dependent on the process undertaken, but a developer could be appointed within 6-9 months. This option carries low risk of challenge and most developers are familiar with this approach. Indeed, through the informal dialogue with developers, it has emerged as the preferred option for most developers, as they would seek for the Council to be engaged throughout this process as a partner, sharing ownership and refining the scheme.
- 5.6 Consideration also needs to be given to the fact that this will be a scheme that has significant inter-relationships with other town centre sites under the Council's ownership/influence, and which themselves represent possible future sites for redevelopment. The redevelopment of the Royal Arcade site is therefore considered pivotal for Crewe, as it sets the benchmark for the standard of future schemes on other town centre sites, and it is important that the Council exerts more control over this approach.
- 5.7 On the basis that the development partner procurement route is approved by Cabinet, consideration needs to be given to the alternative procurement options compliant with the Regulations. These options are explained further in Appendix 1, but include an 'open route', 'restricted route', 'competitive dialogue' and 'competitive procedure with negotiation'. Each of these has different implications in terms of delivery timescales, risk and the degree of flexibility the Council has to influence specific proposals within development proposals.
- 5.8 The specific form of development partner procurement process adopted will be based on further advice provided by officers and the Council's external advisers. This

advice will be based on an evaluation of how the different procurement routes align to other key considerations, including:

- how specific the Council is regarding the form and composition of development and uses within the proposed scheme.
- any financial or legal undertakings the Council is prepared to give or waive
- any financial or legal undertakings the Council is seeking to secure
- the scale / boundary of development
- the tenure arrangements for the sale of the site (whether long leasehold - with or without a ground rent, or freehold)
- the mix of desired uses on the site
- and other conditions on the timing or form of development and development process

5.9 It is proposed that authority for determination of the specific form of procurement to be undertaken, and subsequent stages within the procurement process, is delegated to the Portfolio Holder for Regeneration & Assets, in consultation with the Portfolio Holder for Finance & Assets, the Executive Director for Economic Growth & Prosperity, Chief Operating Officer and Head of Legal Services, as well as the proposed new Crewe Town Centre Stakeholder Panel.

5.10 Upon selecting a preferred development partner and a proposed scheme, a recommendation will be taken to a subsequent meeting of Cabinet to finalise the developer's appointment and the terms of the agreement.

5.11 This approach will allow the Council to refine its requirements, including taking account of the anticipated Autumn announcement regarding the prospect of Crewe being selected as the location for the HS2 North-West Gateway hub station, as well as extending dialogue with other specific stakeholders.

5.12 It should be noted that neither this report, nor any delegations pertaining to it, prejudice the determination of a planning application by an appointed development partner in relation to a proposed regeneration scheme for the Royal Arcade site.

6. Wards Affected and Local Ward Members

6.1 All Crewe wards and all Crewe Local Members.

7. Implications of Recommendations

Policy Implications

7.1 The proposal in this report relates directly to four key outcomes identified in the Council's Three Year Plan:

Outcome 2: Cheshire East has a strong and resilient economy. Cheshire East is known as a good place to do business – we attract inward investment, there is access to a high quality workforce and our businesses and visitor economy grow, to create prosperity for all.

Outcome 4: Cheshire East is a green and sustainable place. Cheshire East's rural and urban character is protected and enhanced through sensitive development, environmental management, transport and waste disposal policies.

Outcome 5: People live well and for longer. Local people have healthy lifestyles and access to good cultural, leisure and recreational facilities. Care services focus on prevention, early intervention and physical and mental wellbeing.

- 7.2 This report aligns strongly to the Council's Economic Development Strategy and its more recently created Vision and Strategy for Economic Growth: East Cheshire Engine of the North, which articulates the need to increase investment in our town centres, by ensuring they offer themselves as attractive locations for retail and leisure operators.
- 7.3 In April, the Council published its draft 'Regeneration Delivery Framework for Growth', which sets out a strong vision for the future of Crewe town centre with supporting objectives. Within the Framework, the Royal Arcade site was identified as a key 'opportunity site', which supported both the rationale for its acquisition and for the promotion of redevelopment of all or part of it, to act as a catalyst for the regeneration of the whole town centre.
- 7.4 Redevelopment of the Royal Arcade site and other sites in the Council's ownership could present opportunities relating to other Council policies and service priorities. Consideration will be given to the use of part of the property as a longer-term solution to meet the requirement to provide a replacement bus interchange facility. Any proposal to provide this would be in line with the strategic priorities of the Council's Local Transport Plan to "create conditions for business growth" and "ensure a sustainable future". The LTP includes a priority policies relating to public transport integration and facilities (Policy S3) and public transport service levels and reliability (Policy S4).

Legal Implications (to be authorised by the Head of Legal Services)

- 7.5 The Localism Act 2011 introduced the General Power of Competence, which allows the Council do anything an individual can do, provided it is not prohibited by other legislation. These powers have replaced the previous wellbeing powers, however, the use of these powers must be in support of a reasonable and accountable decision made in line with public law principles.
- 7.6 The General Disposal Consent 2003 authorises the disposal of land for seven years or more at less than best consideration if the undervalue is £2million or less, if the undervalue is higher than £2million consent to the disposal is required from the Secretary of State. The value will be determined at the time of sale or lease.
- 7.7 Notwithstanding the above powers, the Council has a fiduciary duty to the taxpayers and must fulfil this duty in a way which is accountable to local people.
- 7.8 The procurement process to select a preferred development partner will be determined by the extent to which the Council is able to specify both the scheme and the contractual relationship with the developer at the outset. If the Council has a defined scheme, an open procurement process can be undertaken. However, this route allows no negotiation in relation to the nature of the scheme and the terms and

conditions. A competitive dialogue process allows the Council to engage with developers to seek proposals for delivery of the scheme and risk in delivery.

Equality Implications

- 7.9 There are no immediate equality implications at this stage, but any redevelopment scheme advanced by the Council will need to consider the implications for different groups of residents, particularly those less than have more difficulty accessing it. In particular account is taken of the World Health Organisation 'Age Friendly Cities', which seeks to ensure that the towns are positioned to tap into the potential and needs of older people as residents and users of town centres

Rural Community Implications

- 7.10 The regeneration of Crewe town centre promotes the economic prosperity of Crewe. This has a direct relationship with residents and businesses across the wider South Cheshire area, including rural communities that shop, visit or work in Crewe.

Human Resources Implications

- 7.11 None

Public Health Implications

- 7.12 None

Financial implications

- 7.13 'Crewe Town Centre Regeneration' is a named scheme within the 2015/18 Capital Programme approved by Council in February 2015. This budget was used to acquire the Royal Arcade site and associated costs. It is proposed that this budget will also be used to meet additional costs associated with taking forward the proposed redevelopment of the Royal Arcade site, including:
- professional advice (e.g. legal procurement and commercial development appraisal advice)
 - interim project management required to cover a procurement process.
 - other costs associated with the procurement of a development partner.
- 7.14 During the proposed procurement process we will need to establish the Council's financial preferred position on a number of factors, including:
- any financial or legal undertakings the Council is prepared to give or waive, including any implications for the value of part or all of the Royal Arcade asset
 - any financial or legal undertakings the Council is seeking to secure, such as capital receipt and ground rental income.
- 7.15 This will be considered under the proposed delegation, but will be subject to a recommendation to a subsequent meeting of Cabinet to finalise the appointment of that development partner, and the terms of that appointment.
- 7.16 It should be noted that whilst the Council will seek best consideration for the site, in terms of its value, this will be weighed against other regeneration benefits that the redevelopment scheme could deliver, along with the potential uplift in business rates.

- 7.17 Additional costs associated with the proposed procurement process will be charged to the Crewe Town Centre Regeneration budget, subject to the approval of the Portfolio Holder, in consultation with the Director for Economic Growth & Prosperity, the Crewe Town Centre Programme Board, the new Stakeholder Panel and in line with the Council's corporate assurance and control processes.
- 7.18 The Council will continue to seek to secure external grant funding to contribute towards the costs of the proposed redevelopment of this site and/or sites in close proximity.

8. Risk Management

- 8.1 The identification, evaluation and mitigation of risks will be a core aspect in the process of procuring a development partner, particularly within the context of evaluating developer proposals.
- 8.2 The management of this project will be undertaken in accordance with the Council's corporate assurance and control processes.

9. Access to Information / Bibliography

Appendix 1: Delivering a redevelopment scheme on the Royal Arcade site: Options Appraisal

Appendix 2: Summary of developer engagement activity

10. Contact Information

- 10.1 Contact details for this report are as follows:

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Delivering a redevelopment scheme on the Royal Arcade site: Options Appraisal

A number of options to enable delivery of a leisure-led, mixed-use redevelopment on part of the site have been explored including:

- (A) Direct delivery of a redevelopment scheme by the Council;
- (B) Offering land for sale to developers for a redevelopment scheme;
- (C) Appointment of a Development Manager to deliver a redevelopment scheme for the Council;
- (D) Appointment of a Development Partner to deliver a redevelopment scheme with the Council;
- (E) The creation of an asset backed joint venture vehicle in which Royal Arcades along with other Council held assets are invested to be redeveloped by the joint venture.

A summary of the issues taken into account for each as identified by officers with assistance from our external adviser (Cushman & Wakefield) is set out below.

Option (D) has been identified as the recommended route forward. The other options could potentially be pursued, but are considered by officers to be, overall, less advantageous in this particular instance than the recommended option.

Option (A): Direct delivery of redevelopment scheme by the Council

With this option the Council would take direct control of delivery of a redevelopment scheme, managing the entire process. This would involve being responsible for managing the design, lettings, planning application and contracts to build.

This option would also require the Council to fund the development. Whilst this creates higher financial risk for the Council, the Council's securing of funding up-front could provide confidence to potential tenants of the schemes likely delivery. The Council would also be able to benefit from profit arising from the scheme. Given the specialist nature of some aspects of a mixed-use redevelopment scheme, there are issues with lack of relevant experience and capacity within the Council to project manage such a scheme. There is, therefore, considered to be a substantial risk of unforeseen hurdles resulting in non-delivery. Other risks which the Council would bear include those associated with the physical delivery of the scheme (e.g. cost increases or delays), securing tenants on suitable terms, and how market variations over the life of the development may adversely affect these and further add to the Council's exposure to financial risk. Given the scale and nature of this risk, and the threat that further lack of delivery poses for the health of the town centre, this option is not therefore recommended.

Option (B): Offering land to sale to developers for a redevelopment scheme.

Under this option, all or part of the Royal Arcade site would be marketed with a view to giving all potential developers interested in delivering a leisure-led, mixed-use redevelopment scheme the opportunity to put forward a scheme for consideration by the Council.

Control over the development of the site could be secured for example using Section 33 of the Local Government (Miscellaneous Provisions) Act 1982, which allows positive covenants to be placed on sites when sold. Alternatively a staggered sale route could be considered requiring a longer two stage sale process but potentially allowing greater control for the Council over the use of the land. Further influence over the form of the development could be secured through the planning process. The timescale from placement of advert to appointment of developer could potentially be achieved in around a three month period via this route. A preferred developer could be chosen, having regard to a wide range of factors such as technical ability and innovation alongside price. The Council would remain under an obligation to achieve a disposal at not less than best consideration and, where restrictions (e.g. covenants) are imposed on the site which reduce the price, the Council would have discretion to dispose at less than best consideration, providing that

the reduction is no more than £2million. If the reduction is greater than £2million, the Council would need to seek Secretary of State approval.

Whilst this option could be the fastest in terms of securing a developer, it does not allow the Council the optimum amount of flexibility in terms of exploring and nuancing options with a developer, and limits the Council's ability to control delivery including the degree of positive influence the Council can contractually exert over design and the pace delivery, other than through planning and in a largely reactive manner. Also, it does entail a greater risk of non-delivery, with the asset returning to the Council and a new delivery process having to re-commence, should the purchaser fail to deliver a scheme within set timescales.

Option (C): Appointment of a Development Manager to deliver a redevelopment scheme for the Council

Under this option the Council would seek an external Development Manager to deliver a leisure-led, mixed-use redevelopment scheme on behalf of the Council, for a fee. Whilst there is the potential for costs to be less if procuring a Development Manager and a contractor rather than only a Developer, the costs of the development for the Council under this option are unclear, since the appointed Development Manager would need to procure a contractor. In practice, the Council may also need to fund the development and, as such, would carry a number of the development risks referred to above, albeit mitigated in part through the engagement of a development manager.

As the cost of delivery of a leisure-led, mixed-use redevelopment scheme such as this will be in excess of £10m, based on normal development management fees it is likely the value of the contract with a development manager would exceed the thresholds that require a compliant procurement process to be undertaken pursuant to the Public Contracts Regulations 2015. The shortest timescale for undertaking an open procedure is three months. Realistically it would be likely to take in the order of five months to appoint the Development Manager following which the scheme design, tenant packages, and cost plan would all need to be detailed and actioned prior to progression to any contractor being appointed. There is a risk that this process may be viewed as onerous and off putting to developers.

Having considered the likely timescales, financial implications, risks and costs it is recommended that this option is not put forward as the recommended option.

Option (D): Appointment of a Development Partner to deliver a redevelopment scheme with the Council;

Under this option the Council would select and appoint a Development Partner to deliver a leisure-led, mixed-use redevelopment scheme with the developer bringing their expertise to the delivery process and carrying all of the development risk. Again, the Council would need to undertake a compliant procedure process undertaken pursuant to the Public Contracts Regulations 2015. The likely timetable for delivery would be dependent on the process undertaken, but a developer could be appointed within 6-9 months. This option carries low risk of challenge and most developers are familiar with this approach. Indeed, through the informal dialogue process, it has emerged as the preferred option for developers, as they would seek for the Council to be engaged throughout this process as a partner, sharing ownership and refining the scheme.

Consideration also needs to be given to the fact that this will be a scheme that has significant inter-relationships with other town centre sites under the Council's ownership/influence, and which feature as possible future sites for redevelopment. The redevelopment of this site is pivotal for Crewe as it sets the benchmark for the standard of future schemes on other town centre sites, and it is important that the Council exerts more control over this approach.

Having considered the likely timescales, financial implications, risks and costs it is recommended that this option put forward as the preferred delivery route for the redevelopment of the Royal Arcade site.

On the basis that this approach is approved, consideration needs to be given to the alternative procurement options compliant with the Public Contract Regulations 2015. Each of these have different implications in terms of delivery timescales, risk and the degree of flexibility the Council has to influence specific proposals within development proposals.

Alternative compliant routes include:

Option (D1) 'Open': This procedure is less favourable as the process is designed for very simple tenders. A complicated process whereby technical solutions need to be considered in detail over multiple stages does not lend itself well within the Open procedure. The 2015 regulations allow for shorter timescales though these have to be justified.

Option (D2) 'Restricted': This route was the traditional route for such appointments. The use of the Restricted Route became less favoured by the EU as the contract should be entered into on the appointment of the partner, but inevitably changes were made to schemes and objectives changed. This reached the stage whereby when contracts were signed the 'brief creep' was in some cases fairly substantial to the point whereby challenges were made that the scheme being taken forward was materially different to that procured. The 2015 regulations allow for shorter timescales though these have to be justified.

Option (D3) 'Competitive Dialogue': This route was a reaction to the problems with the Restricted route. Whilst accepting that 'brief creep' was inevitable due to schemes changing and in most cases being improved as the process evolved the Dialogue route sought to formalise the variations to the brief throughout the process. The consequence however was that in order to maintain transparency and equity all shortlisted parties were required to stay in the process to the final appointment and undertake the whole detailed design at risk to ensure that, on appointment, the scheme contract was agreed and all parties were aware of the changes.

Option (D4) 'Competitive procedure with negotiation': This route is designed as a half-way house and has only recently been formally updated as part of the new 2015 regulations. The route was previously only selectable if the other routes had failed or there were very special circumstances. It is a much more flexible option however and allows a minimum of 3 parties to proceed to detailed design though the level of detail is substantially less than under the Dialogue Route. It is staged to enable shortlisting so can be effective alternative to Dialogue and is now an option under the 2015 Regulations rather than a fall-back.

Option (D5) 'Public Works Contract': This is an alternative Route put forward by the legal profession is the Public Works Contract Route. It is possible to deem a contract to be placed by a Public body to be classed as a Public Works contract thereby qualifying under the more straightforward process conditions though legal advice would be required to define the risks associated with this route.

Option (E) Creation of an Asset-Backed Joint Venture

Under this arrangement the Council would look to establish a joint venture (JV) with a developer with a view to bring forward the development of a portfolio of Council-owned sites, including Royal Arcade and others within the wider local authority area.

The JV would be a long-term arrangement and, whilst the initial selection of the partner would need to follow an OJEU compliant procurement procedure, once established, the JV would not be bound by public procurement regulations. As such, this could serve to streamline the delivery of development on the other sites. This benefit would, however, need to be considered alongside the risk of entering into a long-term arrangement and the risk that the JV partner may choose to 'cherry pick' the best opportunities - although this could be reduced through careful drafting of the JV agreement. The JV would require the commitment of Council resources to both its establishment and its day-to-day running and, whilst not overly burdensome, this would need to be considered alongside other Council priorities.

In order to give some measure of certainty to the JV partner and thus the appeal of the JV arrangement, the Council would need to select and specify a number of sites, although the list would not need to be exhaustive and others could be added over the life of the vehicle.

The merits of a JV arrangement hinge heavily on the ability to attract a suitable partner which combines both development expertise with ready access to funding over the longer term to underpin delivery of projects. The ability to attract such a partner is inextricably linked to the appeal of the sites to be included and the scale/scope of the opportunity. Further, such a partner would need to have the resources and be willing to commit the same, to ensure that individual projects could, if required, be run in parallel. Whilst such entities exist, the number of those active in that market is somewhat less than the number of developers with the ability and appetite for single one-off projects such as a leisure-led, mixed-use scheme on part of the Royal Arcade site.

This JV option would require time to review other sites and appraise their suitability. Whilst this work could be carried out in parallel with the preparation of procurement documents, realistically the selection of a developer could take some 12 – 15 months, assuming the due diligence required leading up to and during the procurement ran without any serious issues.

On balance, the asset-backed vehicle route is, due to its additional complexity and uncertainty, less-favoured than the option of appointing a developer partner for the single site (Option D).

Summary of developer engagement activity

- 1.1 In June 2015, as the first stage of the Council's delivery plan for the Royal Arcade site, a call was issued for expressions from developers regarding redevelopment of part of all of the Royal Arcade site. This took the form of a 'Prior Information Notice' (PIN) which was issued through the website of the Official Journal of the European Commission, with a deadline for responses of 31 July 2015. This was undertaken with the intention of:
- making the development industry aware of the opportunities available in Crewe town centre, and the recent investment secured or committed to Crewe, including the Lifestyle Centre and University Technical College that will both open in the next 12 months.
 - assessing the appetite of developers for a redevelopment scheme in Crewe town centre, and its potential viability.
 - understanding what the recent and emerging trends are in the commercial property and investment industry, and how these can shape the Council's approach to delivery of a redevelopment scheme on this site, and regeneration opportunities more widely.
- 1.2 As well as issuing the PIN, the Council held a 'Developer Engagement Event' which attracted 25 representatives of developer interests. The Council also held several face-to-face meetings with developers.
- 1.3 The Council received seven formal expressions of interest which provided developers' views on their:
- understanding of the issues and opportunities relating to the site in the context of Crewe town centre and its wider economic geography, particularly in light of plans for HS2 and the proposed North West Gateway Hub station for Crewe.
 - vision for how these opportunities can be harnessed to deliver a commercially viable and popular mixed-use development that makes a significant contribution to revitalising the town centre.
 - relevant experience of similar projects in the UK and elsewhere.
 - options for delivery and funding of a mixed-use development scheme.
- 1.4 The headline findings of these responses is as follows:
- Opportunities***
- 1.5 The majority of developers highlighted the importance of HS2 to Crewe Town Centre and the need to have a strong link with any future HS2 related operation to the town centre. Crewe was seen as being the 'Gateway to the Northern Powerhouse' and a strategic location positioned for growth with an affluent catchment area. Other opportunities emphasised included:
- harnessing the 1.6m annual Bus Station users and any potential public sector relocation to the Royal Arcade site.
 - an interest in incorporating other Council owned sites in the town centre, including the potential to consolidate car parking and incorporate corporate facilities.
 - capitalising on student spend from local institutions including MMU, South Cheshire College, and the planned Crewe University Technical College, by providing an appealing leisure destination which encourages linked trips in the town centre and increase evening footfall and spend.

- Building on the success of other recent and new investment in Crewe town centre, including the new Lifestyle Centre.

Issues

1.6 The key issues most frequently identified by developers were:

- the need for funding to improve local infrastructure – in particular, access into the town centre and connectivity to the station and Grand Junction retail park.
- the need to reduce the leakage of leisure and retail spend leakage to other centres,
- improve perceptions, and enhance the current public realm and permeability

Viability and potential mix of uses

1.7 There was a very positive indication that a redevelopment scheme on this site could be viable, but that this depends on the issues such as building density, the mix of uses and how much of the site is a net generator of income which can offset those elements that are zero or loss-generating (e.g. department stores that require significant initial subsidy and public realm). Other analysis of responses included:

- Recognition that leisure uses will play a crucial role in a mixed-use development scheme, in order to ensure that developments are used in the evening as well as the day-time.
- The majority of responses promoted the idea of residential development within the Royal Arcade and across the town centre.
- Some developers propose the retention of a bus interchange on site, whilst others preferred an on-street option
- Some responses proposed the retention of local landmarks, e.g. the Big Bill clock tower.
- Consolidation of car parking in the centre of the town which could include the development of a multi-storey car park.
- Some proposals placed more emphasis on this site being developed for part retail use, whilst others considered that other sites in the town centre provide sufficient capacity for this. Overall, there is an expectation that the scheme will need to be a leisure-led, mixed-use development, to ensure that the site is used throughout the day and evening (i.e. with leisure uses)
- Only one proposal provided a detailed plan of uses within the site, and this incorporated leisure (cinema/restaurants), retail, hotel, offices, residential uses, a multi-storey car park and a new public square.

1.8 All the respondents have experience of similar projects in other towns in the UK and elsewhere, and a number of these will be consider for further consideration by the Council, in terms of understanding where they have succeeded and where they could be improved.

1.9 It is clear that this will only emerge through a competitive process rather than an Expression of Interest. More complex proposals in other land ownerships outside of the Royal Arcade site may have a greater impact but could take significantly longer to deliver. It should be noted however that the development of the Royal Arcade site cannot be delivered without due attention being given to its effects on the town centre.