

Report of:	Executive Member for Regeneration Director of Regeneration
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Submitted to:	Executive
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Date:	24 January 2023
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Title:	Town Centre Property Purchase - PART A
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Report for:	Decision
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Status:	Public
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Strategic priority:	Town centre
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Key decision:	Yes
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Why:	Decision(s) will incur expenditure or savings above £150,000
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Urgent:	No
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Why:	Not Applicable
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Executive summary

The report seeks an Executive decision for Middlesbrough Council to acquire the freehold interest in a major town centre building of strategic significance.

This report aims to acquire one of Middlesbrough's most prominent and iconic buildings, which has suffered vacancy and decay in recent years.

The immediate priority is to ensure the control, and protection, of the locally important asset. Once acquired, a business case will be developed to restore and convert the spaces to a commercially viable use, which could include a diverse range of uses including public, commercial, leisure and cultural spaces, as a critical part of the transformation of Middlesbrough's town centre.

The decision being sought to acquire is a key decision with the value of the surplus asset exceeding the £150,000 threshold.

Purpose

1. The purpose of the report is to seek Executive approval for Middlesbrough Council to acquire the freehold interest in a major town centre building of strategic significance.

Background & relevant information

2. In recognising the fragilities of its high street, the Council commissioned an economic assessment of the retail and commercial areas within the Town Centre, to provide an evidence base on which to tailor a package of interventions. The process benchmarked Middlesbrough against national trends, highlighting deficiencies and areas of improvement. In parallel, an analysis of retail floor space trends was also carried out. This data has informed the development of specific priorities, actions and responsibilities, to be taken forward by all stakeholders.
3. The exercise highlighted that Middlesbrough has an oversupply of retail floor space, in proportion to the amount of commercial activity. Middlesbrough had a retail core vacancy rate of c19% on a base of 1.8m sqft of all available town centre floor space; this resulted in a buyers' market with tenants seeking competitive terms from multiple landlords therefore driving down rents.
4. Consequently, there is a requirement to make a fundamental change to rebalance the economic mix. Similarly, this leads to the necessity to focus upon the conversion and repurposing of surplus or unoccupied space to complementary economic uses, which will drive the footfall, animation and confidence in the area.
5. As a property with local merit, any adaptation works must be sensitively handled. This adds complexity and cost to the development options as the space is repurposed to modern town centre uses. In an already distressed property market, this adds an additional financial burden for the delivery of the project and severely limits commercial viability and, therefore, private sector ability to deliver.
6. The acquisition and redevelopment of this symbolic asset has strong links with Middlesbrough's Strategic Plan. An absolute end use has not yet been identified for this structure albeit the space lends itself to a number of uses. The asset is privately owned and, assuming owner compliance, a Compulsory Purchase Order (CPO) process may be able to be avoided.
7. The building has a significant heritage deficit in respect of commercial restoration and this means that there is no reasonable prospect of it being brought back into commercial use, by the private sector, without significant public sector stimulation. Middlesbrough Council is in liaison with the current owner and are confident of completing the acquisition of the property in the current financial year.
8. Middlesbrough Council has not determined a final use for the space but opportunities are significant. Early consultation has identified preferred community uses for the building which range from indoor market place, educational spaces and cultural performance space. This project will involve intensive co-design and development with businesses, residents and other stakeholders. The respective business cases will be worked up for viability in the next phase of the project with the aim of securing a self-sustaining, publicly-accessible use, which will add value to the area and generate the

income required to sustain the property (and any future heritage / maintenance investments) in perpetuity.

9. As not to prejudice any future business case, or commercial interests through the acquisition process, the financial details and terms are set out in Part B of this report.

What decision(s) are being recommended?

10. That Executive be asked to:

- a) note the information contained within Part A of the report; and,
- b) take the decision to acquire the freehold interest in a major town centre building of strategic significance, once all the financial or exempt information contained within Part B of the report has been considered.

Rationale for the recommended decision(s)

11. The restoration and reuse of this key building will provide a hugely symbolic investment in Middlesbrough and reassurance that we will invest in our significant buildings to breathe new life into them.
12. In owning the asset, the Council can exert a level of control to support the development and restoration of the site, subject to the availability of external funding opportunities.

Other potential decision(s) and why these have not been recommended

13. The Council could choose not to acquire the property. As a property with local merits, any adaptation works must be sensitively handled. This adds complexity and cost to the development options as the space is repurposed to modern town centre uses. In an already distressed property market, this adds an additional financial burden for the delivery of the project and severely limits commercial viability and, therefore, private sector ability to deliver. It is therefore likely that the building would remain undeveloped without Council intervention.

Do nothing

14. The property would remain in its present dilapidated state.

Impact(s) of the recommended decision(s)

Legal

15. No specific legal issues have been created as a result of the proposal.
16. The subject property would be acquired under consultation with the Council's Legal Services and Valuation & Estates teams.

Strategic priorities and risks

17. The proposal does not require any change to the Council's existing policy framework.

18. The proposal contribute to the strategic aims for town centre regeneration and contribute positively towards the vision for Middlesbrough – creating employment opportunities, driving enterprise and generating economic activity within the Borough.

19. Due to the impact of ongoing national economic, political and health issues on the local property market, the likelihood of the Private Sector to secure an alternate buyer / development proposal is questionable.

Human rights, equality and data protection

20. There will be no negative, differential impact on protected groups and communities.

21. A Level 1 (Initial Screening) Impact Assessment (IA) accompanies this report attached at Appendix 1. The impact assessment has identified that the proposal would have a positive impact on the local community and does not represent any concern to equal rights, disability discrimination or the impingement of individual human rights.

22. The Council's development control planning process would also serve to ensure that any future use proposed would be appropriate for the local area.

23. The proposed decision does not involve the collation and use of personal data.

Financial

24. The capital required to acquire this property is set out in Part B of this report.

25. The cost will include any associated fees and Stamp Duty Land Tax.

Actions to be taken to implement the recommended decision(s)

Action	Responsible Officer	Deadline
Subject to the grant of Executive approval, the Council moves to proceed with the acquisition of the property as detailed within Part B of this report.	Valuation & Estates Manager	February 2023

Appendices

1	Impact Assessment Level 1 – Initial Screening Assessment
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Background papers

The following background papers were used in the preparation of this report:

Body	Report title	Date
N/A	N/A	N/A