

CABINET MEETING – 3rd February 2010

EXECUTIVE SUMMARY SHEET – PART 1

Title of Report:

Proposed Joint Venture Agreement and acquisition of leasehold interest at Stadium Village, Sunderland

Author(s):

Deputy Chief Executive

Purpose of Report:

To seek agreement to the Council entering into a Joint Venture Agreement (JVA) with One North East (ONE), the Homes and Community Agency (HCA) and Sunderland Arc in respect of the development of Stadium Village, and to acquire the leasehold interest of industrial units at Hay Street Industrial Estate, Sheepfolds.

Description of Decision:

It is recommended that;

- the Council enters into a JVA with ONE, HCA and Sunderland Arc in respect of the development of Stadium Village.
- the Deputy Chief Executive in consultation with the Director of Financial Resources, the Chief Solicitor and the relevant Portfolio Holders be authorised to agree the terms of the Joint Venture Agreement.
- Authority be delegated to the Deputy Chief Executive in consultation with the Director of Financial Resources, the Chief Solicitor and the Portfolio Holder for Resources to acquire the leasehold interest in Hay Street Industrial Estate, which is required to assemble the proposed development known as Site C, and to acquire property interests as appropriate, within the boundary of the JVA.

Is the decision consistent with the Budget/Policy Framework? Yes

If not, Council approval is required to change the Budget/Policy Framework

Suggested Reason(s) for Decision:

To enable the Council to formally engage with public sector partners in progressing the development of Stadium Village and to provide an appropriate degree of confidence to the private sector.

To progress the assembly of site C Stadium Village for future development.

Alternative options to be considered and recommended to be rejected:

The Council could decide not to enter into the proposed JVA. This would require the Council outside the terms of a JVA to consider how best to transfer its relevant land holdings required to progress the regeneration aspirations if it was so minded. More significantly, it would signal that the Council was not able to commit to a formal partnership with its public sector partners with the common aim of bringing forward the development of the site.

The Council could enter into the JVA but decide not to acquire the leasehold interest in the Hay Street Industrial Estate. This would however add greater uncertainty to the land assembly of Site C making it a less attractive option for any prospective developer.

Is this a “Key Decision” as defined in the Constitution?

Yes

Is it included in the Forward Plan?

Yes

Relevant Scrutiny Committee:
Management

Report of the Deputy Chief Executive

Proposed Joint Venture Agreement and acquisition of leasehold interest at Stadium Village, Sunderland

1.0 Purpose of Report

- 1.1 To seek agreement to the Council entering into a Joint Venture Agreement (JVA) with One North East (ONE), the Homes and Community Agency (HCA) and Sunderland Arc in respect of the development of Stadium Village, and to acquire the leasehold interest of industrial units at Hay Street Industrial Estate, Sheepfolds.

2.0 Description of Decision

- 2.1 It is recommended that:

- the Council enters into a JVA with ONE, HCA and Sunderland Arc in respect of the development of Stadium Village.
- the Deputy Chief Executive in consultation with the Director of Financial Resources, the Chief Solicitor and the relevant Portfolio Holders be authorised to agree the terms of the Joint Venture Agreement.
- authority be delegated to the Deputy Chief Executive in consultation with the Director of Financial Resources, the Chief Solicitor and the Portfolio Holder for Resources to acquire the leasehold interest in Hay Street Industrial Estate on the southern part of site C, which is required to assemble the proposed development known as Site C, and to acquire property interests as appropriate, within the boundary of the Stadium Village development site as defined in the JVA.

3.0 Background

- 3.1 Sunderland Arc's business plan (2009) proposes that the Stadium Village area (edged in bold on the attached plan) is developed for a mixed-use leisure-led development.

- 3.2 Cabinet approved the Stadium Village Development Framework at its meeting on the 4th November 2009. This sets out the proposals for Stadium Village which include sports and leisure facilities, offices, homes, a hotel and educational facilities.
- 3.3 The Development Framework identifies a number of sites, shown as A to I on the plan attached to this report. The Council has already made a significant commitment to the area with the construction of the Sunderland Aquatic Centre.
- 3.4 Both the Council and ONE own the freehold interest to several sites within Stadium Village. One of the Council owned sites is the Hay Street Industrial Estate which is shown on the attached plan. The area shown as hatched, measuring approximately 1.78 acres, comprises of 8 industrial units and is subject to a long lease of 125 years from 1st April 1986 to the Tyne & Wear Development (Land) Company Limited (TWEDCO).

4.0 Principles of the Joint Venture Agreement

- 4.1 The proposed JVA will provide that the Council, ONE, HCA and Sunderland Arc agree to promote the development of the Stadium Village area with a general mutual obligation for all parties to cooperate in order to achieve successful delivery. The JVA will be an over arching agreement under which several development agreements will be entered into for the various sites within Stadium Village. Agreement of the terms of such agreements will be delegated to the appropriate officers in consultation with the relevant Portfolio Holders.
- 4.2 The JVA site boundary will cover the Stadium Village area (with the exception of the Aquatic Centre) and be for a term of 25 years with periodic options for the partners to withdraw from the agreement.
- 4.3 The Council's principal contribution will be the value of any land assets within the Stadium Village site boundary. The terms of the JVA would not allow the Council to dispose of any interest in these assets without the consent of the JVA partners.
- 4.4 ONE will contribute its land assets that are within the Stadium Village site boundary and will provide funding.
- 4.5 HCA currently does not own any assets within the site and has not so far contributed any funding. However it is important that the HCA is part of the agreement to document its commitment and provide the legal vehicle to provide funding in later phases of the scheme.

- 4.6 Each partners` contribution will be determined by the open market value of their land acquired prior to the Sunderland Arc inception date in 2002 or by funding provided into the scheme between the Arc inception date and determination of the JVA. These contributions will be used to calculate the proportionate share of any capital generated from the scheme.
- 4.7 Sunderland Arc will be responsible for leading on project management, marketing, negotiations with developers, and acquisitions on behalf of the partners.
- 4.8 It is proposed that, to provide additional funding for the scheme, any existing or future income produced from the assets within the JVA will be ring fenced and reinvested in the scheme as it moves forward. Such income will be included in the calculation of the partners' contributions. Any capital receipts in the event of a disposal of any part of the project site will be divided proportionally between the partners.
- 4.9 The Council, ONE and HCA will consider the use of their respective Compulsory Purchase Powers as appropriate and subject to the usual approval processes.
- 4.10 The Council shall undertake the property management role in respect of the land and buildings owned by the partners within the JVA site boundary. A reasonable management fee will be paid to the Council for these services to cover the costs incurred.
- 4.11 In order to expedite matters where necessary, it is proposed that the acquisition by the Council of property interests within the JVA site boundary be delegated to the Deputy Chief Executive in consultation with the Director of Financial Resources, the Chief Solicitor and the Portfolio Holder for Resources.

5.0 Acquisition of leasehold interest in Hay Street

- 5.1 Sunderland Arc proposes to market site C in early 2010 for expressions of interest from prospective developers.
- 5.2 It is recognised that in order to make the site attractive to potential developers it is necessary to assemble the majority of the site for development.

5.3 Terms have therefore been agreed with TWEDCO for the purchase of its leasehold interest in the site and these are set out in Part 2 of this agenda.

5.4 The proposed acquisition accords with the criteria set out in the recently approved Land Acquisition Policy.

6.0 Reason for Decision

6.1 To enable the Council to formally engage with public sector partners in progressing the development of Stadium Village and to provide an appropriate degree of confidence to the private sector.

6.2 To progress the assembly of site C Stadium Village for future development.

7.0 Options

7.1 The Council could decide not to enter into the proposed JVA. This would require the Council outside the terms of a JVA to consider how best to transfer its relevant land holdings required to progress the regeneration aspirations if it was so minded. More significantly it would signal that the Council was not able to commit to a formal partnership with its public sector partners with the common aim of bringing forward the development of the site.

7.2 The Council could enter into the JVA but decide not to acquire the leasehold interest in the Hay Street Industrial Estate. This would however add greater uncertainty to the land assembly of Site C making it a less attractive option for any prospective developer.

8.0 Financial Implications

8.1 Independent agents have been instructed to value the current open market value of the Council's land interests that will be contributed to the JVA.

8.2 The value of those land interests owned by the Council and any return to the Council as part of development proposals going forward, will be reflected in the business cases for the individual development proposals themselves, and will be governed by the JVA.

9.0 Consultations

- 9.1 The Director of Financial Resources and Chief Solicitor have been consulted and their comments are contained in the body of the report.

10.0 Background Papers

- 10.1 Stadium Village file: held in Property Services, Office of the Chief Executive.



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City Council

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Date: 19.01.2010
Map Ref: NZ 3957 NW
Scale: 1:5000