

# Cabinet

## 07 March 2017



**Report Title:** University of Bristol – Second Campus at Temple Meads East

**Ward:** Lawrence Hill, Windmill Hill, City wide

**Strategic Director:** Barra Mac Ruairí / Strategic Director: Place

**Report Author:** Robert Orrett / Service Director: Place - Property

**Contact telephone no. & email address** 0117 922 4086  
robert.orrett@bristol.gov.uk

### **Purpose of the report:**

To obtain Cabinet approval for the sale by the Council of 2.9 hectares of land east of Temple Meads station. This will enable construction of a new second campus by the University of Bristol and provide an exceptional new contribution to achievement of the objectives for the Bristol Temple Quarter Enterprise Zone.

### **Recommendation for the Mayor's approval:**

- 1. To approve the sale of the Council's freehold interest in land comprising all of the Cattle Market Road site and the part of Arena Island not required for the Arena development, on the basis set out in this report.**
- 2. To authorise the Strategic Director: Place, in conjunction with the Cabinet Member for Place, to approve the contract for the sale where the overall terms accord with this report.**
- 3. To approve delivery of the individual project obligations, described in this report, which the Council would commit to in the sale contract.**



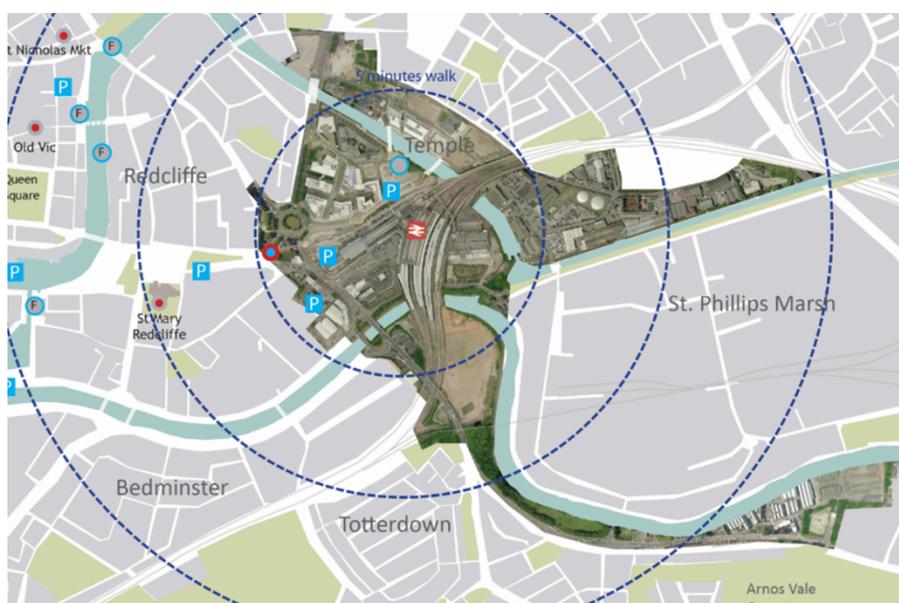
## The proposal:

### Introduction

1. This report recommends that the Council contracts to sell the freehold interest in 2.9 hectares of land east of Temple Meads station to the University of Bristol. The purpose of the sale would be to enable the development and opening of a new major second city campus for the University. The contract to sell would be subject to conditions such that the sale would only complete when BCC has procured demolition of the structure of the former Royal Mail sorting office building and secured full vacant possession of the land, and outline planning permission for the proposed development has been obtained by UoB.
2. The contract would involve further commitments by both parties necessary to secure proper regeneration of this land.
3. The sale price payable by UoB would represent best consideration.

### Bristol Temple Quarter Enterprise Zone

4. Bristol Temple Quarter Enterprise Zone (BTQEZ) is one of the UK's largest urban regeneration projects. The zone comprises of 70 hectares of land in the area around Bristol Temple Meads station. It will have a particular focus on attracting creative, digital and high-tech businesses, building on the world-class reputation Bristol has in these sectors.

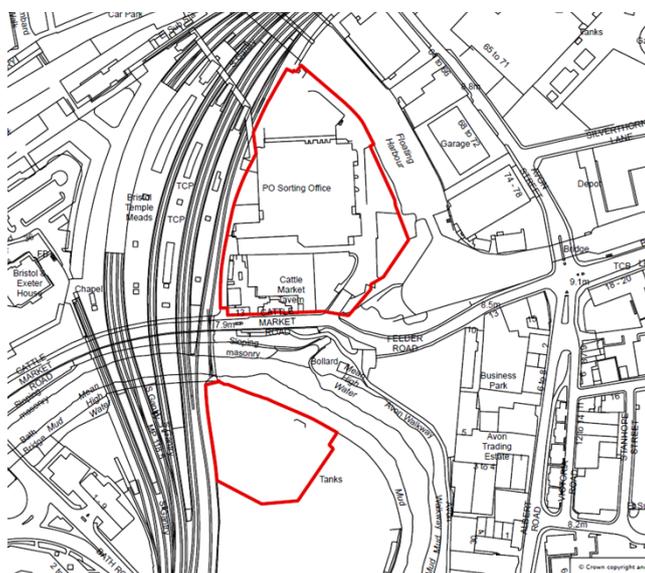


5. The core objective of the BTQEZ project is to speed up the pace of delivery on the stated objectives of the LEP in its Strategic Economic Plan (SEP):
  - a. Create the right conditions for business to thrive. Give confidence and certainty to our investors to attract and retain investment to stimulate and incentivise growth.
  - b. Ensure a resilient economy, which operates within environmental limits. That is a low carbon and resource efficient economy, increases natural capital, and is proofed against future environmental, economic and social shocks.

- c. Create places where people want to live and work, through delivery of cultural infrastructure and essential infrastructure, including broadband, transport and housing to unlock suitable locations for economic growth.
  - d. Shape the local workforce to provide people with skills that businesses need to succeed and that will provide them with job opportunities.
  - e. Ensure all our communities share in the prosperity, health and well-being and reduce the inequality gap.
6. BTQEZ will contribute to the delivery of these objectives through:
    - a. Delivery of 17,000 new jobs and 240,000 sq m of floor space by 2037
    - b. Wholesale regeneration of the area around and including Temple Meads Station
    - c. Generation of more than £173 million of business rates growth, which will go to the Economic Development Fund for investment in projects leading to further economic development and growth.
  7. The Council has the desire to see a quantum of housing in BTQEZ. This will exist beyond the student residential component in the proposals of the University.

## The Site

8. The land proposed to be sold by BCC to UoB extends to 2.9 hectares, located immediately east of Temple Meads station.



9. The boundaries will need to be precisely defined during the due diligence process. Both areas of land are currently owned by BCC. The land parcel to the south is part of Arena Island. The entire Arena Island area, and a further property at 1-9 Bath Road, was acquired by BCC from the Homes and Communities Agency by means of a grant in kind by DCLG of £5.425m of capital funds in order to facilitate regeneration of the BTQEZ and in particular so that BCC could deliver the new Arena for Bristol. The boundary shown represents the area for the second phase of development – the part not directly being delivered as the Arena project. Outline planning permission has already been granted for development of that land.
10. The land parcel to the north was acquired by BCC, known as Cattle Market Road, was purchased by BCC from Kian Gwan Land based on market valuation at the time (mid 2015).

## University of Bristol Proposals

11. The University of Bristol is intending to establish a major new campus in Bristol located in the Temple Quarter Enterprise Zone (TQEZ). The University will be an important anchor for regeneration of the TQEZ and will attract other businesses to locate in the area. Through collaboration with the private sector in research, teaching and innovation of products and services, the campus will lead in the further development of the digital economy in Bristol and the West of England. The activities in the new campus will also be fully engaged with local communities and with the City of Bristol's enterprise activities.
12. The Temple Quarter Campus will involve three key developments:
  - a. Digital Innovation Hub (DIH); this will be a major generator of skilled postgraduates, underpinning technologies and innovative applications needed for the modern knowledge economy of digital goods and services. It will be the first, anchor building, to make up the new campus and is currently anticipated to open in 2021.
  - b. New Business School for the 21st Century; opening one year later, and following the lead of the DIH, the new Business School is expected to embrace a new model of delivering education in a research intensive environment in the 21st century. The Business School will provide the other half of the jigsaw to enable the University to develop 1+1 masters degrees, providing the combination of skills (technical skills combined with business and economics) that businesses report they are lacking, and which a report by BIS identifies as a systems failure that is slowing down growth in important areas of expertise for Bristol, such as creative industries, future city systems, and big data, and,
  - c. University City Village; approximately 1,185 rooms are planned as purpose built student accommodation. These will help to improve the vibrancy of the area at night-time; contributing, in conjunction with the proposed new Arena, to a more diverse range of social and economic activities in the area. The accommodation will be spread over a number of blocks at a range of heights.
13. The intention is also to incorporate the existing Engine Shed business start-up incubator building in the wider campus development, together with a new building, Engine Shed 2, which has been addressed in a separate Cabinet report. In addition, the campus buildings will house the University of Bristol Centre for Innovation and a City Engagement Forum for outreach and widening community participation. The City Engagement Forum will play a crucial role in widening participation and facilitating community engagement, to ensure the new campus is of benefit to the whole city. For example, widening participation, through initiatives such as the Bristol Scholars Programme, will help to broaden the range of students who attend the University:

"Widening participation brings considerable public benefit. A diverse student population is essential to vibrant intellectual enquiry and a resilient knowledge economy"
14. Through the Forum, the University will also work with local schools, establishing a variety of outreach activities, to raise aspirations and support progression to university.
15. The focus will be on innovation, both in a new model of education and in collaboration between the University and industry partners. In education, the campus will offer new challenge-based degree programmes, co-developed and co-delivered by the University and its industry partners. These will

contribute to developing the intellectual property and highly-skilled graduates needed for growth of the digital economy in Bristol, the South West and the UK as a whole.

16. Through co-location of the University and businesses, many of the market and systems failures that inhibit innovation can be overcome, enabling concepts to progress quickly from theory to practice. Ideas will be commercialised and economic value added, driving productivity gains and strengthening Bristol's economic position. Current plans indicate that the campus could directly support over 1,000 University staff, over 900 industry employees and over 3,000 students. The value of this activity to the West of England Economy is estimated at approximately £1.1bn over the appraisal period 2019-2034, according to an Economic Impact Assessment prepared for the University.
17. In order to develop street level activity throughout the development, and encourage the public to use and engage in the University's activity in the new campus, 3,000 sq m of ground floor space has been allocated for a combination of shops, cafés, bars and restaurants. This space will be let to a range of private sector providers.

### **Business Rates**

18. Under the City Region Deal, the West of England (WoE) authorities are allowed to keep 100% of the growth in business rates raised in the city region's network of Enterprise Areas, over a 25 year period. This income is used, in combination with other funding sources, to create an Economic Development Fund for the WoE, estimated by the LEP at £1bn over 25 years. Income can also be used to manage local demographic and service pressures arising from economic growth. The Fund is expected to deliver an investment programme designed to maximise economic returns in all the Enterprise Areas, including BTQEZ.
19. Since the activities of the University are eligible for charitable relief from business rates, the proposed campus can be expected to generate less business rates income for Bristol City Council (BCC) than would be the case with purely private sector developments on the same TQEZ sites. The large prospective benefits of the campus are therefore set against a potential level of "foregone income" from business rates and council tax income for BCC. The University proposal is expected to bring forward development, occupation and business rates sooner and faster than alternative development scenarios. Accordingly, while the quantum of business rates generated in relation to the scale of accommodation, once completed, is lower than purely commercial floorspace, the overall business rate generation for the City Deal period is estimated to be less. There will be greater confidence that the business rate income will actually flow from the University proposal, while the alternative prospects are more subject to economic and market cycles.

### *Council analysis of rates generating potential of various scenarios*

20. The Council has compared likely business rates income from the development of the Temple Quarter Campus and rates growth forecasts for the Cattle Market Road and Arena Island sites contained in the original City Deal rates growth retention model. This analysis is based on different data from that used by Arup in their EIA report for the University which was based on a stated 60,000m<sup>2</sup> of development, reflecting a further iteration of the emerging masterplanning (80,000m<sup>2</sup> of development) of the sites and consequently a greater scale of development. It does not include an analysis of lost council tax income.

21. Please note students in halls of residence are exempt paying council tax. Assuming the 1185 rooms are assessed as Band A in line with other recent student developments in the City, the council tax forgone would be £1.223m.
22. Our forecasts assume business rates growth across the sites will be as follows:

| Site  | Use    | Net internal area (sq m) | Rateable value | Gross rates income per annum | Net rates income after charitable relief applied per annum |
|---|--------|--------------------------|----------------|------------------------------|--|
| Arena Island – UOB development  | Retail | 1120                     | £0.168m        | £75,000                      | £75,000  |
|   | Office | 7009                     | £1.051m        | £476,000                     | £95,000  |
| Former PO Sorting Depot   | Retail | 5292                     | £0.794m        | £356,000                     | £356,000   |
|   | Office | 26075                    | £4.694m        | £2,127,000                   | £425,000   |
| <b>Expected business rates income per annum after sites developed out</b> |        |                          |                |                              | <b>£952,000</b>  |

Note: monetary values have been rounded.

23. Here officers have applied an 80% discount to all office space, to account for University of Bristol property currently benefiting from charitable relief. No allowance has been made for voids and other reliefs that may be available.
24. The Temple Quarter Campus is estimated to deliver a peak business rates income of £952,000 per annum at maturity. This figure is heavily influenced by the application of an 80% discount to all office space, to account for University of Bristol property currently benefiting from charitable relief. This is significantly less than the £2.3 million per annum peak income that could be obtained if the private sector occupied the equivalent amount of space developed on this land with on an average of 25% of blended rates relief being applied. If there were to be a commitment to a commercially driven/private sector development, that would ultimately reach this greater level, the timing to reach the peak is uncertain and probably a considerable period of years into the future. There could be reductions from that peak if there would have been a greater proportion of residential content, or less total quantum.

### Basis of transfer

25. The land will be transferred from BCC to UoB under a transaction to be structured through a conditional contract being entered into, subject to an agreed development capacity to be established through an outline planning application, with all land being transferred in a single phase. The purchase must be completed by 31 December 2019. The parties' intent is that the majority of the site will be developed for university campus purposes but in paying market value for the site, the University will retain the long term ability to assume a full range of uses and have future flexibility. The contract will require first occupation of a minimum 25,000 m<sup>2</sup> gross internal area (GIA) will be for non-residential university purposes.
26. UoB is to procure a masterplan for their proposals informed by design objectives, which will be the subject of an outline planning application which in turn will fix development capacity of the site or sites. UoB will keep BCC informed of its approach, progress and proposals and consider the comments of BCC.

27. BCC will enter into contractual obligations affecting the site to include deliver of already committed infrastructure projects improving the area. There will need to be amendment to the Council's Capital Programme to incorporate those obligations not already covered or any amended costs. The scope of these obligations is:
- a. Demolition of existing buildings on the Cattle Market site including asbestos removal.
  - b. Relocation and clearance or other appropriate requirements related to the cholera burial site on the Cattle Market site.
  - c. Any measures required to secure the adjoining Network Rail structures, where not the responsibility of Network Rail.
  - d. Completion of the Harbour walkway and subsequent maintenance.
  - e. Completion of the Cattle Market Road improvements and subsequent maintenance.
  - f. Continuing responsibility for and maintenance of harbour walls adjacent to the properties.
  - g. Responsibility for and maintenance of public roadways and supports for public roadways adjacent to the properties.
  - h. Best endeavours to secure with Network Rail a 'ticketed' route through the Station to the Cattle Market Road property at no cost to UoB.
  - i. Reasonable endeavours to secure with Network Rail a more fundamental un-ticketed public route through the station to the Cattle Market Road site.
  - j. Provision of adequate emergency access to the Cattle Market site.
  - k. Procurement of off-site parking for the Arena so that the phase 2 Arena Island site is not used for that purpose.
28. BCC and UoB will also agree how the impact will be handled of currently unknown and unquantified costs arising due to the condition or quality of the site or properly considered to be abnormal costs for this scale of development.
29. The price of the land represents best consideration as required by s123 Local Government Act 1972. BCC has received external appraisal and valuation advice to confirm this, referred to the in exempt appendix. The basis to finalise the price will be set by the contract between the parties. The net capital benefit to BCC will comprise the final price payable less the cost of the direct works BCC undertakes to carry out and the impact on price of arrangements to deal with abnormal costs. This net capital benefit from the sale price less the impact of the obligations is expected to be between £11 – 16 million.
30. It is the recommendation to proceed with the UoB proposals on the basis that they optimise the development approach in capital terms for the Council, as well as the wider benefits of accelerating regeneration and the major contribution to economic progress for the city. The UoB proposal is considered to provide the greatest prospect for accelerated regeneration of the area, aligning with the strategic objectives for BTQEZ.

### **Consultation and scrutiny input:**

- a. **Internal consultation:**

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## Senior Leadership Team and Legal Services

### **b. External consultation:**

BTQEZ Strategic Directors Board

### **Other options considered:**

UoB has evaluated site availability in the City. This site is considered to be the best opportunity in terms of location, sustainability, scale and suitability.

BCC has evaluated all of BTQEZ in relation to its Spatial Framework and the overall leadership with partners of the Enterprise Zone. The Spatial Framework indicates mixed use development of these sites. Overall consideration of regeneration options has been considered by the Council's BTQEZ Programme team and BTQEZ Strategic Director's Board.

These sites have been undeveloped for many years. Arena Island was originally operational railway land where use ceased in 1995. Acquired by South West Regional Development Agency in 2003 and then transferred the successor agency - the Homes & Communities Agency (HCA), these Government Agencies enabled eventual regeneration of the land by extensive remediation works and more recently investment in the new bridge providing proper access to the land. As part of the BTQEZ, the main intention for Arena Island has been for the development of Bristol's new arena. The masterplan for Arena Island provides a residual two acre phase 2 site for mixed use development. The scale of development and capital returns to the Council directly reflect the expected optimum approach from all previous options.

The Cattle Market Road site was the main central Royal Mail sorting office for Bristol until the late 1990's connected to the national rail system by major conveyors and tunnels. The property was sold by Royal Mail to developers in the late 1990's. Planning consent was granted for mixed use redevelopment but even through the economic, property market and development boom up to 2007, the market did not deliver any redevelopment. After 17 years of increasing dereliction, and market failure, the Council was able to agree to purchase the site and decided to intervene in order to enable regeneration of this major eyesore.

The BTQEZ programme has brought together lead partners – the Local Enterprise partnership, HCA, Network Rail and the Council with the overall objective of shaping a new city quarter. The ambition is to create a place that is welcoming to all – to live, work, enjoy leisure time and build on Bristol's strengths as a world class city. The BTQEZ programme has drawn on the expertise of internal project experts and external consultants to shape a range of projects and opportunities. In relation to these areas of land advice on development options has been received, and updated over time. Most recent advice from leading property consultants JLL was referred to in the Cabinet report on 1 March 2016 "Arena Island and Cattle Market Road Development". The consultants were commissioned to undertake two distinct but complimentary pieces of work, namely a development appraisal of the Arena Island and Cattle Market Road sites and property market advice to support the development of the EZ Growth Plan. For the Arena Island land, JLL considered that an even mix of employment and residential accommodation was a likely development outcome, but that a PRS (private rental scheme – residential) may be more marketable). They also supported a possibility of an education use. For Cattle Market Road, JLL stated this would be considered a prime development site. They did identify a development approach that may be over 50% residential with employment, retail and leisure comprising the balance. They identified significant additional costs on this land attributable to the current condition.

Overall, JLL identified the Market value of the land in its existing condition, for development purposes as being in the range from £7 – 15.9 million depending on whether the eventual development would be low, medium or high density. This appraisal study and report was referred at length in that Cabinet report, identifying potential market development quantum and outcomes. The land receipt was identified as part of the Arena funding basis in the same report.

It is evident that the net value outcome from the proposed transaction with the University and their intended development exceed the potential assessed by JLL, recognising that in both scenarios there is a range involved due to variances in the scale of the development and the eventual cost of resolving all infrastructure and site development costs.

### Risk management / assessment:

| <b>FIGURE 1</b>   |   |  |               |  |                                      |             |                           |
|---|---|--|---------------|--|--------------------------------------|-------------|---------------------------|
| <b>The risks associated with the implementation of the (subject) decision :</b> |   |  |               |  |                                      |             |                           |
| No.   | RISK<br><br>Threat to achievement of the key objectives of the report | INHERENT RISK<br><br>(Before controls) |               | RISK CONTROL MEASURES<br><br>Mitigation (ie controls) and Evaluation (ie effectiveness of mitigation).   | CURRENT RISK<br><br>(After controls) |             | RISK OWNER                |
|   |   | Impact                                 | Probability   |  | Impact                               | Probability |                           |
| 1   | The development does not proceed.                                     | <b>High</b>                            | <b>Medium</b> | There are many component parts to this project. BCC will use its BTQEZ programme governance and management for all its direct obligations. There will be structured engagement with UoB regulated by the land contract | <b>High</b>                          | <b>Low</b>  | Service Director: Economy |
| 2   | Net capital receipt is reduced  | <b>High</b>                            | <b>High</b>   | Masterplanning for optimum development will include structured engagement between UoB and BCC. Contingent costs and obligations will draw on the BTQEZ programme governance and management                             | <b>High</b>                          | <b>Low</b>  | Service Director: Economy |
| 3   | Delivery timing is delayed  | <b>Medium</b>                          | <b>High</b>   | There are many component parts to this project. BCC will use its BTQEZ programme governance and management for all its direct obligations. There will be structured engagement with UoB regulated by the land contract | <b>Medium</b>                        | <b>Low</b>  | Service Director: Economy |

**FIGURE 2****The risks associated with not implementing the *(subject) decision*:**

| No. | RISK<br><br>Threat to achievement of the key objectives of the report                                      | INHERENT RISK<br><br>(Before controls) |             | RISK CONTROL MEASURES<br><br>Mitigation (ie controls) and Evaluation (ie effectiveness of        | CURRENT RISK<br><br>(After controls) |             | RISK OWNER                |
|-----|--|--|-------------|--|--------------------------------------|-------------|---------------------------|
|     |  | Impact                                 | Probability |  | Impact                               | Probability |                           |
|     |  |  |             |  |                                      |             |                           |
| 1   | Regeneration of the area does not occur  | High                                   | High        | BTQEZ programme would evaluate alternate delivery options and implement a new preferred approach | High                                 | Medium      | Service Director: Economy |
| 2   | The business rate revenue is not generated due to delay in development delivery or departure from strategy | High                                   | High        | BTQEZ programme would evaluate alternate delivery options and implement a new preferred approach | High                                 | Medium      | Service Director: Economy |

**Public sector equality duties:**

Before making a decision, section 149 of the Equality Act 2010 requires that each decision-maker considers the need to promote equality for persons with the following “protected characteristics”: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. Each decision-maker must, therefore, have due regard to the need to:

i) eliminate discrimination, harassment, victimisation and any other conduct prohibited under the Equality Act 2010.

ii) advance equality of opportunity between persons who share a relevant protected characteristic and those do not share it. This involves having due regard, in particular, to the need to:

- remove or minimise disadvantage suffered by persons who share a relevant protected characteristic.

- take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of people who do not share it (in relation to disabled people, this includes, in particular, steps to take account of disabled persons' disabilities);

- encourage persons who share a protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

iii) foster good relations between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to tackle prejudice and promote understanding.

There are no inherent equalities issues in the sale of the land to UoB. UoB have an equalities policy that will apply to their development on the land. The issue for BCC is the wider issue of the accessibility of the TQEZ.

**Advice given by**            **Wanda Knight/ Equalities & Community Cohesion Officer**

**Date**                            **13 February 2017**

**Eco impact assessment**

An environmental checklist, verified by the Sustainability City Group, has been completed and is Appendix 1 to this report. The main negative impact relates to the demolition of the Post Office building. The

project team will draw on support from colleagues in advising on management of waste and any other impacts.

**Advice given by** Steve Ransom / Environmental Programme Manager

**Date** 8 February 2017

#### **Resource and legal implications:**

##### **Finance**

This proposal seeks approval to the sale of the Council's freehold interest land at Cattle Market Road site and a part of the Arena Island site to UoB, enabling development and the opening of a new major second city campus. Please see attached the exempt appendix for the full financial implications. These include the financial details associated with the land sale, estimated gross and net capital receipts, development costs associated with disposal, other issues and obligations, and the net benefits scenario analysis.

Please note UoB will commence site investigation throughout the enabling phase, a key risk may arise if UoB would deem the scheme unviable and would not proceed with the purchase. Another key risk also includes potential liabilities in relation to Network Rail works in the EZ.

It is also worth noting that UoB is eligible for charitable relief from business rates, the proposed campus can be expected to generate less business rates income for the Council than it would be the case with purely private sector occupiers on the same sites. UoB commissioned a Temple Quarter Campus Economic Impact Assessment in November 2016 by Arup which estimates the a total foregone income over the 15 year appraisal period between 2019 to 2034 to be £1.2m (Present Value 2015) taking into account early years benefit in business rates ramp ups, and a maximum level of foregone income of £2.0m per annum in terms of absolute potential, beyond 2034.

However the UoB's proposal is expected to bring forward other development, occupation and business rates sooner and faster than alternative development scenarios. For the wider EZ it would create the right conditions, give confidence and certainty to our investors to attract and retain investment to stimulate and incentivise growth. These benefits are more difficult to quantify.

The Council's economic development team also stress tested the business rates scenarios based on the development master plan please see section 22 for further details. The outcome on the high level business rates impact i.e. business rate forgone comparing to the original EZ model is broadly consistent with the Economic impact analysis commissioned by the University, taking into account changes in a number of variables. Please see the exempt appendix for the high-level scenario analysis.

**Advice given by** Tian Ze Hao / Finance Business Partner

**Date** 14/01/2017

#### **Comments from the Corporate Capital Programme Board:**

N/A

#### **c. Legal implications:**

The report states that the price payable is the best price the Council should reasonably expect to achieve, and with the external valuation report to support that advice from Property the Council's obligation to achieve best value pursuant to S123 of Local Government Act 1972 has been satisfied.

**Advice given by**      **Andrew Jones / Team Leader – Legal Services: Property**  
**Date**                      **Insert**

**d. Land / property implications:**

This report addresses a range of issues which have land and property implications. The report has been prepared by Property who have been directly involved with discussions throughout. The transaction is considered to represent best consideration in accordance with the Council's powers to dispose of land and property under the Local Government Act 1972.

**Advice given by**      **Robert Orrett / Service Director: Place - Property**  
**Date**                      **8 February 2017**

**e. Human resources implications:**

There are no material Human Resource implications for the Council arising from these recommendations.

**Advice given by**      **Mark Williams / HR Business Partner**  
**Date**                      **8 February 2017**

**Appendices:**

**Appendix 1 - Eco Impact Checklist**

**Appendix 2 – Confidential information**