

Council Report

Cabinet and Commissioners' Decision Making Meeting – 10 October 2016

Title

Town Centre Regeneration – Strategic Acquisition of Forge Island

Is this a Key Decision and has it been included on the Forward Plan?

Yes, and has been included on the Forward Plan

Director Approving Submission of the Report

Damien Wilson, Strategic Director, Regeneration & Environment Services

Report author(s):

Tim O'Connell - RiDO Manager, Planning, Regeneration & Transport
Ext. 54563 or Email: tim.oconnell@rotherham.gov.uk

Ward(s) Affected

Boston Castle

Executive Summary

Forge Island is identified as a strategic development site in the Rotherham Town Centre Supplementary Planning Document (SPD) and in the brief for the Town Centre Masterplan. This report recommends that RMBC purchase the site which will be a key component in Rotherham town centre's regeneration.

Recommendations

1. That the Forge Island site be purchased on the terms negotiated by the Strategic Director, Regeneration and Environment.
2. That following purchase the former Tesco store be demolished.
3. That the funding for the acquisition and demolition be drawn from the town centre allocation in the Capital Programme and that a bid be submitted to Sheffield City Region to seek Growth Fund money to assist with the acquisition and demolition.

4. That Full Council be recommended to approve inclusion of the scheme in the Capital Programme to cover the cost of acquisition and the demolition costs in respect of Forge Island.
5. That detailed development proposals and a delivery and implementation plan for the site be prepared in tandem with the town centre masterplan.
6. The Assistant Director of Legal Services be authorised to complete the necessary legal documentation to purchase the site.

List of Appendices Included

Appendix 1 – Soft marketing of the site, details of the site valuation.

Background Papers

Rotherham Town Centre Supplementary Planning Document – 2016.

Consideration by any other Council Committee, Scrutiny or Advisory Panel

None

Council Approval Required

No

Exempt from the Press and Public

*An exemption is sought for **Appendix 1**; under paragraph 3 (Information relating to the financial or business affairs of any particular person (including the authority holding that information)) of Part I of Schedule 12A of the Local Government Act 1972 is requested, as this report contains sensitive commercial information with regards to costing for works and commercial agreements which could disadvantage the Council in any negotiations if the information were to be made public.*

It is considered that the public interest in maintaining the exemption would outweigh the public interest in disclosing the information, as the parties' commercial interests could be prejudiced by disclosure of commercial information.

Title (Main report)

Town Centre Regeneration – Strategic Acquisition of Forge Island

1. Recommendations

- 1.1 That the the Forge Island site be purchased on the terms negotiated by the Strategic Director, Regeneration and Environment.
- 1.2 That following purchase the former Tesco store be demolished.
- 1.3 That the funding for the acquisition and demolition be drawn from the town centre allocation in the Capital Programme and that a bid be submitted to Sheffield City Region to seek Growth Fund money to assist with the acquisition and demolition.
- 1.4 That Full Council be recommended to approve inclusion of the scheme in the Capital Programme to cover the cost of acquisition and the demolition costs in respect of Forge Island.
- 1.5 That detailed development proposals and a delivery and implementation plan for the site be prepared in tandem with the town centre masterplan.
- 1.6 The Assistant Director of Legal Services be authorised to complete the necessary legal documentation to purchase the site.

2. Background

- 2.1 The recently adopted Rotherham Town Centre Supplementary Planning Document (SPD) identifies Forge Island as a strategic development site and states: -
- 2.2 *“Forge Island will be a mixed-use leisure hub. Proposals should seek to incorporate a mix of residential units and leisure developments (including A3/A4/D2 uses), to help create a new and vibrant Leisure Quarter in the centre of Rotherham that compliments the existing Retail Quarter.”*
- 2.3 Redevelopment of Forge Island to form *“a major new piece of the town centre”* was one of the goals of the 2005 Rotherham Renaissance Plan. The site became vacant in November 2014 when Tesco relocated to a new store on Drummond Street and is currently in temporary use as a car park operated by the Council. Although well used as a car park, the site, in its current condition, is an unappealing and unattractive gateway into the town centre.
- 2.4 Through their agents Savills, Tesco is inviting offers from interested parties to purchase the site.

3. Key Issues

- 3.1 It is clear that Forge Island will be a major component of Rotherham town centre's regeneration and a catalyst for the regeneration of adjacent sites. The SPD confirmed the suitability of the site for a leisure hub. Building from the SPD, Forge Island will feature as a major strand of the town centre masterplan. The masterplan, which is currently out to tender, will go beyond the work done through the SPD to address detailed delivery and implementation plans. Consultants will be appointed to deliver the masterplan in September 2016, with the finished document produced in Spring 2017.
- 3.2 The Council has commissioned internal and independent external valuations of the site, a technical assessment of ground conditions, and a flooding study and carried out market analysis and market testing. Further details can be found in the private appendix to this report.

4. Options considered and the recommended proposal for RMBC purchase of Forge Island

- 4.1 The options available to the Council in respect of an acquisition of Forge Island are listed below: -
- 4.2 **Do nothing** - Allow the site to be sold on the open market and controlled through the planning process. This option removes the need for the Council to commit resources, including finance, to acquire the site. However, the outcome is uncertain; development may not come forward within a timescale that meets the Council's desire to see the site developed quickly; or proposals for use of the site may come forward that do not support delivery of the town centre SPD, especially as a leisure hub. There is also the risk that development of the site may be restricted on the grounds of viability or it may be acquired by a developer to "land bank".
- 4.3 **The Council purchases the site by agreement** - This is the **recommended option** and provides certainty, subject to reaching agreement with Tesco, in terms of being able to control the future use of the site. Tesco is actively marketing the site and prepared to negotiate on a mutually acceptable price.
- 4.4 **The Council seeks to use Compulsory Purchase powers** - The Council has powers to make a compulsory purchase order (CPO), but the powers may not be exercised until that order has been confirmed by a government minister, who must be satisfied that there is a compelling case in the public interest justifying their exercise. The procedure involves public consultation, which may include a public inquiry. The nature of the compulsory procedure is such that there is often a considerable time (and cost) between the inception of a CPO and implementation.

5. Consultation

- 5.1 The town centre SPD proposes the development of a central mixed use leisure hub on Forge Island as the first of a series of "key moves" to deliver regeneration of the town centre. Public consultation on the SPD took place

between the 18th April and 16th May 2016. One of the main issues raised in the consultation was broad support for the overall aspiration of the town centre and in particular the importance of the redevelopment of Forge Island.

5.2 Consultation with the Rotherham Business Growth Board has taken place to capture the views of the private sector business community. The Business Growth Board has identified the redevelopment of Forge Island as a priority project to stimulate the regeneration of Rotherham Town Centre and it is the Business Growth Board's view that the acquisition of the site by the Council will send a clear message to the market that the site will be available at an early stage to deliver the town centre master plan proposals. This will build confidence in Rotherham town centre as a place to invest and assist in bringing forward other regeneration opportunities. The Business Growth Board would encourage the Council to take all reasonable steps to negotiate the purchase of the site as soon as practicably possible.

5.3 The SPD consultation response from Barnsley and Rotherham Chamber of Commerce included the comment:

"...it is essential in any successful redevelopment of the town centre to seriously address the future use of the Forge Island site. This needs to be developed in line with a purposeful leisure/evening economy offer and linked across the river with welcoming and user friendly accessibility to Corporation Street/All Saints Square."

5.4 The Council has also carried out consultation with developers through soft market testing, details of which are included in the exempt appendix of the report.

6. Timetable and Accountability for Implementing this Decision

6.1 October 2016 - Formal agreement of terms – Strategic Director Regeneration and Environment

6.2 October 2016 – Exchange of contracts – Assistant Director of Legal Services

6.3 November 2016 – Completion of purchase - Assistant Director of Legal Services

6.4 December 2016 – Commence Demolition – Strategic Director Regeneration and Environment

7. Financial and Procurement Implications

7.1. The Council's Capital Strategy (2016-2021), approved by the Council on 2nd March 2016, has allocated £17million to regeneration projects in the town centre for the period. This includes provisional sums for the purchase of Forge Island and a "reverse premium" to incentivise a developer or end user to deliver a leisure scheme.

- 7.2. Future development of the site may achieve a capital receipt and/or rental income and an increase in business rates. Estimated amounts will be dependent on final detailed development proposals and the costs to remediate the site once acquired in order to make good for development.
- 7.3. A “Forge Island Flood Resilience Feasibility Study,” carried out by Jacobs in March 2013, identified the need for remediation and flood works to prepare the site for full development. Information on the estimated costs of these works is included in the exempt appendix to this report.
- 7.4. In accordance with current Local Authority Accounting Practice the demolition costs and attributable fees and charges associated with the purchase can be capitalised as part of the project as they are part of a wider scheme to redevelop the site and will enhance the value of the site in the event of a sale to a third party. The estimated purchase costs are identified in the exempt appendix. The “one off” capital costs following acquisition of the site are estimated to be as follows:-
- £210,000 Estimated Demolition cost – Subject to tender opportunities to reduce this cost.
 - £31,000 RMBC Professional Fees
 - £10,000 Security Fencing and Hoardings (post demolition)
- £251,000**
- 7.5. If the proposed scheme is supported, a recommendation to Council to include it in the Council’s capital programme will be required, in accordance with Financial Regulations.
- 7.6. In addition there will be ongoing annual revenue costs as follows: -
- £34,850 Business rates (2 months pending demolition)
 - £5,000 Public Liability Insurance
 - £10,000 Repairs and Health and Safety Issue Management
- 7.7. The Council currently share any income, net of costs, generated from car parking on Forge Island, equally with Tesco as site owners. Any future car parking income following the acquisition will be retained by the Council. Current estimates suggest that the additional income could be in the region of £50,000 and would be sufficient to meet the estimated revenue costs of holding the site, pending development. Therefore there are expected to be no revenue budget implications from the site acquisition.

8. Legal Implications

- 8.1. A quick completion of the purchase is feasible assuming that the purchase terms are straightforward. No onerous conditions are anticipated at this stage.

9. Human Resources Implications

- 9.1. None

10. Implications for Children and Young People and Vulnerable Adults

- 10.1. A number of Roadshows undertaken across the borough identified the views of Rotherham residents; the results identified creating 'A place with a thriving and welcoming town centre, where young and old alike feel safe, with plenty to do day and night' as the second highest priority in terms of where they would like Rotherham to be in five years' time. The creation of a range of leisure facilities, particularly those that extend beyond 5pm, are considered as a priority in terms of combatting the feeling of young people that the town centre doesn't always feel safe or offer opportunities to socialise in a family-friendly environment – issues that were cited in both the Roadshow consultation and the more recent Lifestyle Survey which specifically involved young people in Rotherham.

11. Equalities and Human Rights Implications

- 11.1. None

12. Implications for Partners and Other Directorates

- 12.1. Acquisition of the site would be a significant step forward in improving the opportunity to deliver a "Starter Homes" pilot project in the town centre which the Council is progressing with the Homes and Communities Agency (HCA) and Department of Communities and Local Government (DCLG).
- 12.2. Local Partnerships, a joint venture of HM Treasury and the Local Government Association established to help the public sector deliver local services and infrastructure, has highlighted the following matters in relation to Forge Island:
- This site comprises a derelict empty supermarket and surface car parks immediately adjoining Rotherham rail station. Along with the river corridor within the town centre, which is generally overgrown and neglected, this site detracts from the attraction of town centre living.
 - The Sheffield Metro tram system is being extended to reach Rotherham rail station and beyond. This project will mean that there is a 20 minute commute from Rotherham centre to Sheffield city centre. This new accessibility underpins the rationale for town centre living.

- In order to capitalise on this transport investment, it will be important for the approaches to Rotherham station to be attractive. Forge Island is an important part of the improvement.
- The council could purchase Forge Island in order to introduce new leisure and commercial uses which will complement an urban centre community, as well as to expand the attraction of the existing town centre retail offer.
- In the immediate short term (12 months), in order for the Starter Homes pipeline to be successful it will be necessary for the council to invest in environmental and public realm improvements to remove blight and to provide an appropriate land use solution.
- It is estimated that, with support, the council could act as the key local enabler to a future pipeline of 2000 units across the town centre.

12.3 Acquisition of the site will support delivery of the business growth board's identified priorities and will be supported through a bid to Sheffield City Region growth funds.

13. Risks and Mitigation

- 13.1. **Purchase Process Risks** – The risk of failure to agree an acceptable purchase price.
- 13.2. Mitigation – The Council has taken independent valuation advice and has carried out due diligence to understand the potential abnormal costs associated with development. This allows the Council to make an unconditional offer which is likely to be attractive to the seller. Negotiations have taken place with Tesco which suggest the Council's offer is likely to be favourably considered.
- 13.3. **Legal Risks** – The risk that competing priorities could create workload pressures resulting in delays in completing the purchase.
- 13.4. Mitigation – The Council will bring in additional capacity by appointing external solicitors to act on the Council's behalf using existing framework agreements.
- 13.5. **Finance Risks**- The risk that if a leisure development cannot be delivered the Council will have to absorb holding costs for an extended period and abortive costs including for example legal fees, staff costs, feasibility costs and design costs. The existing building and footbridge are subject to occasional anti-social behaviour and littering which will create an ongoing maintenance liability.
- 13.6. Mitigation – The Council has carried out market testing that shows demand exists from end users. In the immediate short term, demolition of the existing store is proposed to reduce the rating and maintenance liability and Transportation and Highway Design are investigating a cost effective solution

to improve the footbridge in the short term. The continuation or introduction of temporary uses (for example as a car park) will help offset holding costs.

- 13.7. **Governance Risks** – The risk that delivery is delayed by poor project management.
- 13.8. Mitigation - A project plan to deliver and implement a preferred scheme that will be prepared in tandem with the town centre masterplan. This will be supported by the adoption of robust project management procedures, which set out the business justification for the project, roles and responsibilities and the management of cost, timescales, quality, risk, scope and benefits through controlled processes, reporting and stage reviews.
- 13.9. **Property Market Risk** – the property market is cyclical. A fall in market confidence could cause potential developers and end users to pause investment decisions.
- 13.10. Mitigation – Completion of the town centre masterplan will provide confidence to potential investors on the strategic direction and deliverability of regeneration in the town centre.

14. Accountable Officer(s)

- 14.1. Paul Woodcock – Assistant Director Planning, Regeneration and Transport.
- 14.2. Tim O’Connell – RiDO Manager