

CABINET MEETING: 19 NOVEMBER 2020

MERCHANT PLACE/CORY'S BUILDINGS

**INVESTMENT AND DEVELOPMENT (COUNCILLOR RUSSELL
GOODWAY)**

AGENDA ITEM: 9

Appendices 2, 3 and 4 of this report are not for publication as they contain exempt information of the description contained in paragraphs 14 of part 4 and paragraph 21 of part 5 of Schedule 12A of the Local Government Act 1972.

Reason for this Report

1. To seek authority to acquire the freehold interest in the land and buildings known as Merchant Place/Cory's Buildings to regenerate what are widely considered important and iconic heritage assets in Cardiff Bay.
2. To seek authority to undertake a marketing process to engage a development partner to bring forward the regeneration of the site including the refurbishment of the listed assets and to engage with Welsh Government and other relevant organisations in respect of securing grant funding opportunities.

Background

3. Merchant Place/Cory's Buildings are Grade II Listed properties occupying a prominent position in Cardiff Bay directly opposite the Wales Millennium Centre and in the heart of Cardiff's vibrant visitor destination.
4. The properties total just under 39,000 sq ft of gross internal floor area and are currently vacant, boarded up and in a state of disrepair requiring significant investment to come back into effective use.
5. The importance of protecting heritage assets is identified in the Cardiff Council Local Development Plan (2016). Key Policy 17 states that "*Cardiff's distinctive heritage assets will be protected, managed and enhanced*".
6. The Cabinet Report of November 2018 "Securing the Future of Cardiff's Heritage Buildings" identified a number of important historic buildings in the city, in both

public and private ownership, that remain in need of investment including Merchant Place/Cory's Buildings. In April 2019, £2m of capital was allocated in the Council's budget to support this Council priority.

7. The political Administration set out in their policy document Capital Ambition their commitment to working with a range of public and private sector partners to secure the required level of investment to protect the city's heritage assets. They have also recognised the importance of continuing the regeneration of Cardiff Bay to establish a premier UK visitor destination, which is prioritised as one of two strategic economic regeneration priorities 'to write a new chapter in Cardiff Bay's regeneration story' in their recently adopted Economic Strategy.

Issues

8. Merchant Place and Cory's Building occupy a prominent position at the gateway to the Inner Harbour, directly opposite one of Wales most iconic buildings, the Wales Millennium Centre, and adjacent to the site of the Atlantic Wharf regeneration project including delivery of Cardiff's new Indoor Arena. The site is illustrated outlined red on the attached plan at Appendix 1.
9. The properties have been unoccupied for over a decade and represent a major blight on the local area and serve to undermine the investment confidence in the area. However, although in need of significant investment, the buildings are in a general good condition, safe and water tight. The Council will undertake detailed structural surveys prior to completing the acquisition and the negotiated terms remain subject to a satisfactory outcome of this process.

Funding

10. The site is to be acquired via private treaty by the Council for the terms set out in Confidential Appendix 2 and in accordance with the independent valuation attached at Confidential Appendix 3.
11. The total cost of acquisition, including VAT and land transaction tax is shown at Confidential Appendix 4.

Delivery Strategy

12. At this stage, the Council remains open minded as to the final end use of the buildings, which could include a mixture of offices, residential, hotel and food & beverage.
13. In 2016, the property was granted planning permission for a new 8 storeys office development on the undeveloped part of the site to the rear of Merchant House consisting of circa 0.5 acres. A scheme on this undeveloped land could deliver up to circa 75,000 sq ft gross of new accommodation.
14. The Council's will undertake a soft market exercise to determine market interest and commercial feasibility.

15. The Council has held preliminary discussions with Welsh Government regarding the availability of regeneration funding for a suitable development. It is understood that proposals for the refurbishment of the property are likely to qualify for an element of funding subject to the normal application process and due diligence. A previous proposal to redevelop the buildings secured loan funding from the Development Bank of Wales and through the Council administered Town Centre Loan Scheme. Both of these loans have been repaid in full.

Local Member Consultation

16. Local members have been informed of the proposed acquisition.

Reasons for Recommendations

17. To authorise the acquisition of an important listed property to protect the city's heritage assets and providing a development opportunity which enables the Council to continue the regeneration of the Cardiff Bay area.

Financial Implications

18. The total costs of acquiring the site are included in the appendix that forms part of this report and includes the acquisition price, recoverable VAT and Land transaction Tax payable. Three sources of funds are in place to meet the initial acquisition cost: A balance of £1.7m for Economic Development Initiatives included in the current Capital Programme, an earmarked receipt held from the sale of the medicentre for reinvestment, £1.28 million, with the balance to be met from disposal receipts already received as part of the Council's Investment Property Strategy. In the event of the disposal of the site, any proceeds will be a capital receipt and would be available for further re-investment in economic development initiatives or for re-investment in other investment property.
19. No Capital funding is deemed required currently to ensure that the building remains safe or to undertake emergency preservation works. In respect to holding costs whilst the property remains empty, these include security, utilities. The sites are exempt from NDR in their current condition. There will be costs of holding the site including insurances and these will need to be managed from within existing directorate budgets. In the event that the time to secure a development partner or a future agreed use of the buildings is extended, this may result in unforeseen costs. In order to mitigate against this, a clear timetable should be set out for the future use of the site.
20. No Capital funding is included in the Council's capital programme for redevelopment of the site and the report indicates that a development partner will be sought for the site. Where grant and contributions are sought for any works, this should be after consideration of the terms and conditions of any grant as well as any VAT implications arising.

21. In respect to VAT, prior to any agreed completion of the site, the respective parts of the site should be opted to tax in accordance with the process set out by HMRC.
22. In respect to holding costs whilst the property remains empty, these include security, utilities. The sites are exempt from NDR in their current condition. There will be costs of holding the site including insurances and these will need to be managed from within existing directorate budgets, with the aim to minimise the period of holding costs by identifying a developing partner and a future use for the buildings.

Legal Implications

23. Section 120 of the Local Government Act 1972 enables the Council to acquire land for either (a) the benefit improvement or development of its area or (b) any of its functions under any enactment.
24. The Local Government Act 2000 grants the Council wellbeing powers with regard to promoting and improving the social, economic, environmental well-being of its area.
25. The Council's Acquisition and Disposal of Land Procedures rules require advice to be obtained from a qualified valuer. The decision makers should take into account the Council's fiduciary duties to local residents and taxpayers. As such proper consideration should be given to the risks, rewards and potential failure of the proposals which are subject of the report. The risks and liabilities should be should be proportionate to securing the stated economic development objectives.
26. Equalities Impact Assessment/public duties: The Council has to satisfy its public sector duties under the Equalities Act 2010 (including specific Welsh public sector duties) – the Public Sector Equality Duties (PSED). These duties require the Council to have due regard to the need to (1) eliminate unlawful discrimination, (2) advance equality of opportunity and (3) foster good relations on the basis of 'protected characteristics'. The 'Protected characteristics' are: • Age • Gender reassignment • Sex • Race – including ethnic or national origin, colour or nationality • Disability • Pregnancy and maternity • Marriage and civil partnership • Sexual orientation • Religion or belief – including lack of belief.
27. Well Being of Future Generations (Wales) Act 2015: The Well-Being of Future Generations (Wales) Act 2015 ('the Act') places a 'well-being duty' on public bodies aimed at achieving 7 national well-being goals for Wales - a Wales that is prosperous, resilient, healthier, more equal, has cohesive communities, a vibrant culture and thriving Welsh language, and is globally responsible.
28. In discharging its duties under the Act, the Council has set and published wellbeing objectives designed to maximise its contribution to achieving the national wellbeing goals. The wellbeing objectives are set out in Cardiff's Corporate Plan. When exercising its functions, the Council is required to take all reasonable steps to meet its wellbeing objectives. This means that the decision

makers should consider how the proposed decision will contribute towards meeting the wellbeing objectives and must be satisfied that all reasonable steps have been taken to meet those objectives.

29. The wellbeing duty also requires the Council to act in accordance with a 'sustainable development principle'. This principle requires the Council to act in a way which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs. Put simply, this means that Council decision makers must take account of the impact of their decisions on people living their lives in Wales in the future. In doing so, the Council must:

- Look to the long term
- Focus on prevention by understanding the root causes of problems
- Deliver an integrated approach to achieving the 7 national well-being goals
- Work in collaboration with others to find shared sustainable solutions
- Involve people from all sections of the community in the decisions which affect them

The decision maker must be satisfied that the proposed decision accords with the principles above; and due regard must be given to the Statutory Guidance issued by the Welsh Ministers, which is accessible using the link below: <http://gov.wales/topics/people-and-communities/people/future-generations-act/statutory-guidance/?lang=en>

30. The Council must be mindful of the Welsh Language (Wales) Measure 2011 and the Welsh Language Standards when making any policy decisions and consider the impact upon the Welsh Language.

Property Implications

31. In the event of a delay to redevelopment, the day-to-day holdings costs will be low as the buildings are ratings exempt, currently secure and weather tight, with utility costs limited to a small amount of lighting and alarm systems.

HR Implications

32. There are no HR implications arising from this report

RECOMMENDATIONS

The Cabinet is recommended to delegate authority to the Director of Economic Development, in consultation with the Cabinet Member for Investment and Development, the Monitoring Officer and the Section 151 Officer to:

1. Complete the acquisition of the property in accordance with the Heads of Terms attached at Confidential Appendix 2 and the independent valuation attached at Confidential Appendix 3 and subject to any further legal or property due diligence deemed necessary.

2. Undertake a soft market exercise to determine the appropriate delivery strategy.

SENIOR RESPONSIBLE OFFICER	NEIL HANRATTY Director of Economic Development
	13 November 2020

The following Appendices are attached:

Appendix 1: Site location plan
Confidential Appendix 2: Heads of Terms
Confidential Appendix 3: Independent Valuation
Confidential Appendix 4: Acquisition costs including land tax