

## **ALTERNATIVE DEVELOPMENT SCHEME AT TEMPLE ISLAND: APPENDIX A2: Further essential background / detail on the proposal:**

### **1 PURPOSE OF REPORT**

This Cabinet paper has been prepared to appraise the Mayor and Cabinet of the progress and status of the possible alternative scheme of development at Temple Island.

At OSM, the level of detail and supporting information for the Alternative Scheme was questioned. The project team has carried out additional soft market testing with private sector partners. This has confirmed that it would be possible to increase the density and incorporate a conference centre and hotel.

### **2 RECOMMENDATIONS AS IN THE EXECUTIVE SUMMARY / DECISION PATHWAY**

**If the decision taken by the Cabinet is to proceed with the alternative scheme, then the recommendations are as listed below:**

1. The Council will not progress with the proposition for an Arena on Temple Island
2. The Council will continue to work with partners to develop a mixed use scheme on the Temple Island site, with a view to coming back to cabinet. The scheme could include:
  - i. A bespoke Conference Centre and 4/5\* hotel facility
  - ii. Commercial space with the supporting retail offer
  - iii. Residential units, including a policy compliant level of affordable housing
3. To develop a business case for the re-allocation of the £53m to other targeted schemes, from the Economic Development Fund (EDF), for submission to the West of England Local Enterprise Partnership (LEP) for approval.

### **3 THE PROJECT**

#### **Background**

- 3.1 Bristol is the only Core City that does not have a major Arena. Neither does it have a major bespoke conference venue.
- 3.2 Initial work found that there was strong demand for a Conference Centre in Bristol and suggested that if a suitable venue were available, the facility would be expected to attract conference events and deliver significant economic impact for the city, based on the city's appeal and brand strength.
- 3.3 Since the original arena proposals were developed, the University of Bristol (UoB) has purchased a portion of the Arena Island site and the former Post Office Sorting Depot. The University is planning to develop a new campus with a focus on educating post graduate students in digital technologies and outline planning consent was secured in July 2018.
- 3.4 The UoB has also expressed interest in working with BCC to use any conference facility developed on the Temple Island site as a continuation of their educational offering in the area. This could lead to discussions about BCC setting up a partnership to manage and operate any conference facility developed as part of an alternative scheme on Temple Island.

## **Proposal**

- 3.5 Optimising the development opportunity on the Temple Island site is a key Mayoral and political objective. The alternative scheme has strong in-principle stakeholder support from the Bristol Initiative, the University of Bristol and Destination Bristol.
- 3.6 Since completion of the initial scheme, BCC has been working with L&G to develop an alternative scheme which has an increased density to complement the UoB proposed scheme and includes a Conference Centre and Hotel, as well as Office, Retail and Residential space.
- 3.7 BCC has also been in discussions with NEC (a conference centre operator) and the UoB about the operation of the conference facility, and both are interested in working with BCC to develop a robust funding and operational model for the Conference Centre that will feed into the business case.
- 3.8 The alternative scheme proposal will provide a number of homes and will seek to deliver a policy compliant level of affordable housing which supports the Mayor's vision for increasing the number of homes in the city.
- 3.9 The proposal will also provide a vibrant and lively urban environment with improved permeability through to future development sites to the East and South of Bristol, which would be consistent with both existing and emerging planning policies.
- 3.10 There is still work to be carried out to optimise the development opportunities, to understand the economic benefits and finalise a deal with a private sector partner, and this is to be expected at this stage of development.

## **4 ALTERNATIVE MIXED-USE SCHEME AT TEMPLE ISLAND**

- 4.1 The alternative scheme developed by BCC, which informs the KPMG VfM report, includes the following development mix and quantum:
- 460 residential units
  - 26,000 sq m of mixed use commercial floor-space, which could include office, retail and hotel space, as well as a conference centre and business incubation space
- 4.2 During the previous scrutiny sessions, the OSM committee expressed concern at the lack of detail and information provided around the alternative proposals. Therefore, following OSM, work was undertaken on the Social Value element and BCC has been working with L&G to develop an alternative scheme.
- 4.3 The initial L&G scheme has an increased density to complement the UoB proposed scheme and includes a Conference Centre and Hotel, as well as Office, Retail and Residential space. See indicative areas below, which will be finalised during the next stage of development:
- Office 23,000 sqm
  - Retail 2,500 sqm
  - Residential 50,000 sqm
  - Conference Centre 10,000 sqm

- Hotel 16,000 sqm

- 4.4 It should be noted that the KPMG VfM report for the alternative scheme, issued prior to the OSM meetings in June 2018 has not been updated with this information. KPMG has not undertaken an assessment of the updated plans.
- 4.5 A substantial amount of work has been undertaken in the past relating to this site, so the Council would be able to draw on this well-developed and existing material in order to inform the alternative scheme proposals.
- 4.6 Given the location and prominence of the site, the alternative vision for the arena island site would focus on delivery of an alternative scheme as a vibrant and dynamic mixed use development at the heart of Temple Quarter. The alternative scheme could incorporate a wide range of uses – including commercial, residential and retail uses, as well as a conference centre and hotel – and will work alongside the University of Bristol’s existing proposals for student residential development on the northern portion of the site.
- 4.7 The proximity of the site to the University of Bristol’s new Enterprise Campus, and the developing commercial and residential communities around Temple Quay, would enable opportunities for an alternative scheme to enhance the offer of this new quarter of the city. It will act as both a catalyst for future redevelopment to the east of the station and a fitting gateway to this area of the city.
- 4.8 The work undertaken by BCC since OSM has concluded that in order to maximise the value and economic benefit of the site, above that originally proposed in the BCC scheme, the following should be included:
- Further office accommodation and modest retail provision to serve the community, as well as an increased amount of affordable housing
  - A bespoke Conference and Hotel facility which would improve the economic benefit for the city as it increases the number of bed nights and spend, when compared to an arena. It has been calculated that a Conference Centre could produce up to 30% more bed nights than an Arena
- 4.9 There is anecdotal evidence, from a scheme in Melbourne, Australia, that an arena can act as a barrier to future development and growth and it is felt that a mixed use scheme, that would make the site a 24/7 destination, would improve permeability through to future development areas.

## **5 REVIEW OF VALUE FOR MONEY (VfM)**

- 5.1 KPMG was appointed in January 2018 to undertake a VfM study for the alternative Temple Island development. This would enable a direct comparison with the Arena on Temple Island.
- 5.2 As stated above the original VfM report has not been updated but further work will be required prior to submission of the Business Case to cabinet for approval.
- 5.3 KPMG’s summary conclusions from the KPMG VfM report, for the alternative scheme at Temple Island, are listed below. It should be noted that these conclusions should not be viewed in isolation.

The full KPMG VfM reports should be viewed in full to understand the scope of analysis (including what impacts have or have not been captured in the value for money assessment) and caveats and assumptions to the analysis which must be taken in to account when interpreting the results.

## **Alternative Temple Island Development - summary conclusions**

KPMG notes that the alternative development plan for Temple Island is still in relatively early stages of planning resulting in only limited data and information being made available to KPMG for the purposes of its study. This is not unusual for a project at this stage of development, however, as a result we have only conducted a high level review of the proposals for the site and our assessment can be viewed as indicative only and should be noted when comparing the proposition against the assessment of the Temple Island arena.

**Potential for wider objectives of BCC to be met through the alternative developments proposed for Temple Island:** KPMG states that the alternative development at Temple Island has the potential to contribute towards the wider objectives of BCC, for example housing and economic and social connectivity. In addition, the alternative development at Temple Island has the potential to meet BCC's specific objectives for the Temple Island site and contribute towards the BTQEZ employment targets.

**Potential for higher economic impact of the alternative developments on Temple Island compared to an arena:** KPMG states that based on the scope of our quantitative analysis, we have estimated that the construction and the operation of the Temple Island development could generate £935.0m in net GVA (in NPV terms) and 2,101 FTE jobs in the West of England over 25 years. This net GVA is £343.9m higher than the net GVA estimated for the Temple Island Arena.

**Lower public sector funding requirements, although uncertainty attached to this:** KPMG states that at present, BCC has stated to KPMG that the development would be brought forward by the private sector. No new public sector funding would be required to bring this forward, although up to £25.6m of existing public sector funding allocations specifically linked to the Temple Island site could be available if required, depending on the outcome of BCC's commercial negotiations with potential private sector developers. KPMG considers that further work will need to be undertaken by BCC to assess whether the development plans would be commercially viable for the private sector to deliver and to confirm the required level of public sector funding. KPMG notes that a mixed use scheme is a common approach to city centre development and offers a reduced risk to BCC than developing an arena on the site, albeit the proposals are at an earlier stage of development.

**Comparatively higher VfM metrics of the alternative developments on Temple Island compared to an arena:** KPMG states that based on the scope of quantified economic impacts, it estimates that the alternative development proposals could deliver a BCR of 23.0:1 and economic NPV of £837.2m over a 25 year period. This compares to an estimated BCR of 3.2:1 and economic NPV of £282.6m for the Temple Island arena over a 25 year period. In purely economic terms the alternative Temple Island development would be preferred over an arena on the site.

**Comparison of the value for money metrics for the Temple Island Arena and the alternative mixed-use development, over 25 years**

	Temple Island Arena	Alternative Temple Island Development
Total net GVA (in NPV terms)	£489.1m	£875.3
Capital costs / public sector contribution	£172.5m	£38.1m
BCR	3.2:1	23.0: 1
NPV	£282.6m	£837.2

## 6 CONSULTATION AND SCRUTINY INPUT

### Internal consultation

6.1 This report was reviewed by the Corporate Leadership Board (CLB) on 29<sup>th</sup> May 2018. The Mayor is portfolio holder for the project. The Mayor has been briefed on the status of the project.

### External consultation

6.2 No external consultation has taken place.

## 7 RISK MANAGEMENT AND ASSESSMENT

7.1 Below is an initial draft high-level single risk register which will be further developed during the next stage of the design processes for both the projects.

7.2 Figure 1 outlines the risks associated with proceeding with the alternative scheme on Temple Island.

**FIGURE 1**

**The risks associated with taking forward alternative development proposals for Arena Island:**

No	RISK  Threat to achievement of the key objectives of the report	INHERENT RISK		RISK CONTROL MEASURES  Mitigation (i.e. controls) and Evaluation (i.e. effectiveness of mitigation).	CURRENT RISK		RISK OWNER
		(Before controls)			(After controls)		
		Impact	Probability		Impact	Probability	
1	The plans for an alternative development on Arena Island are at an early stage, offering limited certainty on what can be delivered and by when. Therefore the delivery of economic benefits and the regeneration of the Arena Island site are not certain.	<b>HIGH</b>	<b>HIGH</b>	Urban design work will be undertaken to develop a baseline development scenario, to inform plans for the future development of the site. Some “soft market testing” with L&G has reinforced our view that the scheme would achieve the Strategic Objectives, be deliverable and in line with BCC’s requirements to maximise the economic benefit and increase vibrancy and	<b>LOW</b>	<b>LOW</b>	

				permeability.			
2	The extent of BCC and/or other public sector investment in the site required to enable an alternative scenario to come forward is unknown.	<b>HIGH</b>	<b>HIGH</b>	Site investigations will be undertaken to inform both a baseline development scenario and any proposals taken forward by the private sector, identifying any infrastructure and site preparation required. Advice from construction cost advisers will be secured to ensure that any works are priced to deliver best value. BCC to consider option of capping any financial contribution to site preparation.	<b>MED</b>	<b>MED</b>	
3	Planning permission will be required for any alternative development on the site. The site is currently identified and has planning permission as the location for the Bristol Arena.	<b>HIGH</b>	<b>HIGH</b>	Planning of an alternative development on Arena Island is inherently linked to the planning permission granted to UoB on the adjacent sites. Proposals for mixed use development will be in keeping with BCC's aspirations for Temple Quarter and the emerging masterplan for the Temple Meads area.	<b>MED</b>	<b>LOW</b>	
4	Public and political pressure due to the continually changing Arena location and delivery may stymie the taking forward of alternative development proposals for Arena Island.	<b>HIGH</b>	<b>MED</b>	BCC's decision on the best use of the Temple Island site will confirm if an Arena is to be built at Temple Island.  If the decision is not to proceed with an Arena, on Temple Island, then other locations and opportunities will come forward.	<b>MED</b>	<b>LOW</b>	

## 8 FURTHER INFORMATION FROM KEY OFFICERS:

### Public Sector Equality Duties

8.1 An initial relevance check for the EqIA is included in Appendix E.

### Eco Impact Assessment

8.2 An initial Eco Impact statement is included in Appendix F.

### Finance, Resource & Legal Implications

8.3 Financial and Legal comments are included in separate Appendices.

### Land / Property Implications

8.4 Due to the lack of information and detail in relation to the alternative scheme at Temple Island, this section has not been completed.

## **Human Resources Implications**

- 8.5 Due to the lack of information and detail in relation to the alternative scheme at Temple Island, this section has not been completed.