



Author/Lead Officer of Report: Dave Wood,
Interim Property Surveying Manager, Capital and
Major Projects
Tel: 0114 27 34095

Report of: Simon Green, Executive Director Place
Report to: Cllr. Mazher Iqbal – Cabinet Member for
Infrastructure and Transport
Date of Decision:
Subject: Park Hill, Sheffield - Development Agreement

Is this a Key Decision? If Yes, reason Key Decision:-	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
- Expenditure and/or savings over £500,000	<input type="checkbox"/>	
- Affects 2 or more Wards	<input type="checkbox"/>	
Which Cabinet Member Portfolio does this relate to? Infrastructure and Transport		
Which Scrutiny and Policy Development Committee does this relate to? Economic and Environmental Wellbeing Scrutiny and Policy Development Committee		
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>		
Does the report contain confidential or exempt information?	Yes <input type="checkbox"/>	No <input checked="" 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:-		

Purpose of Report:

This report provides an update on recent development at Park Hill and outlines an approach to securing the redevelopment.

A number of changes to the existing development agreement have been identified in order to provide for the development at Park Hill to try and ensure that the regeneration of the area can continue and build on the good progress made in Phase 1 of the development.

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 will enable the development agreement to be completed quickly following Cabinet Member

approval of the principles outlined in the report.

Recommendations:

It is recommended that the Cabinet Member authorise 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;
- (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.

Background Papers:

None

Lead Officer to complete:-		
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.	Finance: Paul Schofield
		Legal: David Blackburn
		Equalities: None
<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:	Simon Green
3	Cabinet Members consulted:	Cllr Mazher Iqbal and Cllr Jayne Dunn
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 Decision Maker 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: Dave Wood	Job Title: Interim Property Surveying Manager, Capital and Major Projects
	Date: 8 July 2016	

1. PROPOSAL

1.1 Summary

This report provides an update on recent development at Park Hill and outlines an approach to securing the redevelopment.

In order to overcome challenges (especially financial), Urban Splash is seeking to change the development mix at Park Hill. This would see some of the proposed residential units in phases 3 and 4 being replaced with student housing and a new externally funded transformational arts facility.

A number of changes to the existing development agreement have been identified in order to provide for the development at Park Hill to try and ensure that the regeneration of the area can continue and build on the good progress made in Phase 1 of the development.

If the Urban Splash proposals are not acceptable to the Council and either the Council or Urban Splash chose to bring the development agreement to an end, then the site would return to the Council. Estimates suggest it would need development finance of £50 - 60m based on the provision of a variety of housing options. There are associated significant risks with direct development including cost overruns, unforeseen problems and availability of funding.

1.2 Background

Park Hill estate is a Grade II* Listed Building, originally comprising 1000 units of council housing which were in need of complete refurbishment and with no viable future unless significant investment was undertaken by the Council. In 2005 the Council committed to a transformational scheme to bring investment to ensure an attractive, contemporary use for Park Hill, complement the regeneration of Sheffield's city centre, and further the ambition to create successful neighbourhoods. Demolition of the Listed Building was not an option at that stage unless all other options had been proved to be unviable and that remains the case today.

The Park Hill development brief set out a vision for Park Hill to deliver a sustainable future for the whole estate. To achieve this the developer was asked to provide the following:

- A high quality sustainable regeneration solution for the whole of Park Hill
- Long term repairs to the structure of the buildings and historic details of the external fabric
- Refurbishment of the interior of the buildings
- A mixed use development (including affordable housing provision)

and shared ownership on top of the affordable housing policy commitments)

- Use of good design which highlights and enhances the existing architectural features and the heritage status of the buildings
- High quality public realm and improvement to the existing adjacent open spaces in furtherance of the city's reputation as a green city
- A high impact visual gateway to the city
- Improved accessibility with high quality connections and linkages and safe public routes to the city centre and railway station

Urban Splash (Park Hill) Ltd (referred to as Urban Splash in this report) was appointed as the Council's development partner for the whole of the Park Hill complex following a competitive procurement process, conducted in accordance with EU procurement rules, with a Development Agreement being completed on 24 December 2006 setting out the development commitments and timescales for the estate. Great Places Housing Group is a key partner appointed by the Council as the registered provider who would manage the affordable housing and the maintenance of the buildings as a single provider. Funding would be sought through the development agreement and government funding to provide the affordable housing element, both for rent and low cost home ownership. Great Places Housing Group was appointed by the Council using the same procurement process as Urban Splash.

The original Development Agreement envisaged the following number of residential units to be dispersed across the estate:

• Great Places / social rented	200
• Shared ownership / shared equity	40
• Open market	634
• Total Units	874

The development was also to include some commercial development including:

- Food and drink establishments
- Retail
- Offices
- Health and community space
- A replacement facility for Grace Owen Nursery

The Development Agreement provided for redevelopment to take place on a phased basis linked to a development programme which allowed work to begin without emptying the whole estate and also provided the opportunity for any tenants leaving the estate through the decommissioning process to move back to Park Hill once the new affordable units have been refurbished. Additional phases would not be released unless there was satisfactory progress on existing phases of development. The original timescale envisaged a start on site around Spring 2007 with an anticipated completion within say 5/7 years

depending on market conditions. The assumed completion date of development was around 2014.

1.3 Progress to Date

As a result of the global housing market crash in 2008 and the subsequent downturn in the market and associated austerity measures introduced by Central Government and other policies, the proposals contained within the original development agreement have not been fully realised. As a result, the Development Agreement has been varied on three occasions and currently contemplates the phase by phase draw down and development of Park Hill subject to Urban Splash submitting a financial appraisal for Council approval in advance. However, Urban Splash would be responsible for holding costs with effect from April 2017. The current variation of the Development Agreement being proposed as part of this Cabinet Member report provides Urban Splash with an ability to draw down the whole of the site (excluding Phase 5) prior to March 2017.

Urban Splash (Park Hill) Ltd became a 50/50 joint venture between Urban Splash Developments Ltd and Places for People Ventures Ltd in 2014. Places for People are an equity partner rather than developer/housing provider. This was documented in a variation to the Development Agreement, which also added a further 10 year period for the completion of the development to reflect the difficult market conditions and ensured that the holding costs associated with the vacant phases were passed to Urban Splash no later than April 2017.

Phase 1, which comprises a total of 260 apartments and 30,000 sq. ft. of commercial space, has been delivered through this partnership arrangement and has been successful with over 200 people working and 400 people living at Park Hill by March 2016 either through home ownership, affordable housing tenants as part of the Council's approved allocations policy or through buy to let and private rented arrangements. The residential units include:

- | | |
|------------------------------------|-----|
| • Great Places / social rented | 96 |
| • Shared ownership / shared equity | 10 |
| • Open market | 154 |
| • Total Units | 260 |

Grace Owen Nursery has also been relocated into new purpose built accommodation within Phase 1.

Commercial users who have already taken occupation include:

- Alpha Recruitment - 1,656 sq. ft.
- Human - 1,100 sq. ft.
- Uber - 3,500 sq. ft.
- Grace Owen Nursery - 3,500 sq. ft.

- Can Studios - 2,900 sq. ft.
- Warp Films - 2,000 sq. ft.
- Total - 14,656 sq. ft.

Agreements are also in place for the following commercial users:

- Yoomee - 4,300 sq. ft.
- Content on Demand - 1,100 sq. ft.
- Kada Studio - 551 sq. ft.
- Cloaked - 1,100 sq. ft.
- Airship - 3,200 sq. ft.
- Total - 10,251 sq. ft.

With no gap funding available for the remaining phases, the development still remains a financial challenge with a predicted funding gap of between £6m and £8m depending on the final development proposals.

To date £13.6m has been allocated from Housing Market Renewal funding for the lifetime of the project to cover enabling works including Home Loss Payments, security costs and demolition. In addition there is a budget of £80k from the HRA budget to cover security and maintenance costs until the building is transferred to Urban Splash.

2. ALTERNATIVE OPTIONS CONSIDERED

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.

3. REASONS FOR RECOMMENDATIONS

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.