

## SHEFFIELD CITY COUNCIL

### INDIVIDUAL CABINET MEMBER DECISION RECORD

The following decision was taken on 07 October 2016 by the Cabinet Member for Infrastructure and Transport.

Date notified to all members: Thursday 20 October 2016

Please note that this decision is not subject to call-in, in accordance with the Fast Track process set out in Scrutiny Procedure Rule 17 of the Constitution.

1. **TITLE**

Park Hill, Sheffield - Development Agreement

2. **DECISION TAKEN**

That the Cabinet Member authorises the Executive Director, Place to take such steps as he shall consider appropriate to progress the redevelopment of Park Hill and/ or to protect the Council's interests in this matter as outlined in this report, including (but without limiting the generality of this authority):-

(i) to negotiate and agree any amendments to any existing agreements, leases or arrangements to include any amendments that are required to enable parts of Park Hill to be developed for student housing and as an arts block;

(ii) to exercise the Council's rights to rescind, terminate, forfeit or assign any existing agreements (including, without limitation, the Development and Funding Agreements) or leases;

(iii) to negotiate and approve new agreements, leases or arrangements; and

(iv) to give any other consents or approvals and to exercise any powers required or permitted to be exercised by the Council under the terms of any agreement or lease entered into at any time in connection with the redevelopment of Park Hill.

Provided that the authority hereby conferred shall be exercised in consultation with the appropriate Cabinet Member and/or Executive Director.

3. **Reasons For Decision**

The proposed changes to the development agreement will enable the next phases of the regeneration of Park Hill to proceed without further delays. Granting more extensive delegated powers to the Executive Director, Place in consultation will enable the development agreement to be completed quickly following Cabinet Member approval of the principles outlined in the report.

4. **Alternatives Considered And Rejected**

## **Maintain Existing Development Agreement Requirements**

The Council could refuse to agree to any or all of the proposals from Urban Splash and insist on the current provisions being implemented.

However, it has been demonstrated by Urban Splash that the existing proposals are not viable in the current economic climate and the outcome of this would either be that the scheme proposals are stalled or that Urban Splash seek to determine the development agreement and walk away from the development. In the latter scenario the Council would take full control of any future development proposals in either of the ways set out below.

## **Terminate Development Agreement**

The Council could refuse to agree to all of the proposals from Urban Splash and seek to terminate the development agreement. This would mean that the Council would take full control of any future development proposals in either of the ways set out below.

## **Procure New Development Partner**

The Council could seek to procure a new development partner(s) to undertake development of the remainder of Park Hill on an agreed basis. The procurement process would have to comply with EU requirements, and there would therefore be a delay of around 6/12 months before a preferred development partner or partners were identified. The cost of procurement would fall to the Council and the Council would also have to cover all vacant property management costs and risks associated with the vacant parts of Park Hill.

In the current market, there is a huge risk that a suitable development partner may not be identified who would be able to satisfy the requirements of the Council - especially as the same market risks and issues outlined in this report facing Urban Splash currently would equally impact on other development partners. However, other options have been considered for the individual phases and these are considered below.

## **Phase 2 – Refurbishment**

The Council could choose to develop this phase itself or dispose to an alternative investor for refurbishment. This will be at a cost to the Council but if a profit share agreement is agreed the Council could share in this but the Council would also be liable equally for any financial risk.

## **Phase 4 (Duke Street)**

Phase 4 is probably the least attractive block in the complex as it has lower value rental/sales potential and it is not city facing.

In the first instance, the Council could work with S1 Artspace to redevelop the space for non-residential use in accordance with the S1 vision. If the funding secured by S1 is insufficient, or their funding bid fails, S1 are likely to relinquish interest in the block. If at that time no other developer can be secured to refurbish

the block in its existing form, the Council could consider an alternative demolition and rebuild proposal assuming all other options have been explored following consultation with Historic England and listed building consent has been obtained.

### **Phase 5 (114 Apartments)**

Historically Phase 5 housing has been the most popular and 'family friendly' housing and has only recently been fully vacated. The two main options would be to work in partnership with other Registered Providers to develop a rent, shared ownership, starter homes and private sale/rented scheme or for the Council to refurbish/ redevelop the empty block.

More feasibility work would be required, but it is anticipated that the refurbishment of 114 flats would cost approximately £8.5m and be fully funded from rental income and housing receipts available to the Council.

It is anticipated that any development not being subsidised by other commercial ventures (including student housing) would require significant public sector financial support to enable it to proceed. This financial support would need to be considered by the Council as part of the HRA and/or Corporate Capital programme funding.

### **Council Direct Development**

The Council could propose to undertake direct development of the remaining phases at Park Hill for a variety of uses. This would mean that the Council would be responsible for marketing and development finance. Finances would therefore be required to manage this development as a commercial venture or in partnership with the HCA who may support such a business venture.

Due to the scale of Park Hill, selective demolition may be preferable to achieve direct development by the Council. However, demolition is not currently an option due to the Listed Building status - meaning that the Council would need to prove that there were no economically viable schemes for the Listed Building before demolition could be considered.

It is estimated that it would cost in the order of £50 - 60m for the Council to undertake direct development based on high level costs and proposals for the provision of a variety of housing options. The risks of undertaking direct development by the Council would be large - both in terms of cost overruns, unforeseen problems and availability of funding.

5. **Any Interest Declared or Dispensation Granted**

None

6. **Respective Director Responsible for Implementation**

Executive Director, Place

7. **Relevant Scrutiny Committee If Decision Called In**

Economic and Environmental Wellbeing Scrutiny Committee