

Meeting:	Board
Date:	11 th July 2008
Contact:	John Sparkes – 2772668
Board Action:	For Discussion
Sensitivity:	Public

Subject: Cruddas Park Regeneration

AGENDA ITEM 4

Link to BNG Vision and Objectives:

Vision : To create great places to live.

The opportunity to create balanced and mixed communities in accessible locations close to the city centre with high quality open spaces.

Objective: To provide an improved choice of good quality, well designed homes through new development and investment in sustainable homes whilst replacing obsolete housing.

The redeveloped apartments are aimed at attracting young professionals and key workers to Elswick. The opportunity also exists to reduce fuel poverty and the carbon footprint of the tower blocks by installing a biomass boiler that will provide controllable heating at a reasonable cost for all residents. The scheme will also provide for a more balanced product mix through the conversion of unpopular one bed apartments into two bed duplex apartments.

Objective: To work with partners to improve neighbourhoods to provide a good quality of life and place.

The project demonstrates partnership working between the City Council, Your Homes Newcastle, New Deal for Communities, Bridging Newcastle Gateshead and the private sector. The private sector development partner has been chosen due to their track record of working on similar schemes, their work with the community and their willingness to consider innovative approaches to improve the long term sustainability of the estate (amongst other reasons).

Recommendation:

That Board approve circa £9million BNG funding for the first phase of the regeneration of Cruddas Park (2008-11), the amounts being outlined in the table below.

YEAR	INVESTMENT	OUTPUTS
2008 -2009	£568,165 £1,431,836	Decent Homes Plus Fees and Environmental works
2009 – 2010	£2,843,913 £1,956,087	Decent Homes Plus Fees and Environmental works
2010 – 2011	£2,150,000	Private Block Fees and Environmental works

Before any funding is awarded for the private blocks a full gap funding appraisal in accordance with EP Guidance will take place. Any changes to the funding requirement will be brought to Project Appraisal Panel for Approval.

Executive Summary:

In line with the recommendation of Appraisal Panel, approval is sought from the Board for the approval of circa £9million funding (outlined above) for Phase 1 of the regeneration of Cruddas Park for the HMR programme period of 2008-11.

Implications											
Financial:	<p>BNG requirement for funding: circa £16.11million 2008-14 Anticipated Phased draw down; 2008/11 BNG Funding circa £9.0m</p> <table border="1" data-bbox="411 831 1465 1149"> <thead> <tr> <th data-bbox="411 831 991 869">YEAR</th> <th data-bbox="991 831 1465 869">INVESTMENT</th> </tr> </thead> <tbody> <tr> <td data-bbox="411 869 991 949">2008 -2009</td> <td data-bbox="991 869 1465 949">£568,165 £1,431,836</td> </tr> <tr> <td data-bbox="411 949 991 1025">2009 – 2010</td> <td data-bbox="991 949 1465 1025">£2,843,913 £1,956,087</td> </tr> <tr> <td data-bbox="411 1025 991 1106">2010 – 2011</td> <td data-bbox="991 1025 1465 1106">£2,150,000 (subject to gap funding appraisal)</td> </tr> <tr> <td colspan="2" data-bbox="411 1106 1465 1149">TOTAL: £8,950,001</td> </tr> </tbody> </table> <p>2011/13 BNG Funding £7.0m (subject to confirmation of funding) 2013/14 BNG Funding £0.11m (subject to confirmation of funding) TOTAL £16,060,001</p>	YEAR	INVESTMENT	2008 -2009	£568,165 £1,431,836	2009 – 2010	£2,843,913 £1,956,087	2010 – 2011	£2,150,000 (subject to gap funding appraisal)	TOTAL: £8,950,001	
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Equality:	<p>The procurement processes adhered to corporate guidelines in respect of equalities issues and the contract with the development partners will be monitored in terms of equalities and diversity issues.</p> <p>In undertaking involvement with the community in the planning and development process every effort will be made to engage with hard to reach groups and those participating in the consultation and engagement process will be informed how their views have been considered and where appropriate implemented.</p>										
Sustainability:	<p>There is an integral requirement that all elements of the projects provide for a high standard of environmental and sustainable measures. The quality of place (public realm, landscape, street furniture), high levels of accessibility by public transport and cycling, leading edge design standards (eco and lifetime homes), recycling and carbon neutral requirements will be part of a framework for sustainable development in the area. Proposals will be benchmarked against the Council’s environmental policy and best practice and improvements sought where there is a shortfall.</p>										

	The scheme also demonstrates sustainability from a housing market standpoint by providing greater housing and tenure choice in a location where options are currently limited.
Freedom of Information:	Not subject to FOI restrictions
Report Status:	Open

Risk:			
Risk Map Element	Brief description of any material risks, including of not proceeding.	Impact	Probability
Strategic:	Partial scheme completion i.e. phase 1 only which would undermine the comprehensive regeneration of Cruddas Park as currently proposed.	High	Medium
	The scheme is developed in isolation of other regeneration initiatives in Elswick and the wider west end, such as Science Central, Loadman Street etc.	High	Low
	Inability of prospective purchasers to obtain mortgages on refurbished apartments for sale may impact upon the ability of the scheme to attract owner occupation and provide tenure diversification.	High	Medium
Financial:	Increase in construction costs over lifespan of the scheme leading to cost overruns.	High	Medium
	The viability of the scheme being undermined by a reduction in market values arising from market conditions.	High	Low
Development:	Issues in relation to the delivery of the shopping centre and biomass heating system have the potential to undermine delivery of the scheme if no successful solution is identified.	High	Medium
Operational:	Project management of various elements of the wider regeneration	High	Low
Reputational:	Should the scheme fail to be delivered as currently proposed i.e. in a comprehensive manner then it will not achieve BNG's objective to deliver transformational change at this key location within the pathfinder area and will 'water down' the impact of the HMR programme. Also, the scheme has received publicity		

	both locally and nationally and therefore a failure to deliver will impact detrimentally upon BNG's (and NCC's) reputation as a regeneration agency as well as impacting upon the BNG Business Plan which highlights Cruddas Park Regeneration as a priority.
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Report to:

BNG Board 11th July 2008

Subject:

Cruddas Park Regeneration

1. INTRODUCTION

The report seeks approval from the BNG Board for the approval of circa £9million funding towards the first phase of the Regeneration of Cruddas Park.

The scheme as a whole seeks to achieve the refurbishment of ten free standing tower blocks of a mid 1960's design. Of the ten blocks, five will be retained in the public ownership of Newcastle City Council (to be managed by Your Homes Newcastle) while the remaining five will be developed for sale by the appointed developer Gentoo Homes / Bellway. In addition to the ten tower blocks, the scheme also proposes the redevelopment of the shopping centre and an exterior refurbishment of Cruddas Park House which sits above it. The scheme includes significant improvements to the public realm and parkland area and additional low rise housing is proposed in the latter phase to provide further housing choice.

The scheme seeks to transform the image and perceptions of Cruddas Park, and redefine its role within Elswick. Through high quality interior and exterior tenure blind design, the scheme will act as the catalyst to create an accessible housing market at an edge of centre location. The scheme will act as a centrepiece for the regeneration of the immediate surrounding area which includes the redevelopment of Loadman Street and Northborne Street which are adjacent to Cruddas Park. Moreover, the successful regeneration of Cruddas park will assist in achieving the wider and more strategic proposals for the Elswick Discovery Quarter.

The Board will be aware that BNG has long been committed to the successful Regeneration of Cruddas Park and, together with its partners, has identified it as a strategic priority within the 2008-11 HMR programme which is reflected in the Business Plan and Changing Places. The scheme, by its very nature, has proved to be challenging, especially in light of current market conditions. Significant steps forward have been made since the start of the year. The scheme has developed from a design and technical standpoint and greater commitment and certainty has been provided by all parties on a number of elements of the scheme.

In light of this progress the scheme was presented to the BNG Appraisal Panel on June 27th 2008. Approval was sought from the panel to progress the scheme to Board for approval of funding for 2008-11.

The Panel :

- Strongly welcomed the clear articulation of the strategic vision and the more comprehensive approach now being taken. There was particular recognition of the value to the area of the preferred partner status for Gentoo/Bellway on the adjacent Loadman Street site as this would add to the confidence about long term change in the area. The work under way on rebranding, including the involvement of local residents, was also welcomed;
- Welcomed the flexible approach being taken towards ensuring a viable and

quality retail offer was secured but re-emphasised the importance of delivery of the solution by the target date of November 2008;

The Panel now recommends that the BNG Board approve the funding for Cruddas Park in line with the amounts set out in this report.

The first phase of the scheme (2008-11), for which funding approval is now sought from the Board, will provide for the refurbishment of three social blocks, the commencement of work on one additional social block and the completion of one private block for sale. This scheme now has planning permission and the full backing of the Boards of other Stakeholders namely New Deal for Communities and Your Homes Newcastle.

A summary breakdown of the funding is provided in the body of the report.

2. BODY OF REPORT

As noted, approval is sought from the Board for the approval of circa £9million funding for the first phase of the regeneration of Cruddas Park. The first phase will provide for the refurbishment of three social blocks, the commencement of work on a fourth social block and the completion of one private block for sale. Specifically the funding will contribute towards Decent Homes Plus Work, Fees and Environmental Works.

At the previous meetings of the Appraisal Panel in October, January, March, May and June 2008, BNG's position remained one of neutrality pending the submission of further information which would help inform any further decision making. This information has now been provided and was presented to BNG's Appraisal Panel on June 28th. (This information is available for inspection at the BNG offices). The Panel, having reviewed this information in advance, were able to discuss the scheme in detail with the relevant Senior Council Officers, the Private Sector partners and Consultants and they were duly provided with the necessary confidence and assurances to enable the scheme to progress to Board.

Set out below for the information of Board Members is an overview of all the key issues surrounding this project which have now been resolved:

Project Management

A Project Execution Plan (PEP) has been produced by the Project Manager in order to streamline meetings and ensure that decisions are made in a timely manner and by the appropriate person/group. The document sets out the core principles for the development so that the context for decision making is set out clearly. BNG is a key organisation involved in the project and will sign up to the plan in due course.

Planning application

Planning Permission for the first phase of the regeneration (five blocks and associated environmental works) has now been granted. It is noted that a masterplan was submitted with the application which set out the full extent of the regeneration proposals for Cruddas Park.

Heads of Terms

The City Council has drafted heads of terms for the development agreement and Gentoo and Bellway are currently negotiating final details with the City Council.

Funding

At the NDC board in January £1million was secured for 07/08 and 08/09 to bring forward some elements of the project and to unlock some funding in order to allow the planning application to be prepared and some investigative work to take place on site which will make way for the refurbishment of the first social blocks to commence on schedule in September 2008.

SHIP funding of £0.5million in year 08/09 has been confirmed and £1.5million in 09/10 and 10/11 has been provisionally. Confirmation of the process for agreeing the level of funding in years 2 and 3 of the programme are currently being sought by officers.

A cash flow forecast for the project has been provided to BNG taking into account all funding sources.

Shopping Centre

DTZ, have finalised their study on the feasibility and commercial viability of the shopping centre. While the initial findings have indicated that the retention of the existing shopping centre would be undesirable, a holistic redevelopment proposal would be likely to result in a financial gap of circa £750K. The City Council are currently reviewing options for the centre with a view to identifying a satisfactory solution which will enable its redevelopment to be included within the wider regeneration strategy for Cruddas Park. Details of the approach to this were presented to the Appraisal Panel by the City Council on 27th June 2008.

Biomass

Gentoo have commissioned Ecofys to carry out a technical study on the practicalities of integrating a Biomass District Heating System within the scheme. This work dovetails with the exercise being carried out by the City Council on Community Energy throughout the city. The initial draft report suggests that a Biomass district heating system providing space heating and hot water to the blocks is a sustainable and technically workable solution for Cruddas Park. Some further development work is required to identify costs and funding. This issue was highlighted by the Appraisal panel on June 27th 2008.

Residential Market Analysis

Advice on the current housing market has been provided by DTZ in order to inform the BNG appraisal process and subsequent decision making. The report identifies there is a market demand for the mix of apartments proposed within the scheme. While there are issues to be resolved regarding affordability and sale values in the context of the current economic climate, these will need to be reviewed as the scheme progresses in 2009 i.e. when works are proposed to commence on the private blocks. Again, details of this were presented to the Appraisal Panel by the City Council on 27th June 2008.

Options Appraisal

This report sets out the socio/economic/housing market reasoning behind pursuing the preferred option of 5 social blocks and 5 private sale blocks as part of the overall regeneration strategy.

Re-branding/Image

A proposal for the re-branding of the estate has been put forward and is currently being progressed to enable a project launch to take place at the commencement of the social block contract and to allow Gentoo/Bellway to undertake some soft market testing prior to the commencement of their first block in September / October 2009. BNG is represented by Anne Mulroy (Director) on this Branding Group.

Work on site

The Board is requested to note that Wates (YHN's Decent Homes Framework contractor) have commenced work on site to carry out necessary invasive survey work now that 4 blocks are completely vacated. This work involves asbestos and concrete surveys and the soft strip of the units (primarily bathrooms and kitchens). Wates will remain on site now until the commencement of the main contract in September.

Detailed Design and Costings

The Project Design Team continues to meet regularly to discuss and develop design proposals for the social blocks. Good progress is being made with all relevant consultants, communication mechanisms are in place to ensure proposals are considered and approved at the appropriate level.

It is noted that cost control on the scheme has been highlighted as a priority by both the City Council and Gentoo. In response to this issue, Gentoo have undertaken to review costs with their contractor and make efficiency savings as work progresses and they are able to learn and economise as they move from one block to the next. It has been emphasised that in achieving any cost savings the current high quality of the scheme will not be compromised.

3. NEXT STEPS

Should the Board grant the funding award, then the scheme will be able to move from project development to project delivery. The £2million funding allocated for 2008/9 in respect of fees, Decent Homes Plus and environmental works for this first key phase of the scheme will enable refurbishment works on the social blocks to commence. As set out earlier, the £9million allocated in the 2008/11 programme will deliver three fully refurbished social blocks, one refurbished private block and the commencement of work on a fourth social block. A full gap funding appraisal in accordance with EP guidelines will also need to be undertaken before work commences on the private block.

Further to the above, the current appraisal of gap funding will be indicative only and based on current estimated figures. Once work has commenced on site and a better understanding of build costs is acquired through work on the social blocks, a more detailed gap funding appraisal will be undertaken in 2009 (prior to a start on site on the private blocks) which will account for any changes. This will be presented to Appraisal Panel for confirmation of funding at the appropriate time.

4. RECOMMENDATIONS

That Board approve circa £9million BNG funding for the first phase of the regeneration of Cruddas Park (2008-11), the amounts being outlined in the table below.

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