

# Great Langborough Residents' Association

## Wokingham Town Centre Regeneration – Financial Plan

### Summary of meetings between GLRA & Wokingham BC - 2013 to 2016

#### 1. Purpose of Meetings

During the evolution of the Wokingham Town Centre Regeneration plans, GLRA has taken part in a number of stakeholder briefings and workshops. We have participated fully in the formal consultations about planning applications. However, we also saw the need to request further detailed meetings so that we could more fully appreciate the potential viability of the project.

The purpose of these meetings were to understand the financial plan for the Regeneration of Wokingham Town Centre. The main focus was on the management of public funds.

Five meetings covered extensively the cost projections, funding arrangements, break even projections and revenue plans. Also discussed were the ownership of assets, risk management and oversight.

By the time of this summary, planning applications have been approved for all the main components of the Regeneration. Work is due to start in January 2017 on construction of Peach Place.

#### 2. Attendees

GLRA was represented at the meetings by Robin Cops, Committee Member (5) and David Nash, Secretary (4).

Wokingham Borough Council (WBC) was represented by various councillors and officers, as appropriate and available.

These included: -

Councillors: Executive Members responsible for Regeneration and Finance

Officers: Head of Town Centre Regeneration, Director of Finance & Resources, Regeneration Financial Lead

Construction Partners: Wilson Bowden Developments

#### 3. Original Project Cost Estimate - 2013

The project as conceived in late 2013 included the construction of a large supermarket at the south east corner of Elms Field and a nearby hotel. The estimated total cost of regeneration at that time was £95m. This included the price paid for property around the proposed Peach Place. The development was designed at this point to break even (i.e. debt free) after 15 years. Thereafter, there would be a substantial net annual income from commercial rents, business rates, and council tax from residential properties. All capital generated by this project would be used solely for the town centre regeneration.

#### 4. Revised Project – 2014 and 2015

Following the decision by the original prospective supermarket tenant not to proceed, the original planning application was withdrawn. Discussions continued with another prospective food retail tenant, who was interested in a smaller building and without the expensive and problematic underground car park. A revised project included the development of the Carnival Pool site to include a multi-storey car park and new leisure facilities.

During a meeting in July 2015, we discussed the further measures to purchase Bush Walk and to resurface the Town Square – funded jointly by the Borough and Town Councils. Including these items, the cost of the revised and extended plan was £138m at the end of 2016 – see the table below.

## 5. Investment & Risk

At the first meeting in December 2013, it was established that WBC was the developer of the Regeneration Project. Wilson Bowden and David Wilson Homes were the contractors. WBC's investment in the project would be financed by the HMG Public Works Loan Board – see <http://www.dmo.gov.uk> for further details. This offers to local authorities borrowing rates below those commercially available. WBC would satisfy itself and the Board that the 4 year project was viable and if all project assets had to be sold to repay the debt a surplus income would remain. However, it was emphasised that this was not the current intention.

The commercial property building costs would be financed by WBC, under the above finance arrangements. The Elms Field project build would not start until the rental income from the food store and hotel were guaranteed. Other commercial properties would be pre-let before completion. The size of the retail units is mixed to encourage individual owners as well as retail chains.

Thus, the major project debts would be covered by committed lease or rental income (mechanisms not yet decided in 2013) as building proceeds. The land ownership of the portion of Elms Field covered by the commercial properties would remain with WBC. The residential properties with a footprint on Elms Field would probably be offered freehold. The residential properties were to be built by David Wilson Homes (DWH). DWH would cover construction costs of these.

During a meeting in May 2014, we learned that WBC had assessed the revised project costs and risk. They had once again agreed that the supermarket and hotel construction would not be commenced until tenants for these were contractually committed.

A follow up meeting in September 2015 provided further details about the independent consultants providing the cost and land value verification and the oversight processes within WBC. We also discussed the arrangements to share profits on residential property sales with David Wilson Homes.

The project break-even point on a worst case scenario of no lets of smaller retail units by construction completion was estimated at that time as 11 years; best case of full lets by completion was 5 years. Development costs to cover support activities and marketing of the retail units was to be about 10% of the total project cost. At end 2016, the Regeneration web site contained the following financial data and commentary: -

“The following figures (rounded) are taken from the project Development Appraisals which are based upon new present costs / values at spring 2016 and assume all assets will be sold. We continue to review these appraisals and take into account cost changes such as inflation, detailed design and materials, and the procurement process. Values will also be subject to change to reflect letting agreements with actual tenants and values achieved when the residential is sold on the open market.”

Phase	Total Value	Total Cost	Surplus
Peach Place Portfolio (Refurb)	£11m	£11m	£0m
Peach Place Redevelopment	£24m	£23m	£1m
Carnival Pool (Phase 1 & 2)	£40m	£40m	£0m
Elms Field	£79m	£64m	£15m
<b>Summary across schemes</b>	<b>£154m</b>	<b>£138m</b>	<b>£16m</b>

## 5. The Wokingham Letting Strategy & Revenue Plan

At a meeting in November 2016, we discussed the national and local outlook for retail and the marketing plan to secure tenants for the smaller retail units.

The Retail Director for Wilson Bowden Developments outlined the current picture of relatively strong current retail spend. Current and projected spend in the South East was one of the strongest in a wide variation across the UK. Wokingham was viewed as having a particularly attractive demographic mix and prosperity that was attractive to prospective new retail tenants. Online sales were now 20% of retail. However, the High Street proposition and the attractiveness of Town Centre shopping and refreshment remained appealing.

The Wokingham proposition to attract potential occupiers of the new retail premises was regarded as very strong. The prosperous and growing market town was an attractive class of location. Wokingham's USP to retailers was recognised as "wealth". There was already significant interest and progress towards commitment from a number of desirable brands.

Peach Place and Elms Field were part of a total cluster development although differentiated from each other. The concept behind Peach Place was that it should be an "aspirational" offering with smaller retail outlets made up from a mix of individual and chain outlets. Elms Field would be more "family orientated" with local retail/artisan outlets in the smaller units and home/retail outlets for the larger units. Restaurants would be encouraged for evening and family use.

The revenue outlook at that point was regarded as "encouraging". Further details of the letting plan were not discussed at that time.

## 6. Additional Support and Infrastructure

At the November 2016 meeting, we stressed the need for enhancement of the proposition to the public of Wokingham and surrounding areas as a desirable shopping centre. Leakage of spend to the Lexicon Centre in Bracknell was a clear exposure, especially to residents of the new developments in the north of Wokingham.

Firstly, we recommended investment in high performance WiFi coverage. Future high value shoppers would be guided towards purchase opportunities by their smart phones. There needed to be a realistic Wokingham BC budget to provide the necessary infrastructure and support.

Retailers had to be fully involved in the communications plan. They would need training and encouragement to make their own investments in order to participate effectively and to thrive.

## 8. Need for Public Art

We made a plea for the provision of quality public art in key locations and on buildings. We said that criticisms of the proposed buildings were often that they were "bland". Public art was difficult to retrofit if structural provisions had not been incorporated in the plan. We were told that the Regeneration team would be happy to work with groups to consider incorporating into the schemes. A proposal and plan for public art was needed.

## 9. Future GLRA involvement - 2017 and beyond

During 2017, we want to know more about the progress of interest in lettings of the retail units. The achievement of the revenue plan is highly dependent on this. The WBC support plans for WiFi, publicity, on site information and existing retailer involvement – all of which we regard as essential components - would appear to be in their very early stages.

We see a clear need to develop a more comprehensive and effective letting plan during early 2017.

At the end of 2013, we understood that WBC was likely to keep all the commercial assets to generate an ongoing income once the initial outlay had been covered. An alternative was that assets might be sold after four years to mitigate debt. Change of ownership of the assets would need approval at a full Council meeting. We understood that retention of the assets by WBC was still the policy at during a meeting in November 2016. The position would be kept under review but would be unlikely to change during 2017. Whether WBC is to retain ownership of the main assets as a continuing revenue

source or to sell these to raise capital is a major political decision. We would suggest that this strategic option is one that should be put to public consultation for guidance.

We have offered GLRA assistance as an additional communications channel for the Regeneration team to spread awareness.

We plan to continue to develop our understanding of the progress of the Regeneration project.

We have a strong interest in the evolving financial outlook and the robustness of the projections. We want to see a development that is financially healthy but is also a highly valued amenity for the residents of Wokingham.

We will request future meetings in order to explore these aspects of the project.