



## Report to Policy Committee

**Author/Lead Officer of Report:**

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**Report of:** Kate Martin

**Report to:** Strategy & Resources Committee

**Date of Decision:** 28<sup>th</sup> June 2023

**Subject:** Proposed Agreement for Lease of former Cole Brothers Building

|   |   |  |
|---|---|--|
| Type of Equality Impact Assessment (EIA) undertaken   | Initial <input checked="" type="checkbox"/> | Full <input type="checkbox"/>          |
| Insert EIA reference number and attach EIA  |   |  |
| Has appropriate consultation/engagement taken place?  | Yes <input checked="" type="checkbox"/>     | No <input type="checkbox"/>            |
| Has a Climate Impact Assessment (CIA) been undertaken?  | Yes <input type="checkbox"/>                | No <input checked="" type="checkbox"/> |
| Does the report contain confidential or exempt information?   | Yes <input checked="" type="checkbox"/>     | No <input 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"The appendix is not for publication because it contains exempt information under Paragraphs 3 and 5 of Schedule 12A of the Local Government Act 1972 (as amended)."</i> |   |  |

### Purpose of Report:

The Council acquired the former Cole Brothers Building from John Lewis in January 2022 and marketed it through external agents CBRE from May 2022. This report informs Committee of the very exciting outcome of this marketing and recommends a preferred bidder to take forward with detailed negotiations.

### Recommendations:

That Strategy and Resources Policy Committee

1. notes the outcome of the marketing exercise conducted by CBRE on behalf of the Council and notes the outline of the preferred bid as set out in this report.
2. endorses proceeding with proposed scheme (Option 1) as set out in Parts 1 and 2 of this report and a conditional agreement for a 250-year lease of the Cole Brothers Building
3. notes that when further discussions have better particularised the lease terms, a further report will be brought to this Committee as soon as is

reasonably practicable for a further decision.

4. notes that as well as the preferred bid, the Council received a number of other credible bids and thank all bidders for their interest and endorses discussing alternative opportunities within the city which they may be interested in pursuing.

**Background Papers:**

Report to Cabinet Heart of the City December 2021

Reports to Strategy & Resources Committee 24<sup>th</sup> August 2022 and 15<sup>th</sup> March 2023

| <b>Lead Officer to complete:-</b> |   |  |
|-----------------------------------|---|--|
| 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.  | Finance: Natalia Govorukhina/Tony Kirkham                  |
|                                   |   | Legal: David Sellars/Rahana Khalid                         |
|                                   |   | Equalities & Consultation:                                 |
|                                   |   | Climate:   |
|                                   | <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>SLB member who approved submission:</b>  | Kate Martin  |
| 3                                 | <b>Committee Chair consulted:</b>   | Tom Hunt   |
| 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 Committee by the SLB member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1. |  |
|                                   | <b>Lead Officer Name:</b><br>Neil Jones   | <b>Job Title:</b><br>Partnership Manager City Regeneration |
|                                   | <b>Date:</b> 19 <sup>th</sup> June 2023   |  |

## **1. PROPOSAL**

### **1.1 Introduction**

In recent years the future of cities has been placed in the spotlight as society adapts to a post pandemic world. Changes to the way people work, shop, live and socialise has impacted the way cities are used. It is well known that City Centre retailing has suffered with major store closures affecting all UK core cities and Sheffield is no different.

With change comes opportunity and whilst the loss of big retail giants like Debenhams and John Lewis from high streets all over the UK brings significant changes to shopping it also presents new opportunities to reinvent city centres, and bring innovative ideas to reuse and repurpose streets, public spaces and buildings.

The former John Lewis store lies in a prominent position in Barkers Pool and forms a significant element of the Council's Heart of the City regeneration scheme. Recognising the prominent location of the store and the importance of the building to the people of Sheffield, the City Council took ownership of the building in January 2022 after John Lewis took the decision to close.

Since that time the City Council has undertaken a marketing process to secure a new use for the building and in particular has encouraged high quality, ambitious proposals that will secure the future of the building to ensure that it remains a centrepiece and focal point bringing people, jobs and life into the city centre.

Officers are extremely pleased with the quality of the impressive bids received from all of the bidders. This report sets out the exciting outcome and recommends a preferred bidder with which to progress.

### **1.2 Background**

In March 2021 John Lewis & Partners announced that several department stores would remain closed following the Covid pandemic. This included the department store at Barker's Pool, Sheffield. Following discussion with the Council, John Lewis & Partners agreed to surrender their lease of the building on terms that included the payment of a premium to the Council. Following a decision by Cabinet in December 2021 the Council took possession of the building in January 2022 and in so doing secured control of a major site in the city centre providing an opportunity to embrace and support the regeneration of Sheffield and compliment Heart of the City.

Over the past 12 months specialist contractors have been removing asbestos from the building. These works have been funded from within the existing financial allocation for the Heart of the City project.

The property was marketed by external agents CBRE from May 2022.

### **1.3 Listing**

In July 2022 the building was listed Grade II. The implications of that decision were explained to Strategy & Resources Committee on 24<sup>th</sup> August 2022 and a decision was taken to continue with the marketing of the building.

Whilst the Council had previously applied for a Certificate of Immunity from listing, there is no 'appeal' process for the decision to list a building. There was a limited right to request a review of the decision, but that was not possible without significant evidence of discrepancies in the facts which were considered as part of the listing.

It is important to note that listing does not mean the building cannot be altered or that parts cannot be demolished, but a strong justification will be required and any significant 'harm' to the heritage must be justified by more significant public benefits. There are many examples of listed buildings both within Sheffield and across the country which have been successfully altered, adapted and reused. Many have involved selective/ partial demolition to enable new elements to be created and adapted for reuse in modern society. Examples from Sheffield include Park Hill, the former Co-op building, and the Arts Tower which all involved major interventions or selective demolition.

All parties who had expressed an interest in the property were contacted regarding the listing of the building and the potential implications of the listing. Whilst some reconsidered their interest, several of the parties remained interested.

In order to ensure the development of credible, deliverable proposals following the listing decision, Officers from Regeneration and Planning teams together with CBRE and representatives from Historic England met with prospective developers in order to explore potential options for the reuse of the building that would be acceptable given its listed status.

### **1.3 Process**

CBRE invited the developers to submit proposals by a closing date of 3<sup>rd</sup> February 2023. There was a strong response with six quality bids received from credible developers, all with impressive track records. One of the bidders subsequently withdrew.

A range of redevelopment and refurbishment options have been proposed with a variety of different uses for the building which are in keeping with the Heart of the City Vision and Council aspirations for the wider city centre.

A report to Strategy & Resources on 15<sup>th</sup> March 2023 updated Members on the latest position and it was agreed that the process to secure a developer should continue as planned and that a further report be brought back to this Committee following the elections in May for selection of the preferred developer.

CBRE invited best and final offers by 31<sup>st</sup> March 2023.

### **1.4 Current Position**

Further clarification meetings have since been held with the bidders and detailed scoring carried out by CBRE and officers on the following criteria –

#### Planning 10%

- The proposed use mix is compliant with the planning brief and associated planning policy for the site; or a very strong case could be made for achieving an implementable consent.
- The proposal sets out how any significant impacts on the heritage assets ie both the listed building and Conservation Area, would be justified

#### Quality 20%

- The proposal demonstrates a high quality solution which meets Council aspirations in terms of environmental and social benefits; and provides an appropriate use-mix in the Heart of the City masterplan as well as the wider City Centre
- Sustainability of proposed use(s) i.e. continued and active occupation of the building in the medium to long term
- Bidders are an accredited Foundation Real Living Wage employer or can demonstrate a commitment to working towards becoming accredited

#### Engagement Strategy 5%

- The bidder has provided a detailed and satisfactory strategy for consultation and engagement with appropriate local stakeholders.

#### Deliverability and Track Record 20%

- The bidder has a track record of working in partnership with the public sector.
- The bidder has a demonstratable track record of working on mixed use, city centre developments of a comparable size, scale and complexity and/or Listed buildings
- The bidder has an appropriate professional team to deliver the proposal
- The proposal sets out a delivery programme that is ambitious whilst being realistic

#### Conditionality 5%

- The conditions attached to the transaction are realistic and can be overcome within a time period appropriate to the Council.

#### Financial 40%

- Amount of Premium
- Provision of any financial mechanism
- Extent of any enabling sought from the Council and how this would enhance the capital value of the property

- 1.5 In assessing and scoring the submissions officers and CBRE are in unanimous agreement on which one should be recommended as preferred bidder as set out below. The preferred bidder scored the highest overall score, including the highest or equal score on all of the assessment headings.

Further details on all of the submissions are included in a summary report prepared by CBRE that is annexed to a report in Part 2 of this agenda. This report contains sensitive commercial and financial information which cannot be released as it could affect the ability of the companies concerned to do business.

#### 1.6 Preferred Bidder

The preferred bidder has proposed an exciting mixed-use scheme comprising flexible workspace and cafes/retail/leisure/cultural uses/event space which will

complement the existing and proposed development within the rest of the Heart of the City project.

At the core of the proposal is ambition is to re-establish the building as a place to meet, eat and shop in the city centre, with the ground floor filled with lively retail, food and drink and the upper floor providing flexible workspace for Sheffield's growing business base. The intention is to re-establish a strong identity for the building, rekindling the association and connection of Sheffield people with this iconic building.

Barkers Pool and Cambridge Street will be animated with cafes on perimeter of the building with retail (targeted at mainly independents) at the centre on the ground floor and leisure on the lower ground floors. There will be rooftop offices on the upper floors and in an extension above the existing main store building. There are large basements that will also be brought into use, the precise detail of which is yet to be decided. Substantial areas of the building will therefore be reopened to public use.

The existing car park structure would be maintained with public access to a pocket park at the top during the day and evening, with studio spaces and gym to the upper levels. A limited number of car parking spaces are proposed for the use of office tenants, including electric vehicle charging points, bike storage and hire facilities.

The number of parking spaces to be retained for use by office occupiers will be far lower than the 400 existing spaces and detailed discussions on vehicle routes to and from the parking and servicing of the building will ensure that the Council's wider proposals for access and streetscape improvements within the city centre are not compromised.

The proposal is likely to result in less disruption within the city centre and surrounding Heart of the city scheme to other bids as the car park structure is to be retained. Demolishing the car park, which was proposed by some bidders, could result in disruption to the nearby new apartments and hotel which opens next year.

Refurbishment of the building will be a 'light touch, maximum impact' approach with limited interventions. Retaining and exposing features and cleaning the façade rather than replacing panels, whilst improving thermal performance. Minimising mechanical services and creating a larger atrium through the building will help to maximise natural light and ventilation. This has many environmental benefits in terms of reducing potential energy and water use and retaining embodied carbon within the structure.

The scheme is the most acceptable of all of the proposals from a heritage and planning perspective. The large extent of the existing building proposed to be retained involves the least 'harm' to the heritage asset. It still contains original features that are specifically referred to in the listing description, such as white-glazed tiles, brown mosaic window panels, granite lined black terrazzo stairwells and some of the escalators.

The integrated car park is also specifically mentioned in the listing and in meetings between Historic England and the developers, it was stated that adaptation of this to other uses would be acceptable, subject to the details.

Temporary uses, such as events and pop-up shops and cafes will start to activate the building as soon as it is feasible to do so. Whilst it isn't yet possible to give precise timescales due to ongoing works in the building to remove asbestos it is hoped that this activity could commence in the next 6-12 months. However, at a very early stage, the preferred bidder will commence engaging with interested stakeholders and consulting with the wider Sheffield population in order to shape their plans as more details are drawn up.

The bidder has a shorter programme to start and complete the development than most others. It is important to note that redevelopments of this sort take time and can be affected by external events, as we have seen in recent years. However, the ambition is to have the scheme totally completed within the next 3 years.

The bidder has a strong track record of working with many public sector parties in a number of cities across the UK including Manchester, Liverpool and Birmingham. The proposed project team have redeveloped many listed and challenging buildings, including both historic and post-war structures in regeneration areas. They have over a million sq ft of commercial space that they have developed, hold and manage and have set out that Cole Brothers would be the next commercial scheme in their pipeline, and that they would retain and hold the building as part of their portfolio.

Finally, the bidder submitted the highest financial offer and is not requiring any financial contribution from the Council.

## 1.7 Other Bidders

The other submissions were for a mixture of uses which in summary were –

- High quality 199 bed hotel with large reception and ancillary retail and leisure uses on ground and lower ground and a roof top bar. Existing car park replaced with 174 BtR apartments 1-3 bedrooms. Large, dramatic atrium with escalators retained/replaced
- Good quality offices in existing store for co-location of university spin outs, tech startups and scaleups as well as larger, more corporate occupiers; cafes/leisure/retail at ground floor; Apartments on demolished car park plot. Rooftop offices extension above existing main store building
- Mixed use residential (for sale and rent) and employment uses; cafes/leisure/retail at ground and lower ground floors; office/workspace on two floors; Roof top duplexes on top of the existing store with communal outdoor space for residents; Innovative, medium scale family homes on site of existing car park
- Cafes/leisure to ground and lower ground floors; offices on upper floors; Roof top leisure and amenity area; car park to be maintained as public pay and display mscp with less spaces than existing
- The sixth bidder withdrew recently but the proposal was entirely residential on the upper floors of the former store and in a new building on the site of the car park with leisure uses at ground and lower ground floors.

These submissions were also all of a very high quality, from reputable developers who should be welcomed to the city and will officers be discussing other alternative opportunities with them.

## 1.8 **Next Steps**

If the Committee agrees the recommendation to proceed with the suggested preferred bidder, they will start their consultation and engagement proposals to inform the development of the detailed design and planning application being progressed. In tandem officers will prepare and negotiate the detail of the terms of the agreement for lease and these will be reported back to Committee for final approval before entering into necessary legal documentation.

Given the importance and profile of the building the legal documentation will be in the form of conditional agreement for a 250 year lease with clear milestones and timescales to ensure delivery and strategic fit. The proposed conditions are set out in Part 2 and as stated in recommendation 3 of this report, once discussions with the preferred bidder have concluded and officers are able to better particularise the lease terms, a further report will be brought to this Committee as soon as is reasonably practicable for a further decision.

1.9 Due to the high profile and level of local interest in the future of the building, it is proposed that progress is monitored in regular reports at key stages in the project, taken to Transport, Regeneration & Climate Change Committee.

1.10 The interest that the marketing generated and the quality and amount of work that was submitted by all of the bidders was hugely impressive and encouraging for other projects which the Council will be bringing forward in the near future. Officers will therefore continue to discuss proposals with the bidders who were unsuccessful on this occasion to engage with them on other opportunities.

## 2. **HOW DOES THIS DECISION CONTRIBUTE?**

2.1 Redevelopment of the building is an important part of realising the vision for the city centre and the Heart of the City project. The proposals that have now been submitted by the preferred bidder incorporate a range of different uses that meet the Council's aspiration for the delivery of imaginative high quality, sustainable development which is appropriate to the transformational nature of the opportunity & the surrounding proposals

The proposed scheme will create space for new jobs, places to shop, eat and visit and will help to increase the vibrancy and attractiveness of the city centre for residents and visitors.

Bringing this vacant listed building back into active use will be hugely beneficial. Retaining the large majority of the structure, whilst improving the thermal performance of the building, should have a positive impact on climate change as the embodied carbon in the structure is not lost and fewer new materials need to be produced and used. In addition, improvements to the thermal performance and efficiency of the building will reduce the operational carbon cost.

Whilst the decision to lease the building does not in itself increase or reduce



inequalities, the developer is committed to ensuring that the various opportunities which the scheme will enable are open and available to all. This will form part of their forthcoming engagement strategy.

### **3. HAS THERE BEEN ANY CONSULTATION?**

3.1 Public engagement on the future options for the building was undertaken through the work on the City Centre Strategic Vision in January / February 2022. Due to the commercial sensitivity of the bidding process it has not been appropriate for the details of the bids to be consulted upon with the public.

However, if the Committee agrees the recommendation to proceed with the suggested preferred bidder, they will start their consultation and engagement proposals enabling a wide variety of organisations, stakeholders and the public to shape the final details of the scheme.

As part of the submissions all of the bidders were required to outline their engagement strategy and officers will agree a detailed consultation programme as one of the first steps

### **4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION**

#### **4.1 Equality Implications**

4.1.1 As stated above, the decision to lease the building does not in itself increase or reduce inequalities. The developer is committed to ensuring that the various opportunities which the scheme will enable are open and available to all.

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

4.2.1 Financial implications are outlined in the Part 2 report.

#### **4.3 Legal Implications**

4.3.1 This report seeks approval to proceed with the proposed scheme (Option 1) set out in Part 2 of this report. This includes an endorsement for officers to enter discussions with the preferred bidder to particularise the terms of the proposed 250-year conditional lease agreement of the Cole Brothers Building. A further decision paper will be presented to this committee once the terms and conditions of the lease can be particularised.

4.3.2 Under Section 123 of the Local Government Act 1972, the Council has the power to grant a 250- year long lease of land or property owned by the Council provided it is based on achieving best consideration. This will need to be considered when a further report is presented to committee for a decision to grant the 250-year lease by way of a conditional agreement.

#### **4.4 Climate Implications**

4.4.1 Environmental considerations have been addressed at a high level in the submission, with principles set out for water, energy efficiency, material and sustainable transport strategies.

Retaining the large majority of the structure, whilst improving the thermal performance of the building through replacing windows and increasing insulation, should have a positive impact on climate change as the embodied carbon in the structure is not lost. Exposing the structure and soffits internally will reduce waste associated with a more intensive fit out as fewer new materials need to be produced and used.

It is also intended to introduce photovoltaics and low energy plant and mechanical systems and natural ventilation where possible. A green roof will be added to the top floor and rainwater harvesting introduced for toilet flushing and irrigation.

A detailed Climate Impact Assessment has not been undertaken at this stage but will be done as the proposals are progressed.

#### 4.4 Other Implications

##### 4.4.1 None

### **5. ALTERNATIVE OPTIONS CONSIDERED**

#### 5.1 The summary report annexed to the Part 2 report explains why the preferred bidder is being recommended to progress with rather than the other bidders.

As stated in the previous reports to this Committee in August 22 and March 23, the Council could decide not to progress with a disposal of the building at the present time. However, to do so would lead to further delays and uncertainty around what is an important building for the regeneration of the city centre and of a lot of interest from many people both within and outside of Sheffield. There is also a risk that developers currently interested in the scheme could withdraw.

Retaining the building without securing its redevelopment will have financial implications for the Council both in vacant property management, security and holding costs and in potential blight suppressing values and interest in the surrounding property and the Heart of the City Scheme.

### **6. REASONS FOR RECOMMENDATIONS**

#### 6.1 The proposed agreement for lease to the preferred bidder will result in the delivery of an exciting mixed-use scheme comprising flexible workspace and cafes/retail/leisure/cultural uses/event space which are all considered to be complementary uses to the rest of the Heart of the City project. The scheme will create space for new jobs, places to shop, eat and visit and will help to increase the vibrancy and attractiveness of the city centre for residents and visitors

The bidder has a strong track record of working with many public sector parties. The proposed project team have redeveloped many challenging and listed buildings, including both historic and post-war structures.

Bringing this vacant listed building back into active use will be hugely beneficial both for the wider city centre and the surrounding Hart of the City Scheme. Retaining the large majority of the structure, whilst improving the thermal performance of the building, should have a positive impact on climate change.

The building was openly marketed over a significant period of time and the preferred bidder submitted the highest financial offer.

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