

To: City Executive Board
To: Council

Date: 3 July 2014 CEB
14 July 2014 Council

Report of: Executive Director of Regeneration and Housing

Title of Report: Oxpens Delivery Strategy - Stage 1

Summary and Recommendations

Purpose of report: To provide an update and agree the next steps to deliver redevelopment of the Oxpens site area, including establishing the budget.

Key decision No

Executive lead member: Councillor Bob Price, Board Member for Corporate Strategy, Economic Development and Planning

Policy Framework:

Corporate Plan - Vibrant and Sustainable Economy, Core Strategy 2010, West End Area Action Plan 2008, Regeneration Framework 2010, Oxpens SPD 2013

Recommendations: That City Executive Board:

1. Note the contents of this report.
2. Recommends to Council the establishment of a budget of £320,000 in the Councils revenue budget funded from New Growths Point Grant to complete due diligence and progress the project through the next stages.

Appendix 1 - Risk Register

Appendix 2 - Land ownership

Introduction

1. The City Council has an adopted Core Strategy (March 2011) and West End Area Action Plan (June 2008) that set the policy framework for development on the Oxpens site in Oxford's West End. In addition, these plans are supplemented by the Oxpens Masterplan SPD (November 2013)

which provides clarity and advice on how the City Council's adopted planning policies should be implemented.

2. The Oxpens site, strategically located between the railway station and the Westgate development, represents one of the most significant development opportunities in Oxford City centre and has the potential to make a valuable contribution to the life and economy of the city. The site is identified for a new mixed use quarter, including housing, R&D space, offices, hotel, local facilities and public open space.
3. The Council's objectives, in summary, are to secure a comprehensive high quality, sustainable development of the site and to secure a private sector development and investment partner to deliver this.
4. The overall Oxpens site area comprises approximately 8.34 Hectares (20.6 acres) of land in multiple ownerships. The major landowners are Oxford City Council (8.7 acres) and London & Continental Railways (LCR 7.93 acres), LCR being a subsidiary of DfT and recipient of the British Rail Board – Residuary landholding. There are also assets in the ownership of Milton Property Investments (1.63 acres), Royal Mail (1.1 acres) and Greensquare Housing (0.3 acres) plus others. A land ownership plan is attached at Appendix 2.
5. The adopted SPD set out the City Council's preferred approach for bringing forward development proposals by showing how policies can be interpreted, and most notably identify that the Council seeks:
 - Development proposals that consider the whole site
 - To secure an urban approach to development that reflects the site's city centre location
 - To secure proposals that respond to the urban grain and local heritage
 - To show how a mix of uses can maximise site and amenity value in a sustainable manner

City Deal

6. Oxpens is a key project in the Oxford City Deal, accelerating economic growth and housing delivery with potential to deliver up to 300 new homes and support over 1000 jobs.
7. Under City Deal, it was agreed that: *'Oxford City Council will bring forward the Oxpens site for comprehensive redevelopment by 2015 to include a minimum of 300 residential units, together with office, leisure and other employment uses.'*
8. The Central Government commitments include that: *'The Department for Transport, Network Rail and London and Continental Railways, as part of Great Western Electrification, East-West Rail and the Electric Spine work,*

will work together to improve and develop Oxford Station. Local and national stakeholders have agreed to work together to develop a wider master plan that focuses on the gains a redeveloped station could enable and the regeneration benefits on adjacent sites. Further details on land assembly and on the allocation of uplift will be agreed as part of Local Growth Deal by Summer 2014.'

Recent Activity

9. Since the adoption of the SPD the Council commissioned technical studies to help inform development options. Assembling the site is complex, for example:
 - There are eight landowners, together with occupational leases
 - the ground conditions include made ground and contamination
 - the site drainage requires a comprehensive approach
 - the development will need to accommodate an existing deep sewer and fund new infrastructure.
10. The property market studies show that there is significant demand for the proposed development uses (residential, offices, retail and hotel) and scope to increase floorspace subject to site capacity.
11. The technical studies also show that a comprehensive scheme of redevelopment is potentially viable, but marginal based on our current knowledge. At this early stage there remain significant inherent uncertainties. There is scope to flex the development uses, infrastructure and planning requirements to secure a viable development and this will evolve as the scheme proposals are developed.

Development Partnership and Procurement

12. The Council will need to deliver this development through a partnership with the private sector, and can demonstrate a strong track record of partnership working. This requires shared objectives, a viable development and confidence in the timing for delivery. The Council will need to remain a key partner to ensure delivery of the scheme through its roles as landowner and planning authority, and if required, exercising Compulsory Purchase powers. The private sector will bring development expertise and funding to enable the site to be released to the market in development parcels. The Barton LLP is one example of such an approach.
13. A pre-requisite is the ability to deliver ownership or control of the land. Before going to the market to seek a private sector partner there needs to be a clear site assembly strategy. The preferred principles are set out below.
14. City Council and DfT land ownership: our combined ownership accounts for over 80% of the site. Through the City Deal the Council has agreed with DfT that the Council will bring the Oxpens site to the market in 2015 to

seek a development partner. This requires an arrangement which places our land under a single control and provides for a fair, transparent allocation of value and uplift between the parties. The Council is providing draft proposals to DfT shortly and this is due to be agreed by Summer this year. This is essential before we can prepare to go to the market.

15. **Remainder of the site:** the Council has had discussions with the remaining landowners. The remaining land interests will be brought into the development either by negotiation and mutual agreement, or failing this through Compulsory Purchase order (CPO).

Next Steps

16. Stage 1 involves seeking an agreement with DfT and is required before going to the market. Stage 2 will involve marketing activities. Stage 3 will involve appointing the Developer. Future stages may involve CPO processes (if appropriate/required) as set out below:

July 14	Report to CEB, Council: Oxpens Delivery Strategy Stage 1
Stage 1	Initial Landholder negotiations and agreement,
Sept 14	Report to CEB: Oxpens Delivery Strategy Stage 2 -
Stage 2	Complete Landholder agreement, finalise due diligence, establish data room, marketing strategy, developer procurement.
May 15	Report to CEB – Oxpens Delivery Strategy Stage 3
Stage 3	Appointment of Developer partner and establish delivery vehicle/Development Agreement
Future	Reports on CPO, if required

Environmental impact

17. The site area is on the Council's Prioritised list under part 2A of the Environmental Protection Act 1990 and an intrusive investigation will be required as a condition of planning for any proposed change of use. Remediation will be required to make the land suitable for residential uses.
18. The project provides an opportunity to remediate or remove the historic landfill on the site.
19. The West End Area Action Plan seeks a CHP plant for the area. Legal and technical feasibility studies have been carried out for a CHP plant in the

Oxpens site area, which may offer revenue opportunities for the Council. This will be the subject of a separate CEB report.

Equalities impact

20. The project will provide an important means to deliver new private and affordable housing and commercial spaces in support of economic development and the creation of new jobs.
21. An Equalities Impact Assessment will be included in future CEB report for approval of the delivery strategy.

Financial Implications

22. The following table shows the financial implications of the project, with the corresponding timing of CEB reports that will enable Members to adopt a staged approach to approvals. Members are not being asked to approve the whole process at this time, each step is subject to further reports.

Stage	Work Items	Services	Notes	Stage Cost	Cumulative
				£	£
July 14	Report to CEB, Council: Oxpens Delivery Strategy Stage 1				
Stage 1	Initial Landholder negotiations and agreement,	Legal, property, engineering		50,000	50,000
Sept 14	Report to CEB: Oxpens Delivery Strategy Stage 2 - Landholder agreement & Marketing Strategy				
Stage 2	Finalise due diligence; developer procurement,	Property, marketing, legal, technical, IT	1	270,000	320,000
May 15	Report to CEB – Oxpens Delivery Strategy Stage 3 -Approval for Appointment of Developer partner and establish delivery vehicle				
Stage 3	Establish vehicle	Legal, property, technical		50,000	370,000
Notes:					
1. Potential for sharing procurement costs with other landowner(s)					

23. The anticipated cost for Stages 1 and 2 is £320,000 which would be wholly funded from the New Growth Points Reserve which the Council holds. Members are asked to approve the creation of a budget of this amount so that the project can be progressed. Monies will only be drawn down in accordance with the staged approval process set out above with each of the stages being reported back to Members.

24. The total estimated costs for fees associated with negotiating and entering into a landholders agreement, procurement of a delivery partner and setting up a JV is £370k. This leaves an unfunded sum of £50K in Stage 3 of the project. However, if an agreement can be reached with DfT then some of the Stage 2 costs may be shared, reducing the overall burden significantly. These costs may also be minimised if an existing partnership model (such as Barton LLP) is used, or if a contractual approach is adopted instead of creating a separate legal entity. These issues are currently unknown and will be fully explored in the Stage 2 report back to Members.
25. Note that Members are not being asked to agree to any particular delivery route at this stage, or to make any financial commitments other than to establish the budget so that the project can be progressed.

Possible future financial implications

26. If a CPO process was adopted then it is likely that the Council would have to pay the upfront costs of making the Order; indemnities would be sought from a developer partner to recover the cost but this could be subject to the satisfactory confirmation of the order, for which the Council would bear the risk. The sum could be in the region of £250-500K.
27. The statutory requirement to obtain Best Consideration in accordance with Section 123 of the Local Government Act 1972 will be fully considered in any report back to CEB.

Legal implications

28. There are no legal implications.

Name and contact details of author:-

Name: Fiona Piercy
Job title: Partnerships and Regeneration Manager
Service Area / Department: Regeneration & Housing, City Development
Tel: 01865 252185 e-mail: fpiercy@oxford.gov.uk

List of background papers: None.

Appendix 1 – Risk Register

Risk ID	Risk						Corporate Objective	Gross Risk			Current Risk		Residual Risk		Owner	Date Risk Reviewed	Proximity of Risk (Projects/Contracts Only)
Category -000-Service Area Code	Risk Title	Opportunity/Threat	Risk Description	Risk Cause	Consequence	Date raised	1 to 6	I	P	I	P	I	P				
CEB-001-R&H	Landholder agreement	T	Failure to agree terms	Differing objectives	Delays in delivery	May 14	4	3	3	3	3	3	3	DE			

49

Risk ID	Risk Title	Action Owner	Accept, Contingency, Transfer, Reduce or Avoid	Details of Action	Key Milestone	Milestone Delivery Date	%Action Complete	Date Reviewed
001	Landholder agreement	FP	Accept & aim to reduce	Negotiate and agree, early testing, alternative approach	Agree draft heads of terms	Aug 14		

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