

# Agenda Item 34.

<b>TITLE</b>	<b>Wokingham Town Centre Regeneration</b>
<b>FOR CONSIDERATION BY</b>	Community and Corporate Overview and Scrutiny Committee on 15 January 2018
<b>WARD</b>	None Specific;
<b>DIRECTOR</b>	Chief Executive - Interim Manjeet Gill

## **OUTCOME / BENEFITS TO THE COMMUNITY**

Regeneration of the boroughs towns is a key part of the Council Vision and of the Local Plan. The regeneration will provide:

- Improved public spaces
- A better retail experience
- An improved entertainment offer
- Better sports and leisure facilities
- Improved access and transport
- Improved sustainable community
- A rental income which can be used unencumbered for provision of services across the Borough

## **RECOMMENDATION**

That the Community and Corporate Overview and Scrutiny Committee note the report

## **SUMMARY OF REPORT**

To provide an update on Wokingham Town Centre Regeneration

## **Scope of Regeneration report and update**

The purpose of this report is to provide an update on the Wokingham Town Centre Regeneration projects.

It should be noted that, whilst there is a range of works currently going on across the town centre, the Regeneration projects encompass the following areas only

- Peach Place (the area behind the blue hoardings and the adjacent part of Rose Street only)
- Carnival Phase 1 (the new multi-storey car park and ground floor leisure unit)
- Elms Field (the former Wellington House site, the park and the Paddocks car park)
- Carnival Phase 2 (the area made up of the leisure centre, adjacent offices and former bowling alley site)

## **Update on progress – Peach Place**

Dawnus Construction Limited started work on site at Peach Place on January 9 2017. Over the past 12 months development has progressed well and the development remains on target to complete for Christmas 2018.

Progress to date include the demolition of the original parade of shops, laying of foundations and associated archaeological studies, installation of site utilities and services, construction of the core steel frame and recladding if the retained Costa/Superdrug building on Market Place.

Works over the coming months will include the completion of the sub frame and brickwork, installation of roofs and windows, internal fit out and external landscaping and public realm works across the site.

The project remains within the budget identified within the MTFP.

In September 2017 the Executive also approved the In principle agreement for the 22 completed apartments to be leased to a Council owned housing company for the provision of Key Worker housing. In addition to the benefit of providing local affordable housing this move will also help the Council with the recruitment and retention of staff delivering essential public services, such as teachers, care workers and social workers.

It should be noted that, since starting on site, the Council has now purchased the former M&S unit adjacent to the Peach Place site in December 2017. This opportunity arose once M&S announced they were to close in summer 2017.

The purchase sits outside the main Peach Place development although, as it is adjacent to it, options for the site are being carefully considered to ensure that any proposals work smoothly with what is proposed for Peach Place and can be coordinated effectively. Feasibility studies continue to be developed in greater detail and a decision will be made later in 2018 once options are fully assessed.

Temporary use of the site will be established to help activate the high street whilst the best proposal is established. Given the need to retain flexibility it is likely that any use will primarily be charitable and on a temporary basis.

### **Update on progress – Carnival Phase 1**

The original Carnival car park closed and the site was handed over to Balfour Beatty on June 6 2016.

Work progressed well and the main development was completed at the start of June 2017 with the 529 space car park opening to the public on June 15 2017. Additional landscaping works took place in autumn 2017 rather than June to avoid the heat of summer whilst planting established itself.

The new multi-storey car park has been handed across to the Council's car parks team to be run as part of the overall town centre parking portfolio.

On completion the ground floor leisure unit was handed over to American Amusements Ltd who started work on fitting out a new bowling alley and laser quest facility. Their new unit opened successfully on November 15 2017 and the original Superbowl site has now been handed over to the Council (see Carnival Phase 2)

The project remained within the budget identified within the MTFP.

As a note, whilst the car park is primarily used at the moment by council staff and users of the leisure centre and bowling alley, the car park has been developed as part of the Council's strategic approach to parking in the longer term, meeting capacity requirements once the Paddocks car park closes and being ideally located to serve those entering from the south of town (including the new Southern SDL's and distributor road) and to reflect increasing southern footfall from the Elms Field commercial development, cinema and hotel.

### **Update on progress – Elms Field**

Whilst originally planned to start in summer 2017, tendering and ensuring value for money led to a delay in starting on site. The Council is currently in the process of finalising detailed negotiations with their preferred partner McLaughlin and Harvey.

Although the time taken to appoint a contractor has been extended this has had little impact on the overall programme of works which remains on target to complete in phases from the end of 2019 to 2020.

In September 2017 the council started on the parallel process of pre-construction works to ensure the project remains on programme. Work is ongoing and includes a series of surveys on Elms Field and the Paddocks including arboricultural, topographical, drainage, utilities and archaeological studies. In December 2017 the Council also completed the final process of securing a Stopping Up Order from the Department of Transport for highways across the site.

Pre-construction works continue to be carefully managed to minimise impact on the town centre and keep facilities open for as long as viable. A more detailed programme of phasing and works will be released in early 2018

The Council's Joint Venture partners, David Wilson Homes, will continue to work closely with MCLH and the Council over the coming months as they start to deliver the residential development to the west of the park.

The project remains within the budget identified within the MTFP.

## **Update on progress – Carnival Phase 2**

Following in-depth studies of the existing leisure centre in autumn/winter 2016 it was established that significant work would be required to refurbish the swimming pool to a suitable standard. Given the significant costs involved in refurbishment, and the fact it would take over a year to complete, the Council decided to review their options for the site and carried out further feasibility studies for Carnival Phase 2.

Following assessment of the options the Council decided to move forward with a revised approach which would see the existing leisure centre demolished and rebuilt completely. This approach provides a significantly improved layout for the site and better value for money.

The revised layout for the site has also allowed the Council to agree the relocation of the Library facility to the site on completion of the new centre. The relocation will provide the library with an improved facility all located on one floor, and allow them to extend the range of additional services they offer residents such as events and activities which are proving increasingly important in encouraging use and generating revenue. The approach will also allow for reduced operating costs (more effective systems shared with the leisure operator) and lower man power required to keep the library open during the day and evening.

A detailed planning application was submitted in July 2017 with Planning Committee resolving to grant consent on November 8 2017.

In order to redevelop the site the existing leisure centre will need to be closed and be demolished. This is expected to take place in 2020/2021. The exact timing of this has yet to be agreed but will be coordinated with the redevelopment of a new leisure centre for Bulmershe which was agreed by the Executive in November 2017. This will ensure alternative facilities are available for residents elsewhere in the borough.

Having taken control of the former Wokingham Superbowl site the Council expects to move forward with demolition of this property in early 2018 and ensure the site remains safe and secure until main construction works begin.

Alongside the planning process the Council continues with the process of assembling the site necessary to deliver the plans. It is hoped this can be achieved through negotiation, however the council are committed to delivering this scheme, and a process continues to run in parallel to use Compulsory Purchase Order powers should they be required as a final resort.

The project remains within the budget identified within the MTFP.

## **Impact of development on the Town Centre**

For the purposes of this report, it should be noted that the Regeneration project is completely separate from the Market Place improvement project which is being delivered by WBC Highways and the Town Council. As such the report does not comment on the direct impact of elements such as the closure of Denmark Street and the Market Place

In terms of disruption the Regeneration works have been planned to minimise their impact on the roads and town centre. The 15 week single lane closure of Peach Street

from February 27 to June 12 was carefully handled to ensure traffic could continue to flow and, whilst a restriction has been placed on Rose Street to allow for works to be carried out, Rose Street has remained open to two way traffic throughout by using a priority system.

The northern footpath of Peach Street remains closed whilst the new frontage is completed and Highways have requested that the small entrance from Luckley Path remains closed during this period to protect the additional number of pedestrians using this side of Peach Street. This closure also supports the Market Place works.

In terms of car parking the Peach Place works required the closing of the Rose Street car park and the loss of 43 spaces in this location. However we are advised that car parking figures for the town centre continued to rise year on year demonstrating that this lost car parking has simply been displaced to other car parks within the town centre rather than resulting in lost visits to the town centre.

Whilst a large amount of work at Elms Field can be delivered with minimal impact to the surrounding area, due to the nature of some works, such as the creation of new junctions on Wellington Road and Shute End and the widening of the bottom of Denmark Street it is likely there will be some impact on the town centre whilst these are carried out.

The Council and their contractors will work closely with Highways to ensure that any disruption is minimised and affected parties are kept notified of what is happening.

### **Support for businesses**

Whilst the regeneration project is having limited impact on the town centre the Council is aware that the cumulative impact of the Regeneration when considered alongside the Market Place Improvement project risks being detrimental to the town centre and has increasingly put resources into tackling this.

Working in partnership with the Town Council and alongside groups such as the local Business Association the Councils continue to implement a range of support for the town centre and businesses. This includes offers such as –

- Free after Three parking until end Jan 2018, and free parking at weekends in the run up to Christmas. To encourage footfall in the town centre and help reduce the pressure on peak time traffic.
- Improved communications to businesses. Including regular drop in surgeries at the Town Hall, ongoing newsletters and bulletins on works happening in the town centre
- Initial promotion of the town and its businesses. Including funding a range of adverts in the press and online, social media, banners, posters and flyers to promote the town remaining open as usual and raise awareness of the Business Association
- Ongoing promotion of the town and its businesses including supporting the creation of further marketing collateral to promote the town through social media and advertising campaigns such as 'Business as Usual', 'Keep it local', 'Keep it local this Christmas', 'Woky Presents', 'People and Personalities' etc.
- Love Wokingham Videos. Produced with local businesses to help promote the town and its businesses and encourage people to come into Wokingham

- Local Events. In addition to setting up events in the town centre, such as the Keep it local this Christmas shopping event and open day on December 2, the Council is also offering additional support to other large events in the town centre such as the Winter Carnival to ensure they can be a success.
- Marketing Strategy. Initial discussions have been held with the Town Council and Business Associations to reaffirm the vision for destination Wokingham and meetings are being arranged with the Association of Town Centre Management (ATCM) to identify potential resources and methods for developing the marketing strategy further.
- Retailer update meetings. Working with the Business Association to run sessions on topics of interest to local businesses including a large brainstorming evening in October 2017
- Business Rates support. The council has appointed consultants Vail Williams to offer town centre businesses support with the business rates system
- Business Improvement District support. The council has offered to pre-fund the process of local businesses establishing a BID for Wokingham town centre
- Promotion of Apprenticeship Scheme. Support to help local businesses access the apprenticeship scheme to find new staff and upskill existing employees.
- Potential recruitment drives. The regeneration will help create over 550 permanent new jobs for the town in the new shops and restaurants which will help provide local employment for Wokingham as it grows in size.

Both councils will continue to monitor the impact of the Regeneration and Market Place Improvement works, ensure they are minimised as much as possible and review the support offered on an ongoing basis.

### **Retail Conditions**

Nationally the retail outlook is divided with the situation in the south east being significantly better than that in the north and other areas of the UK.

Whilst the national average vacancy rate (empty shops) sits at around 11%-12%, Wokingham continues to buck national trends with very few empty units and a vacancy rate of 1% (based on 182 commercial units). At the time of writing this report the only empty units in the town centre were the former Cara unit which came onto the market at the end of 2017 and the former M&S unit which is in the ownership of the council.

Although 2017 saw a handful of business closures in the town centre these all reflect wider company issues and changes in strategies rather than direct local conditions. This is represented by M&S who have opened a flagship store in Bracknell and are also closing stores of a similar size and format to Wokingham across the UK and Cara Shoes who closed over half of their units on the same weekend without notice. Wetherspoons have also announced that they will be closing their unit in Wokingham when the lease comes to an end this year. This is in line with a large number of closures by the chain which claims to have been hit by the increase in national minimum wage.

In regards to M&S, whilst there is some interest in the unit, the Council wishes to assess options first before committing this site. Local agents have confirmed that the existing Wetherspoons Gig House unit has generated some market interest and no update has been received from the agents about the Cara shop which has just been placed on the market.

In addition to this low vacancy rate Wokingham has also shown strong interest over 2017 when units do become available including the opening of a brand new Card Factory unit, the Sedero Lounge restaurant by Waitrose, Bar 56 on Rose Street, the new salon in the former Santander unit and the relocation of Specsavers to a larger unit along with their former unit being taken by Vodafone. Boots opticians and J Strange the Jewellers also chose to work with the Council to relocate to other units within the regeneration portfolio (Market Place and Bush Walk) when the opportunity arose rather than moving to alternate locations in the area. All of these show good interest in Wokingham as a location to do business

Confidence in the south east as a location for retail and restaurants is also demonstrated locally by the successful opening of new large shopping areas at Bracknell (Lexicon) and Oxford (Westgate).

Whilst there have been concerns raised about the impact of such developments on the success of Wokingham town centre it should be noted that these projects differ significantly from Wokingham. In terms of identity both Bracknell and Oxford are positioning themselves as major 'day out' destinations with an emphasis on large multinational retail businesses similar to Reading and the Oracle.

Wokingham's vision differs greatly from this and the intent is to establish a distinct identity for the town centre by offering something different from these larger neighbours with a more intimate boutique and independent feel. Given this, whilst there is some cross over of brands, in general different groups of businesses are being targeted for the developments reducing the amount of conflict and competition between the schemes. Several conversations between our lettings agents, Strutt and Parker, and businesses have shown a preference from some retailers to be located in market towns rather than larger shopping venues to reflect their branding and preferred demographic.

The recent openings at Oxford and Bracknell also reinforce the message received from Strutt and Parker around the timing of pre-let agreements and the expectation that the majority of lettings will be made within six months or less of opening.

At the point of start on site in Bracknell only a handful of key tenancies were pre-let such as the Fenwicks department store and M&S. The majority of lettings at the Lexicon happened in the few months running up to opening in September 2017 and they are currently 95% let. Similarly when construction commenced on Westgate they only had one pre-let in place to John Lewis. At the time of opening in October 2017 they had 85% open or pre-let and several more units are now under offer.

In regards to Wokingham the council has already secured strong pre-lets with Aldi, Everyman Cinemas and Premier Inn. These pre-lets represent c65% of the projected Elms Field income and place the council in a strong position moving forward. Conversations continue to be held with other operators and the council is encouraged by the levels of interest. It should be noted that, in addition to national and regional names, several enquiries have also been received from local and independent businesses in support of the vision for Wokingham.

The 12 month gap between the opening of these larger centres and the completion of Peach Place will also help allow the schemes to settle down and allow businesses to assess trading performance and where trade is coming from. Initial feedback from the market is that the Lexicon is that it has opened well. This initial success should help

Wokingham as it reinforces that the area is a good one to locate to and continues to perform strongly.

In terms of footfall all these schemes have been designed to reflect not just the existing population but the significant increase that will be seen over the next decade as the local plans are delivered. With many thousands of new homes set to be delivered across the region there is a significantly growing catchment that could be attracted to the town centre. Establishing 'destination Wokingham' and effectively marketing the town centre will remain important in targeting and attracting footfall.

**Cost of Regeneration**

The cost to the council of delivering the regeneration proposals sits at £115m. In addition there is a further £17m allowed for interest payments on borrowing up to FY24/25.

This cost includes delivering everything from the new commercial elements such as the shops, cinema, hotel and residential properties; to the non-commercial elements such as the play area, park improvements, new road and leisure centre.

As this programme is being run as a commercial development the residential elements are then sold with the income being used to offset the costs of delivery. This leaves the Council with a completed scheme debt of £47m for assets which will be worth £88m which could be sold on the open market as an investment.

The Council could also retain the commercial assets and continue to benefit from the retail income generated each year. After using a proportion of the commercial rental income to service the debt the council would receive a further annual income of c £2.9m annually, rising over the years.

Considering Wokingham’s rapidly decreasing funding from central government, projects like the Regeneration that will secure avenues of additional income for the council are increasingly critical. It is hoped that the commercially viable model used for the Town Centre regeneration can be rolled out elsewhere within the borough to further support income generation and help fund services.

Whilst there is an element of risk in investment the Council has taken a careful approach to mitigating risks on the project. Costs continue to be actively managed by the project team and the council has already secured c65% of the income for Elms Field through existing pre-lets. This reduces the risk of development as this level of income is sufficient to service the debt accrued through the development.

**FINANCIAL IMPLICATIONS OF THE RECOMMENDATION**

***The Council faces severe financial challenges over the coming years as a result of the austerity measures implemented by the Government and subsequent reductions to public sector funding. It is estimated that Wokingham Borough Council will be required to make budget reductions in excess of £20m over the next three years and all Executive decisions should be made in this context.***

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
--	-------------------------------	---	---------------------

Current Financial Year (Year 1)	N/A	N/A	N/A
Next Financial Year (Year 2)	N/A	N/A	N/A
Following Financial Year (Year 3)	N/A	N/A	N/A

<b>Other financial information relevant to the Recommendation/Decision</b>
N/A

<b>Cross-Council Implications</b>
N/A

<b>List of Background Papers</b>
N/A

<b>Contact</b> Bernie Pich	<b>Service</b> Strategic Property and Commercial Assets
<b>Telephone No</b> Tel: 0118 974 6700	<b>Email</b> bernie.pich@wokingham.gov.uk

This page is intentionally left blank