



## Cabinet Report

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<b>Report of:</b>	<b>Simon Green</b>
<b>Report to:</b>	<b>Cabinet</b>
<b>Date:</b>	<b>11<sup>th</sup> November 2015</b>
<b>Subject:</b>	<b>Site Gallery Expansion</b>
<b>Author of Report:</b>	<b>Neil Jones 2735539</b>
<b>Key Decision:</b>	<b>NO</b>
<b>Reason Key Decision:</b>	<b>N/A</b>

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**Summary:** Site Gallery is a key national player within the UK's visual arts sector with a unique contemporary art programme with an international reputation for its extensive exhibitions, commissioning and residency programmes and innovative education and training activities. The report seeks authority to grant a lease to Site of an adjoining Council owned property in order to enable the expansion of the gallery and secure a major investment from the Arts Council and other funders. This investment will add to the cultural attraction and reinvigoration of the CIQ and city centre and has wider economic benefits in terms of making the city an exciting place to locate and attract talented staff for businesses in the creative and digital industries which is a key growth area.

In order to secure the Arts Council funding the Council is being asked to support the project by granting the lease at a peppercorn rent.

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### **Reasons for Recommendations:**

The proposed expansion of Site Gallery will be a major boost for the cultural attraction of the city centre and the CIQ in particular. This has wider economic benefits in terms of making the city an exciting place to locate and attract talented staff for businesses in the creative and digital industries which is a key growth area.

The proposal to grant a lease for 22 years at a peppercorn rent will unlock a grant from the Arts Council of just under £1m towards a £1.7m project. The refurbishment of the property will benefit a Council owned asset which is currently in a poor state of repair.

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**Recommendations:**

- 1 That Cabinet approves the proposals to enter into the agreement to grant a lease of property at Brown St to Site Gallery on the terms set out in this report.
- 2 That Cabinet delegate authority to the Executive Director Place in consultation with the Director of Capital and Major Projects and the Director of Legal and Governance to agree the terms of the documentation required to effect this transaction
- 3 That the Director of Legal and Governance be authorised to complete such legal documentation as she considers necessary or appropriate in connection with this transaction on such terms as she may agree to give effect to the proposals set out in this report and generally to protect the Council's interests

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**Background Papers: None**

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**Category of Report:        OPEN**

**If CLOSED add 'Not for publication because it contains exempt information under Paragraph (insert relevant paragraph number) of Schedule 12A of the Local Government Act 1972 (as amended).'**

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\* Delete as appropriate

## Statutory and Council Policy Checklist

<b>Financial Implications</b>
YES Cleared by: Paul Schofield
<b>Legal Implications</b>
YES Cleared by: David Blackburn
<b>Equality of Opportunity Implications</b>
NO :
<b>Tackling Health Inequalities Implications</b>
NO
<b>Human Rights Implications</b>
NO
<b>Environmental and Sustainability implications</b>
NO
<b>Economic Impact</b>
NO
<b>Community Safety Implications</b>
NO
<b>Human Resources Implications</b>
NO
<b>Property Implications</b>
YES Cleared by: Nalin Seneviratne
<b>Area(s) Affected</b>
City Centre
<b>Relevant Cabinet Portfolio Lead</b>
Cllr Sioned-Mair Richards
<b>Relevant Scrutiny Committee</b>
<b>Is the item a matter which is reserved for approval by the City Council?</b>
NO
<b>Press Release</b>
NO

**PROPOSED EXPANSION OF SITE GALLERY**

**1.0 SUMMARY**

- 1.1 Site Gallery is a key national player within the UK's visual arts sector with a unique contemporary art programme with an international reputation for its extensive exhibitions, commissioning and residency programmes and innovative education and training activities. The report seeks authority to grant a lease to Site of an adjoining Council owned property in order to enable the expansion of the gallery and secure a major investment from the Arts Council and other funders. This investment will add to the cultural attraction and reinvigoration of the CIQ and city centre and has wider economic benefits in terms of making the city an exciting place to locate and attract talented staff for businesses in the creative and digital industries which is a key growth area.
- 1.2 In order to secure the Arts Council funding the Council is being asked to support the project by granting the lease at a peppercorn rent.

**2.0 WHAT DOES THIS MEAN FOR SHEFFIELD PEOPLE**

- 2.1 The grant of the lease to Site Gallery will unlock major investment which will greatly improve the quality of the gallery and the exhibitions and educational activities for the benefit of the whole population of Sheffield.

**3.0 OUTCOME AND SUSTAINABILITY**

- 3.1 The proposed expansion of Site Gallery will be a major boost for the cultural attraction of the city centre and the CIQ in particular. This has wider economic benefits in terms of making the city an exciting place to locate and attract talented staff for businesses in the creative and digital industries which is a key growth area.
- 3.2 The Council will use its powers as both statutory planning authority and as landlord in approving any proposals to ensure that the redevelopment is as environmentally sustainable as economically possible. The refurbishment will significantly improve the current environmental performance of the building and will be carried out to achieve a BREEAM rating of Very Good.

**4.0 BACKGROUND**

- 4.1 Site Gallery is located in the part of the city centre known as the Cultural Industries Quarter (CIQ). For over 200 years the CIQ has been an area for light manufacturing. As these traditional industries declined, the CIQ attracted creative businesses, cultural organisations and artists seeking good value accommodation near to the city centre. In the mid-1980s the City Council recognised the economic, cultural and social value of the cultural

industries and set out to actively support and encourage the growth of the sector. This included the establishment of the Audio Visual Enterprise Centre (AVEC) in a group of former car showroom buildings of which Site Gallery forms part.

- 4.2 AVEC also includes the Council operated Red Tape Studios; a group of private commercial recording studios and next to Site Gallery is the former Sheffield Independent Film (SIF) studio which has been vacant for some time but is currently let to Sheffield Hallam University (SHU).
- 4.3 Today, there are over 300 companies in the area, most of which are connected to creative or cultural industries, including film-making, music production, software design, broadcasting, new media, architecture, art and traditional crafts. However despite its success as a trail-blazing example, there is now a consensus that the CIQ has lost ground to similar clusters of creative businesses and activity in other cities and that it needs to refresh and update both its cultural and commercial offer and public space for a growing resident and business population.
- 4.4 Site Gallery opened in 1978 as Untitled Gallery in Walkley subsequently moving to the current property which is leased from the Council in 1988. The launch as Site Gallery in 1995 was a new direction for the gallery's programming of exhibitions and events, incorporating new and experimental art, digital and multi-media alongside traditional forms of image production. Since the major expansion and redevelopment of the building in 1998, the gallery has become a key national player within the UK's visual arts sector, having developed a unique contemporary art programme with an international reputation through extensive exhibitions, commissioning and residency programmes and innovative education and training activities.
- 4.5 However the current property is relatively small when compared to similar contemporary art venues in other cities. This limits the possibilities to generate income to sustain the operations of the gallery. It is vital that arts venues earn more external revenue to support themselves in future as funding from Arts Council England (ACE) and other funders continues to decline.
- 4.6 Site has identified the adjoining former SIF premises as being ideal for the expansion space that the gallery needs in order to increase its capacity for artists and audiences and to develop its business model, increasing and diversify its income. Their proposal will also greatly improve the environmental credentials of the building. This is entirely in line with the Council's aspirations to re-energize the CIQ.
- 4.7 In November 2013 Site submitted a bid to ACE for a substantial capital grant to carry out a comprehensive refurbishment of the SIF property and remodelling of Site Gallery to expand into the SIF property. The proposed works include larger exhibition spaces which will help to attract major exhibitions; further space for events and education; additional studio space and an expanded café that will underpin income generation and sustainability for the organisation into the future.

4.8 The Council has provided assistance for this important project and wrote a letter of support which stated that:

- We will contribute cash match funding to the value of £125,000 to support the development and delivery of the project.
- As landowners of the SIF property we are prepared to lease the unit to Site Gallery on a peppercorn rent for a term that will end when the existing Site Gallery lease ends in March 2038.
- Our Capital Department has been working with Site Gallery to provide structural, M&E, QS and project management advice.

4.9 In July 2014 ACE confirmed in principle approval to a grant of £970,000 towards the project which has a total estimated cost of £1,700,000. The proposed support from the Council outlined above was a vital element of the decision by ACE to approve the grant as ACE will also treat the discounted value of the lease as match funding. Without this it is unlikely that ACE would approve the grant.

Site are currently raising the balance of the funding and resubmitted the stage 2 bid to ACE in June this year for final approval of their grant. If that is approved then works will commence in April 2016 and the gallery reopen in Spring 2017. A detailed planning application was approved in September.

4.10 A report also on the agenda of this meeting of Cabinet sets out proposals to grant a lease of the small square opposite Site Gallery to SHU as the university is prepared to invest in significantly improving the open space and taking on responsibility for maintaining it. The Council is also currently marketing the Porter Brook site in the CIQ for a new mixed use development and carrying out works to create a new pocket park and enhancements to the river on that site. This combination of investments and activity will all play an important part in reinvigorating the CIQ and its attractiveness to businesses, visitors and residents.

## **5.0 FINANCIAL AND PROPERTY IMPLICATIONS**

5.1 As stated above the SIF property is owned by the Council and forms part of the AVEC complex which is managed by Lifelong Learning, Skills & Communities of CYPF together with Red Tape Studios training centre.

5.2 Whilst the SIF property has been largely vacant for some time and is in a poor state of repair it has been let this year to SHU who are paying a rent of £36,000 per annum. This is however a temporary letting whilst the university carries out major refurbishment to alternative properties for their faculty of Arts, Computing, Engineering and Sciences and they intend to vacate next Spring.

5.3 When SHU vacate it is unlikely that the premises can be let at the same rental level as it has been but it could be possible to achieve a rent in the region of £30,000pa. The proposed lease to Site Gallery would be at a peppercorn rent for 22 years to match the term of their existing lease next

door. This recognises the substantial external investment which has been secured and the potential benefits to the city.

- 5.4 Officers in CYPF are supportive of the Site Gallery expansion proposals as the whole frontage to the AVEC building on Brown Street will receive a much needed external improvement; the proposals will remove some liabilities for the building that CYPF currently have to manage; there will be increased opportunities to engage young people with contemporary art and the increased activity at the gallery will add to the vitality and attractiveness of the surrounding CIQ.
- 5.5 CYPF officers are however rightly concerned that during the refurbishment works there is a risk that there will be a considerable amount of disruption and noise. This would be particularly unacceptable to the privately run recording studios within the AVEC complex and Site will be put under firm obligations in the proposed lease to minimise this, co-operate with the other tenants and if necessary take out insurance to cover any valid claims that arise for loss of business by the other studios.

## **6.0 LEGAL IMPLICATIONS**

- 6.1 The lease of the site to Site Gallery is classed as a disposal of the land, which is being granted at an undervalue. Under s123 Local Government Act 1972, the Council cannot dispose of property for less than the best price reasonably obtainable, unless it obtains the consent of the Secretary of State. Pursuant to the powers conferred by section 128(1) of the 1972 Act the Secretary of State has issued the General Disposal Consent (England) 2003. Where the terms of a proposed disposal fall within the scope of this consent there is no requirement to obtain a specific consent for it. This consent permits the disposal of land at an undervalue of up to £2,000,000 where the Council considers that it will help to secure the promotion or improvement of the economic, social or environmental well-being of its area.
- 6.2 As stated in the Property Implications section of this report, the property is currently leased at a rent of £36,000pa but this will cease next Spring and the market rental value is likely to be lower. This means that the proposal to grant a lease at a peppercorn rent would fall well within the threshold of £2,000,000 permitted under the terms of the consent. ACE are calculating the value of the Council's contribution to the project as £660,000
- 6.3 In determining whether the disposal will help to secure the promotion or improvement of the economic, social or environmental well-being of its area the consent states that the Council should have regard to its Sustainable Community Strategy prepared pursuant to Section 4 of the Local Government Act 2000. It is considered that the use of the property as detailed in this report would help to deliver the vision for Sheffield as a sustainable community set out within the City Strategy. On that basis, there will be no requirement to obtain a specific consent from the Secretary of State for the grant of the proposed lease to Site Gallery.

## **7.0 EQUALITY OF OPPORTUNITY**

7.1 There are no direct equality impacts arising out of the decisions to be made in this report.

7.2 Site Gallery have a commitment to equal opportunities for all visitors and staff and it is their intention that the development captures social and educational opportunities. Site ensure that all exhibitions have a range of interpretative material; that the exhibition text is available in large print and can also be made available in braille / audio tape.

## **8.0 ENVIRONMENTAL SUSTAINABILITY**

8.1 There are no direct environmental sustainability issues arising out of the decisions to be made in this report.

8.2 The Council will use its powers as both statutory planning authority and as landlord in approving any proposals to ensure that the redevelopment is as environmentally sustainable as economically possible. The refurbishment will significantly improve the current environmental performance of the building and will be carried out to achieve a BREEAM rating of Very Good.

## **9.0 HUMAN RIGHTS ISSUES**

9.1 There are no human rights implications arising from these proposals.

## **10.0 CONSULTATION**

10.1 It has not been considered necessary to carry out specific consultation on these proposals

## **11.0 ALTERNATIVE OPTIONS**

11.1 The unit which it is proposed to lease to Site forms part of the AVEC building part of which is above the Sheffield Archives and in other places is closely linked to the recording studios behind. It is therefore extremely difficult to sell or grant a very long term interest in the property.

11.2 The property was almost completely vacant for several years after SIF went into administration as it proved difficult to find tenants prepared to take the property on in its poor condition. If the property was not to be leased to Site then it could be marketed but it is felt that any potential tenants would require a significant rent free period; would not attract the level of investment available from ACE and would be very unlikely to achieve the same cultural and economic benefits as the proposed lease to Site.

## **12.0 REASONS FOR RECOMMENDATIONS**

12.1 The proposed expansion of Site Gallery will be a major boost for the cultural attraction of the city centre and the CIQ in particular. This has wider economic benefits in terms of making the city an exciting place to locate and



attract talented staff for businesses in the creative and digital industries which is a key growth area.

12.2 The proposal to grant a lease for 22 years at a peppercorn rent will unlock a grant from the Arts Council of just under £1m towards a £1.7m project. The refurbishment of the property will benefit a Council owned asset which is currently in a poor state of repair.

### **13.0 RECOMMENDATIONS**

13.1 That Cabinet approves the proposals to enter into the agreement to grant a lease of property at Brown St to Site Gallery on the terms set out in this report.

13.2 That Cabinet delegate authority to the Executive Director Place in consultation with the Director of Capital and Major Projects and the Director of Legal and Governance to agree the terms of the documentation required to effect this transaction

13.3 That the Director of Legal and Governance be authorised to complete such legal documentation as she considers necessary or appropriate in connection with this transaction on such terms as she may agree to give effect to the proposals set out in this report and generally to protect the Council's interests

**Simon Green Executive Director Place**

