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Award

Coventry City Centre South Development

Coventry City Council

F15: Voluntary ex ante transparency notice

Notice identifier: 2023/S 000-004570

Procurement identifier (OCID): ocds-h6vhtk-03a5ad

Published 14 February 2023, 5:08pm

Section I: Contracting authority/entity

I.1) Name and addresses

Coventry City Council

Council House, Earl Street

COVENTRY

CV15RR

Contact

Oluremi Aremu

Email

procurement.services@coventry.gov.uk

Telephone

+44 2476975232

Country

United Kingdom

Region code

UKG33 - Coventry

Justification for not providing organisation identifier

Not on any register

Internet address(es)

Main address

www.coventry.gov.uk

I.4) Type of the contracting authority

Regional or local authority

I.5) Main activity

General public services

Section II: Object

II.1) Scope of the procurement

II.1.1) Title

Coventry City Centre South Development

II.1.2) Main CPV code

- 45000000 - Construction work

II.1.3) Type of contract

Works

II.1.4) Short description

Beginning in 2015, Coventry City Council undertook a regulated procurement process to procure a development partner with the commitment, expertise and resource to deliver a high quality, mixed use retail, leisure and residential regeneration scheme within Coventry City Centre.

The Memorandum of Information issued as part of the regulated procurement process stated the following:

"The Council considers that CCS will be more than just a retail scheme. The vision for CCS is instead for it to be a vibrant and successful mixed-use environment. The scheme will respect and where necessary, reinstate the historic street pattern of Coventry. It will not just be a place to shop, visit for leisure or live in but will instead be an environment where a range of activities come together and respond to increased demand for flexible lifestyles".

The Council was not prescriptive as to the mix of uses to be proposed by bidders in order to achieve the fundamental objective of regenerating this part of the City Centre.

The development partner has been appointed following the conclusion of the regulated procurement process and their responsibilities include: leading on pre-development tasks, including preparing a scheme design, planning and securing development finance. The development partner will also be responsible for the construction, marketing and letting of the scheme.

A Development Agreement was entered into with the development partner dated 21 March 2019. As a consequence of the following cumulative events:

- the extent of the changes in the retail, leisure and residential markets, and the occurrence and consequences of the Covid 19 pandemic which have taken place since the Development Agreement was entered into;
- the implications of the Covid 19 pandemic in terms of accelerating the contraction of retailing, leisure and the economic landscape as whole
- since 2019 there have been very significant changes in the residential market and widespread acceptance of the benefits of inclusion of a greater proportion of residential uses to reinvigorate town centres,
- the consequential requirement to include an element of affordable housing in the scheme as a condition of public funding
- the extent of rising inflation and its impact on construction costs as well as retailer costs and profitability; and
- the appointment of the Approved Funder, as part of satisfying the condition precedent in the Development Agreement titled "Funding Condition",

A number of modifications are required to be made to the Development Agreement (see further details in section II.2.14 below)

II.1.6) Information about lots

This contract is divided into lots: No

II.1.7) Total value of the procurement (excluding VAT)

Value excluding VAT: £422,365,635

II.2) Description

II.2.2) Additional CPV code(s)

- 45211341 - Flats construction work
- 45211360 - Urban development construction work
- 45212000 - Construction work for buildings relating to leisure, sports, culture, lodging and restaurants
- 45213112 - Shop units construction work
- 70112000 - Development of non-residential real estate

II.2.3) Place of performance

NUTS codes

- UKG3 - West Midlands

Main site or place of performance

UKG33: Coventry

II.2.4) Description of the procurement

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- the extent of rising inflation and its impact on construction costs as well as retailer costs and profitability; and
- the appointment of the Approved Funder, as part of satisfying the condition precedent in the Development Agreement titled "Funding Condition",

A number of modifications are required to be made to the Development Agreement (see further details in section II.2.14 below)

II.2.5) Award criteria

Quality criterion - Name: Development Proposal / Weighting: 30%

Quality criterion - Name: Planning and Deliverability / Weighting: 15%

Quality criterion - Name: Legal / Weighting: 10%

Cost criterion - Name: Financial Proposal / Weighting: 45%

II.2.11) Information about options

Options: No

II.2.14) Additional information

The procurement process concluded in 2016 and the Development Agreement was entered into on 21 March 2019 (the "DA"). The parties are now proposing to make the following modifications to that agreement as a result of the cumulative events described in II.2.4:

- Phasing: more detailed and specific phasing arrangements for the Development (but within a continuing requirement for the delivery of a comprehensive redevelopment of the site) which the DA anticipated would be required once planning permission had been granted, and which phasing arrangements have now been agreed with the Developer and its funder. The DA now anticipates the scheme coming forward in two phases, with individual Sub-Phase Block target commencement and completion dates, but with a continuing requirement for the Developer to deliver a comprehensive redevelopment of

the whole of the site;

- Extension to the contract term to allow additional time for completion of the Development to reflect the phasing and sequencing arrangements, in particular:
 - Demolition of all buildings to be completed within 24 months rather than 12 months;
 - The replacement of the previous 4 years (subject to extension of time) post completion of the demolition works for the construction completion date; which has now been modified to target completion dates for each individual Blocks with the longest target completion date being 10 years to reflect the sequencing and the delivery of individual Blocks within the Development
- Re- composition of elements of the mixed uses within the Development, in particular:
 - removal of the requirement to provide an anchor store and car park;
 - reduction in the overall amount of the commercial development space from 40,178 sq m gross internal area to a minimum of 13,275 sq m gross internal area and a maximum of 20,000 sq m gross internal area together with the option (subject to occupier demand) to provide a hotel comprising at least 60 rooms
 - an increase in the number of residential units from 550 (plus student accommodation comprising approximately 105,000 square feet gross internal area) to now providing at least 1350 residential units but not more than 1500 residential units, of which at least 20% are to be developed and provided as affordable units and no student accommodation
 - specific public realm requirement to deliver at least 14,000 sq m of public open space
- Increase in the length of the Head lease term from 250 years to 990 years for Blocks which contain affordable housing. Possible increase in length of lease term for other Blocks subject to Council approval
- Re-Profile of the Council's existing public sector contribution to the Development and additional public sector funding of £32,750,000 to address the cumulative effects stated in II.2.4 to an already unviable Scheme. The existing and additional public sector funding will be utilised solely towards the delivery of specific Pre-Construction Qualifying Works and Qualifying Construction Works including the provision of affordable housing and public realm within the Scheme; and
- The Council to benefit from an increased percentage share of overage from 25% to 50% to reflect the Council's additional funding.

Section IV. Procedure

IV.1) Description

IV.1.1) Type of procedure

Negotiated without a prior call for competition

- Extreme urgency brought about by events unforeseeable for the contracting authority

Explanation:

The Council undertook a Competitive Dialogue under the Public Contracts Regulations 2015 ("PCR") and entered into a development agreement ("DA") with (1) Shearer Property Regen Limited (Contractor) and (2) Shearer Property Group Limited (Guarantor).

The Parties are making the modifications in II.2.14 ("Modifications") pursuant to regulation 72(1)(c) and/or 72(1)(e) PCR.

The Modifications will not alter the overall nature of the contract, which remains a DA to regenerate the city centre through mixed uses. It remains mixed-use scheme as envisaged in the original procurement documents, with the Modifications limited to changes to the composition of the retail and residential elements and the Council's funding position.

The Modifications are needed due to significant external events which could not have been foreseen by the Council acting diligently:

- The pandemic accelerated the levels of contraction in the retail offer of UK cities which reflects the wider structural changes in the retail sector and industry. This is evidenced by the spinoff effects of the failures of Beales, BHS and Debenhams, administration of House of Fraser and other major brands and the store rationalisation of the John Lewis Partnership which upended the UK retail sector. Since 2016, 388 Department stores have shut with currently only about 90 trading. Including a new anchor store in a retail scheme was a feasible prospect when the DA was signed; that is no longer achievable for this scheme;
- the pandemic and the lockdowns between Mar20 and Dec21 shrunk the whole economy, including the retail and leisure sectors;
- hyperinflation's impact on construction costs, retailer costs and profitability;
- the extent of the changes in the residential market and widespread acceptance of the benefits of greater proportions of residential uses to reinvigorate town centres and the

consequential requirement to include affordable housing as a condition of funding.

The value of the Modifications do not exceed 50% of the value of the initially awarded contract (actual increase is around 17% of initial value). The Modifications will not, in the Council's view, materially change the character of the DA (which remains a DA with provisions for land assembly, planning and highway consents, funding, granting leases to the developer, and delivery of the development); introduce conditions which would have affected the initial procurement in any of the ways set out in regulation 72(8)(b) (as the invitation to participate in the procurement was "open ended" as regards the form of development and types of uses which would satisfy the regeneration objectives, so no additional candidates would have been attracted or admitted, nor a different tender accepted); change the economic balance of the DA (contract value and public funding increases are counterbalanced by developer's obligations, including regards affordable housing and increased overage for the Council); or extend the scope of the DA considerably (the scope remains the regeneration of City Centre South). The contractor is not changing.

The Modifications are therefore not a new contract but merely the modification of an existing contract, permitted under Regulations 72(1)(c) Regulation 72(1)(e) PCR.

IV.1.8) Information about the Government Procurement Agreement (GPA)

The procurement is covered by the Government Procurement Agreement: Yes

IV.2) Administrative information

IV.2.1) Previous publication concerning this procedure

Notice number: [2015/S 218-396975](#)

Section V. Award of contract/concession

A contract/lot is awarded: Yes

V.2) Award of contract/concession

V.2.1) Date of conclusion of the contract

21 March 2019

V.2.2) Information about tenders

The contract has been awarded to a group of economic operators: No

V.2.3) Name and address of the contractor/concessionaire

Shearer Property Regen Limited

1 Grimsdells Corner

Amersham

HP6 5EL

Country

United Kingdom

NUTS code

- UK - United Kingdom

Companies House

11857308

Internet address

www.spglondon.com/

The contractor/concessionaire is an SME

No

V.2.4) Information on value of contract/lot/concession (excluding VAT)

Initial estimated total value of the contract/lot/concession: £361,458,644

Total value of the contract/lot/concession: £422,365,635

Section VI. Complementary information

VI.4) Procedures for review

VI.4.1) Review body

High Court of Justice

Strand

London

WC2A 2LL

Country

United Kingdom

VI.4.2) Body responsible for mediation procedures

High Court of Justice

Strand

London

WC2A 2LL

Country

United Kingdom

VI.4.3) Review procedure

Precise information on deadline(s) for review procedures

The Council will wait a minimum 10 clear calendar days before entering into a legally binding agreement to apply the Modifications to the Development Agreement

VI.4.4) Service from which information about the review procedure may be obtained

High Court of Justice

Strand

London

WC2A 2LL

Country

United Kingdom

