

<b>TITLE</b>	<b>Wokingham Town Centre Regeneration</b>
<b>FOR CONSIDERATION BY</b>	Community and Corporate Overview and Scrutiny Committee on 14 January 2019
<b>WARD</b>	None Specific;
<b>DIRECTOR</b>	Chief Executive - Interim Heather Thwaites

## **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 are a range of works that have occurred or may be planned across the town centre, the Regeneration projects encompass the following areas only

- Peach Place
- Elms Field
- Carnival Phase 1 & 2

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

Dawnus Construction Limited started work on site at Peach Place in January 2017. The scheme was due to complete in November 2018 but has been subject to some delays which has meant that only some of the units along Peach St have been completed, with Gails and Waterstones now trading.

The planned completion is now for the Plaza to complete at end January/ early February to allow fitting out of the Plaza and Rose St units, leading to further tenants trading and opening of the central square from end February/ March.

Further detail on tenants and lettings is explored later in the paper

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.

We are in discussion with WHL on the detail, with handover of units planned for March 2019

The project remains within the budget identified within the MTFP which is incorporated within the wider programme finances, explored later in the paper.

It should be noted that, since starting on site, the Council has 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.

Temporary use of the site has been instigated with the Charity Forces Support operating on a short term lease whilst options for the site are investigated. This has enabled the reopening of a pedestrian route between the Rose Street car park and Peach Street with the aim to encourage footfall to this end of the town centre.

The project remains within the budget identified within the MTFP. It is not expected that the short delay in completion will impact upon construction costs due to the fixed price nature of the terms agreed with the contractor

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

McLaughlin and Harvey were appointed as contractors for the construction of the Elms (commercial) development and commenced on site in March 2018 following a range of pre-construction preparation works and surveys which ran from summer 2017.

Progress to date has been swift with the sub-structure works complete together with the majority of the buildings frame (Premier Inn continues). Road construction is well advanced with the Shute End car park and access road open (December 2018) and the new road (Earle Crescent) set to open at the end of January. This will allow David Wilson Homes (our Joint Venture partner) to commence construction of the residential units to the west and north of the scheme

The project is on programme to complete in accordance with a series of phased completions, as set out below:

Shute End car park	Completed 17/12/2018
New road around park	Early 2019
Aldi	Handover to tenant for fitout spring 2019
DWH site	Early 2019
Wellington Rd/Denmark St highways works	Spring 2019
Premier Inn	Summer 2019
Park	Summer 2019
Aldi 'wrap'	Late summer 2019
Cinema access	Handover to tenant for fitout autumn 2019
Retail units	Winter 2019
Hard landscaping	Winter 2019
WBC Residential	Spring 2020

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. The next phase of the design has now commenced up to detail stage at which point we can prepare tender documentation for the build contractor. Tendering is planned to commence at the end of 2019 to enable a start on site in mid to late 2020

In order to redevelop the site the existing leisure centre will need to be closed and demolished. This is planned to take place in mid to late 2020, being constrained by the works to Elms Field which need to be substantially complete so as not to overly load the highways network with construction traffic and the completion of the Bulmershe Leisure Centre redevelopment to ensure that sufficient alternative leisure facilities remain available to residents during the works.

Following the relocation of Wokingham Superbowl into a new state-of-the-art facility in Carnival Phase 1, the former Superbowl building has been demolished and the site is being used by McLaughlin and Harvey, our Elms Field contractors, for their site compound. This assists them to complete and reopen the Elms Field park earlier in the programme than originally discussed

Alongside the planning works the Council continues with the process of assembling the sites 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.

## **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 2018 national average vacancy rate (empty shops) sits at around 9% for smaller town centres and up to 12% for larger towns, Wokingham continues to buck national trends with very few empty units and a vacancy rate of circa 2% (based on 182 commercial units). At the time of writing this report there were three vacant units (former Cara, Prezzo and Wokingham Superstore units) and two other units (former Wokingham Convenience and Grape Escape units). The latter two are owned by the council and have been left deliberately unlet whilst refurbishment works are carried out and legal matters resolved. Interest has already been received from prospective

tenants interested in the units when they become available and we expect to announce more once leases are signed.

In addition to this low vacancy rate the outlook for Wokingham is very positive. Despite units coming to the market at a relatively poor time nationally, we have seen a good level of interest in Wokingham, which has increased further with the opening of Waterstones and Gails in Peach St. We were keen to lead our marketing message with these two very high quality names which set the tone for the rest of the scheme. It is anticipated that many further names will be advised in early 2019 in addition to those already identified, with a mix of national retailers and local independents

Whilst there have been concerns raised about the impact of developments such as Bracknell which opened at the end of 2017 and Oxford, 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.

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 continuing interest, units under offer and those committed at Peach Place. Further enquiries continue for Elms Field which is not due to be released until end 2019

## **Finance**

The cost to the council of delivering the regeneration proposals sits at £117.6m. In addition there is a further £17.5m allowed for interest payments on borrowing up to Financial Year 24/25.

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 £49m for assets which will be worth £96m should they be sold on the open market as an investment.

If the Council retain the commercial assets we will 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 £2.8m annually, rising over the years.

Considering Wokingham’s rapidly decreasing funding from central government, projects like the Regeneration that will secure avenues of additional, non tax payer or central government dependent, 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 and with the lettings exchanged already, those under offer and the level of interest being shown in Peach Place, Wokingham is in a very solid position.

Comments have been made about the council having to pay retailers ‘above the odds’ to come to Wokingham but this is not the case. Set up incentives, such as rent free periods, are standard industry practice to recognise factors such as fitout periods and establishing an initial customer base. Such incentives were factored into the appraisal figures from the outset and awards remain in line with agreed budgets.

The summary of costs, values and income is shown in the table below.

**Wokingham Town Centre Regeneration – Indicative WBC Position November 18, to FY24/25**

	24/25 Total £m
Costs (Excluding Interest)	117.60
Commercial Investment Value	95.90
Residential Receipts	52.00
Total Interest Paid including 24/25	17.50
<b>Completed scheme Debt 24/25</b>	<b>49.50</b>
Income 24/25	4.53
Interest on debt 24/25	1.74
Headroom in 24/25	2.79