

Gloucester City Council

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| Meeting: | Overview and Scrutiny Committee | Date: | 26 February 2024 |
| | Cabinet | | 6 March 2024 |
| Subject: | Fleece Hotel Site | | |
| Report Of: | Leader of the Council and Cabinet Member for Environment | | |
| Wards Affected: | Westgate | | |
| Key Decision: | Yes | Budget/Policy Framework: | Yes |
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| Appendices: | A. Site Plan | | |

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 This report seeks Cabinet approval to enable officers to explore a potential development option for the Fleece Hotel site (including Longsmith Street Carpark) with the Phoenix Village Project. It also seeks approval to enable officers to apply for grant funding to advance the development of the site.

2.0 Recommendations

- 2.1 Overview and Scrutiny Committee is asked to consider the information contained in the report and make any recommendations to Cabinet.

- 2.2 Cabinet is asked to **RESOLVE** that:

1. The Head of Place, in consultation with the Cabinet Member for Environment, agrees a 'Statement of Intent' with the Phoenix Village Project to use as the basis to progress the project to agree Heads of Terms as set out in (2) below;
2. The Head of Place, in consultation with the Cabinet Member for the Environment, the Head of Finance and Resources, and the Council Solicitor, develops Heads of Terms with Phoenix Village Project to enable the redevelopment of the Fleece Hotel site (including Longsmith Street Carpark), and report these back to Cabinet in due course;
3. The Head of Place, in consultation with the Cabinet Member for the Environment, the Head of Finance and Resources, and the Council Solicitor, should pursue appropriate grant funding opportunities to enable the

development of the Fleece Hotel Site. Should such grant funding require capital investment from the Council, appropriate authority will be sought.

3.0 Background and Key Issues

The Site

3.1 The site is shown at appendix A and incorporates:

- The former Fleece Hotel, outbuildings and rear yards
- The former Gloucestershire Academy of Music building (brick built grade 2)
- Longsmith Street Carpark

The Fleece

3.2 The former Fleece Hotel site is a centrally located site lying within the City Centre Conservation Area. The site includes nationally important designated heritage assets (in a varying state of condition and use), the most important of which is the Grade I listed 12th century vaulted undercroft, and Great Inn. Other parts of the complex are Grade II listed, and some buildings curtilage listed, but the Westgate range is currently under consideration for a rise to a grade I listing. The Fleece site is adjacent to the Longsmith Street multi-storey car park. The site is in the ownership of the City Council and is on the National Historic Buildings 'At Risk' register.

3.3 The Fleece Hotel was first opened in 1497 as one of the three major inns of Gloucester to house pilgrims visiting the tomb of Edward II of England. The 12th century undercroft, known as the "Monk's Retreat" was originally part of a merchant's house and was incorporated into the structure. By 1455, it was a property owned by Gloucester Abbey, and was developed into an inn by the Abbey during the 16th century. It was first recorded as the Golden Fleece Inn in 1673. The building was Grade I listed in January 1952, with other parts of the site listed Grade II in December 1998.

3.4 The site ceased to operate as a hotel in 2002 and was purchased by the South West Regional Development Agency (SWRDA). Limited physical works were undertaken by SWRDA during their ownership, although it is understood that the site was marketed by them on at least two occasions. The property passed to the City Council when SWRDA was disbanded in 2011. The Council almost immediately invested £350,000 in stabilisation works to protect the historic fabric of the buildings.

3.5 The site was taken to the market in 2014 but this was not successful in securing a development partner. The YMCA had expressed interest in converting the buildings into a hostel but did not have the funding to proceed.

3.6 It is believed that the unknown cost of restoration of the heritage assets was a significant factor in the lack of interest from potential development partners. In addition, the economy at that time was still in the fairly early stages of recovery from a long and deep recession and investor confidence in the city was low.

- 3.7 The Council then took the Fleece site to the open market to secure a partner to deliver a regeneration scheme in 2017. Dowdeswell Estates won that opportunity with a proposal to develop the site as a boutique hotel with retail. This proposal included the Longsmith Street carpark, and it was considered that inclusion of that site made the proposal financially viable.
- 3.8 The City Council secured first round Levelling Up funding for the development of the site as set out in the Dowdeswell proposal in 2021. Officers made positively received enquiries with the National Lottery Heritage Fund regarding match funding for the Fleece site at that time. Unfortunately, the Covid pandemic and the significant change in the local economy that ensued, made the boutique hotel with retail use of the site unrealistic, and the agreement between Dowdeswell and the City Council was reconsidered in 2023.
- 3.9 Several studies were undertaken as part of the work undertaken to find a development partner for the Fleece in 2017, the results of which helped to de-risk the site for potential investors. Funding from Historic England through the Cathedral Quarter High Street Heritage Action Zone has also been used over the last two years to open up the Great Inn and Westgate range on the site so that the buildings could be properly analysed, and costs of repair estimated more accurately. Further work is required for the other buildings on the site and an update of previous reports will be necessary as part of the process to develop detailed proposals and a costed business case for the site with the proposed new partner.

Longsmith Street carpark

- 3.10 This project proposes redevelopment and use of the the Longsmith Street carpark, following the same strategy as that taken in 2017. As previously referenced, the inclusion of this asset makes the overall proposal more financially viable. The car parking capacity at Longsmith Street may need to be provided elsewhere (subject to ongoing demand, the full utilisation of other carparks in the city and the opening of the new 400 space carpark at the Forum) and the Council will need to consider proposals to relocate this parking provision as part of the development of this project.

Former Gloucestershire Academy of Music building

- 3.11 A brick built Georgian Grade II listed building which forms the southern boundary of the site on Mercers Entry. This building would be part of the development and requires further survey and investigation.

The Phoenix Village Proposal

- 3.12 Officers have continued to seek interest in the site since this time. The Phoenix Village Project have expressed an interest in the wider Fleece site. The Phoenix Village Project's vision is to:

Create a state-of-the-art community hub with carefully curated independent professional businesses. Teach, train and mentor disenfranchised young adults, providing work opportunities and qualifications, as well as support and solutions for mental well-being and nutritional health.

To build a new and desirable destination quarter in the heart of the community. To create a thriving, lively, like-minded and enterprising collective of purposefully selected and carefully curated independent businesses. Teaching enterprising skills and building sound minds for practical, social, and personal regeneration.

- 3.13 The Phoenix Village Project are developing a business plan for use of the site as a one-stop, full-service provision for young adults who are unemployed, not in training or education (NEET) or have struggled with addiction and homelessness. By providing supported accommodation, multiple opportunities for skills training with accreditation, autonomous health, and advanced mental health provision, The Phoenix Village Project aims to break a cycle of social and economic exclusion and its long-term consequences. Their proposal for the site includes a mixture of supported accommodation, spaces for wellbeing and socialising, spaces for businesses to provide sales and training opportunities and the Phoenix Village have developed a business model which they believe will work on the wider Fleece site.
- 3.14 Whilst the Phoenix Village proposals require development into a costed business plan and considered building uses specific to the Fleece site, there is potential to deliver:
- a destination within the city centre which functions as a strategic link between the Cathedral and the Docks, taking advantage of its proximity to core retail on the gate streets, its built heritage, historic character and position as a key route linking the Cathedral with the Docks;
 - a vibrant mixed-use scheme which could include small scale retail, food and drink, leisure, and residential opportunities which collectively respects and complements the historic character of the area, its historic lanes, listed buildings and intimate open spaces;
 - a scheme which will bring back to life an important heritage asset which has a significant place in the story of Gloucester, as well as in a national context;
 - a scheme which tackles issues of homelessness, substance abuse, lack of skills, training and employment opportunities for local disadvantaged young people.
- 3.15 Subject to Cabinet approval, a Statement of Intent between the Council and Phoenix Village Project will be drafted and used as a basis for negotiations. That statement will include an overview of the development proposal, a timetable, the identification of potential funding sources and an identification of the roles and responsibilities of the parties.

Next Steps

- 3.16 Subject to Cabinet approval, officers will continue discussions with Phoenix Village, which will ultimately aim to transfer ownership of the site to Phoenix Village when the project has demonstrated that it can be successful on the site. The City Council will lead on the heritage led regeneration of the existing historic buildings in order to attract funding. Details of ownership (eg leasehold or freehold transfer), funding, fees, rents etc will be developed through Heads of Terms (HoT's). These HoT's will be presented to Cabinet in draft form once worked up, and Cabinet approval will then be sought to progress to disposal.

- 3.17 At the same time as HoT's are being developed, officers will seek out grant funding opportunities to support redevelopment works. Cabinet approval is required to enable officers to seek grant funding.

4.0 Social Value Considerations

- 4.1 The opportunity for local people to engage with developing proposals will have significant well-being outcomes. The site is important to, and its historic values highly appreciated, by local people.
- 4.2 The proposed end use, as a place where accommodation is provided on the same site as support services, training and employment opportunities, leisure and social opportunities will provide a rounded service for local young people in need.
- 4.3 Future build contracts will have social value outcomes added in.

5.0 Environmental Implications

- 5.1 This scheme would be a highly sustainable contribution towards the regeneration of Gloucester. It promotes the reuse of older buildings, where greater environmental savings are made than demolishing them and building new. New construction takes between 10 and 80 years to overcome its own impacts on carbon emissions and climate change. The embodied carbon in existing buildings, makes it far more sustainable to retain and re-use them.
- 5.2 The site is located on previously developed land and is in a city centre location enabling the end residents and commercial users to benefit from public transport and all the amenities of a city centre location.

6.0 Alternative Options Considered

- 6.1 Do nothing.
Doing nothing does not meet our requirement to safeguard and bring back into use buildings of historic importance.
- 6.2 Continue as we do now.
We could continue to leave the site mothballed, but there are annual maintenance costs incurred by the Council and it is likely that deterioration of the site will incur increased costs in the future.
- 6.3 It is not possible to simply offer the Fleece for sale, given the considerable conservation deficit on the site. The Council could act alone as the developer but doing so would involve a multi-million pound commitment as well as significant Officer resource. This would not bring the benefits of private sector capital or innovation. A community-led approach has been considered but the scale and complexity of the project is likely to be too great for this to happen within a reasonable timescale.

7.0 Reasons for Recommendations

- 7.1 There is a need to bring The Fleece site, which includes some highly significant heritage assets, back into active use. Pursuing the development of the site will

preserve those assets for future generations and contribute to the vibrancy and vitality of the Cathedral Quarter and the city centre.

- 7.2 It is felt that with the detailed survey work on the Great Inn and Westgate range now complete, giving cost assurance on the most significant buildings, and with an interested party with a business case that fits with the Council's aspirations for the site, the Council should take this opportunity to develop the proposals into firm plans. Officers should now be authorised to work with the Phoenix Village project, to secure external funding to achieve this.

8.0 Future Work and Conclusions

- 8.1 This approval, if given, will commence work around development of the proposals with Phoenix Village. A robust business plan and plans for the re-use of the site, led by the heritage value of the buildings will be drawn up.
- 8.2 Officers will draft application(s) for grant funding to develop the project plans. Such bids will include bids for 'seed' funding (to help develop the business plan for the site) and capital funding to undertake works.
- 8.3 Officers will prepare a report on final proposals for approval before any further funding is sought.

9.0 Financial Implications

- 9.1 There will be a requirement for the City Council and partners to demonstrate a sum of match funding when applying for 'seed' funding. The City Council financial commitment can include in-kind contributions, for example the provision of officer time. Officer resource will need to be in addition to current resources available (including in the making of bids for funding), and such a resource could also help support the delivery of the Greyfriars Quarter Levelling Up scheme, where project management expertise with a deep understanding of 'heritage' will be required to advance the Addison Folly and Greyfriars elements of the proposal. The extent and duration of this resource will be dependent on securing 'seed' or other funding.
- 9.2 There may be a requirement for the City Council and partners to demonstrate a sum of match funding when applying for capital grant funding. The City Council financial commitment may include in-kind contributions, such as land and resource, but may require a financial commitment. Prior to accepting any grant funding that will result in capital expenditure by the council, appropriate authority will be sought.

(Financial Services have been consulted in the preparation of this report.)

10.0 Legal Implications

- 10.1 At this stage a simple Statement of Intent will be drafted to demonstrate commitment from both parties to the project. Legal Input will be required to develop HoT's and subsequent legal agreements as the project progresses, including possible transfer of ownership, or long-term lease at the appropriate point in the development of the proposals.

- 10.2 Under s123 of the Local Government Act 1972 the Council is required to obtain the best consideration reasonably obtainable for any disposal of land. Any disposal for less than best consideration requires Secretary of State consent.
- 10.3 The land has been assessed as having a negative value and therefore it is unlikely that the site will be disposed of for less than best consideration. However, a valuation will need to be undertaken prior to disposal to ascertain whether or not this is still the case. The valuation should be undertaken following any works that the Council intends to carry out to the site as any works which put the property into a better condition are likely to increase its value.
- 10.4 The title to the site has been investigated previously and there were no adverse findings. However, a thorough review of the title should be undertaken prior to any disposal of the land to ensure that there is nothing to prevent the site from being disposed of and used as proposed.
- 10.5 Land transactions are exempt from the Public Contract Regulations 2015 but it does apply to land developments where the object includes the provision of works. Provided that the Council undertakes the works, or the Phoenix Village undertakes the works with little input from the Council other than through the Planning regime or (if a lease is granted) through landlord consent to alterations, then the PCR will not apply to the disposal. The Council will need to comply with the PCR and its contract rules when procuring contractors and the professional team to undertake works.
- 10.6 If the Council is awarded grant funding, it will be the Council's responsibility to deliver the works/project and comply with the terms of the grant funding. One Legal can advise on the terms of the grants when received.
- 10.7 If any funding is passed onto, or any financial assistance is given to, Phoenix Village, the Council must comply with the Subsidy Control Act 2022. One Legal can give advice to officers once further details are available.
- 10.8 Advice should be sought from One Legal on the statutory process to be followed should the council decide to close Longsmith Street Car Park.

(One Legal have been consulted in the preparation this report.)

11.0 Risk & Opportunity Management Implications

- 11.1 There is minimal risk to the Council in pursuing this opportunity with the Phoenix Village project at this time. Officer time and the small amount of match funding required for project development grant applications may be lost if the project fails to be found viable.

12.0 People Impact Assessment (PIA) and Safeguarding:

- 12.1 A PIA is not applicable at this stage.
- 12.2 A PIA will be undertaken should funding be secured to start development of the project and before any decision is taken about whether or not to close Longsmith Street Car Park.

13.0 Community Safety Implications

13.1 There are no community safety implications at this stage.

14.0 Staffing & Trade Union Implications

14.1 As above, additional resource will be required to advance this scheme. Such resource will also support the delivery of the Greyfriars Quarter Levelling Up scheme, where project management expertise with a deep understanding of 'heritage' will be required to advance the Addison Folly and Greyfriars elements of the proposal. The extent and duration of this resource will be dependent on securing 'seed' or other funding.