

North East Derbyshire District Council

Special Cabinet

2 February 2015

Proposed Marketing for Sale of the Midway Business Centre

Report No: PW/02/15/BM of Councillor P Williams, Portfolio Holder with Responsibility for IT, e-Information and Asset Management (jointly with Councillor P R Kerry, Portfolio Holder with Responsibility for Economy, Finance and Regeneration)

This report is public

Purpose of the Report

- To agree that Officers explore the options available for a redevelopment of the industrial and office units located at the Midway centre in order to generate a more sustainable use for the current site and to enable alternative accommodation to be provided for the businesses concerned.

1 Report Details

- 1.1 The Council has operated these business units and related small office workspaces for a period of just in excess of 20 years. While they remain 'fit for purpose' and offer affordable 'easy in – easy out' workspace it does need to be recognised that they are now approaching the end of their realistic lifespan and that over the next five or so years it will be necessary to consider either replacement or an extensive programme of refurbishment. The replacement or refurbishment of the units does, however, present a considerable challenge in that while the units currently generate a positive cash flow they were originally constructed with grant funding and without such funding or similar it will be difficult to develop a business case for extensive renovation or replacement of the current asset. Given the Council's current and projected financial position it is difficult to envisage that the level of investment and associated risk in a replacement or refurbishment programme could be justified from the Council's general resources.
- 1.2 Whilst replacement would be desirable the current position is that 8 of the 9 industrial units are occupied providing a valuable opportunity for small business to rent premises on an 'easy in easy out' basis. The majority of the Council's industrial buildings are in a similar condition and the overall approach adopted has been to undertake only necessary repairs in order to provide cost effective accommodation to tenants whilst maintaining financial sustainability. Whilst this is a reasonable approach to adopt for the majority of the units which are located in commercial areas the Units at Midway are in a different position. Cabinet will be aware that they are located at Bridge Street Clay Cross adjacent to the Town Centre and supermarket, whilst moving away from the Town Centre Bridge Street is

increasingly characterised by good quality residential development. The Council's Midway Site is looking increasingly tired when compared against adjacent areas which have been developed as part of the regeneration of Clay Cross which has taken place over the last decade. In order to consolidate the work that has taken place to date and to prevent the units acting as a barrier to future development it is clearly desirable and probably necessary to redevelop the site as either high quality industrial units, or for retail or housing purposes.

- 1.3 While the redevelopment of the Midway Centre and the building of replacement units is a priority for the Council it needs to be recognised that this work will require 'external' funding. The position in respect of the industrial units and business centre is made easier by the fact that the units are now outside the time period in which a significant clawback of grant would have been required as they are now beyond the economic lifespan which was anticipated in much of the original grant funding. The position in respect of clawback will need to be confirmed, however, other than with respect to some of the smaller funding schemes such as Derelict Land Grant (which remediated the land itself) it is not considered likely that significant 'clawback' will apply. The fact that clawback is now time expired will facilitate the utilisation of any receipt to provide alternative facilities. If the opportunity arose to replace the current premises then consideration could also be given to the shape of the units in the Business Centre where only 5 of the 13 offices are let.
- 1.4 Over the past year to eighteen months Council officers have had clear indications from developers that they would be happy to explore the option of putting retail premises, most likely a medium sized supermarket on the Midway site. The advantage of exploring the option of a sale for retail development is that this could potentially provide the funding to replace the existing units elsewhere in the Clay Cross area. Clay Cross is identified a priority location for the development of a new store on a major retailers website, with developers proactively searching for a suitable site on the retailers behalf. If a development were to proceed on an alternative site then it is unlikely that the Council would be able to find another developer willing to make a significant financial offer for the Midway site. While a disposal would assist the Council's financial position and potentially allow the construction of replacement units from the proceeds of sale, the Economic Development team which has been active in Clay Cross over the last decade is clear that a town centre location for further retail development would be of considerable assistance in furthering the on going regeneration of the Town. The Clay Cross Regeneration Framework was updated in 2013 and the Bridge Street Triangle is identified as an action area, with a focus on consolidating improvements made from the GMI development to improve the image and attractiveness of Bridge Street.
- 1.5 In order to pursue the option of a disposal of the site and relocation of the offices it is necessary Cabinet agrees to the active marketing of the Midway site in order to assess whether there are developers prepared to commit to purchase and redevelop the site for retail. On the basis that developers are prepared to commit then further reports will be brought back to Cabinet seeking agreement to dispose of the site. Given that there is some uncertainty as to whether Developers will pursue initial soundings concerning the site it is not appropriate that the Council declares the site surplus to requirements, or agrees in principle to dispose at this stage. On the basis that Cabinet accepts the recommendation to actively market then if a firm offer is made it follows that the Council would agree to dispose of the site. Disposal

of the site is, however, dependent upon the Council being able to provide replacement facilities and if this is not possible then the intention would be to continue to operate the Midway Centre for the foreseeable future. In addition to actively marketing the site in a related piece of work Officers will give consideration as to potential sites for the relocation of the units.

2 Conclusions and Reasons for Recommendation

- 2.1 This report recommends that the Council should commence a process to actively market the Midway Site at Clay Cross with a view to disposing of it for retail purposes, and to use the proceeds of sale to develop a replacement facility in the Clay Cross area. This recommendation is made in order to seek to secure sufficient funding from the sale of the Midway site in order to provide replacement facilities elsewhere. While the Midway Site remains fit for purpose it is approaching the end of its realistic lifespan and given the regeneration that has taken place in Clay Cross over the last 10 years is arguably now in the wrong location. Given that developers elsewhere are promoting a similar medium sized retail supermarket elsewhere in the Clay Cross area it is important that the Council markets the Midway centre as a potential site as soon as possible otherwise the opportunity to generate a capital receipt large enough to provide a replacement for the current Midway centre will be lost.

3 Consultation and Equality Impact

- 3.1 The measures outlined within this report will clearly have considerable impact upon the businesses that currently operate from the Midway centre. Officers are in the process of writing to the current occupants of the units to inform them of the contents and recommendations of this report. On the basis that the recommendations in this report are approved by Cabinet meetings will be offered to all tenants. In the initial letter it has been emphasised to tenants that while no decision has been taken as of yet, that the Council is exploring the options and that they will be kept fully informed throughout the process.
- 3.2 Officers are currently working on developing an Equalities Impact assessment.

4 Alternative Options and Reasons for Rejection

- 4.1 At this stage the report is recommending further work to understand whether the proposed sale and relocation of the business units is feasible. Should this option prove to be feasible then any report recommending a sale of the centre would set out the options available to the Council. At this stage the only option for Cabinet to consider is whether the recommendations in the report should be accepted or rejected.

5 Implications

5.1 Finance and Risk Implications

- The financial implications are set out in the main body of the report. On the basis that the work recommended is undertaken there may be some preliminary costs in terms of marketing fees and associated professional advice, together with advice on the cost of constructing appropriate

replacement units. It is recommended that such preliminary costs – up to a value of £10,000 are funded from the Invest to Save reserve.

- The main risk associated with the recommendation is that a decision to explore the option of sale could well result in uncertainty amongst tenants leading them to look for alternative premises, or making the units more difficult to let because of uncertainties over their long term future. This risk will be addressed by ensuring that tenants are kept fully informed of the position and by seeking to ensure that a timely decision is made as to whether or not to continue operating the Midway Centre.

5.2 Legal Implications including Data Protection

5.2.1 There are no Legal or Data Protection issues arising directly from this report.

5.3 Human Resources Implications

5.3.1 These are no Human Resource implications arising directly from this report.

6 Recommendations

6.1 That Cabinet agree to commence a process of marketing the Midway Business Centre and Industrial Units for sale for retail purposes on the basis that should the sale proceed any capital receipt generated would be used to provide replacement facilities elsewhere in the Clay Cross area for tenants.

6.2 That Cabinet agrees an allocation of £10,000 from the Invest to Save Reserve in order to fund the marketing of the site and the development of replacement facilities for current and prospective tenants.

7 Decision Information

Is the decision a Key Decision? (A Key Decision is one which results in income or expenditure to the Council of £50,000 or more or which has a significant impact on two or more District wards)	Yes
District Wards Affected	Clay Cross
Links to Corporate Plan priorities or Policy Framework	Customer Focused Services – Providing Excellent customer focussed services.

8 Document Information

Appendix No	Title
N/A	N/A
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
Report Author	Contact Number
Executive Director – Operations Assistant Director Economic Development Assistant Director – Property and Estates	(01246) 217154

AGIN (7(b) (CAB 0202) Sale of Land at Midway/AJD