



SHEFFIELD CITY COUNCIL

Cabinet Report

Report of: REPORT OF THE EXECUTIVE DIRECTOR, PLACE

Cabinet Portfolio: BUSINESS SKILLS AND DEVELOPMENT

Date: 16th April 2014

Subject: MILTON STREET/PARKWAY CLOSE PROPERTY EXCHANGE

Author of Report: Neil Jones 273 5539

Summary:

- The development of new homes, the regeneration of the City Centre and providing support for businesses are all of vital importance to the city. Officers have been working with a local high quality manufacturing business that wishes to dispose of its existing listed cutlery works in the City Centre in order to relocate to more suitable premises. This property is situated in the Devonshire Quarter and has great potential to form the centrepiece of a new residential led regeneration area building on the successful developments that have taken place nearby.
- The Council owns a property in the Lower Don Valley that has very recently become vacant and which fits the needs of the business. This report seeks authority to exchange these properties with the business remaining in their existing property for up to two years to enable them to relocate in a well-managed way.
- The listed building will subsequently be marketed together with nearby property which is already owned by the Council in accordance with a development brief.

Reasons for Recommendations:

- Officers consider that acquiring Eye Witness Works and subsequently marketing it together with neighbouring Council owned land through a development brief will be a significant way in which to partially rebalance the city centre housing market and enhance the regeneration of the Devonshire Quarter.

- Exchanging this property for Council owned premises at Parkway Close will enable a high quality local manufacturing company to relocate to more suitable more modern premises. This should assist the future viability of that business and protect local jobs.
- Allowing the company to remain in the existing premises under a temporary leaseback will minimise holding costs and reduce risk to the Council.

Recommendations:

- That Cabinet approves the proposals to exchange the properties at Milton Street and Parkway Close and lease back the Milton Street property on the terms set out in this report.
- That the Director of Capital and Major Projects be authorised to negotiate the detailed terms of the transactions and to instruct the Director of Legal and Governance to complete such legal documentation as is necessary or appropriate to give effect to the transaction.

Background Papers: None

Category of Report: OPEN

Statutory and Council Policy Checklist

Financial Implications
YES Cleared by: Paul Schofield
Legal Implications
YES Cleared by: David Hollis
Equality of Opportunity Implications
NO
Tackling Health Inequalities Implications
NO
Human rights Implications
NO:
Environmental and Sustainability implications
NO
Economic impact
YES
Community safety implications
NO
Human resources implications
NO
Property implications
YES
Area(s) affected
City Centre
Relevant Cabinet Portfolio Leader
Leigh Bramall
Relevant Scrutiny Committee if decision called in
Economic and Environmental Wellbeing
Is the item a matter which is reserved for approval by the City Council?
NO
Press release
NO

MILTON STREET/PARKWAY CLOSE PROPERTY EXCHANGE

1.0 SUMMARY, OUTCOMES AND SUSTAINABILITY

- 1.1 **Summary:** The development of new homes, the regeneration of the City Centre and providing support for businesses are all of vital importance to the city. Officers have been working with a local high quality manufacturing business that wishes to dispose of its existing listed cutlery works in the City Centre in order to relocate to more suitable premises. This property is situated in the Devonshire Quarter and has great potential to form the centrepiece of a new residential led regeneration area building on the successful developments that have taken place nearby.
- 1.2 The Council owns a property in the Lower Don Valley that has very recently become vacant and which fits the needs of the business. This report seeks authority to exchange these properties with the business remaining in their existing property for up to two years to enable them to relocate in a well-managed way.
- 1.3 The listed building will subsequently be marketed together with nearby property which is already owned by the Council in accordance with a development brief.
- 1.4 **Outcomes:** A key objective of the Sheffield Housing Strategy 2013-23 is to increase the supply of new homes in the city. The Strategy also states that 'a balanced and well-functioning housing market across all neighbourhoods in the city is vital in achieving a Great Place to Live' and that 'our vision for housing development in the future is based on the renewal of the existing urban areas rather than spreading out into the countryside'. The future development in the City Centre that will be enabled as a result of the proposals in this report will contribute to these objectives.
- 1.5 The Consultation Draft of the City Centre Masterplan 2013 also recognises the importance of good quality neighbourhoods in the City Centre, including in the Devonshire Quarter and the need to try to produce a more balanced housing offer in terms of type of housing available. There is a specific proposal 'working with the developers of 'stuck' housing sites to restart these projects aimed at a wider market with a target of 500 new homes over 3 years'.
- 1.6 The Sheffield Economic Strategy contains six economic objectives including 'Distinctive and High Performing Sectors'; 'A Dynamic Private Sector' and 'Future Proof Infrastructure'. These are to be delivered through actions such as 'Promoting our USPs and Sector Strengths'; 'Accelerating the growth potential of our high performing businesses'; 'Delivering a fit for purpose 21st Century City Centre' and 'Unlocking the investment potential of the Sheffield-Rotherham Don Valley'. The proposals in this report which will assist Taylors

Eye Witness Ltd to relocate to more appropriate premises in the Lower Don Valley will have a positive outcome on all of these.

- 1.7 **Sustainability:** There are no direct environmental implications arising from the proposed exchange. However the brief which will be prepared for the future redevelopment will include requirements to promote sustainable development. Promoting the reuse of the listed building and providing more homes in the city centre, hence reducing the need to travel, will have significant environmental benefits.

2.0 BACKGROUND

- 2.1 A successful city centre needs to include a variety of uses. So, in addition to an attractive range of shopping, modern offices, a vibrant leisure offer and high quality cultural facilities it is vital that a strong and balanced residential community is established.
- 2.2 Over the past 10 years the area around Devonshire Green has begun to develop as an attractive part of the City Centre in which to live as well as to work and shop. However the area between the popular Broomsprings housing development and Moorfoot is currently in a declining state with several vacant development sites which have stalled residential planning permissions and a small number of manufacturing and storage businesses who mostly wish to relocate to smaller more suitable modern premises outside of the city centre.
- 2.3 Whilst development has largely stalled there continues to be interest from student housing developers and there have been new planning permissions granted and some student schemes are progressing. However there is a general concern that the city centre housing market is unbalanced and that more should be done to encourage a mix of townhouses and larger apartments, some of which could be attractive to families or other older households wishing to live in the City Centre. The area around the Devonshire Quarter would be particularly suitable for this as there are community facilities such as doctors and a primary school in the area and an existing successful family housing development of some size at Broomsprings.
- 2.4 Eye Witness Works (shown coloured pink on the attached plan) is a Grade 2 listed Victorian cutlery works. The premises are owned and occupied by a company that manufactures very high quality kitchen knives, scissors and penknives. They also import, package and wholesale other good quality kitchen products and the property is used for a mixture of manufacturing and storage. The building forms part of a larger cluster of metal trades buildings on Milton Street that have been highlighted for their heritage value by English Heritage.
- 2.5 The property is in a reasonable condition for its age but is no longer suitable for modern manufacturing or warehousing as it is spread over 3 storeys in separate buildings with narrow floors. It is also much larger than the

company needs with a lot of unused floorspace. The company is one of Sheffield's best known knife makers, employs over 70 people and has a strong order book but wants to sell Eye Witness Works and relocate to a smaller more modern building in order to secure the long-term viability of the business.

2.6 The City Council has some existing property ownerships in the area shown on the plan. If Eye Witness Works could be acquired then an innovative refurbishment of this very attractive listed building together with the Council's ownerships could form the centrepiece of a residential led redevelopment.

2.7 The City Council also owns a 1970's factory/warehouse property at 9-11 Parkway Close which is the type, size and location of property that would suit the owners of Eye Witness Works. This property became vacant in April 2014 and terms have been agreed in principle for the Council and Taylors Eye Witness Ltd to exchange their respective properties.

3.0 TERMS PROPOSED

3.1 Terms have been agreed, subject to Cabinet approval, whereby the Council and Taylors Eye Witness Ltd agree to exchange the freehold interests in their respective properties with the intention that this is completed as soon as possible. Whilst the company can quite easily move the warehousing part of the business they will need more time to relocate the manufacturing. It is therefore proposed to grant the company a leaseback of Eye Witness Works.

3.2 The lease will be for a maximum of 24 months, contracted out of the Landlord and Tenant Act, with the company having a right to terminate after 12 months if they are able to relocate sooner. No rent will be payable but the company will be responsible for business rates, services, insurance and maintenance of the property.

3.3 The agreed terms will therefore ensure that the Council is not responsible for the costs of holding the vacant property at Parkway Close or at Eye Witness Works whilst proposals are being worked up for the disposal of that property.

3.4 The two properties have both been valued by KAPS on behalf of the Council and are broadly worth the same amount although the Parkway property is potentially worth slightly more. However a straight exchange and rent free lease is considered to be reasonable as the company will have double overheads and be paying business rates on both properties and there is a considerable benefit to the Council in having Eye Witness Works occupied rather than vacant. It would also be virtually impossible to lease it to another tenant without giving a substantial rent free period.

4.0 FUTURE DEVELOPMENT

4.1 As stated at paragraph 2.6 the Council owns other property in the area around Eye Witness Works, in particular there is a vacant site opposite it on

Thomas Street. It is intended that a development brief be prepared in order to market this site together with Eye Witness Works which also includes some cleared land at the rear.

- 4.2 By acquiring this property and producing a development brief the Council will have far more control and influence over the type of development which will take place than through just planning powers. As stated at paragraph 2.3 the area around Devonshire Green is a unique opportunity to encourage a wider mix of city centre housing in order to partially rebalance the market.
- 4.3 The next block along Milton Street from Eye Witness Works is another range of listed buildings called Beehive Works and whilst this is also in fair condition it would benefit from some refurbishment. The Heritage Lottery Fund runs a funding programme called Townscape Heritage Initiative (THI) which is aimed at using the refurbishment of groups of listed buildings to drive regeneration, improve the environment and increase local community appreciation of historic buildings. The City Council has previously run a very successful THI project in the Cultural Industries Quarter and there is considerable scope to run a THI project centred around Eye Witness and Beehive Works. Alternatively, English Heritage (EH) grant funding may be available towards the cost of refurbishment of Eye Witness Works as EH are particularly concerned to ensure the long term future reuse of listed metal trades buildings in Sheffield. Both of these potential funding sources will be investigated before the property is marketed
- 4.4 Securing the future refurbishment of Eye Witness Works and new development on the nearby Council land will have a major impact on confidence of developers to invest in the sites that are currently stalled. Even just the prospect of these proposals will greatly help to remove uncertainty over whether this property will be improved. This in turn will have a positive effect on the value of the Council's other ownerships in the vicinity.

5.0 FINANCIAL IMPLICATIONS

- 5.1 The property which the Council owns at Parkway Close could simply be put on the market and sold rather than used as an exchange for Eye Witness Works and this would generate as capital receipt. However this could take several months to achieve and the Council would be responsible for management costs and business rates. The Eye Witness Works property will also generate a capital receipt when sold in the future. There is a strong possibility that as the housing market recovers and the regeneration of the City Centre gathers momentum again the future value could be much higher than the current value of the Parkway Close property.
- 5.2 Members will be aware of the New Homes Bonus/Local Growth Fund payments which the Council receives from Government in respect of new homes that are built in the city. As the future development proposals for Eye Witness Works and the wider sites in the vicinity will be largely residential this will result in a

significant amount of New Homes Bonus to the Council. New homes on just the Eye Witness premises should generate approximately £80,000pa and the wider area could generate a further £400,000pa in total once fully developed.

- 5.4 As stated at paragraph 3.3 the proposal whereby the Taylors Eye Witness Ltd take a leaseback of the property will ensure that any Council holding costs are minimised prior to the disposal of the property. However it is unlikely that there will be no such costs entirely and it is proposed that £60,000 of New Homes Bonus should be allocated to provide for these future costs and to cover the fees and Stamp Duty Land Tax that will be incurred initially in the property exchange.

6.0 LEGAL IMPLICATIONS

- 6.1 The Council has the power to acquire land and buildings under section 120 Local Government Act 1972. In addition, the Localism Act 2011 introduced a general power of competence that allows Local Authorities to do anything that an individual can do subject to a limitation existing elsewhere in legislation

- 6.2 Section 123 of the Local Government Act 1972 obliges the Council to achieve the best price reasonably obtainable upon a disposal of property. As stated in paragraph 3.4, external valuation advice has confirmed that the market value of the two properties is broadly equivalent and there are other benefits to the Council in agreeing to the proposed exchange. For those reasons, it is considered that terms to dispose of the Parkway Close property through the proposed exchange satisfy the Council's statutory obligations under section 123 of the Local Government Act 1972.

- 6.3 Given that the market value of the properties is broadly equivalent, there are not considered to be any State Aid implications in relation to the exchange of the freehold interests. As the proposal involves the grant of a lease back of the Eye Witness Works at a nil rent, the potential state aid implications of this also have to be considered. The report details the cost savings to the Council in terms of holding costs. It also makes it clear that the logistics of the relocation of Taylors Eye Witness Ltd means that the lease back has to be seen as an integral part of a commercial deal. It is, therefore, also considered that the lease back does not give rise to any state aid implications.

7.0 ENVIRONMENTAL IMPLICATIONS

- 7.1 There are no direct environmental implications arising from the proposed exchange.
- 7.2 The brief which will be prepared for the future redevelopment will include requirements to promote sustainable development. Promoting the reuse of the listed building and providing more homes in the city centre hence reducing the need to travel will have significant environmental benefits.

8.0 EQUALITY IMPACT ASSESSMENT

- 8.1 There are no equalities implications arising directly from the proposals in this report, an Equality Impact Assessment is therefore not considered to be necessary at this stage.

9.0 HUMAN RIGHTS IMPLICATIONS

- 9.1 There are no Human Rights implications arising from this report.

10.0 ALTERNATIVE OPTIONS CONSIDERED

- 10.1 The Council could simply sell the Parkway Close property on the open market and not do anything to assist Taylors Eye Witness Ltd to sell their property and hence relocate the business and protect jobs. This approach would not achieve any of the Council's objectives in terms of either the Economic or Housing Strategies or the regeneration of the City Centre.
- 10.2 Officers have tried other initiatives to seek to help facilitate the redevelopment of Eye Witness Works by private developers but the proposals put forward have either been unacceptable in planning terms due to the amount of demolition of the listed building proposed or not been sufficiently valuable to enable the company to acquire new property and relocate.

11.0 REASONS FOR RECOMMENDATIONS

- 11.1 Officers consider that acquiring Eye Witness Works and subsequently marketing it together with neighbouring Council owned land through a development brief will be a significant way in which to partially rebalance the city centre housing market and enhance the regeneration of the Devonshire Quarter.
- 11.2 Exchanging this property for Council owned premises at Parkway Close will enable a high quality local manufacturing company to relocate to more suitable more modern premises. This should assist the future viability of that business and protect local jobs.
- 11.3 Allowing the company to remain in the existing premises under a temporary leaseback will minimise holding costs and reduce risk to the Council.

12.0 RECOMMENDATIONS

- 12.1 That Cabinet approves the proposals to exchange the properties at Milton Street and Parkway Close and lease back the Milton Street property on the terms set out in this report.
- 12.2 That the Director of Capital and Major Projects be authorised to negotiate the detailed terms of the transactions and to instruct the Director of Legal and Governance to complete such legal documentation as is necessary or appropriate to give effect to the transaction.

Simon Green Executive Director Place





