

LAND AT JAMES STREET, CARDIFF

INVESTMENT & DEVELOPMENT (COUNCILLOR GOODWAY)

AGENDA ITEM:

PORTFOLIO: BUSINESS & INVESTMENT

Appendices 2 to 7 of this report are not for publication as they contain exempt information of the description contained in paragraphs 14 of part 4 and paragraph 21 of part 5 of Schedule 12A of the Local Government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 Cabinet authority to acquire land situated on the corner of James Street and Adelaide Street in Cardiff Bay that has remained derelict for over 30 years to enable a high quality mixed-use development extending to and including the restoration and improvement of the Council owned Royal Stuart Workshops & Douglas Buildings.

Background

2. The regeneration of Cardiff Bay has been a core Council priority for a number of decades. The current political administration remains committed to the on-going regeneration of the Bay and to restoring and upgrading the remaining heritage assets that require investment. This is confirmed in their strategic policy vision document *Capital Ambition* which includes a commitment to “writing a new chapter in Cardiff Bay’s regeneration story”.
3. At the heart of this commitment is an ambition to secure the sustainable future of a number of the city’s important heritage assets located in the Bay. This is confirmed in *Capital Ambition* through priorities to support the regeneration of Cardiff Bay’s historic buildings and to deliver on-going support for the Council’s historic and heritage buildings. A report was presented to Cabinet in November 2018 outlining a strategic plan to secure investment into the Council owned heritage buildings. As part of this, authority was delegated to bring forward detailed plans for the Norwegian Church in Cardiff Bay. In December 2019, Cabinet agreed a loan under the Welsh Government Town Centre Loan Scheme (administered by the Council) in support of the Coal Exchange hotel development. Similar investment was made in the regeneration of the former Bute Town Station building which is now almost fully let. The

Council has been working for a number of years to encourage investment in the Corys Building/Merchant Place. In recent weeks, the site has been acquired by a developer, which will see these important heritage assets renovated and brought back into effective use.

4. In addition to heritage buildings, Capital Ambition also recognises the importance of maintaining the standard and quality of the Council's workshop estate and includes specific priorities to grow and improve the space available to encourage innovation and creative and cultural industries.
5. The Council owned and managed Royal Stuart Workshops & Douglas Buildings off James Street represent one of the city's most important creative clusters. Built in 1899 and consisting of 11,000 sq ft of low cost workshop space, the buildings accommodate 35 businesses employing a total of circa 100 people. The buildings however are in need of investment to address statutory compliance issues and to maintain both the internal and external fabric of the building.

Issues

6. A parcel of land situated on the south side of James Street between Adelaide Street and Royal Stuart Lane extending to approximately 0.193 Ha (0.476 acres) as illustrated marked red on the site plan at Appendix 1 has remained derelict and undeveloped for over 3 decades. The site 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.
7. The site lies adjacent to the Council owned Royal Stuart Workshops & Douglas Buildings. It offers the potential to significantly extend the capacity of the workspace available at this location as part of a comprehensive mixed use scheme that would also provide investment into the heritage buildings.
8. The site has been owned by Wales and West Housing Association since 2013. It has proven difficult to deliver a viable affordable housing scheme on the site and as a consequence the site has remained fenced off and has become overgrown and is a target for fly tipping.
9. The Council has agreed Head of Terms with Wales and West Housing Association to acquire the site on the condition that they have the option to acquire land from the Council to replicate their housing numbers elsewhere in the city as outlined in Confidential Appendix 2. Two potential replacement sites have been offered to Wales and West Housing Association and valuation reports are attached at Confidential Appendix 4.
10. The Council has appointed an independent surveyor to establish market value of the James Street site as set out at Confidential Appendix 3.
11. There is a large structure on the junction with Adelaide Street and Adelaide Place, which houses an electricity sub-station. The building is in

a poor condition. Wales and West have agreed the relocation of the sub-station elsewhere on the site to enable the redevelopment of the site and confirmation of this agreement is a condition of the acquisition.

12. At present, a small building of circa 2,000 sq ft, known as Mandalay House, is situated in between the derelict site and the Royal Stuart Workshops & Douglas Buildings. The site is illustrated marked blue on the site plan attached at Appendix 1. Terms have been agreed to acquire this property (see Confidential Appendix 5) to enable a comprehensive redevelopment to be brought forward that properly integrates a new development with the Royal Stuart Workshops & Douglas Buildings.
13. The Council has also appointed an independent surveyor to establish market value for the purchase of Mandalay House as set out at Confidential Appendix 6.

Funding & Delivery Strategy

14. It is proposed that the acquisition of both properties will be funded through the Economic Stimulus grant provided by Welsh Government. There is a requirement to invest this grant money by March 31st 2020.
15. Once the Council owns the site, it is proposed to market the site and the Royal Stuart Workshops & Douglas Buildings to secure a developer to bring forward and fund a comprehensive development including the refurbishment of the Royal Stuart Workshops & Douglas Buildings.
16. It is proposed that the Council's investment in the development will be limited to the land and the Royal Stuart Workshops & Douglas Buildings. In return, the Council will seek either a capital receipt or to retain ownership of an agreed quantum of new and/or refurbished small business accommodation equivalent to the value of its investment in the development, to be confirmed by independent surveyors.

Reason for Recommendations

17. To enable comprehensive redevelopment of the James Street site and the refurbishment of the Royal Stuart Workshops & Douglas Buildings, protecting the heritage value of the buildings as part of a modern mixed use scheme to support the on-going regeneration of Cardiff Bay.

Financial Implications

18. This report seeks Cabinet authority to acquire land situated on the corner of James Street and Adelaide Street in Cardiff Bay. The plan is that this purchase will be funded by an award of capital funding by Welsh Government to support economic stimulus within local authorities. Conditions of the grant are such that the grant needs to be fully claimed and invested on or before 31 March 2020. Therefore, in the event that this purchase is not completed on or before 31 March 2020 then consideration needs to be given to identifying alternative expenditure that has been incurred within the year 2019/20 and meets the conditions of the grant.

Having reviewed the Capital Programme expenditure for 2019/20 there is expenditure that qualifies against the terms and conditions of the grant amounting to £1.9 million.

19. The cost of acquisition of both James Street and Mandalay House is shown in Confidential Appendix 7 and is supported by independent market pricing advice at Confidential Appendices 3 and 6. As above, the Economic Stimulus Grant has been identified as an appropriate funding source for this capital investment. In the event that the transaction is not completed within the required timescales, then Capital Programme expenditure funded by other sources will be used against the Grant, thus providing funding for the expenditure on James Street in 2020/21.
20. The Heads of Terms with Wales and West Housing Association (WWHA) attached in Confidential Appendix 2 sets out the key details of the proposed transaction. This includes an option agreement in favour of WWHA who will be able to acquire two potential Council owned sites elsewhere in the city at market value. The two option sites identified are shown within the Heads of Terms in Confidential Appendix 2 and are supported by independent market pricing advice attached as Confidential Appendix 4.
21. The independent opinion of market pricing attached at Confidential Appendix 3 assumes that a number of additional units can be delivered on the site in comparison to a pre-application planning submission made by WWHA in 2015. This is on the basis that it can increase the density of the proposed development on the site. To achieve this increased density of development it is likely that the large structure referred to in paragraph 11 of this report, which currently houses an electricity sub-station, will need to be re-located elsewhere on the site. WWHA will be required to agree to cover the costs of the relocation of the sub-station to enable the redevelopment of the site and confirmation of this agreement will need to be a condition of the acquisition.
22. The Council will need to manage the site in the short-term and ensure the costs of holding the site (security, management and maintenance) are minimised or covered by income until any longer terms plans are realised. A suitable revenue budget will need to be identified to fund these holding costs in the short term, as well as to fund the costs of marketing the site and procuring a developer to bring forward and fund a comprehensive development.
23. The VAT implications of this proposal and any impact this may have must be carefully considered ahead of completing this purchase, in particular any impact future development proposals could have on the Council's partial exemption position. VAT advice will need to be sought on specific proposals regarding future use of this land, as well as the Royal Stuart & Douglas Workshop buildings, which must be taken into account during the decision making process.
24. It should be noted that this report does not consider the costs of any potential redevelopment of either the sites due to be acquired or the Royal

Stuart & Douglas Workshop buildings, and no provision currently exists within the Council's approved Capital Programme for this purpose. Any redevelopment would also need to consider the impact on Council income and additional holding costs that may arise as a result of any redevelopment of the sites.

Legal Implications

25. The Council has power to acquire land for any of its functions, or the benefit improvement or development of its area pursuant to section 120 of the Local Government Act 1972. The Council has further power to dispose of land pursuant to s.123 of the Local Government Act 1972 for best consideration reasonably obtainable. In light of this, the Council's Procedure Rules for the Acquisition and Disposal of Land require the advice of a professional valuer to be taken.
26. The Council has to 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 and the report deals with all these obligations. The Council has to consider the Well-being of Future Generations (Wales) Act 2015 and how this strategy may improve the social, economic, environmental and cultural well-being of Wales.
27. 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 well being objectives designed to maximise its contribution to achieving the national well being goals.
29. The well being objectives are set out in Cardiff's Corporate Plan 2019-22: <https://www.cardiff.gov.uk/ENG/Your-Council/Strategies-plans-and-policies/Corporate-Plan/Pages/Corporate-Plan.aspx>
30. When exercising its functions, the Council is required to take all reasonable steps to meet its well being objectives. This means that the decision makers should consider how the proposed decision will contribute towards meeting the well being objectives and must be satisfied that all reasonable steps have been taken to meet those objectives.
31. The well being 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>

32. 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.

RECOMMENDATIONS

Cabinet is recommended to:

- (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.

NEIL HANRATTY
DIRECTOR OF ECONOMIC DEVELOPMENT
DATE 4th March 2020

The following appendices are attached:

Appendix 1 - Site Plan

Confidential Appendix 2 - Heads of Terms (James Street)
Confidential Appendix 3 - Valuation Report (James Street)
Confidential Appendix 4 - Valuation Report (Council Land)
Confidential Appendix 5 - Heads of Terms (Mandalay House)
Confidential Appendix 6 - Valuation Report (Mandalay House)
Confidential Appendix 7 - Acquisition and Holding costs

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