



Cabinet Member for Jobs and Regeneration

Time and Date

2.00 pm on Wednesday, 4th March, 2020

Place

Diamond Room 2, Council House, Coventry

1. **Apologies**

2. **Declaration of Interests**

3. **Minutes** (Pages 3 - 4)

(a) To agree the Minutes of the meeting held on 11 December, 2019

(b) Matters arising

4. **Exclusion of the Press and Public**

To consider whether to exclude the press and public for the item of private business for the reasons shown in the report.

5. **8-12 Ironmonger Row, 17-21 Cross Cheaping Coventry - 250 Year Lease**
(Pages 5 - 14)

Report of the Deputy Chief Executive (Place)

(NOTE: Pursuant to the City Council's Constitution, Councillor R Brown, the Chair of Scrutiny Co-ordination Committee (or his nominee) has been invited to attend the meeting for the consideration of this matter (and the corresponding private report, item 8 below), to agree the need for urgency such that call-in arrangements will not apply. The reason for urgency being that there is a contractual deadline which the developer needs to meet which would be breached if the matter is subject to call in. This could put the scheme at risk of not happening.)

6. **Outstanding Issues**

There are no outstanding issues.

7. **Any other items of public business which the Cabinet Member decides to take as matters of urgency because of the special circumstances involved.**

Private Business

8. **8-12 Ironmonger Row, 17-21 Cross Cheaping, Coventry - 250 Year Lease**
(Pages 15 - 24)

Report of the Deputy Chief Executive (Place)

(Listing officer: P Beasley Tele: 02476976746)
9. **Any other items of private business which the Cabinet Member decides to take as matters of urgency because of the special circumstances involved.**

Martin Yardley, Deputy Chief Executive (Place) , Council House Coventry

Tuesday, 25 February 2020

Note: The person to contact about the agenda and documents for this meeting is Suzanne Bennett e mail suzanne.bennett@coventry.gov.uk

Membership: Councillors J O'Boyle, D Welsh

By invitation Councillors P Male

Please note: a hearing loop is available in the committee rooms

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Suzanne Bennett
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Coventry City Council
Minutes of the Meeting of Cabinet Member for Jobs and Regeneration held at 2.00
pm on Wednesday, 11 December 2019

Present:

Members: Councillor J O'Boyle (Cabinet Member for Jobs and Regeneration)

Employees (by Directorate):

Place: S Bennett, E Kirby, S Weir

Public Business

13. Declaration of Interests

There were no disclosable pecuniary interests.

14. Minutes

The Minutes of the meeting held on 9 October, 2019 were agreed and signed as a true record.

There were no matters arising.

15. Department for Business Energy Industrial Strategy (BEIS) 2019-2020 Funding to the EU Exit Business Readiness Engagement Project

The Cabinet Member considered a report of the Deputy Chief Executive (Place) which sought retrospective approval to a decision taken by the City Council to act as accountable body and release a grant in the sum of £223k to Coventry and Warwickshire Local Enterprise Partnership (CWLEP) Growth Hub to deliver the EU Exit Business Readiness Engagement Project. Coventry City Council acts as accountable body for the previous and current Growth Hub funding allocations, which are awarded from the Department for Business Energy Industrial Strategy (BEIS).

BEIS have released additional funds as part of the EU Exit Business Readiness Engagement Project. The purpose of this fund is to raise awareness and support businesses nationally to make the necessary preparations for Brexit. CWLEP Growth Hub has been selected as the cluster lead for this region and will be co-ordinating project activity on behalf of the other cluster members:-

- Greater Birmingham and Solihull LEP
- Black Country LEP
- The Marches LEP

- Worcestershire LEP
- Stoke and Staffordshire LEP

The Cabinet Member asked questions in relation to the total funding made available by the Government to the Growth Hub for EU Exit Business Readiness and details relating to that funding.

RESOLVED that the Cabinet Member for Jobs and Regeneration:-

- (1) Retrospectively approves the grant payment in the sum of £223k to Coventry & Warwickshire Growth Hub for the delivery of the EU Exit Business Readiness Engagement Project**
- (2) Requests that officers provide the information now requested in relation to the total funding made available by the Government to the Growth Hub for EU Exit Business Readiness and details relating to that funding.**

16. Authority for Attendance

RESOLVED that the Cabinet Member for Jobs and Regeneration authorises Martin Yardley and Richard Moon, Place Directorate, to attend a business meeting with a Spanish Company in relation to developments in Coventry to be held in Madrid, Spain at a date to be confirmed in January, 2020.

17. Outstanding Issues

There were no outstanding issues.

18. Any Other Items of Urgent Public Business.

There were no other items of urgent public business.

(Meeting closed at 2.20 pm)



A separate report is submitted in the private part of the agenda in respect of this item, as it contains details of financial information required to be kept private in accordance with Schedule 12A of the Local Government Act 1972. The grounds for privacy are that it contains information relating to the financial and business affairs of any particular person (including the authority holding that information). The public interest in maintaining the exemption under Schedule 12A outweighs the public interest in disclosing the information.

Cabinet Member for Jobs and Regeneration - Councillor J O'Boyle

4th March 2020

Director Approving Submission of the report:

Deputy Chief Executive Officer (Place)

Ward(s) affected:

St Michaels

Title:

8 – 12 Ironmonger Row, 17 – 21 Cross Cheaping Coventry – 250 year lease.

Is this a key decision? No

Executive Summary:

Regeneration of the City Centre continues to be a key priority of the Council. An area specifically recognised as requiring investment and regeneration and the reintroduction of residential living is the area of the city around Burges, Ironmonger Row, Cross Cheaping, Hales Street and Palmer Lane.

One key scheme involves the Council, in conjunction with Historic England, supporting Historic Coventry Trust's investment and regeneration of several buildings in Burges and Hales Street as well as the opening up the river Sherbourne in Palmer Lane.

As a result of these works a further opportunity has arisen with the Council being approached by EDG Property Ltd who wish to invest in the area and create new compact, but sought after, 1 bedroom, residential flats on the corner of Cross Cheaping and Ironmonger Row. The aim being to completely refurbish a building in a poor visual state of repair to attract a new community of skilled key workers, young professionals and retained University graduates who are looking to work in the 'city of culture' and experience living within the vibrant city centre.

EDG Property Ltd have an established track record of success in areas of Coventry City Centre that require considerable investment at risk having delivered transformational change with their innovative conversion of the former Co-operative store in Corporation Street, setting a new benchmark for city centre living in Coventry.

This report is seeking approval to the grant of a new 250 year lease over the subject property known as 8 – 12 Ironmonger Row, 17 – 21 Cross Cheaping. This would enable EDG Property Ltd

to invest circa £5m in the scheme to retain and enhance the ground floor retail units and facilitate the conversion of the currently vacant upper floor offices into small residential flats. In addition, and subject to planning, this scheme enables the construction of two further floors of residential accommodation on top creating forty two, one bed, self-contained, residential flats for private sale. This would result in a fundamental change in appearance of this building

Following long term discussions with EDG Property Ltd the total costs of the scheme are preventing the development unless there is some intervention from the Council. To enable this important development, the Council is being asked to forgo a ground rent or capital premium for the granting of the new lease.

The social and economic benefits of promoting the scheme include:

- Revitalising of an area known for anti-social behaviour, generating footfall and people investing in the area
- New city centre housing – helping to create a new community looking to work in the city and live in its vibrant city centre
- Improve the architecture and visual appearance of the subject property and enhancing the street scene of this part of the city centre
- Enliven a large vacant property, increase activity and footfall in this area, improve natural security and surveillance of this part of the city centre with people owning and living in the area
- The proposed investment will act as a catalyst to attract further private investment
- Complement Historic Coventry Trust’s grant funded investment in Burges / Hales Street

Recommendations:

Cabinet Member is recommended to:

1. Grant a new 250 year lease, at the sum identified in the corresponding private report, to EDG Property Ltd in order to facilitate the proposed development which includes residential, retail and leisure uses on land known as 8 – 12 Ironmonger Row, 17 – 21 Cross Cheaping and shown on the plan attached to Appendix 1 of this report.
2. Delegate authority to the Deputy Chief Executive (Place) following consultation with the Director of Finance and Corporate Services and the City Solicitor to negotiate and finalise the terms of the grant of the new lease, to undertake the necessary due diligence and complete all necessary legal documentation to facilitate the completion of the transaction.
3. Delegate authority to the Deputy Chief Executive (Place) following consultation with the Cabinet Members for Jobs and Regeneration and Cabinet Member for Strategic Finance and Resources for any subsequent variation in terms.

List of Appendices included:

Plan 1: Site plan for the acquisition of the interest.

Other useful background papers:

None

Has it been or will it be considered by Scrutiny?

No

Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?

No

Will this report go to Council?

No

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1. Context (or background)

- 1.1 The subject property, built in the 1970's, is located on the corner of Ironmonger Square, Burges and Ironmonger Row. It sits behind Primark with the pedestrian access into the upper floors leading from the pedestrianised street linking an entrance of West Orchards shopping centre and Ironmonger Square.
- 1.2 It comprises 7 retail units on the ground floor totalling approximately 11,500 sq.ft. The tenants currently include bookmakers, an insurance broker, a hairdresser and a vacant unit. The three upper floors of vacant offices, which extend to approximately 9000 sq.ft, have not been occupied for a couple of years since the NHS moved out.
- 1.3 The property is currently held by way of a long leasehold from Coventry City Council to Akzo Nobel CFI Nominees Ltd for a term of 99 years from 24th January 1967 and is therefore due to expire in January 2066, with just under 46 years remaining.
- 1.4 A ground rent of £49,000 per annum is currently payable. The ground rent is subject to review every 25 years on an upward or downward basis and is set based on 21.67% of the market rental value at the time. The last review was due in June 2016 but has not been implemented.
- 1.5 EDG Property Ltd, who have delivered the high quality residential conversion of the former Co-op Store on Corporation Street, have an option to acquire the leasehold interest in the subject property.
- 1.6 EDG Property Ltd are seeking agreement with the Council around the granting of a new 250 year lease for the purposes of facilitating the proposed scheme prior to completing their purchase of the subject property from Akzo Nobel CFI Nominees Ltd
- 1.7 Historic Coventry Trust have grant funded plans to improve the fabric of a number of commercial buildings in the Burges and Hales Street, which would complement the investment in the subject property and help to regenerate this part of the city centre, encouraging other private investment in the area.

2. Options and recommended proposal

Option 1 – Proceed with the grant of a new lease (Recommended)

- 2.1 EDG Property Ltd are seeking a new 250 year lease, the sum of which is identified in the private element of this report.
- 2.2 Despite retaining the income from the current ground floor tenants, it is anticipated that the income generated will in the short to medium term decline as the current tenants' leases come to an end. Tenants wishing to remain will demand lower rents or to attract new tenants' more competitive rents will need to be offered.
- 2.3 The potential for a reducing rental income coupled with the cost of refurbishment of the upper floors leads EDG Property Ltd to conclude they cannot financially offer a premium payment for the new longer lease or continue to pay a ground rent.

- 2.4 The scheme proposed by EDG Property Ltd will bring low cost, private residential accommodation into the city centre, providing an opportunity for young skilled workers, university graduates and young professional to afford city living.
- 2.5 Independent property advisors, Lambert Smith Hampton (LSH), have been engaged in order to review the development appraisal and to consider the value of the interest which the Council is being asked to forgo. This information is outlined within the private report
- 2.6 The refurbishment of the subject property will improve the visual appearance of this building and the street scene, helping to enhance the regeneration of this part of the City centre. As well as encouraging additional private investment in the area it will also compliment the grant money being spent on properties in the Burges and Hales Street by Historic Coventry Trust.
- 2.7 Creating the small 1 bed flats will offer private residential accommodation at a price which will look to create a new community in the city centre of skilled workers, young professionals and university graduates who wish to work in Coventry and live in a vibrant city centre.
- 2.8 Currently the vacant offices have a Rateable Value of £49,750. Rates payable during 2019/20 would equate to a payment of £25,074 for the year. This income would be replaced by Council Tax for the new residential accommodation.
- 2.9 Council Tax for 42 new flats, assuming Band A values and a 70/30 split between Full Charge and Single Persons Discount, on 2019/20 charging structure, would generate a total income of £47,677 per annum.
- 2.10 The Ground floor retail units would continue to pay Rates whilst retained. The current rates payable by these units equates to £73,463.50 per annum.
- 2.11 For the Council to be prepared to grant the new lease for less than its market value, it needs to be satisfied that the social value and benefits of facilitating the new residential accommodation in the city centre at this time, helping to attract more people to live in the city centre, assists with the regeneration of the area and attracting other investment to the area outweighs the financial loss.

Option - 2 Not to proceed with the residential conversion

- 2.12 To not progress with EDG Property Ltd's proposal will mean that the current property owners will just continue to try and let the vacant upper floors of offices and when leases expire on the ground floor try and retain or relet the retail space.
- 2.13 It will mean that whilst the opportunity to create residential accommodation on the upper floors may still happen in the future, this opportunity will be missed in the short term.
- 2.14 The existing 46 years of the lease will continue to run, meaning that the Council will continue to receive the current ground rent of £49,000 per annum, until the rent review is implemented.
- 2.15 The property is held by an investment company and therefore if this development doesn't happen the current owner will simply continue to manage the building.

3. Results of consultation undertaken

No public consultation has been undertaken

4. Timetable for implementing this decision

4.1 Subject to the approval of the recommendations contained in this report, it is advised that the agreement for lease and lease would be ready for signature within 4 weeks. The agreement for lease would be conditional on securing planning consent and entering into the building contract for the delivery of the works.

4.2 EDG Property Ltd are proposing to submit an application for the works to the property by the end of May with the expectation of starting the construction work during the summer of 2020, if a planning consent was forthcoming.

5. Comments from the Director of Finance and Corporate Services

5.1 Financial implications

5.1.1 The financial implications are outlined in the private report.

5.2 Legal implications

Property

5.2.1 As the Council is being asked to agree to grant a new lease at less than the market value, in order to protect the Council's position, EDG Property Ltd would be granted an agreement for lease ahead of a new lease. This would require EDG to secure planning consent and sign a building contract for the proposed works prior to the Council granting the new lease. This helps to ensure that the developer doesn't get value in a new longer lease and then not deliver the changes proposed.

5.2.2 The Council also has a duty to obtain 'best consideration', this being the market value of the land, as defined by the Royal Institute of Chartered Surveyors. As identified within the report, an independent valuation of the existing and future lease value has been obtained. This indicates that the viability of the development does not create enough value for the developer to pay a ground rent or premium for the new lease after paying the development costs and generating a profit to cover the financial risks of the scheme.

5.2.3 On 4 August 2003, the Government launched the General Disposal Consent 2003 ("the Consent Order"). This allows the Council to sell land, in certain circumstances, for less than its market value without having to obtain consent from the Secretary of State for any disposal of land where the difference between the unrestricted value of the interest to be disposed and the consideration accepted is £2m or less. This is known as "an undervalue".

5.2.4 In order for the Consent Order to apply the disposal would need to promote or improve the economic, social or environmental wellbeing of the area. In all cases, disposal at less than best consideration is subject to the condition that the Undervalue does not exceed £2m.

5.2.5 In view of the social value and benefits described under the executive summary of this Report, Legal Services can confirm that the criteria in point 5.2.4 above are satisfied.

State Aid Implications

- 5.2.4 A disposal of land is capable of amounting to state aid. State aid applies where public funds can be said to subsidise an undertaking in some way. Any benefits deemed to be state aid would normally crystallise at the point the aid is granted. Legal Services will undertake a full state aid analysis prior to the agreements being entered into to ensure that any risks are properly mitigated.

6. Other implications

6.1 How will this contribute to achievement of the Council Plan?

Facilitating the conversion of the upper floors to residential accommodation will help to realise the Council's ambitions for a more vibrant, economically prosperous and sustainable city centre.

6.2 How is risk being managed?

The risks around the delivery of the development is mitigated with the granting of the agreement for lease and lease requiring the securing of planning consent, funding and construction contract in place before the lease is granted which provides a level of certainty around delivery before the grant of the new lease is entered into between the parties.

6.3 What is the impact on the organisation?

The impact to the organisation is limited to the reduction of commercial income generated by the land into the future.

6.4 Equality and Consultation Analysis (ECA)

- 6.4.1 An Equality Impact Assessment has not been undertaken as the proposal concerns the disposal of land for redevelopment and no Council service or group will be impacted.

- 6.4.2 An equality impact assessment is a process designed to ensure that a policy project or service does not discriminate against any disadvantaged or vulnerable people. Section 149 of the Equality Act 2010 imposes an obligation on Local Authorities to carry out an equality impact assessment when the local authority is exercising a public function.

6.5 Implications for (or impact on) climate change and the environment

The Council's facilitation of the conversion of the property into residential accommodation will produce an environmentally more efficient building.

6.6 Implications for partner organisations?

There are no implications for any partner organisations.

Report author(s):

Name and job title:

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Directorate:

Place Directorate

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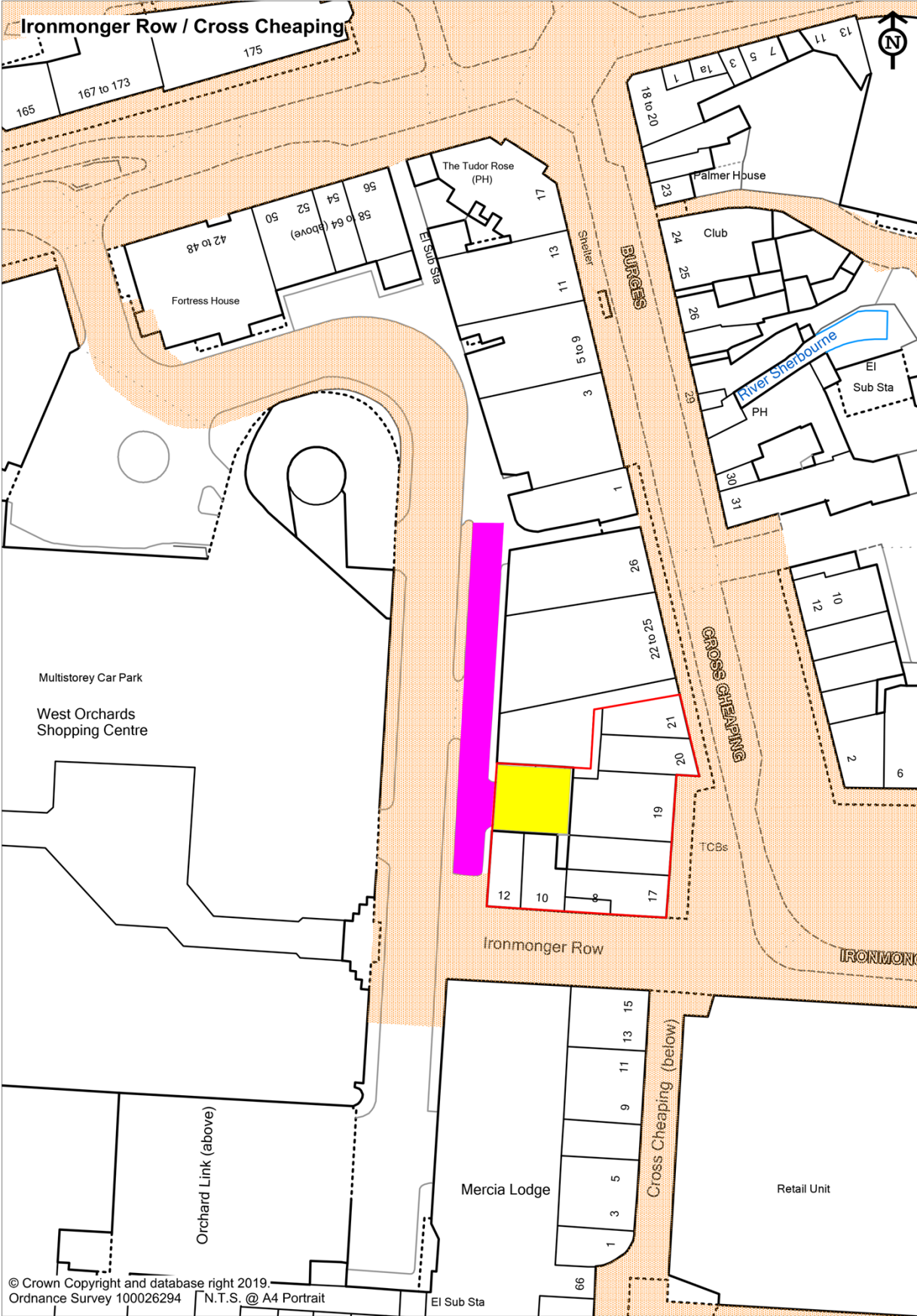
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Property: Adam Hunt	Head of Development and Property	Place	20/02/20	20/02/20
Director: Martin Yardley	Deputy CEO	Place	20/02/20	20/02/20
Members: Cllr O'Boyle	Cabinet Member for Jobs and Regeneration		20/02/20	20/02/20

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Appendix 1 Plan 1 – 8 – 12 Ironmonger row 17 – 21 Cross Cheaping, Coventry



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