

LAND AT JAMES STREET: PRE-DECISION SCRUTINY

Appendices 2 - 7 of the Cabinet Report are not for publication as they contain exempt information of the description contained in paragraph 14 of Part 4 and paragraph 21 of Part 5 of Schedule 12A of the Local Government Act 1972. It is viewed that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Purpose of the Report

1. To give Members background information to aid the scrutiny of the draft report to Cabinet regarding the acquisition of land at James Street, Butetown, Cardiff, which is due to be considered by Cabinet at their meeting on 19 March 2020.
2. Members should note that **Appendices 2, 3, 4, 5, 6 and 7** of the Cabinet report are exempt from publication. Members are requested to keep this information confidential, in line with their responsibilities as set out in the Members Code of Conduct and the Cardiff Undertaking for Councillors.

Scope of Scrutiny

3. At their meeting on 19 March 2020, the Cabinet will consider a report that seeks cabinet approval to acquire land situated on the corner of James Street and Adelaide Street in Cardiff Bay to enable a high quality mixed-use development extending to and including the restoration and improvement of the Council owned Royal Stuart Workshops and Douglas Buildings¹.
4. During this scrutiny, Members have the opportunity to explore:
 - i) The proposal to acquire land at James Street;

¹ Members of the Innovation and Workshop Inquiry visited these buildings in August/ September 2018.

- ii) The proposal to acquire Mandalay House;
- iii) The proposed approach to fund these acquisitions;
- iv) The proposed approach to enable development of these sites;
- v) The implications of the proposed approach re Royal Stuart Workshops and Douglas Buildings;
- vi) Whether there are any risks to the Council;
- vii) The timeline and next steps for delivering the proposals;
- viii) The recommendations to Cabinet.

Structure of the meeting

5. The Chair will move that this item be considered in two parts: an open session, where Members will be able to ask questions on the issues and papers that are in the public domain; and a closed session, where members of the public will be excluded, where Members can ask questions that pertain to **Appendices 2, 3, 4, 5, 6 and 7**.
6. Members will hear from Councillor Russell Goodway (Cabinet Member – Investment and Development) and Neil Hanratty (Director of Economic Development). There will be a presentation taking Members through the proposals and recommendations to Cabinet, followed by Members questions.
7. Members will then be able to decide what comments, observations or recommendations they wish to pass on to the Cabinet for their consideration prior to making their decisions.

Background

8. In January 2020, Cabinet agreed a refreshed Capital Ambition that sets out the key priorities and commitments for Cardiff for the remainder of the administration's term. This includes a commitment to support regeneration of heritage buildings and to:

'writing a new chapter in Cardiff Bay's regeneration story'.

9. The Council owned and managed Royal Stuart Workshops and Douglas Buildings accommodate 35 businesses in one of the city's most important creative clusters. A site adjacent to the workshops has remained derelict for many years and the report to Cabinet highlights that this *'presents a significant eyesore for local residents and children attending Mount Stuart Primary School and represents a significant blight on an important vehicular artery (James Street) into Cardiff Bay'*.

10. The draft report to Cabinet entitled 'Land at James Street' is attached at **Appendix A** and has **seven** appendices:

- **Appendix 1** - Site Plan
- **Appendix 2** - Confidential - Heads of Terms (James Street)
- **Appendix 3** - Confidential – Valuation Report (James Street)
- **Appendix 4** – Confidential – Valuation Report (Council Land)
- **Appendix 5** – Confidential – Heads of Terms (Mandalay House)
- **Appendix 6** – Confidential – Valuation Report (Mandalay House)
- **Appendix 7** – Confidential – Acquisition and Holding Costs

Issues identified in the Cabinet Report

11. The report to Cabinet states, at **point 5**, that Royal Stuart Workshops and Douglas Buildings:

'are in need of investment to address statutory compliance issues and to maintain both the internal and external fabric of the building.'

12. The Cabinet report states, at **point 7**, that the derelict adjacent site offers the potential to significantly extend workshop capacity as well as provide investment into the heritage buildings, as part of a comprehensive mixed-use scheme.

13. At **points 8-13**, the report to Cabinet sets out the key issues relating to acquiring the site, including relocating an electricity sub-station, providing alternative sites for affordable housing, and valuations for Mandalay House and the overall site.

14. At **points 14- 16**, the Cabinet report sets out the funding and delivery strategy, which is: to use Economic Stimulus grant provided by Welsh Government to acquire the site and Mandalay House; to market the site and the Royal Stuart

Workshops and Douglas Buildings; and to seek either a capital receipt or to retain ownership of an agreed quantum of new and/ or refurbished small business accommodation.

15. The financial implications section of the report to Cabinet, at **points 18-24**, highlight the following:

- i) A condition of acquisition is that the current land owner covers the cost to relocate the electricity sub-station, thus enabling increased density of development on the site;
- ii) A suitable revenue budget will need to be identified to fund the holding costs of the site as well as to fund the costs of marketing the site and procuring a developer;
- iii) VAT advice will need to be sought on specific proposals regarding future use of this land and the Royal Stuart and Douglas Building workshops and the impact on the Council's partial VAT exemption;
- iv) This report does not consider the costs of any potential redevelopment, the impact on Council income and additional holding costs that may arise.

Proposed Recommendations to Cabinet

16. The report to Cabinet contains the following recommendations:

- (i) Delegate authority to the Director of Economic Development, in consultation with the Cabinet Member for Investment & Development, the Section 151 Officer and the Legal Officer to:
 - a) Conclude the acquisitions of the two properties set out in this report in line with the Heads of Terms included at Confidential Appendices 2 and 5.
 - b) Agree the terms and enter into an option agreement for the two replacement sites included within Confidential Appendix 4.
 - c) Deal with all aspects of the procurement of a development partner to bring forward the development of the site including the restoration of the Royal Stuart Workshops & Douglas Buildings subject to independent valuation/property advice.

Way Forward

17. Councillor Russell Goodway (Cabinet Member – Investment and Development) will be invited to make a statement. Neil Hanratty (Director of Economic Development) will attend to give a presentation and answer Members' questions on the proposals detailed in the report to Cabinet.

18. All Members are reminded of the need to maintain confidentiality with regard to the information provided in **Appendices 2, 3, 4, 5, 6, and 7**. Members will be invited to agree the meeting go into closed session to enable discussion of this information.

Legal Implications

19. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters, there are no direct legal implications. However, legal implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any legal implications arising from those recommendations. All decisions taken by or on behalf of the Council must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers on behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. Scrutiny Procedure Rules; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

Financial Implications

20. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters, there are no direct financial implications at this stage in relation to any of the work programme. However,

financial implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any financial implications arising from those recommendations.

RECOMMENDATION

The Committee is recommended to:

- i) Consider the information in this report, its appendices and the information presented at the meeting;
- ii) Determine whether they would like to make any comments, observations or recommendations to the Cabinet on this matter in time for its meeting on 19 March 2020; and
- iii) Decide the way forward for any future scrutiny of the issues discussed.

DAVINA FIORE

Director of Governance & Legal Services

6 March 2020