

Decision Maker: Executive

Date: 16th October 2013

Decision Type: Non-urgent Executive Key

Title: CRYSTAL PALACE PARK – EXCLUSIVITY AGREEMENT

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Chief Officer: Director of Regeneration & Transformation
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Ward: Crystal Palace

1. Reason for report

1.1 This report advises Members of a development proposal by ZhongRong International (Group) Limited (ZRG), a company registered in China, to rebuild the Crystal Palace and restore Crystal Palace Park in line with the approved Crystal Palace Park Master Plan. The report provides a summary of the key points to have arisen out of discussions and negotiations to date and subject to Members' consideration of legal and procurement matters outlined in a Part 2 report recommends that the Council enters into an exclusivity agreement with ZRG for a period of sixteen months (until 1st February 2015), to allow for further negotiations to establish whether an acceptable scheme can be developed.

2. **RECOMMENDATION(S)**

Members are recommended:

2.1 **To agree, subject to Members' consideration of legal and procurement matters outlined in a separate Part 2 report, to grant ZhongRong International (Group) Limited an exclusivity agreement for a period of sixteen months (until 1st February 2015) to allow for further negotiations to establish whether an acceptable scheme can be developed.**

Corporate Policy

1. Policy Status: Existing Policy: Maximising the Council's Assets
 2. BBB Priority: Quality Environment Vibrant, Thriving Town Centres:
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Financial

1. Cost of proposal: No Cost:
 2. Ongoing costs: Not Applicable:
 3. Budget head/performance centre: Crystal Palace Park
 4. Total current budget for this head: £305k
 5. Source of funding: Existing net revenue budget 2013/14
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Staff

1. Number of staff (current and additional): 1.5fte
 2. If from existing staff resources, number of staff hours:
-

Legal

1. Legal Requirement: see Part 2 report
 2. Call-in: Applicable:
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): In 2007 the Crystal Palace Master Plan estimated 1.6 million visitors p.a.
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? Yes Comments have been sought and a verbal report will be given at the meeting
2. Summary of Ward Councillors comments:

3. COMMENTARY

3.1 Earlier this year the Greater London Authority (GLA) and the London Borough of Bromley (LBB) were approached by the ZhongRong International (Group) Limited (ZRG), a company based in China with a proposal to rebuild the Crystal Palace on its original site and restore Crystal Palace Park in line with the agreed Master Plan. In order to progress their proposals the ZRG appointed Arup Associates as their UK based advisers to develop the business case and concept to the point where the proposal was able to be officially launched on the 3rd October 2013.

Background

3.2 The park was designed by Sir Joseph Paxton in the 1850's to provide a new home and ornamental setting for the Crystal Palace - the structure which he had designed to house the 1851 Great Exhibition in Hyde Park. The park is laid out on a south-east facing slope on South London's highest hill.

3.3 The park was opened in 1857 as a commercial enterprise by the Crystal Palace Company and the Palace was relocated to the park after the Great Exhibition of 1851. His original aim was to provide "refined recreation, calculated to elevate the intellect, to instruct the mind and to improve the heart ... creating a perfect cosmos – a brilliant illustration of all that is noble and elevating in the world". Ever since the 1936 fire, the future of this park has been unclear, however the need for significant investment in this regionally important park has always been recognised.

3.4 Crystal Palace Park is Bromley's largest park, comprising 180 acres of parkland (Grade II * listed) and Grade I listed dinosaurs, playgrounds and the National Sports Centre which is run by the GLA. The Council is the landowner and planning authority. The site is designated as Metropolitan Open Land and nature Conservation value. LBB's maintenance costs are currently circa £280k pa.

3.5 In November 2007, the London Development Agency produced a Master Plan for the park, which would have restored many historical features including the subway. This was the largest Planning application the Council has ever dealt with and was granted permission in December 2008. Although there were various legal challenges, these were resolved earlier this year. Members may recall that part of this plan envisaged some housing on part of the site to secure limited funding for the improvements and this was unpopular with some residents.

3.6 It is estimated that the total cost of implementing the approved Master Plan would be around £100 million, with a significant proportion (£40m) being used to restore the terraces. It has always been unclear, even with the proposed 'housing' funds, where this investment would come from. In the absence of a commercial scheme and significant private sector funding it is widely thought that the approved Master Plan is unlikely ever to be implemented in full.

3.7 Notwithstanding these funding difficulties, the Council's strategy has been to work with community and funding organisations to be as creative as possible to bring forward incremental improvements. To this end, a major HLF bid was submitted in August for a £7m improvement programme, with the first stage decision expected in December 2013, to be then followed by a second stage application in 2014. Although significantly short of the £100m required, this bid, if successful, should bring about significant investment and early improvements.

ZRG Proposals

- 3.8 In July, it was widely reported in the media that a Chinese billionaire investor had come forward with a proposal to re-build Crystal Palace. Media reports stated that Shanghai based ZRG were in talks with the GLA and Bromley Council. The Council confirmed to Property Week and other media interests, that we were indeed involved in early conversations and that these discussions were confidential. Whilst the media articles were not incorrect, we were unable to confirm any details, as these were not available at that stage. The Council, alongside the GLA, have continued discussions with the proposed investor, Mr Ni and we have sought to ensure that the proposals could be publicly released by the investor at the earliest stage so that the community stakeholder groups, local residents, Councillors and other interested parties could make their views known.
- 3.9 The ZRG is a privately-owned company and its owner is Mr. Ni. It was established in 1992 as an investment company primarily focused on the real estate sector in China. ZRG's portfolio includes real estate, land, and financial institutions that stretch from New York, USA to Hong Kong and major cities in Mainland China. The ZRG's commercial projects include an 8.3m. sq.ft. financial and exhibition centre in Hangzhou and three landmark office buildings in Shanghai.
- 3.10 Mr. Ni and ARUP, his principal advisers, will release information on the scheme at a Press Conference to be held on 3rd October at Crystal Palace. A verbal update on the launch will be given at the meeting. Mr. Ni is keen to see the launch as an important milestone in the development of a possible scheme triggering public involvement and discussion, ensuring that everyone, from neighbouring authorities to groups and individual residents are informed and actively encouraged to contribute their views to help shape the proposals.
- 3.11 The proposal is to rebuild the Crystal Palace on the 'top site' and to restore and upgrade the park to match the spirit and form of the original design. The scale of investment is beyond anything proposed before and provides the opportunity to fund the Master Plan's ambitions for the park. The new Palace would replicate the size and scale of the original, taking into account the current constraints of the site such as the television mast. The scale of the Crystal Palace, approximately the length of five football pitches and up to six storeys, offers the potential to accommodate many different roles.
- 3.12 It is anticipated that over half of the Palace would comprise major new permanent and temporary public exhibition spaces. This public exhibition space alone would be of a similar size to the Science Museum. It could provide a new place for the best and largest cultural exhibitions from across the world to be on display. The use of the rest of the building would include a range of different functions such as an hotel, conference facilities, studios, galleries and art sales rooms, which would be designed to ensure the sustainability and viability of the scheme. Housing is not proposed in the Palace or park.
- 3.13 Detailed uses are still under consideration. A panel of advisors is in the process of being drawn together to provide insight and experience to guide the development of this project. The Panel would work alongside the ZRG, the GLA and the London Borough of Bromley and would be chaired by the Mayor of London, supported by the Leader of LBB as Deputy Chairman.
- 3.14 The amount of development permissible on the top site is currently restricted by the Crystal Palace Act 1990. The ZRG, in discussion with the Department for Communities and Local Government, the GLA and LBB, will explore options to resolve these restrictions through the exclusivity period.

- 3.15 It is proposed that the building of the Palace and restoration of the park in line with the agreed Master Plan will be fully funded by the ZRG, which is willing to take a long-term view of the scheme's commercial potential. It is estimated that the total cost of the project will be circa £500m. The park would remain in the freehold ownership of the London Borough of Bromley, and would remain an open and free public space for all. The public space on the ground floor of the new Palace would also include free exhibitions.
- 3.16 The project would explore the potential for one or more trusts or similar bodies to be formed to operate and manage key elements of the exhibition space and park. At the heart of this proposal is the aspiration for the local community to have a strong role in running, managing and maintaining Crystal Palace.
- 3.17 It is too early to be definitive about the benefits to be derived from this proposal but at this stage Arup's initial estimates suggest that it would be possible to draw about 2 million additional visitors to the Palace and park per annum. Arup's estimate the following additional benefits:
- The restored park would be a public space for all to enjoy and approximately 100 new jobs could be created in the park.
 - By increasing the number of visitors close to the town centres there would be increased town centre footfall and potential for higher levels of expenditure. It is estimated that up to 200 additional jobs could be created through this expenditure.
 - Up to 1,000 jobs could be associated with the operation of the Palace and ZRG is keen to ensure that local people can access these opportunities.
 - In excess of 1,000 new construction jobs measured as permanent full-time equivalents could be delivered.
 - The new Palace and the restoration of the park would potentially yield benefits in its surrounding areas by increasing the attractiveness of neighbourhoods, adding value to commercial and residential properties and attracting increased investment.
- 3.18 The Palace and park proposals would form a new visitor attraction potentially generating a significant number of new trips. While this would bring vitality to the area it would be important to ensure that these trips do not place unsustainable pressures on the transport network. Transport concerns are of critical importance, both locally and regionally, and these will need to be properly addressed. Crystal Palace Park is currently well served by public transport and the station has recently benefitted from the addition of the Overground rail network and has been restored and upgraded. This proposal envisages maximising access to the site via public transport. The ZRG are committed to working with LBB, the GLA and TfL to identify opportunities to improve public transport as part of a sustainable transport solution. Minimising the impact of the development on the local road network would also need to be an important part of the proposal.
- 3.19 Following the launch of these proposals, ZRG, The GLA and LBB will need to ensure engagement and consultation with the vast array of local groups, residents and stakeholders to ensure that opportunities and the challenges are understood and appropriately responded to. This can only happen when there is more detailed information available following the public launch. As both a landowner and a planning authority, the Council will listen carefully to this debate as well as forming its own view.

- 3.20 These proposals do not currently include the Grade II listed National Sports Centre which is located within the park boundaries. However the GLA will be considering the future of these facilities as a consequence of this proposal, which could potentially include educational uses.
- 3.21 On the assumption that the proposal progresses, there are a number of planning, legal and technical issues which would need to be resolved. From a planning perspective, the Council's Unitary Development Plan and the London Plan set out the planning policies. As the land is classified as Metropolitan Open Land (MOL), 'very special circumstances' would need to be clearly identified to justify the proposal. Furthermore, an application of this type would effectively require GLA approval and possibly also Government approval. In addition, the 1990 Crystal Palace Act would need to be amended.
- 3.22 The potential opportunity to rebuild the Crystal Palace is an exciting opportunity for Bromley and London as a whole. The building and the park could become globally significant. However, as yet we have no details on which to judge the scheme and local residents' views will clearly be very important as the proposal emerges over the coming months.

Timetable

- 3.23 Mr. Ni and his advisers are hoping to undertake a design competition this winter, submit a planning application in autumn 2014, and start on site in the winter 2015, completing the Crystal Palace and park renovations in 2018.

Exclusivity Agreement

- 3.24 In order to maintain the momentum, it is proposed that the Council enters into a sixteen month exclusivity agreement with the ZRG as detailed in the Part 2 report. Mr. Ni and his advisers are currently finalising the precise site boundary lines for the Exclusivity Agreement and a site plan will be circulated to Members at or before the Executive Committee meeting. During this time, both the GLA and LBB will continue with the dialogue and negotiations with the ZRG concerning the proposal and the impact on the whole of Crystal Palace Park. During this exclusivity period, it may well be the case that further reports are brought back to the Executive for further updates.

4. POLICY IMPLICATIONS

- 4.1 The Council aims to encourage vibrant and thriving town centres, and the new Crystal Palace and a fully restored Park will act as a catalyst by drawing people to the area, adding value to existing commercial and residential properties and encouraging increased inward investment in the area.
- 4.2 The Mayor of London is fully committed to delivering a newly restored Park for the local residents and local communities, but also for London as a whole, bringing regeneration benefits to the wider area.

5. FINANCIAL IMPLICATIONS

- 5.1 The Executive at its meeting 3rd April 2013, agreed to commit £50k from capital receipts to support work needed to develop projects in preparation for a first round application to the Heritage Lottery Fund for Crystal Palace Park. The total value of the regeneration project is estimated to be £7.2m.
- 5.2 It is too early at this stage to quantify the benefits of this potential development project, however there could be significant benefits to the Council which include for example a share of additional business rates and indirect benefits arising from the regeneration of the area.

6. LEGAL IMPLICATIONS

See Part 2 Report

Non-Applicable Sections:	Personnel Implications
Background Documents: (Access via Contact Officer)	