

Economic and Environmental Wellbeing Scrutiny and Policy Development
Committee

Meeting held 26 September 2018

PRESENT: Councillors Denise Fox (Chair), Ian Auckland (Deputy Chair), Mike Chaplin, Neale Gibson, Mark Jones, Abdul Khayum, Cate McDonald, Mohammed Mahroof, Ben Miskell, Robert Murphy, Paul Wood and Colin Ross (Substitute Member)

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(NOTE: Prior to the meeting, the Committee visited Arup's offices in the City Centre, providing an excellent vantage point to view the buildings and open spaces in Heart of the City II, and David Morgan, Leonard Design Architects, presented the design context of the Scheme.)

1. APOLOGIES FOR ABSENCE

1.1 Apologies for absence were received from Councillors Lisa Banes, Adam Hanrahan, Moya O'Rourke and Martin Smith (with Councillor Colin Ross attending as his substitute).

2. EXCLUSION OF PUBLIC AND PRESS

2.1 No items were identified where resolutions may be moved to exclude the public and press.

3. DECLARATIONS OF INTEREST

3.1 In relation to Agenda Item 7 (City Centre Development and Growth – Heart of the City II), Councillors Neale Gibson and Paul Wood declared personal interests as Cabinet Advisers for Transport and Development and Neighbourhoods and Community Care, respectively.

4. MINUTES OF PREVIOUS MEETINGS

4.1 14th March 2018

The minutes of the meeting of the Committee held on 14th March 2018 were approved as a correct record and, arising therefrom:-

- (a) the Chair reported that herself and the Cabinet Member for Finance (Councillor Olivia Blake) had met with representatives of Avenues to Zero to explain to them, more fully, information underlying the Individual Cabinet Member Decision; the Policy and Improvement Officer (Alice Nicholson) added that the responses to all the questions raised at the meeting had been provided to the questioners by Councillor Olivia Blake, and there would be a briefing paper to update Members on the outcome of the meeting with Avenues to Zero; and

- (b) further to the resolution in Item 6 – Implications for Sheffield of the Vote to Leave the European Union (Brexit) – Update and Current Position, specifically regarding the question as to how many families were likely to be affected by immigration status, Alice Nicholson reported that this had been chased, and she had been informed that it was difficult to readily obtain such information; an update would be provided as and when this information had been secured.

4.2 16th May 2018

The minutes of the meeting of the Committee held on 16th May 2018, were approved as a correct record.

5. PUBLIC QUESTIONS AND PETITIONS

- 5.1 There were no questions raised or petitions submitted by members of the public.

6. CITY CENTRE DEVELOPMENT AND GROWTH - HEART OF THE CITY II

- 6.1 The Committee received a presentation from Jon Munce, Queensberry, the Council's strategic development partner, on Heart of the City II, a major development scheme at the very heart of the City, which would build on the success of Heart of the City I. Mr Munce referred to maps highlighting those buildings to be redeveloped as part of the scheme, and to The Masterplan, providing an overview of the plans for Heart of the City II. He reported that the scheme would comprise a mix of retail, residential, office accommodation, hotels and leisure facilities, to include restaurants and a food hall, as well as incorporating a number of high quality new squares and courtyards, and both indoor and outdoor spaces to host a range of events. The scheme would be specifically designed to integrate fully with the City's emerging transport strategy, and would be accessible from every part of the City, whether arriving on foot, or by bike, car, tram, bus or train. The design would retain and enhance as much of the City's heritage architecture within the site as possible, including Leah's Yard and the facades to Pinstone Street.

- 6.2 Also in attendance for this item were Councillor Mazher Iqbal (Cabinet Member for Business and Development) and Nalin Seneviratne (Director of City Centre Development).

- 6.3 Mr Munce referred to computer generated photographs, highlighting the completed scheme and to The Masterplan, highlighting the proposed streetscape, including the nature of the development to be seen at this level, level one and upper floor level. He reported on the different types of development included in the scheme, including details of the scale of the retail, office, hotel and residential elements. Mr Munce highlighted the various blocks included as part of the scheme, and detailed the nature of the development in each block. He made specific reference to the John Lewis building, which would remain in place under the current plans. Mr Munce concluded by referring to the timeline in respect of the development of the

future phases, indicating that The Masterplan solution would allow individual blocks to be developed in a progressive and targeted fashion, and that completion of the scheme was expected in 2024.

6.4 Members of the Committee raised questions, and the following responses were provided:-

- Whilst the issues surrounding the shortage of affordable housing, particularly for families, in the City Centre area, were probably not likely to be addressed as part of this scheme, the Council was looking at plans to provide such accommodation at locations on the periphery of the City Centre. One such possibility included development on the site of the former Eye Witness Works, which the Council had recently disposed of. There had been no specific request, as part of the scheme, for the developer to include an element of affordable housing, but they had been requested to incorporate an element of build to rent. The bids made in respect of such accommodation would be assessed accordingly once submitted. The reason for the lack of affordable housing in the City Centre was due to land values, as well as the reduction in the level of grants and subsidies offered to registered social landlords who, consequently, were being forced to charge 80% of current market rents.
- A key aim of the scheme was to make it as resilient as possible which, based on the current economy, mainly regarding issues facing the retail sector, and advice from relevant consultants, would comprise a mix of development. There were, however, still plans for approximately 250,000 square feet of retail development, and the Council was currently talking to, or trying to target, a number of high quality retailers that were not presently based in the City. A number of such retailers had approached the Council, expressing an interest to be included as part of the scheme, which was very encouraging. As part of the discussions with interested retailers, the Council was being mindful of their business models, in that, in order to make the scheme a success, it needed to focus on those retailers with successful business models. In order to help with the long-term sustainability of the scheme, it was also important to attract people to live and work in the City Centre which, in turn, would increase the footfall, thereby helping the retail and leisure sectors to attract more custom. All the current signs and comments from major cities were indicating that Sheffield was taking the correct approach with regard to the mix of development. The move by HSBC, as one of the biggest banks in the world, into Block D, had been viewed as both a major boost and vital element of the scheme.
- Further indications from retail experts had highlighted the importance of the independent retail sector and with this in mind, there was a possibility of a shift to a more flexible approach in terms of leasing the retail units within the scheme, in that, if it was found that a retailer wasn't being successful, the situation could be reviewed, and steps could be taken to replace them. Another major positive of the scheme was the benefits of its incremental development, which would allow for the assessment of the success of each individual element on a block by block basis.

- Although not as part of this scheme, the Council was still looking at increasing the levels of student accommodation within the City Centre area, on the basis of the high numbers of students coming to the City every year, and the views of students who had indicated that they wished to live in the City Centre on the basis of the close proximity to their respective Universities and the excellent facilities on offer.
- Whilst wanting to attract more families to live in the City Centre, the Council was aware of the problems some families had faced with regard to noise breakout and anti-social behaviour linked to some licensed premises. It was hoped that, as part of this scheme, and the on-going development of the City Centre, accommodation suitable for families could be constructed in quiet areas of the City Centre. The Council, as developer, had the ability to take any appropriate action, under both the planning and licensing regulations, if any specific problems were identified.
- It was hoped that a number of empty office blocks and retail units would be filled in the near future. The Council was doing all it could in terms of actively managing all vacant office blocks and retail units in the City Centre.
- The total debt to the Council in respect of this phase of the scheme, including land acquisition, would amount to £470 million. This all represented borrowed money, through the Public Loan Work Board. On completion of the scheme, hopefully by 2024, there would be a £70 million loss which, it was hoped, would be recovered by 2038 when all the tax incremental finance will have been repaid. The Council would have the opportunity of selling elements of the scheme in order to raise funds if it was deemed necessary. The scheme comprised a number of income-producing assets, with the occupants of the various buildings paying rent, which would provide a regular income. A decision would have to be taken in terms of how the Council exited the scheme in years to come. The funding in respect of the various stages of the scheme would be drawn down as and when required.
- If there was a downturn in the economy, the Council had the opportunity of actualising any of the assets in order to mitigate any possible losses. The progress of the development could be increased or decreased, depending on the economy.
- It was hoped that the various different component parts of the overall scheme would help to contribute to the economic success of the City. Figures regarding the potential economic impact of the development could be circulated to Members.
- It was hoped that, if successful, the scheme, particularly the retail and leisure elements, would draw in money currently being spent in other major cities, such as Leeds and Manchester. On this basis, it was not envisaged that the development would have any detrimental effect on other major shopping areas in the City, such as Ecclesall Road.

- Efforts had been made to engage with retail experts in London in order to gauge opinion with regard to a possible downturn in the economy as a result of Brexit, but it had proved very difficult to get any definitive answers. The Council was aware that a number of major retailers were planning their short-term future based on a post-Brexit stance. The plan was for the Council to take a cautious approach, and develop one block of the scheme at a time, thereby having the ability to re-adjust the development plans accordingly, if required. Whilst the HSBC building (Block D) had been pre-let prior to construction, this was not the case for Blocks B and C. However, it was hoped that with careful marketing and advertisement, the Council would have no problems letting these blocks.
- Block H was to be primarily retail and leisure, including restaurants, food hall, events space and bowling. The plan was for the restaurants and food hall to provide an offer from breakfast through to late evening. Officers had also talked to the owners of existing restaurants/cafes/bars in the City Centre, in order to discuss the possibility of them expanding their businesses as part of the new scheme.
- The role of Queensberry was solely as a strategic development partner for the Council, to provide consultancy and advisory services. The Council had been looking for a company with the relevant skills set and expertise, and with a reputation in both the United Kingdom and Europe and, as part of the procurement process, Queensberry had met all the relevant requirements.
- Every effort was made, as part of the pre-let discussions, to make clear the Council's policy with regard to the Living Wage. As part of the Council's discussions with HSBC, it was apparent that a number of workers would be on apprenticeships, and that it would source other employees from the local area. As the marketing of the wider scheme had not commenced yet, the Council had not looked at the issue of the Living Wage in any detail. However, the Council would look at this at the relevant time.
- Whilst consideration would be given to using income received from business rates in order to encourage apprenticeships, as with the issue regarding the Living Wage, discussions had not yet reached this level of detail. However, it was envisaged that the uplift created in terms of the increase in business rates would be used to pay off the loan by 2038.

6.5 RESOLVED: That the Committee:-

- (a) notes and welcomes the information reported as part of the presentation, the comments now made and the responses to the questions raised; and
- (b) expresses its thanks to Jon Munce, Nalin Seneviratne and Councillor Mazher Iqbal for attending the meeting, and responding to the questions raised.

7. WORK PROGRAMME 2018/19

- 7.1 The Committee received a report of the Policy and Improvement Officer which set out its Work Programme for 2018/19.
- 7.2 Members suggested a number of issues that the Committee could look to include on the Work Programme, including Supertram, the Bus Partnership, Cycling Strategy and Heritage Strategy.
- 7.3 RESOLVED: That the Committee:-
- (a) approves the contents of the Work Programme for 2018/19; and
 - (b) requests the Policy and Improvement Officer to look at including the items now mentioned as part of the Work Programme.

8. DATE OF NEXT MEETING

- 8.1 It was noted that the next meeting of the Committee would be held on Wednesday, 24th October 2018, at 5.00 pm, in the Town Hall.