



Report to Strategy and Resources Committee

Author of Report: Neil Jones

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Report of: *Kate Martin, Executive Director City Futures*

Report to: *Strategy and Resources Committee*

Date of Decision: *21st December 2023*

Subject: *Update on proposed agreement for lease of the Former Cole Brothers Building*

Has an Equality Impact Assessment (EIA) been undertaken?	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
If YES, what EIA reference number has it been given? <i>(Insert reference number)</i>				
Has appropriate consultation taken place?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Has a Climate Impact Assessment (CIA) been undertaken?	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
Does the report contain confidential or exempt information?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:- <i>"The appendix is not for publication because it contains exempt information under Paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended)."</i>				

Purpose of Report:

To update Members on the current position with regard to the proposed agreement for lease of the former Cole Brothers store in Barkers Pool and seek approval to enter into the agreement with Urban Splash.

Recommendations:

- That the current position and progress since the last report to Committee be noted and that Committee agrees that the Council should now progress to finalising the Agreement for Lease as set out in Part 2 of this the report.

Background Papers:

(Insert details of any background papers used in the compilation of the report.)
 Reports to Strategy & Resources Committee 24th August 2022; 15th March and 28th June 2023

Lead Officer to complete:-	
1	I have consulted the relevant departments in respect of any relevant implications
	Finance: Natalia Govorukhina

	indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.	Legal: David Sellars
		Equalities & Consultation: Ed Sexton
		Climate: Kathryn Warrington
	<i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i>	
2	EMT member who approved submission:	<i>Kate Martin, Executive Director City Futures</i>
3	Committee Chair consulted:	<i>Tom Hunt</i>
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Committee by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.	
	Lead Officer Name: <i>Neil Jones</i>	Job Title: <i>Partnership Manager, Regeneration and Property Services</i>
	Date: 12 th December 2023	

1. PROPOSAL

Background

- 1.1 Members will be aware that following the permanent closure of the John Lewis & Partners department store, the Council agreed to accept the surrender of the lease of the building on terms that included the payment of a premium to the Council and in January 2022 the Council took back the building.
- 1.2 Members will also recall that the property was marketed by external agents CBRE last year best and final offers were to be received by 31st March 2023.
- 1.3 The outcome of that process was reported to this Committee on 28th June and it was agreed by Committee that the proposed scheme that was submitted by the developers Urban Splash be endorsed. Committee gave approval in principle to an agreement for a 250-year lease of the building with a further report to be brought to this Committee when further discussions had particularised the lease terms.

This report sets out the current position and proposed next steps.

Current Position

- 1.4 Over the past six months detailed negotiations have been held with Urban Splash in respect of the legal documentation required. Discussions have focused on reaching a position which enables Urban Splash to deliver a successful commercial scheme, whilst ensuring that the strategic objectives to secure the best outcome for the future of the building and positive benefits of the Heart of the City project and wider city centre can be delivered within a reasonable timescale. These negotiations also recognised the commercial need for the developers to ensure that the refurbishment and long-term reuse of the building is viable and fundable whilst ensuring that the Council's position as owners of the building is protected, with risk and exposure minimised.
- 1.5 These negotiations have now reached a conclusion whereby officers are content that the Council is achieving the objectives set out above and will realise a development which positively contributes to the Heart of the City development and will deliver significant benefits to the regeneration of the City Centre and the people of Sheffield. The documents and commercial terms are in accordance with the offer which was submitted by Urban Splash and reported to this Committee in June 2023.
- 1.6 The proposed Agreement for lease sets out the conditions which must be satisfied by the developer –
 - i) **Planning** - submit a planning application (which the Council has approved in principle as landowner only) and obtain a satisfactory planning permission;
 - ii) **Viability** - establish a viable scheme;
 - iii) **Funding** – secure funding for the works; and
 - iv) **Building Contract** – agree a build contract with a reputable and competent building contractor so that it can be entered into within 6 months of the grant of the lease.

These conditions must be satisfied as soon as reasonably possible, within timescales set out in the Agreement, but which can be extended if the developer is unable to comply due to circumstances beyond its reasonable control. If they are not satisfied within an absolute back stop date of 24 months the Agreement can be terminated.

- 1.7 Once all of the conditions have been satisfied, a 250 year lease is granted and the agreed premium is paid to the Council.
- 1.8 The 250 year lease reflects the financial proposals and uses that were set out in the Part 2 report to this Committee in June 2023. It also includes provisions whereby if the developer does not start the refurbishment work within an agreed timescale, or having started does not then provide evidence that it has spent a pre-agreed amount of money on the building contract within 12 months, then the Council will have an option to get the building back.
- 1.9 The financial and other commercially sensitive details are set out and explained in more detail in Part 2 of this report.
- 1.10 The Coles building is an iconic place in the centre of Sheffield which has now stood empty for some considerable time. Like many complex development projects, there is a lot of work involved in bringing forward the redevelopment of the building. Therefore both the Council and Urban Splash want to promote activity in and around the building as soon as possible to enable people to re-engage with the building and share in it's reimagining and re-use. The Agreement will therefore include a draft Meanwhile Use Strategy which will set out how Urban Splash and the Council will work together to curate and seek to fund events and temporary uses within the building during the time before the lease is granted and the refurbishment works start.
- 1.11 The intention is to run a programme of events that activate parts of the building and engage with as many sections of the community as possible and complement other events taking place in the city centre. Current ideas include a public consultation exhibition of the proposals for the building in February 2024; a cycling/skateboard event during the Festival of the Outdoors in March 2024; pop-up cinema and music events later in the year and temporary exhibitions within the display windows. Final details will be dependent upon practicalities of access, services, safety and funding.

2. HOW DOES THIS DECISION CONTRIBUTE ?

- 2.1 Redevelopment of the building is an important part of realising the vision for the city centre and the Heart of the City project. The proposals that were submitted and now documented, incorporate a range of different uses, but all meet the Council's

aspiration for the delivery of imaginative high quality, sustainable development which is appropriate to the transformational nature of the opportunity & the surrounding proposals.

2.2 The proposed Agreement will deliver a scheme which will create space for new jobs, places to shop, eat and visit and will help to increase the vibrancy and attractiveness of the city centre for residents and visitors.

2.3 Bringing this vacant listed building back into active use will be hugely beneficial. Retaining the large majority of the structure, whilst improving the thermal performance of the building, should have a positive impact on climate change as the embodied carbon in the structure is not lost and fewer new materials need to be produced and used. In addition, improvements to the thermal performance and efficiency of the building will reduce the operational carbon cost.

3. HAS THERE BEEN ANY CONSULTATION?

3.1 Public engagement on the future options for the building was undertaken through the work on the City Centre Strategic Vision in January / February 2022. Due to the commercial sensitivity of the bidding process and negotiating the legal documents it was not appropriate for the Council or the developer to be releasing details of the bids to be consulted upon with the public.

3.2 However, in the last 2 months Urban Splash have presented their proposals to several local stakeholder groups including the Culture Consortium, the Culture Collective and the Sheffield Design Panel. They have also engaged with a number of local individuals and organisations regarding potential temporary uses

3.3 If Committee approves this report and the Agreement is entered into, then over the next 2 to 3 months Urban Splash will be carrying out much more wide ranging consultation including an exhibition in the building and reaching out to other groups, communities and the public outside of the city centre.

3.4 There will also be a variety of consultations during the preparation and submission of the planning application

4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

4.1 Equality Implications

4.1.1 Future reuse of the Cole Brothers building offers the opportunity for providing a range of uses for all citizens of the city. The decision to enter into the Agreement of the building does not, in itself, increase or reduce inequalities. The developer is committed to ensuring that the various opportunities which the scheme will enable are open and available to all

4.2 Financial and Commercial Implications

4.2.1 The financial implications of the proposal were set out in detail in the Part 2 report in June 2023 and have not changed since that time other than more clarity now being negotiated on the details of timescales and the option in favour of the Council if the

scheme is not delivered in accordance with those timescales. These are explained in more detail in Part 2 of this report.

- 4.2.2 As referred to at paragraph 1.10 in this report detailed discussions do still need to be held in respect of potential costs that may arise from possible temporary uses. The funding for these uses will need to be secured before committing to any activities suggested in section 1.10 as there is currently no approved budget to fund these. Financial implications will be considered once the potential activities are confirmed and will require a separate budget approval.
- 4.2.3 Entering into the agreement for lease and the lease itself, does not commit the Council to any expenditure. However, there will continue to be holding costs until the lease is granted and these will be funded from Heart of the City II revenue reserve.

4.3 Legal Implications

- 4.3.1 Under Section 123 of the Local Government Act 1972 the Council has the power to dispose of land or property owned by the Council provided the disposal is based on achieving best consideration. The building was openly marketed over a significant period of time and the preferred bidder submitted the highest financial offer. The proposed Agreement will satisfy the Council's obligations in Section 123 of the Local Government Act 1972 to obtain best consideration.
- 4.3.2 As this report proposes to dispose of property on open market commercial terms there are currently no implications arising under the Subsidy Control Act 2022.

4.4 Climate Implications

- 4.4.1 There are no specific climate implications related to this decision. However Urban Splash are intending to refurbish the building with a 'light touch, maximum impact' approach with limited interventions. Retaining and exposing features and cleaning the façade rather than replacing panels, whilst improving thermal performance. Minimising mechanical services and creating a larger atrium through the building will help to maximise natural light and ventilation. This has many environmental benefits in terms of reducing potential energy and water use and retaining embodied carbon within the structure
- 4.4.2 It is also intended to introduce solar panels and low energy plant and mechanical systems and natural ventilation where possible. A green roof will be added to the top floor and rainwater harvesting introduced for toilet flushing and irrigation. This will all be addressed in more detail through the planning application which will be submitted next summer.

Other Implications

4.5 None

5. ALTERNATIVE OPTIONS CONSIDERED

5.1 As stated in the previous reports to this Committee in August 22 and in March and June 23, the Council could decide not to progress with a disposal of the building at the present time. However, to do so would lead to further delays and uncertainty around what is an important building for the regeneration of the city centre and possibly reputational damage to the city's image from many people both within and outside of Sheffield.

5.2 Retaining the building without securing its redevelopment will have financial implications for the Council both in vacant property management, security and holding costs and in potential blight suppressing values and interest in the surrounding property and the Heart of the City scheme

6. REASONS FOR RECOMMENDATIONS

6.1 The proposed Agreement to Urban Splash will result in the delivery of an exciting mixed-use scheme comprising flexible workspace and cafes/retail/leisure/cultural uses/event space which are all considered to be complementary uses to the rest of the Heart of the City project. The development will create space for new jobs, places to shop, eat and visit and will help to increase the vibrancy and attractiveness of the city centre for residents and visitors.

6.2 Urban Splash has a strong track record of working with many public sector parties. The proposed project team have redeveloped many challenging and listed buildings, including both historic and post-war structures and have expertise in engaging communities in redevelopment and delivering programmes of meanwhile use.

6.3 Bringing this vacant listed building back into active use will be hugely beneficial both for the wider city centre and the surrounding Heart of the City Scheme. Retaining the large majority of the structure, whilst improving the thermal performance and energy efficiency of the building, should have a positive impact on climate change.

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