

REPORT TITLE: THE GOODS SHED, BARFIELD CLOSE

21 OCTOBER 2020

REPORT OF CABINET MEMBER: Cllr Kelsie Learney, Cabinet Member for Housing and Asset Management

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WARD(S): ST MICHAEL

PURPOSE

This asset is currently under-utilised and has latent financial and economic value. This report identifies four options that have been considered including disposal and direct development by WCC.

Cabinet approval is sought to progress the project to the next stage, to include appropriate funding.

RECOMMENDATIONS:

That Cabinet:

1. Agree the principle of retention of the Former Goods Shed site as a Council asset.
2. Agree to redevelop the site for small business and employment use subject to final decision following development appraisal.
3. Approve a budget of £20,000, funded by the property reserve, to commission architectural drawings, a priced building specification and a detailed development appraisal as a precursor to submitting a detailed planning application.
4. Agree at a future Cabinet meeting to consider the outcome of the proposed detailed development appraisal and a business case supporting the Council's direct development of this site.

**IMPLICATIONS:****1 COUNCIL PLAN OUTCOME****1.1 Tackling the Climate Emergency and Creating a Greener District**

1.2 The proposal would include the retention of the Victorian Goods Shed for conversion to self-contained office suites. This would contribute towards the Council's carbon neutrality plan by recycling existing buildings and meeting embodied carbon objectives.

1.3 The site is within walking distance of the City Centre and is considered a highly sustainable employment site, thereby contributing towards the Council's Climate Emergency Action Plan. The use of sustainable energy sources, and energy efficient building structures will form an important part of the development appraisal.

**Homes for all**

1.4 The site was considered for housing development, but this option has been discounted on grounds that the location is currently zoned for employment and commercial use.

**1.5 Vibrant Local Economy**

1.6 Winchester is well located for business being on the junction of two main arterial routes, namely the A34 and M3. However, land availability for commercial use is significantly restricted by the proximity of the South Downs national park on one side and extensive water meadows on the other. Winnall and Bar End are the only two commercial locations in the City and the prevailing shortage of industrial land has resulted in a significant increase in industrial land values and rents for light industrial and warehousing units.

Developing the former Goods Shed site for commercial and light industrial use will help underpin Bar End's position as an important employment area with an emphasis on providing accommodation for small businesses who in turn support local employment. This will help to minimise the need for staff to commute and in turn help towards carbon reduction.

**1.7 Living Well**

1.8 Given the site is located close to the City centre but also within easy reach of the motorway makes for a very sustainable location. This enables employees to access the site in a variety of ways, not only by car, thus encouraging a healthy lifestyle where exercise and in turn living well can be incorporated into employee's everyday lives.

## 2 FINANCIAL IMPLICATIONS

- 2.1 This report requests £20,000 to pay for various professional fees to include architect, quantity surveyor, engineers and a valuation report, to be funded by the property reserve. The site currently generates a rental income of £7,776 per annum but has the potential to generate up to an estimated £240,000 per annum, gross, from a new development.
- 2.2 Subject to viability being demonstrated, the future Business Case will seek development funding from prudential borrowing which is expected to be in the region of £3 million. Based on the current cost of borrowing available to the council, and assuming the indicative rent above is achieved, this would provide an estimated net surplus to the council after costs of just over £100,000 per annum. The actual surplus to the council will depend on the final cost of the build and the rental income achieved.

## 3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 The proposed development appraisal and business case will include an initial detailed report on title from the legal team to make sure there are no restrictions such as covenants that may prevent the intended commercial redevelopment of the site. The appraisal will also consider existing planning requirements/constraints and will assess the delivery options available for development which will be brought back to cabinet at a later date.

## 4 WORKFORCE IMPLICATIONS

- 4.1 The Estates team will co-ordinate external consultants to assist in the proposed site analysis and appraisal. A future development of the site would be managed by the Estates team.

## 5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 The Former Goods Shed site has been a Council owned asset since 1968 and one which has been leased out in the past to different occupiers, the most well know of which was TJ Waste Recycling. This proposal is intended to establish the viability of the Council investing in the site to create a new investment asset with a significantly enhanced rental income and a group of new buildings that help to support and develop the local economy. A successful scheme will help improve the quality of the Council's property investment portfolio and demonstrate good use of Council assets.

## 6 CONSULTATION AND COMMUNICATION

- 6.1 Discussions have been held internally with cabinet members, as well as consideration of the options for the site at the Asset Challenge / Strategic Asset Purchase Board.

## 7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 Subject to demonstrating viability and the approval of a subsequent business case, environmental reports will be commissioned to be submitted with a future planning application.
- 7.2 As part of the council's approach to the climate emergency the installation of solar panels on the roofs of the Goods Shed and the new industrial units will be factored in to the design where possible and other sustainable measures will be incorporated as part of the development of the business case.

## 8 EQUALITY IMPACT ASSESSEMENT

- 8.1 The public sector equality duty under section 149 of the Equality Act 2010 ("PSED") requires the Council when exercising its functions to have due regard to: (i) the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010; and (ii) the need to advance equality of opportunity between persons who share protected characteristics and those who do not, and to foster good relations between those who have protected characteristics and those who do not. 'Protected characteristics' include: gender, race and disability, sexual orientation, age, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment.
- 8.2 The Council is committed to improving the quality of life for all, and supports wider social and economic growth. Separate Equality Impact Assessments (EIA) will be completed and attached to the development appraisal to assess any potential impacts such as on employment, accessibility, residents and businesses associated with this site.

## 9 DATA PROTECTION IMPACT ASSESSMENT

- 9.1 None required

## 10 RISK MANAGEMENT

- 10.1 The consultants to be appointed for the viability study will be managed by the Estates team who will report to the Asset Challenge/SAPS Board. A programme of reporting will be agreed with risks identified at the outset and monitored/managed throughout the process.
- 10.2 In the event that Cabinet approve a subsequent business case for redevelopment of The Goods Shed site, a risk register will be maintained as part of standard project management protocol.

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
<b>Property</b> – <i>Risk of not being able to secure tenants for all new units.</i>	The scheme, would be designed in such a way as to allow flexible adaptation of space so that we can respond to changing market demand	There are no other small unit schemes either available or in prospect of being delivered and therefore there is very little in the way of competition.
<b>Community Support</b> – <i>The Boxing Club are in temporary accommodation further along Barfield Close.</i>	A new scheme could provide a new permanent home for the Boxing Club, subject to the overall viability of the scheme.	This may solve a long standing issue of finding a new home for the Boxing Club since we relocated them from the former pavilion on the Garrison Ground to make way for the new leisure centre
<b>Timescales</b> - <i>In the current economic market, there is potential for significant changes to indicative programmes.</i>	The local market will be carefully monitored in relation to occupier demand and rents before project commencement and throughout the development programme.	This will minimise the void period between completion of construction and occupation by tenants which will in turn ensure the units are income producing as soon as possible.
<b>Project capacity</b> – <i>This is a large project which will consume a lot of Estates officer time</i>	We will use external consultants including architects, quantity surveyors, structural engineers, and ecology consultants which will help deliver the project	This is a project that has been talked about for a long time and one which has good prospect to create enhanced financial and economic value whilst improving the quality of the Councils property investment portfolio.
<b>Financial / VfM</b> - <i>A risk is that the cost of the scheme ends up at a point which makes it unviable</i>	We have already had a QS provide an estimate of the cost of the scheme and this does show it is viable.	Industrial rents are likely to increase due to the lack of existing supply.
<b>Legal</b> - <i>There is a small possible risk that we find some covenant on the title that prevents us from building the scheme</i>	To mitigate this, we will request a full title report from the legal team to highlight any issues, should there be any, before proceeding too far and incurring abortive costs.	This will ensure we can proceed without this risk.
<b>Innovation</b> - <i>We can look to incorporate as may</i>	Industrial rents are still very strong with industrial	We have the opportunity to innovate to incorporate

<i>green credentials as possible into the scheme but the risk is this adds significant cost which makes the scheme unviable</i>	being the sector that has suffered least in the current pandemic.	sustainable design features.
<b>Reputation</b> - <i>Risk of not delivering this could be detrimental to the reputation of the council in the eyes of the local business community</i>	Risk management is essential to maintaining reputational standing.	The council has the opportunity to deliver a product that the private sector is unable to deliver currently due to the council being in control of one of the very few city centre employment sites.
<i>Other</i>		

## 11 SUPPORTING INFORMATION:

- 11.1 The property comprises a former Victorian Railway Goods shed with yard area to the rear, accessed from Barfield Close by a set of large gates. The site is adjacent to the council's current depot site which is occupied by Biffa and Id Verdi. (Please see location plan at appendix 1).
- 11.2 The former Goods Shed building is constructed of single skin brickwork under a pitched truss framed, slate covered roof. The building retains its single glazed, metal framed windows and a variety of doors on three of the four elevations. The building is in fairly poor condition but does provide a rare example of a Victorian goods shed. The yard area to the rear is made up of uneven concrete with a high retaining wall to the rear of the site constructed of vertical steel beams with railway sleepers. The whole site extends to approx. 0.73 Acres (Please see photos at Appendix 2).
- 11.3 Options for this site have been discussed with the Cabinet Member for Housing and Asset Management and the Asset Challenge/SAPS Board. These discussions have concluded that the site should be retained and developed for commercial/employment use to support the city centre sustainable economy, increasing rental income to the Council and helping to improve Bar End's business status and employment opportunities.

## 12 OTHER OPTIONS CONSIDERED AND REJECTED

- 12.1 The options considered and rejected are as follows :
- 12.2 **Option 1** – Redevelopment of the Goods Shed site for affordable housing.

Architects were instructed to carry out an initial feasibility study and massing plan to show how many residential units could be accommodated on the site. This initial exercise looked at three options:

1. Retaining the existing Goods Shed façade and creating three blocks of residential, providing 68 units (1 & 2 beds)
2. Creating two large blocks of residential creating 84 units (1 & 2 bed flats)
3. Convert the Goods Shed and build two blocks of flats providing 56 units (1 & 2 beds)

Whilst there is significant social value in the housing development of this site, it was considered that as it is an existing employment site it was more important to the wider community to retain the existing use.

### 12.3 **Option 2 – Freehold Sale of the whole site**

Residential land sales in Winnall have in recent years produced values in excess of £1m per acre. This suggests that a capital receipt of approximately £1m could be generated from a straightforward disposal of the Goods Shed site for residential development.

A commercial owner occupier may offer in excess of £1m for this site but this market is currently uncertain.

### 12.4 **Option 3 – Rent the whole site out to one tenant.**

The site could be let to a single tenant for open and covered storage albeit the Goods Shed building is in a poor condition. This will mean the tenant is responsible for business rates and the council receives a market rent in the region of £35,000 pa, whilst only incurring minimal capital expenditure in preparing the site for marketing. This is considered a sub-optimal solution that does not enhance the asset or add much to the local area.

### 12.5 **Option 4 – Do nothing for the time being**

The last option is to do nothing for the time being and continue receiving the rent from Freeborn Garages of £7,776 pa for the storage of new cars. The current direct cost to the council at present is the business rates of £26,643 pa.

The site does not take any management time at present and there is no outstanding loan on the site which makes the holding costs minimal. Doing nothing is an option but one which may be seen as demonstrating a lack of ambition to maximise the value and use of a long held council asset.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

None

Other Background Documents:

None

APPENDICES:

1. Site location plan
2. Site photos