

<b>Title: Old Town Hall Quarter</b>	<b>Ref:</b>
<b>Date: 24<sup>th</sup> January 2022</b>	<b>Strategic Director: Peter Udall</b>

### Introduction

1. The Old Town Hall Quarter (OTHQ) comprises Gateshead Old Town Hall, Swinburne House, the Nelson Street office building, the former Police House, two surface car parks and vacant land, shown edged red on the attached plan.
2. In 2017, following a review of the property management and maintenance costs, the Council decided to dispose of the Old Town Hall and neighbouring buildings. The Council's objective was for the refurbishment of the historic buildings to ensure their long term sustainability whilst reducing the Council's property management costs, plus redevelopment of the vacant land/car parks to provide accommodation for town centre uses comprising retail, office, hotel, leisure (including cultural) and residential across the whole site. This was first outlined in Fit for a City (2008) and made explicit through the Urban Core Area Action Plan (policy GC2).

### Marketing and Disposal

3. The Council appointed an external agent, Cushman & Wakefield ('C&W'), to market and assist with the disposal of the OTHQ. C&W prepared marketing particulars; contacted a long list of potential developers, investors, agents and end users; and conducted accompanied viewings. Adverts were also placed in the property press and a dedicated web page was prepared by the Council's Communications Team.
4. Marketing commenced on 27<sup>th</sup> March 2017 and closed on 26<sup>th</sup> June 2017 and was undertaken in accordance with the regulations contained in the Localism Act and Assets of Community Value.
5. A total of five bids were received by the closing date together with a further bid received after closing. These are listed below –

<b>Bidder</b>	<b>Offer</b>	<b>Conditions</b>	<b>Use</b>
Tier One Capital / Dinosauria Ltd	£650,000	Contract Only	Leisure (museum) / serviced business offices
Bidder 2	£475,000	Contract Only	Serviced business offices
Bidder 3	£100,000	Unknown	Dance School
Bidder 4	Nil Premium	Planning, licensing and funding	Mixed use comprising retail, hotel, office bar/restaurant
Bidder 5	Nil Premium	Unknown	Charity/Office

Bidder 6 (late)	£500,000	Unknown	Restaurant/Bar and residential.
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6. Following receipt of bids, Officers worked with C&W to analyse the bids and draw up a recommendation for a preferred bidder. Consultation took place with Planning, Highways, Conservation, Urban Design, and Culture, as well as C&W leading on the financial deliverability of each bidder.
7. The conclusion of C&W and the project team was that the highest bidder, Tier One Capital / Dinosauria Ltd, should be invited to discuss terms of disposal because -
  - Their bid would provide the highest financial receipt to the Council
  - It posed the least risk to the Council in terms of the legal/development conditions requested by the bidder
  - The mix of uses and particularly the Museum would best benefit the Town Centre in terms of regeneration, tourism and footfall
  - They were confident in their ability to deliver on site and also within a shorter timescale than the other offers received, also benefitting the town centre.
8. Tier One Capital's Directors also had a track record of the refurbishment of similar buildings, for example:
  - Town Hall Chambers, Wallsend (former North Tyneside Town Hall), Grade II Listed building converted into serviced office accommodation;
  - Clervaux Exchange, Jarrow (former Jarrow Police Station) converted into serviced office accommodation; and
  - Commerce House, Middlesbrough (former Teesside Chamber of Commerce) a Grade II Listed Building redesigned to provide serviced office and conference facilities.
9. The Tier One Capital / Dinosauria Ltd ("Dinosauria") proposal was:
  - operating the Old Town Hall and Old Police House as The Unnatural History Museum;
  - Swinburne House to be refurbished for new business space;
  - a new building located to the rear of the site for leisure/cultural uses was proposed to support the main uses on site;
  - the car parking at the front of the Old Town Hall to be retained.
  - The long term plan was to expand the Unnatural History Museum into Swinburne House. The project management team would relocate to Swinburne House during the refurbishment of both the Old Town Hall and Swinburne House.
10. In terms of job creation, Dinosauria envisaged that the Unnatural History Museum, with additional café/restaurant would create 86 permanent direct jobs (based on 7 days a week opening multiple shifts). Indirect jobs could total 143 overall, all of which were expected to be local labour. As the concept was further developed and attractions and supporting elements expanded, it was envisaged that the total jobs created could peak at 300.
11. Dinosauria estimated that the Unnatural History Museum would be ready to open within two years of the grant of the 250 year lease of the site, before moving on to refurbish Swinburne House as serviced office space. Investment phases were proposed as follows:
  - Purchase of Old Town Hall Quarter for £650k
  - Phase 1 – create Unnatural History Museum, investing approx. £7m - £12m
  - Phase 2 – Remediation/supporting provision of serviced office space, investing approx. £1.5 - £2.0m

- Phase 3 – Development at rear of site/Nelson street, approx. £10 - £12.5m

## Disposal and Terms

12. Following portfolio briefings and a well-attended Members Seminar, in which Dinosauria's directors presented their proposal and took questions, Cabinet approved in January 2018, the council granting Dinosauria a 250 year lease for the OTHQ.
13. Members made clear that this was to facilitate the protection and maintenance of the Old Town Hall building specifically, including public access, through redevelopment into the Unnatural History Museum.
14. In order to protect the Council's aspirations for OTHQ, should the proposed timetable for redevelopment not be met, the lease provided the Council with a "buy-back" provision should a series of milestones not be achieved. Additionally, to ensure the Council retained an element of control over the future use of OTHQ any change of use requires prior consent of the Council.
15. Following engagement with the investor market, Dinosauria subsequently approached the Council with a request to review the mechanism for determining the buy-back price. After an extensive officer review of Dinosauria's business model, it was recommended that a variation to the existing lease be granted as it would provide Dinosauria with the necessary flexibility to attract further investment for the Unnatural History Museum and to facilitate the development of the OTHQ. The variation was approved by Cabinet at its meeting of 15<sup>th</sup> October 2019.

## Progress

16. Unfortunately, the global pandemic struck shortly after the variation to the Lease was agreed, which – according to Dinosauria – put off potential investors in the Unnatural History Museum due to ongoing uncertainty and restrictions having a devastating impact on the leisure and retail sectors worldwide. Specifically:
  - uncertainty and unpredictability of visitor numbers / viability of leisure attractions.
  - the impact of multiple and ongoing lockdowns or new variants, any prospective government enforced limits to the numbers of people gathering in any one place at any one time (or indeed in any one building at any given time)
  - smaller scale investors being cautious across all sectors
  - the natural and inevitable cautiousness of the general public in having confidence to go back to normal life / activities.
17. As a consequence, Dinosauria told the Council that due to the lack of confidence in the sector, they would not be able to use their preferred mechanism to raise funds to take forward their unique concept of the Unnatural History Museum as the first phase of development.
18. During this difficult period, however, Dinosauria continued to invest in the assets to keep them safe and secure despite limited progress on the redevelopment plans, including:
  - A dedicated IT line has been installed at the OTHQ, which will provide the critical superfast internet / Wi-Fi suitable for both the commercial market and for the leisure and entertainment sector.
  - Electrical and heating system upgrades in Swinburne House
  - Repair to exterior of Swinburne House following anti-social behaviour and attempted break-ins – including bringing in Orbis to secure ground floor windows and entrances after a spate of break-ins in the autumn.
  - Continuous monitoring and repair of the roof and roof slates.

## **Update**

19. The leaseholder remains committed to redevelopment of the OTHQ and is keen to identify a new route forward based on what can be delivered with confidence (within the short and longer term) whilst still subject to the impact and level of ongoing uncertainty caused by coronavirus – and crucially, with the support of the Council.
20. The company directors have acknowledged the need for a new development and phasing plan. The principles of this new plan have been presented as –
  - Need to take a step back to properly appraise and construct a new, deliverable strategy.
  - Sensitive renovation of the Old Town Hall and Swinburne House is the top priority. To make these buildings a centre piece of regeneration in Gateshead / Tyneside.
  - Appraising development on the plots around the Old Town Hall, with surpluses being recycled into renovation of the listed buildings.
  - Aspire to deliver a top destination / attraction, exploring other linked tourist opportunities.
  - Want to work collaboratively with the Council, and optimise impacts on the wider aspirations for the surrounding area.
21. A new development team has been appointed, and they are having conversations with institutional funders about investing in the wider site. The Strategic Director and Major Projects Team are being kept informed of progress.

## **Legal Implications**

22. If the Council, acting as Landlord, is minded to agree to any revised proposal, variations to the lease would need to be agreed by the two parties, and then approved by the Council, to include:
  - Any changes to the Permitted Use, e.g. to include residential use.
  - Updated milestones and trigger dates for the Council to be able control and monitor the scheme, to ensure it will move forward quickly, etc.
  - clarity on how and when this new proposal will secure/save the Old Town Hall asset – i.e when will it be redeveloped?
23. It is also important to note the Council cannot unilaterally end the lease at this point, should it not agree to a new proposal. The next point that the lease can be terminated, and the buyback option triggered, is 28 June 2022.

## **Next Steps**

24. The Council awaits a revised proposal for the redevelopment of OTHQ, including confirmation that funding is available and the scheme is viable. The proposal will be reported to Members for consideration and approval, as per usual consultation and decision making procedures.

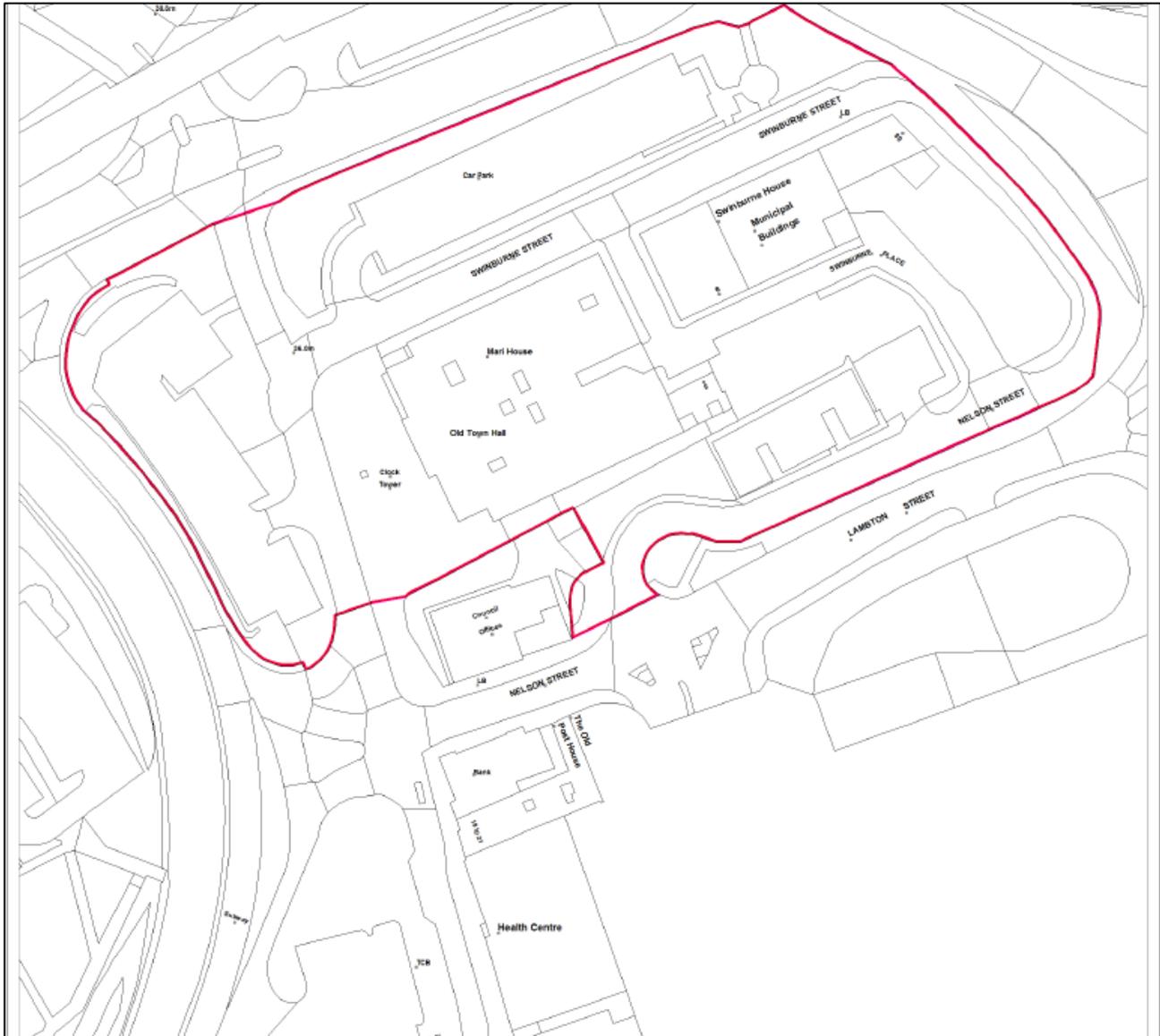
## **Contact**

Andrew Sloan

## **Consultees**

Peter Udall, Andrea Tickner, Steve Hayles, Lynn Willis

## Appendix 1 – Old Town Hall Quarter



<b>Title</b> <b>Town Hall Quarter</b> <b>Gateshead</b>		<small>© Crown Copyright and database rights 2016. Ordnance Survey license number 100019322.</small>		 <b>Gateshead Council</b>
<b>Drawing Number</b> <b>Asset ID 004845</b>		<b>Rev</b>		
<b>Scale</b> <b>1:1250</b>	<b>Date Created</b> <b>27th January 2017</b>	<b>Drawn By</b> <b>Gillian Hall</b>	<b>Date Printed</b> <b>24th February 2017</b>	<b>O/S NUMBER</b> <b>NZ2563SE</b>
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