



**Author/Lead Officer of Report:**  
**Neil Jones City Regeneration Division**  
**Tel: 2735539**

**Report of:** Simon Green  
**Report to:** Cabinet  
**ate of Decision:** 30 November 2016  
**Subject:** Proposed Lease of Exchange Place Studios

Is this a Key Decision? If Yes, reason Key Decision:-	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
- Expenditure and/or savings over £500,000		<input type="checkbox"/>		
- Affects 2 or more Wards		<input type="checkbox"/>		
Which Cabinet Member Portfolio does this relate to? Finance and Resources				
Which Scrutiny and Policy Development Committee does this relate to? Economic and Environmental Wellbeing				
Has an Equality Impact Assessment (EIA) been undertaken?	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
If YES, what EIA reference number has it been given? <i>(Insert reference number)</i>				
Does the report contain confidential or exempt information?	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:-				
<i>"The (report/appendix) is not for publication because it contains exempt information under Paragraph (insert relevant paragraph number) of Schedule 12A of the Local Government Act 1972 (as amended)."</i>				

**Purpose of Report:**

Yorkshire Artspace Society Ltd is one of the largest and most established providers of artists studios in the UK currently offering affordable workspace to over 150 artists and craftspeople in three buildings in Sheffield. One of these buildings, Exchange Place Studios at Castlegate, is leased on a temporary basis from the Council and this report seeks authority to grant a permanent lease of that building in order to secure investment from the Arts Council for major refurbishment.

This investment will add to the vibrancy, cultural attraction and reinvigoration of the Castlegate area and wider City Centre and has economic benefits in terms of making the city an exciting place to locate and attract talented staff for businesses in the creative and digital industries. It also has social benefits as Yorkshire Artspace are committed to offering public access to artists and their work and have a very proactive programme of community engagement specifically targeted at disadvantaged neighbourhoods and multicultural communities, together with training and support for young people including

apprenticeships.

In order to secure the Arts Council funding the Council is being asked to support the project by granting the lease at less than the full open market value. In order to protect the Council's future interests it is proposed to include an option for the Council to re-purchase the property in 40 years time at the original price.

**Recommendations:**

That Cabinet approves the proposals to enter into the agreement to grant a lease of property at Exchange Place to Yorkshire Artspace Society Ltd on the terms set out in this report.

That Cabinet delegate authority to the Executive Director Place in consultation with the Director of Capital and Major Projects and the Director of Legal and Governance to agree the terms of the documentation required to effect this transaction

That the Director of Legal and Governance be authorised to complete such legal documentation as she considers necessary or appropriate in connection with this transaction on such terms as she may agree to give effect to the proposals set out in this report and generally to protect the Council's interests

**Background Papers: N/A**

Lead Officer to complete:-		
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.	Finance: Paul Schofield
		Legal: David Sellars
		Equalities: <i>(Insert name of officer consulted)</i>
<i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i>		
2	<b>EMT member who approved submission:</b>	Simon Green
3	<b>Cabinet Member consulted:</b>	Ben Curran
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Decision Maker by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.	
	Lead Officer Name: Neil Jones  Date:	Job Title: Partnerships Team Manager, City Regeneration Division

## **1.0 PROPOSAL**

- 1.1 Yorkshire Artspace Society (YAS) is one of the largest and most established providers of artists studios in the UK currently offering affordable workspace to over 160 artists and craftspeople. They have three buildings in Sheffield; Persistence Works in the Cultural Industries Quarter; Manor Oaks and Exchange Place at Castlegate. Persistence Works is on a long lease from the Council and Manor Oaks Studios are on a short lease with Green Estate. The rental income from the studios covers all the running costs and management of the studios with any surplus, together with revenue support from the Arts Council, funding artist's professional development, public events and community engagement.
- 1.2 The Exchange Place studios are in an attractive art deco building which was part of the former SYPTE offices at Castlegate. The building had been vacant for several years before the Council purchased it in April 2013 in order to complete our ownership around the former Castle Market as shown on the attached plan. The purchase also included a former canteen building which has been demolished as part of the markets demolition contract. The River Sheaf runs in a culvert beneath that area and it is intended to de-culvert the river and consolidate the vacant land with the adjoining Council ownership.
- 1.3 The art deco building was in a fairly poor condition but rather than leave it vacant it was agreed to grant YAS a temporary lease for 5 years as they have a good track record of managing studios and a waiting list of artists wanting space. This had the financial benefit to the Council of removing costs of management, security and business rates of approximately £75,000pa as well as the advantage of bringing new activity to Castlegate at a time when the area is becoming increasingly vacant due to the closure of the markets.
- 1.4 YAS have spent over £200,000 on repairs, and adaptations/subdivision to create studio spaces and have been very pleased with the 100% take up of the studios and the amount of public engagement that they have attracted through events, exhibitions and temporary pop-up shops. They have held several weekend events that have each attracted well over 1,000 people, many of whom had never visited artists studios before
- 1.5 Due to the success of the temporary use of the studios YAS are now keen to secure the property on a long term basis. YAS intend to submit a bid to Arts Council England for a capital grant to purchase the property on a long lease from the Council and carry out a comprehensive refurbishment. The proposed works include replacing the roof and windows as well as restoring the attractive art deco exterior, internal decorations of common areas, refurbishment of the lift and providing 24/7 access for people with disability. Ownership of the refurbished building will underpin income generation and sustainability for the organisation into the future.
- 1.6 The use of the property by YAS fits well with our aspirations for the wider Castlegate in future both in terms of vibrancy and visitor attractions and small scale creative and digital uses. It also attracts new investment and maintains momentum for the regeneration of the area whilst we work up the wider Castlegate project which will take several years to deliver. However, in order to secure the investment the Arts Council requires some form of financial commitment from the City Council toward the project as explained in section 4.2 below.

## **2.0 HOW DOES THIS DECISION CONTRIBUTE?**

- 2.1 The proposal will contribute to the Corporate Plan priority of a Strong Economy. In particular this will help to drive the regeneration of the Castlegate area; attract investment to build a vibrant city centre and widen our offer of distinctive cultural assets. This has economic benefits in terms of making the city an exciting place to locate and attract talented staff for businesses in the creative and digital industries which is a key growth area.
- 2.2 Community engagement by YAS will include activities and programmes specifically targeted at disadvantaged neighbourhoods and multicultural communities together with training and support for young people including apprenticeships.
- 2.3 The Council will use its powers as both statutory planning authority and as landlord in approving any proposals to ensure that the refurbishment is as environmentally sustainable as economically possible. The refurbishment will significantly improve the current environmental performance of the building. The works will include replacing the roof and windows as well as restoring the attractive art deco exterior.

### **3.0 HAS THERE BEEN ANY CONSULTATION?**

- 3.1 It has not been considered necessary to carry out specific consultation on these proposals

### **4.0 RISK ANALYSIS AND IMPLICATIONS OF THE DECISION**

#### **4.1 Equality of Opportunities Implications**

- 4.1.1 S149 Equality Act 2010 sets out what is referred to as the Public Sector Equality Duty. The council must, in all of its decision making, have regard to the obligation;
  - (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
  - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
  - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it
 There are no differential equality implications arising from the recommendations in this report. However, as proposals are further developed, they will be assessed for potential differential equality of opportunity implications on a case by case basis and Equality Impact Assessments will be carried out as required.
- 4.1.2 YAS have a commitment to equal opportunities for all studio holders, visitors and staff and it is their intention that the development captures social and educational opportunities. The artists with studios at Exchange Place are from increasingly diverse backgrounds in terms of ethnicity, disability and age range. YAS believe that this is largely due to the location of the property close to inner city residential communities and the fact that the studios are welcoming to artists and visitors who may not have had formal arts education or training.
- 4.1.3 YAS are also committed to offering public access to artists and their work and have a very proactive programme of community engagement specifically targeted at disadvantaged neighbourhoods and multicultural communities together with training and support for young people including apprenticeships.

#### **4.2 Financial and Commercial Implications**

- 4.2.1 As stated above the Exchange Place property is owned by the Council and forms part of the wider site of the former Castle Market. It was purchased from South Yorkshire Integrated Transport Authority in April 2013 together with adjoining property for £400,000. As explained at para 1.2 part of the property that was purchased has since been demolished and it is intended to open up the culvert to

expose the River Sheaf leaving an area to the west of the river that will be consolidated with the rest of the Council ownership of the former market.

- 4.2.2 YAS have recently obtained an independent valuation of just the Exchange Place studios building at £410,000 based on refurbishment as student flats. The Arts Council capital programme that YAS are applying to has a maximum award of £500,000 and YAS have estimated that the refurbishment works will cost over £300,000. The Arts Council will insist as a condition of capital grant funding that the City Council provide some level of financial support to the project. It is therefore proposed that the property is leased to YAS on a 100 year lease at a discounted premium of £200,000.
- 4.2.3 When the property was originally purchased it was funded using New Homes Bonus on the grounds that the acquisition would assist in the wider regeneration of Castlegate making it more attractive to residential developers in future and that the Exchange Place building could potentially be converted to residential use.
- 4.2.4 The internal business case to justify the purchase assumed that the property (including the remaining surplus land) would be sold for approximately £500,000. The business case also assumed that the Council would need to fund the costs of management, security and business rates until such time as the property was sold. The difference between the future value and total costs including demolition, SDLT and fees projected a potential net loss of approximately £300,000. This was considered to be reasonable given the considerable wider regeneration benefits and potential for some future New Homes Bonus receipts.
- 4.2.5 As stated at para 1.3 leasing the property to YAS on a short term basis has saved the Council a large element of the management costs etc and we have only spent £25,000 on business rates. There has also been approximately £100,000 paid in SDLT, fees and demolition so the total cost to date is £525,000. It is reasonable to assume that part of the surplus land could be sold in future with adjoining Council land for approximately £100,000.
- 4.2.6 Therefore if Cabinet agrees to the long lease to YAS at £200,000 the net cost to the Council would be £225,000, so slightly less than originally projected. However, if the property were to be sold at the current market value of £410,000 then there would be virtually no net loss. However the regeneration impacts from a refurbishment as student flats would be lower.
- 4.2.7 The property is within an area of the City Centre that will potentially have a significant uplift in value in future once wider regeneration progresses. It is therefore proposed to protect the Council's future interests by including an option for the Council to repurchase the property in 40 years time at the original £200,000 price.
- 4.2.8 YAS have accepted this but are concerned that in the event that some major capital works are needed at a future date they may not be able to raise the funding if they only have a relatively short period on the lease before the Council can serve the buy-back option. It is therefore proposed that at any time after 25 years YAS can serve 6 months notice on the Council requiring that we either exercise the buy-back option or it falls away.
- 4.2.9 In the event that YAS are not successful in securing the proposed grant from the Arts Council the 100 year lease and buy-back option will not be granted unless YAS are able to secure alternative funding to refurbish the property within an agreed period.

### **4.3 Legal Implications**

- 4.3.1 The lease of the property to YAS is classed as a disposal of the land, which is being granted at an undervalue. Under s123 Local Government Act 1972, the Council cannot dispose of property for less than the best price reasonably obtainable, unless it obtains the consent of the Secretary of State. Pursuant to the powers conferred by section 128(1) of the 1972 Act the Secretary of State has issued the General Disposal Consent (England) 2003. Where the terms of a proposed disposal fall within the scope of this consent there is no requirement to obtain a specific consent for it. This consent permits the disposal of land at an undervalue of up to £2,000,000 where the Council considers that it will help to secure the promotion or improvement of the economic, social or environmental well-being of its area.
- 4.3.2 As stated in the Financial and Commercial Implications section of this report, the property is currently valued at £410,000 and it is proposed to dispose at a premium of £200,000. This means that the proposal would fall well within the threshold of £2,000,000 permitted under the terms of the General Disposal Consent. The proposed option to repurchase the property at the original price also gives the Council additional opportunity to generate a much higher value in the future.
- 4.3.3 In determining whether the disposal will help to secure the promotion or improvement of the economic, social or environmental well-being of its area the consent states that the Council should have regard to its Sustainable Community Strategy prepared pursuant to Section 4 of the Local Government Act 2000. It is considered that the use of the property as detailed in this report would help to deliver the vision for Sheffield as a sustainable community set out within the City Strategy. On that basis, there will be no requirement to obtain a specific consent from the Secretary of State for the grant of the proposed lease to YAS.

### **5.0 ALTERNATIVE OPTIONS CONSIDERED**

- 5.1 The Council could continue to hold the property for the next few years before seeking to dispose on the open market and may achieve a higher value if it did so. However future values cannot be guaranteed and potential uses may not have the same vibrancy and economic benefits for the regeneration of Castlegate as the proposed disposal to YAS.
- 5.2 The property was empty for several years after SYPTE vacated as it proved difficult to find a purchaser or tenants prepared to take the property on in its poor condition. If the proposal to grant a long lease to YAS is not approved then YAS would be likely to stay in on a temporary basis but without a long term interest they may take a less proactive approach to maximising the studio use and wider events in Castlegate. There is a limited risk that YAS may decide to vacate in which case the Council would incur management costs until such time as the property could be sold.
- 5.3 As a further alternative the Council could consider using its own capital resources to carry out the refurbishment works rather than an Arts Council grant and charge YAS a higher rent to recover those costs. However the Council's capital programme has limited capacity and this may not be seen as a high priority for the use of limited funds. As stated at 1.1 the YAS business model for all of their properties is based on the rent from the studio holders covering the running and management costs with any surplus used for artist's development, public events and community engagement.

It is therefore unlikely that YAS would be able to pay more than a nominal rent to the Council.

## **6.0 REASONS FOR RECOMMENDATIONS**

- 6.1 The proposed refurbishment of the Exchange Place Studios will be a major boost for the cultural attraction of the City Centre and the Castlegate area in particular. This has wider economic benefits in terms of making the city an exciting place to locate and attract talented staff for businesses in the creative and digital industries which is a key growth area.
- 6.2 It is important to ensure that the closure and demolition of the former markets building does not result in a decline at Castlegate and that investment is secured into new projects that will help to transform the area.
- 6.3 The proposal to grant a lease for 100 years at a premium of less than the full open market value will potentially unlock a grant from the Arts Council of £500,000. The refurbishment of the property will benefit a Council owned asset which is currently in a poor state of repair.
- 6.4 The proposed option to repurchase the property at the original price also gives the Council additional opportunity to generate a much higher value in the future.

## **7.0 RECOMMENDATIONS**

- 7.1 That Cabinet approves the proposals to enter into the agreement to grant a lease of property at Exchange Place to Yorkshire Artspace Society Ltd on the terms set out in this report.
- 7.2 That Cabinet delegate authority to the Executive Director Place in consultation with the Director of Capital and Major Projects and the Director of Legal and Governance to agree the terms of the documentation required to effect this transaction
- 7.3 That the Director of Legal and Governance be authorised to complete such legal documentation as she considers necessary or appropriate in connection with this transaction on such terms as she may agree to give effect to the proposals set out in this report and generally to protect the Council's interests

**Simon Green Executive Director Place**

