

To: City Executive Board

Date: 25 May 2011

Report of: Head of Corporate Assets

Title of Report: Westgate Redevelopment – Agreement to Non Determination of Development Agreement

Summary and Recommendations

Purpose of report: To seek approval to agree not to determine the existing Development Agreement in respect of the above before 31st December, 2011.

Key decision? No

Executive Lead Members: Councillor Ed Turner, Finance, Corporate Assets and Strategic Planning

Report Approved by:

Finance: Paul Jametta, Finance Business Partner

Legal: Lindsay Cane, Legal Services Manager

Policy Framework: Westend Area Action Plan and Regeneration Strategy

Recommendation: City Executive Board is recommended to:

1. Note the progress of discussions with Crown Estate and Land Securities as detailed in this Report.
2. Authorise officers to reach agreement with the Crown Estate and Land Securities (collectively the Westgate Oxford alliance) that neither the Council nor the Westgate Oxford Alliance will exercise its right to terminate the Development Agreement (without the consent of the other) in regard to the Westgate redevelopment project prior to 31st December 2011, and to delegate to the Head of Corporate Assets the authority to enter into appropriate documentation to record this agreement..

Background

1. Members will recall that at the meeting of the City Executive Board held on 22nd July 2010 approval was given that neither side (the Council and Crown Estate) would seek to terminate the Development Agreement in relation to the Westgate redevelopment project prior to 30th June 2011. This agreement was subsequently entered into by way of an exchange of letters.
2. This was pursuant to a novation of the Development Agreement to the Crown Estate being completed on 30th April 2010, and subsequent to that Crown Estate entering into a 50:50 Joint Venture with Land Securities, a development vehicle now being known as the Westgate Oxford Alliance (the Alliance).
3. Since that time the Alliance have been engaged in the undertaking of essential due diligence to inform their view as to whether or not a potentially viable scheme of redevelopment for the Westgate Shopping Centre exists. Your Officers, and on a less frequent basis Lead Members have been involved in continuing dialogue with the Alliance, inputting into that process to the extent necessary.
4. The Alliance have also been continuing active dialogue with the John Lewis Partnership regarding their interest in the project.

Report

5. The Alliance have recently advised the Council that their respective boards, Crown Estate and Land Securities, have confirmed that the outcome of the initial work undertaken is favourable, and have authorised progress to the next stage. This includes the desire to pursue commercial negotiations with both the Council and the John Lewis Partnership, in order to give the required comfort that moving forward there is at least the prospect of commercial terms being able to be agreed with two of the key stakeholders.
6. On the basis of an agreed brief with the Alliance, the Council has therefore instructed property consultants CBRE to represent it in those commercial negotiations, with a view to fairly detailed Heads of Terms being in place by no later than the end of June 2011.
7. In parallel, and subject to the outcome of those negotiations being positive, the Alliance are continuing with further required due diligence, and with a view to revised conditional development documentation being in place prior to the end of the calendar year.
8. All of those requirements being in place and positive will then be the trigger for the Alliance, subject to further Board approval, to commence

full detailed design early in 2012 with a view to the submission of a detailed planning application as soon as possible thereafter.

9. There will, of course, be a further report back to CEB in regard to the outcome of those detailed commercial negotiations, and before any formal commitment by the Council is made.
10. On that basis therefore, it is now proposed that the previous mutual non determination of the Development Agreement arrangement that has previously been entered into be extended up to 31st December 2011.
11. In agreeing this course of action the Council is acknowledging the current economic and development context, and have made clear that there is a requirement for substantive progress and that it should not be regarded as a prelude to further extensions of time.

Financial Implications

12. There are no direct financial implications arising out of the contents of this Report.
13. The Council has emphasised that in any commercial transaction there is a need to be able to protect existing revenue income and to incorporate mechanisms to enable the Council to share in future value uplift.
14. The Council's costs in relation to the undertaking of commercial negotiations and any legal input required at this stage will be met by the Alliance.

Sustainability/Climate Change Implications

15. There are no direct implications arising out of the contents of this report.

Equalities Implications

16. There are no direct implications arising out of this report at the present time. Any development of the site in due course will accord with current building regulations.

Legal Implications

17. There are no direct legal implications arising out of the contents of this report. Any related procurement issues will be fully researched and considered as matters unfold.

Risk Implications

18. A risk assessment has been undertaken. It is not considered that there are any additional risks arising as a direct consequence of this report.

Name and contact details of author: Steve Sprason
ssprason@oxford.gov.uk
Extension: 2802

List of Background Papers

CEB Report 31st March 2010

Westgate Redevelopment – novation of Development Agreement

CEB Report 22nd July 2010 – Westgate Redevelopment - agreement and non determination of Development Agreement.