BROMSGROVE DISTRICT COUNCIL

MEETING OF THE CABINET

THURSDAY 27TH MARCH 2014, AT 4.00 P.M.

THE COUNCIL HOUSE, BURCOT LANE, BROMSGROVE

SUPPLEMENTARY DOCUMENTATION

The attached papers were tabled at the above mentioned meeting .

3. Disposal of Council owned Assets at George House and Hanover Street Car Park (Pages 1 - 20)

K. DICKS
Chief Executive

The Council House
Burcot Lane
BROMSGROVE
Worcestershire
B60 1AA

31st March 2014

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BROMSGROVE DISTRICT COUNCIL

CABINET

27 March 2014

DISPOSAL OF COUNCIL ASSETS AT HANOVER STREET CAR PARK AND GEORGE HOUSE

Relevant Portfolio Holder	Cllr Del Booth
Portfolio Holder Consulted	Yes
Relevant Head of Service	
Wards Affected	**St Johns**
Ward Councillor Consulted	Yes
Key Decision	

1. SUMMARY OF PROPOSALS

1.1 The Council has been actively marketing the site it owns at Hanover Street Car Park and George House for the purposes of a mixed retail and leisure development since April 2012. Members previously gave approval to the granting of a long term lease to the developer Opus in October 2012.

1.2 As the project has progressed changes have been made to the proposed scheme which impact on the size of the area of land to be disposed of and the financial implications. This report sets out the details of the final version of the scheme and members are asked to re-affirm their agreement to the leasing of the land to Opus.

2. RECOMMENDATIONS

2.1 That Members approve the granting of a 250 year lease of the land at Hanover Street marked in red for identification purposes on the plan at Appendix 1 to Opus on the basis of the revised proposals for a food retailer, cinema, and restaurant units for the sum of £700k.

2.2 That Members note and approve the proposed car parking arrangements and specifically agree to the following:-

(i) That the Council will retain the area of car park marked in blue for identification purposes on the plan at Appendix 2 and operate it as a shoppers car park retaining the income; and

(ii) That the Council enter into a Car Park Management Agreement with Opus for the provision of up to 135 car parking spaces for an initial term of 25 years.

2.3 That delegated authority be granted to the Executive Director of Finance and Resources in consultation with the Portfolio Holder for Planning and Regeneration to agree the final terms for disposal of the land to the developer.

2.4 That delegated authority be granted to the Head of Legal, Equalities and Democratic Services to enter into the necessary legal documents for the purpose of implementing 2.1 and 2.2.

3. KEY ISSUES

Financial Implications

3.1 It is estimated that the income received from the car park in a development of this nature would be approximately £255k pa. This represents an additional £195k pa gross income for the Council (£155k pa net of VAT). The car parking spaces available will be increased from 133 to 135.

3.2 The car park would need to be closed for a period of around 12 months from mid-2014 during construction works. This would result in a shortfall in car park income. It is anticipated that with adequate signposting the resulting shortfall will be mitigated as shoppers will be directed to other town centre car parks.

3.3 An offer of £700k has been made by Opus to acquire the site as identified in the plan at Appendix 1 under a 250 year lease. A more detailed plan showing the proposed lay out of the site once developed is attached at Appendix 3.

3.4 As part of any development, whereby the Council is selling its land and assets, it is necessary to demonstrate that the Council is achieving value for money (under section 123 of the Local Government Act 1972). The District Valuer (DV) has provided the Council with a detailed report on the site valuation to include a number of options for development. This report is attached at Appendix 4.

3.5 The proportion of the site to be disposed of by the Council to the developer but without any development is valued at £630k.

3.6 The valuation of the proportion of the site to be disposed of by the Council to the developer once developed in accordance with the current plans is £1.4m. As detailed in the DV report (Appendix C of their report) this value is predicated on the developers securing 'grant' funding of £1.4m to fund the significant 'fit out' costs associated with the cinema. These costs are also in the order of £1.4million and therefore would create a viability gap by negating the valuation of the development without 'grant' support. The developers, OPUS, have been successful in securing an offer of a grant from Greater Birmingham and Solihull LEP (GBSLEP) to fund £700k, subject to planning permission being obtained, of the costs associated with the cinema. (The GBSLEP 'gap fund' exists to support developments which would carry major economic benefits subject to a viability gap being bridged.) Therefore the offer for the site is £700k which is £70k higher than the District Valuer's valuation of the site valuation outlined in 3.2.

3.7 In addition to the capital receipt and revenue income generated from the site the District Valuer has reported that there would be an increase in asset value of the car park of £620k as a result of the prime retail offer that will be available on the site. The value of the car park at present is placed at £780k by the District Valuer; on completion it is estimated that this will increase to £1.4 million. This increase in asset value needs to be taken into account in considering the total value of the site to the Council to ensure that we are achieving value for money for our residents. Therefore the value of £1.4m for the proposed development is achieved by £700k capital receipt together with £620k capital asset value increase in the car park as a result of the new development. There will also be the additional net revenue income of £155k pa from the car park.

Legal Implications

3.8 It is proposed that the Council will enter into an agreement for lease with the developer which will be subject to a number of conditions as described below. Upon satisfaction of the conditions the Council will grant to Opus a 250 year lease in return for the sum of £700k. The proposed lease will attract a ground rent of £100 per annum to be reviewed at intervals during the lease term by a link to the retail price index.

3.9 . The commercial arrangement will be subject to planning permission being granted. The Heads of Term provide that planning permission must be obtained by the developer by the later of 12 months of Opus entering into agreements for lease with the anchor tenant and cinema, or within 18 months from the date of the agreement to lease referred to in 3.6 above. In the event of a planning appeal or challenge there is ability for the time limit to be extended. Under the Heads of Term the arrangement will also be subject to the following conditions:-

- Satisfactory ground investigation reports and the availability and cost of installing services not being prohibitive
- Receipt by Opus of an offer of grant funding of £700k (subject to planning permission being granted only) from Greater Birmingham and Solihull LEP
- Opus entering into agreements for lease with the anchor tenant and cinema, and the letting of the A3 restaurant units in accordance with a letting strategy agreed by the Council
- Diversion of the footpath which crosses the site

3.10 The Car Park will remain an asset of the Council and the Council will enter into a Car Park Management Agreement with Opus for an initial term of 25 years. There will be provision for that term to be extended by a further 25 years on condition that there is on-going retail/ leisure activity at the site which requires parking to support it. The initial 25 year period is considered to be reasonable for a development of this nature as the proposed tenants of the development will expect the developer to give them assurance that parking will be available for a term at least equivalent the duration of their original lease. At the time of writing this report officers are still working on the details of the agreement with the solicitors for the developer. However, in general terms it will cover the practical operational details such as hours of operation, provision of trolley bays and maintenance. A change to the District Car Parking Order will be required to accommodate the change in footprint of the car park.

3.11 A strip of land owned by BDC adjacent to the Highway along Hanover Street from the existing exit from the Car Park to the junction with Worcester Road may be needed to be dedicated as Highway land to facilitate improvements and increase the capacity of the road network that will service the new development.

3.12 Whilst it is not possible in this report to identify the individual proposed tenants for the previous scheme or the current scheme, members are advised that this does not prevent them from being able to discuss the principles and make a decision.

Service / Operational Implications

3.13 In January 2011 Full Council approved the Draft Area Action Plan for Bromsgrove District which included the site of George House and Hanover Street Car Park as a potential redevelopment area for a number of uses including retail, leisure and cinema. Members agreed in April 2012 to the marketing of this site for disposal.

3.14 The outcome of the marketing exercise was reported to Cabinet in October 2012. At this time it was anticipated that there would be a 27,000 square feet anchor store together with a cinema and other retail/ restaurant use. The total area for development on offer was 52,000 square feet. Members agreed to the granting of a long term lease to the developer and delegated authority was given to officers to finalise the negotiations and enter into the necessary legal documents.

3.15 The present position is that there have been some changes to the proposed scheme since October 2012. It was not possible for the developer to conclude negotiations with the original proposed anchor tenant. The scheme currently before members therefore provides for an alternative anchor tenant.

3.16 This change to the anchor tenant has brought about the following changes to the scope of the development:

a. A reduction in the size of the retail anchor from 27500 square feet down to 11000 (+5000) square feet, to be open June 2015.

b. Retention of the Car Park in the Council's ownership to include 135 spaces (as at present)

c. The inclusion of a small food retail unit in the Hanover Street Car Park.

d. Keeping the brook in its current position with a number of landscaped and naturalised areas

3.17 There has been no change to the proposal to include in the scheme a multi-screen cinema.

Customer / Equalities and Diversity Implications

3.18 During works there will be a period where the car park will not be accessible, however, signs will direct customers to nearby pay and display car parks.

3.19 Once completed the scheme will provide new retail and leisure facilities for residents and will contribute to the plans of the Council to re-generate Bromsgrove Town Centre. It is estimated that once fully operational the site will provide 200 to 300 town centre jobs.

4. RISK MANAGEMENT

4.1 The risk of the scheme not receiving planning permission has been mitigated as far as possible by involving planners in proposal selection and initial design discussions with the developers to ensure that a comprehensive development which appears to conform in principle to the planning policies / guidelines for the site contained in the AAP is proposed. However, the granting of planning permission will depend on the developer satisfying various planning obligations and detailed development control and highways conditions.

4.2 The risk that the required timescales will not be met because of delays in obtaining approvals from the Council has been mitigated by the recommendations contained in this report.

5. APPENDICES

Appendix 1 – Plan showing footprint of land to be disposed of marked in red
Appendix 2 – Plan showing footprint of car park area to be retained marked in blue
Appendix 3 – Detailed site plan
Appendix 4 - District Valuers Report

6. BACKGROUND PAPERS

April 2012 Cabinet Paper – 'Marketing Exercise – Inclusion of Council Owned Assets (Hanover Street Car Park, George House and Stourbridge Road Car Park).
October 2012 Cabinet Paper - DISPOSAL OF COUNCIL ASSETS AT HANOVER STREET CAR PARK AND GEORGE HOUSE

7. KEY

N/A

AUTHOR OF REPORT

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Appendix H

DVS Property Specialists for the Public Sector

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Richards Savory Esq
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Programme Manager
Bromsgrove District Council
Burcot Lane
BROMSGROVE
B60 1AA

Tel 03000 507471
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Your Reference : RS
Our Reference : OGD 1392918/JRNP
Please ask for : Mr Page

Date : 13 December 2013

Dear Richard,

BROMSGROVE DISTRICT COUNCIL
THE MARKET HALL SITE, HANNOVER STREET, BROMSGROVE

I refer to your emailed instructions dated 11 November 2013. I am pleased to report as follows:-

BACKGROUND

Bromsgrove District Council is considering the sale of the above land for redevelopment.

I have been asked to provide my opinions of the current market value of the land on various bases.

INSTRUCTIONS

I have been instructed to provide the following:-

1. My opinion of the current market value of the site for development as a general, retail led, mixed use scheme in accordance with the Area Action Plan – **See Appendix A attached.**
2. A comparison of the current proposed scheme with the now defunct Scheme of 2012 – **See Appendix B attached.**
3. Provide a check of the Opus development appraisal and my opinion of the value of the site in accordance with that scheme – **See Appendix C attached** and
4. My opinion of the value of the car park having regard to any increased revenue due to the scheme – **See Appendix D** attached.

DEFINITION OF MARKET VALUE

The basis of valuation for the land adopted is Market Value which is defined in the RICS Valuation – Professional Standards (March 2012) as:-

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

CONFLICT OF INTEREST

I have provided advice to the Council on this site previously, but I am not aware that any conflict of interest arises from the present instruction.

COMPETANCY

I confirm that I have the skills and knowledge to provide the advice required.

SITUATION AND DESCRIPTION

The land to be sold is well known to the Council and so I will not set out a full description in this report.

Briefly, the site comprises a 70's office block (George House) and a level cleared site (formerly the market hall) and a small area of car park for the standalone retail pod.

The site is close to the town centre and it is shown, for identification purposes only, coloured green, pink, orange and purple on the attached plans. The boundaries have not been checked.

SITE AREA

I am informed that the site area to be leased (excluding the retained car park) is 0.32 hectares (0.79 acres) or thereabouts.

TENURE

I have assumed that a long leasehold interest for a term of 250 years with the benefit of vacant possession will be granted.

EASEMENTS, RESTRICTIONS, OUTGOINGS AND CHARGES

I have assumed that there are no easements, restrictions, outgoings or charges adversely affecting the site.

LIABILITY FOR CHANCEL REPAIRS

I have assumed that the site does not have any liability for contributions to Chancel Repairs or, in the alternative, that insurance is available to indemnify an owner, should any liability exist.

REPAIR AND CONDITION OF BUILDINGS

As George House is to be demolished, I have not inspected it or undertaken a building survey and cannot state that it is fee from any rot, insect infestation or any other defect.

There are no other buildings on the site.

PLANNING

The site is allocated in the Area Action Plan for regeneration with a retail led, mixed use development.

A scheme was been put forward by Opus Land for development with a store, 3 retail units, with a cinema above and a separate "pod" style development for coffee shop style operators.

See Appendix A for full details.

I have assumed, for the purposes of this report that planning permission for this proposed scheme would be forthcoming.

It should be noted that the Local Planning Authority have stated that planning permission for either a standalone [redacted] unit or for single storey retail units at the end of the High Street would not be recommended for approval.

ENVIRONMENT AND CONTAMINATION MATTERS

I have not undertaken an environmental survey and cannot state that the site is free from contamination or noxious weed infestation etc.

However, for the purposes of this report, I have assumed that there are no problems arising from these items.

SITE STABILITY

I have assumed that the site does not suffer any site stability problems. It is not situated in a mineralised area.

ABNORMAL DEVELOPMENT COSTS

I have assumed that there no abnormal development costs would be incurred in the development of the land. In particular, I have assumed that there are no mains service diversions required.

FLOODING

I have assumed that the site is not subject to flooding.

VALUATION DATE

The date of valuation is 13 December 2013.

SERVICES

I have assumed that site has the benefit of all mains services to the boundary.

ACCESS

I have assumed that the site has full rights of access for all purposes from the public highway.

OPINIONS OF VALUE

My opinions of Value are shown in the attached Appendices, which are an integral part, and should be read in conjunction with, this Report.

I set out in summary form my opinions of value below:-

Appendix A
My opinion of the current market value of the site at the valuation date for development as a general, retail led, mixed use scheme in accordance with the Area Action Plan is the sum of

£630,000 (six hundred and thirty thousand pounds sterling).

Appendix B
See the Appendix for the comparison with previous [redacted]

Appendix C
See this Appendix for a check of the Opus development appraisal.

My opinion of the value of the site at the valuation date in accordance with the Opus scheme assuming that the maximum Grant Funding is awarded is the sum of

£1,400,000 (one million, four hundred pounds sterling).

<u>Appendix D</u>
My opinion of the value of the car park having regard to any increased revenue due to the Opus scheme.

I am of the opinion that the value of the retained car park area at the valuation date , on the special assumption that the Opus scheme as proposed is completed is the sum of

£1,400,000 (one million, four hundred thousand pounds sterling).

I am of the opinion that the value of the retained car park area at the valuation date, on the assumption that the Opus scheme does not go ahead, is the sum of

£780,000 (seven hundred and eighty thousand pounds sterling).

GRANT FUNDING

It should be clearly understood that the Opus scheme is dependent on receiving grant funding from a Local Enterprise Partnership. The total amount applied for is £1,550,000.

The receipt of this amount enables the developer to offer to pay the Council the sum of £1.4m for the site.

Without the grant, the Opus scheme as presented is not viable and the developer will seek to reduce the price payable to the Council for the site by any shortfall in funding.

In the worst case scenario of no funding being provided, the sum payable to the Council for the site to provide the scheme would be Nil.

However, in that event, the developer has offered to pay a minimum sum of **£100,000 (one hundred pounds sterling).**

The developer also proposes that, if only a proportion of the grant is made available, the price payable for the site will be reduced pro rata.

I take this to mean that, if 50% only of the sum applied for is available, the price payable for the land will be reduced by 50% to £700,000.

BASIS OF OPINION

The opinions of value above are provided in accordance with the definition of market value contained within the Royal Institution of Chartered Surveyors Valuation - Professional Standards (March 2012).

CURRENT MARKET CONDITIONS

In considering my opinions of value, I have had regard to the following factors:-

1. The development land market is experiencing a slight revival at the present time. With the restriction of bank lending, finance and funding had been extremely scarce and potential purchasers did not show an appetite for investment. Whilst the market has improved since 2008, developers are still approaching schemes with caution.

2. I anticipate that the next stage of present economic cycle will result in a small increase in general demand, with in a continued improvement in the market.

TERMS OF ENGAGEMENT	This report should be read in conjunction with my terms of engagement, a copy of which is in your possession.
VAT	My opinions of value above and shown on the Appendices are exclusive of any VAT that may be payable.
LEGAL AND OTHER COSTS	I have assumed that each side would be responsible for its own legal and other costs in the sale.
VOA COMPLAINTS HANDLING PROCEDURE	The Valuation Office Agency has a Complaint's handling procedure, the details of which are set out in the Terms of Engagement that I sent to you after being instructed.
LIABILITY	This report has been prepared for the express purposes of the Council considering the sale of the site. It should not be relied on by any third party for any purpose whatsoever.
PUBLICATION	This report should not be published in any form without my express permission as to the form and context in which it is to appear.
VALIDITY	This report should not be considered valid for more than 6 months from the date hereof, nor if the circumstances alter.

The Council may wish to consider whether this report contains Exempt Information within the terms of Paragraph 9 to Schedule 12A to the Local Government Act 1972 (Sections 1 and Part 1 of Schedule 1 to the Local Government (Access to Information) Act 1985), as amended by the Local Government (Access to Information) (Variation) Order 2006.

Should you have any queries, please do not hesitate to contact me.

J R N Page BSc (Est Man) FRICS
RICS Registered Valuer
Principal Valuer & Sector Leader
District Valuer Services

Appendix A to DV report dated 13 Dec 2013
Opinion of the Market value at the date of this Report on the assumption that a general mixed use retail scheme is provided is to be constructed

General assumptions
In providing my opinion of value, I am instructed to ignore the current proposals and assume that there is to be no cinema and no [redacted] development.

Consequently, I consider the site (in the absence of the current proposals) to be suitable for a 20,000 sq ft supermarket such as [redacted] and 3 other retail units, including some restaurants (but not of the high covenant strength that would be the case for the [redacted] and cinema Scheme) and a pod for a coffee shop operator.

I also assume that the Council will retain the car park area and income.

Opinion of Value
I am of the opinion that the underlying value of the site in the absence of the present proposals and on the assumptions above is the sum of:-

£630,000 (six hundred and thirty thousand pounds sterling)

This opinion is provided in accordance with my instructions to show a "base" value for the land on the assumptions in this Annexe. This is provided for comparison purposes in considering the Opus Land Scheme and illustrates the likely capital sum receivable for a general scheme. The site value cannot be directly compared to that under the [redacted] proposals as the costs and yields are different under the two schemes.

I estimate the Gross Development Value under a general scheme to be £5.45m or thereabouts and the development costs to be the sum of £4.8m or thereabouts.

This gives a potential underlying land value (for this illustrative scheme) in the region of £630,000.

It should be clearly understood that the above opinion is provided for a scheme on the basis of the assumptions above. If a [redacted] type operator does not emerge, or requires a different sized retail unit, the values and costs will all change. A new appraisal of the then proposed scheme would be required.

Consequently, the opinion of value cannot be relied upon for any purpose other than as part of the Council's whole consideration of the Opus Land scheme

NB – None of the above figures reflect the income from car parking fees, which are to be retained by the Council.

This Appendix should is part of, and should be read in conjunction with, my report dated 13 December 2013 – Reference OGD 11392918/JRNP

Appendix B to DV report dated 13 Dec 2013
Comparison between site appraisals for [redacted] schemes

General
As part of the Royal Institution of Chartered Surveyors – Professional Standards (March 2012) - the RICS has published Valuation Information Paper 12 on the Valuation of Development Land.

Chartered Surveyors are required to have regard to and follow the advice and instructions contained within the Paper when assessing the land value for a development scheme.

The Paper sets out the two approaches to the valuation as being:-

- Comparison with the sale price of land for comparable development and
- Assessment of value of the scheme as completed and deduction of the costs of development to arrive at the underlying land value. This is known as the residual method of valuation.

In practice, it is possible that a valuation could utilise both methods, but the degree to which either, or both, methods are relevant depends upon the nature of the development being considered and the complexity of the issues.

In more complex development proposals such as the Market Hall site, it is unlikely will the comparison method be of significant assistance.

Residual Method of Valuation
In assessing the underlying value of a site for a particular scheme, it is first necessary to assess the value of the completed development.

The value to be adopted is the market value of the proposed development, assessed on the special assumption that the development is complete at the date of assessment in the market conditions prevailing at that date. This is referred to Gross Development Value (GDV).

From the GDV, the costs of the development must be deducted. The headings under this item are numerous and the most significant are fees, construction costs, site investigations, costs of meeting any environmental and contamination issues, offsite highway works, S106 requirements of the Local Planning Authority, finance costs, stamp duty, planning costs, developer's profit, marketing and letting fees of the completed development. These sums will always be site specific.

The resulting figure is the residual land value for that scheme. However, the Paper stresses that the residual value is not necessarily the same as the value of the land, as it has to be considered in the context of the valuation and particular scheme as a whole.

[redacted] Scheme
In August 2012, the Market Hall site was the subject of interest by [redacted] and a site appraisal was drawn up to ascertain the worth of the land under the proposal. The appraisal indicated that the development could allow a sum of £1,700,000 for the land.

This scheme envisaged a [redacted] supermarket of 27,000 sq feet, producing a rent of £486,000 pa, capitalised at 4.75% (reflecting the excellent covenant [redacted] provides), giving a capital value of £9,508,680, allowing for a rent free period.

Appendix B cont

There were additional retail units of 10,800 sq feet, at an estimated rent of £216,000 pa, capitalised at 7%, giving a capital value of £2,700,554, allowing for a rent free period.

Finally, the scheme included a 15,000 sq ft cinema at an estimated rent of £131,250 pa, capitalised at 7%, giving a capital value of £1,706,587, allowing for a rent free period.

The total GDV was put at **£13,915,820.**

The total development costs were put at **£12,215,820**

This gives an underlying land value of **£1,700,000.**

(NB. No allowance was made in this appraisal for cinema fit out costs but allowance was made for the acquisition of 4-6 Worcester Rd at £1,060,000, which is not now required for the [redacted]. This makes a strict comparison between the two appraisals more complex.)

[redacted] Scheme

Following the withdrawal of [redacted] from the development, [redacted] stepped in with a proposed [redacted] store.

A revised site appraisal dated 28 November 2013 has been drawn up to ascertain the worth of the land under the proposal. The appraisal indicated that the development could allow a sum of £1,400,000 for the land, but on the significant assumption that grant funding of £1,550,000 would be forthcoming to cover the costs of providing a cinema.

This scheme envisages an [redacted] store of 11,000 sq feet, producing a rent of £224,950 pa, capitalised at 6.25% (reflecting the less attractive covenant than [redacted]), giving a capital value of £3,354,962, allowing for a rent free period.

There are additional retail units of 12,820 sq feet, at an estimated rent of £344,488 pa, capitalised at 6.25%, giving a capital value of £5,339,557, allowing for a rent free period.

Finally, the scheme includes an 11,000 sq ft cinema at an estimated rent of £99,000 pa, capitalised at 8%, giving a capital value of £1,188,000, allowing for a rent free period.

From the Appraisal and **Ignoring any Grant Aid**, the figures are:-

The total GDV is put at **£9,969,653.**

The total development costs (including profit but excluding the site value) are put at **£10,119,654.**

Thus, **without Grant Aid**, the scheme as currently proposed is unviable having a negative outcome of **£150,001**, even with an underlying land value of **£nil.**

However, the inclusion in the appraisal of Grant Aid in the sum of £1,550,000 turns the deficit above into surplus and allows for a land value of £1,400,000.

For the current proposed scheme, therefore, the availability of grant aid is crucial to the viability of the proposed scheme.

Appendix B cont.

Effect on the current Appraisal if the Cinema is excluded
The key element in considering the project is the provision of the cinema. To illustrate the effect on the sum available for the site (and using the current appraisal as a basis, which is likely to be changed as the scheme develops), if the costs of the cinema and the grant aid are excluded, the figures become:-

The total GDV is **£8,777,456.** The total development costs (including profit) are **£5,946,973.**

This gives a potential underlying land value (for the scheme without the cinema and on the assumptions of the current appraisal) in the region of **£2,800,000.**

However, it should be clearly understood that this scheme is unlikely to obtain planning permission as the planners would not look favourably at a single storey retail development in such a prominent high street position.

It is also likely that the Gross Development Value would be affected as the development may prove less attractive to investors without a cinema, resulting in a lower capital value of the completed development and thus narrowing the gap between that value and the development costs, making less money available for the site.

Summary of significant differences between the Appraisals

Item		
Store size	27,000 sq ft	11,000 sq ft
Est rent of main store	£486,000 pa	£224,950 pa
Proposed lease term	20 years	15 years
Rent free period	3 months	6 months
Developer payment – tenant	Nil	£337,500
Cinema	15,000 sq ft	11,000 sq ft
Cinema Est rent	£131,250 pa	£99,000 pa
Cap rate of store	4.75%	6.25%
Grant Aid	Nil	£1,470,000
Costs of 4-6 Worcester Rd	£1,060,000	Nil
Construction Costs	£8,954,928	£5,422,728
Developer's Profit	£1,241,229	£1,370,132
Profit percentage	8.92%	12.25%
Site value offered	£1,700,000	£1,400,000 (with Grant Aid)

NB – None of the above figures reflect the increased income from car parking fees, which are to be retained by the Council. (See Appendix E). The scheme results in a near doubling of car park income, whereas in the Scheme the income receivable by the Council would have dropped as the number of car spaces would have fallen from 131 to c55.

The Scheme would have given a higher capital value but a lower car park income, whereas the scheme takes less land and the car park income is increased.

This Appendix should is part of, and should be read in conjunction with, my report dated 13 December 2013 – Reference OGD 11392918/JRNP

Appendix C to DV report dated 13 Dec 2013
Consideration of the Development Appraisal dated 28 November 2013 prepared by Opus Land

General
Please also see Appendix B for further details of the proposed scheme.

The Development Appraisal dated 28 November 2103 prepared by Opus Land is attached to this Appendix.

It shows, subject to grant funding, that the developer can afford to offer **£1,400,000*** for the site (excluding the retained car park land).

* - see Grant Funding Section of report

I am instructed to assess this Appraisal for accuracy and have referred the matter to my Quantity Surveyor and Viability Surveyor colleagues for assistance.

Their general opinion is that the figures and costs are reasonable and that the Appraisal gives a fair representation of the Gross Development Value and the costs of the development.

As with all appraisals, issues can be raised with individual figures, but as an overall assessment of the proposed project, I am content to recommend that the Council accept the figures as a basis for the sale of the development land.

It should be clearly understood that appraisals can only refer to a particular scheme and that, if that scheme changes, or does not proceed, the appraisal needs to be reviewed. An example of these circumstances may be the addition of retail units or if the cinema part of the development does not go ahead.

Points to note
Gross Development Value (GDV) – the GDV is put at £11,519,653. This includes Grant Funding of £1,550,000.

If this total funding is not forthcoming, the impact will directly affect the underlying land value of £1.4m. It can be seen that the total grant sum exceeds the land value. In theory, if there is no grant, the scheme is not viable and the developer cannot afford to pay any sum for the land.

For this sale, however, the Developer has agreed to pay a minimum purchase price of £100,000, regardless of the availability of grant funding.

Any reduction in the grant will have the same pro rata effect on the sale price (subject to the minimum). Thus, for example, if only 20% of the grant is available, the purchase price will be 20% of £1.4m, that is - £280,000.

Development Costs – As stated above, these are generally acceptable. This particular development requires large amounts of inducements to both [redacted] and the cinema operators just to take the units after completion.

Appendix C cont.

These costs include additional fitting out costs of the cinema and a contribution to which total £1,737,500 – a significant sum to come out of the GDV and peculiar to this scheme. As can be seen, this sum has a direct affect on the viability of the scheme.

Developer's Profit – The Appraisal allows for a level of developer's profit of 10.34% of the sale proceeds or 6.47% on build costs.

In order to obtain finance to build out the scheme a developer must demonstrate to capital providers that a reasonable profit can be made. Below a certain profit level, investors will not provide finance as they deem a project too risky.

The levels of 10.34% and 6.47% and at the bottom end of the level at which investors would consider a scheme, and I am of the opinion that these levels cannot be reduced further.

NB – None of the above figures reflect the increased income from car parking fees, which are to be retained by the Council.

This Appendix should is part of, and should be read in conjunction with, my report dated 13 December 2013 – Reference OGD 11392918/JRNP

Appendix D to DV report dated 13 Dec 2013
Consideration of the car park income

General
It has now been agreed that the car park area be retained as a freehold site by the Council and that all car parking revenues be retained.

The proposed scheme of the retail units, [redacted] unit and cinema will have a significant increase in the current income from parking. I have been provided with estimated income after the development is complete, and, assuming a 24 hour charging period and an average charge of £1.00 per hour, the projected figures show an increase in gross income from the development of £195,000 pa.

To this can be added a proportion of the existing income (derived from parkers continuing to use the car park) of say 50% of the current annual income of £120,000, gives a total projected gross income after the development is complete of £255,000 pa.

The net income (after the deduction of VAT and management costs) are a) for the current Car park - £78,180 pa and b) for the projected income after the development is complete - £189,212 pa - an increase of over double the present income.

The figures for the projected income have been prepared by the developer's consultants. As I am not qualified to comment on their accuracy, but have assumed, for the purposes of this report that they are correct.

Current Value of the Car park
I estimate that the current value of the car park (ignoring the proposed scheme) is a sum in the region of **£780,000.**

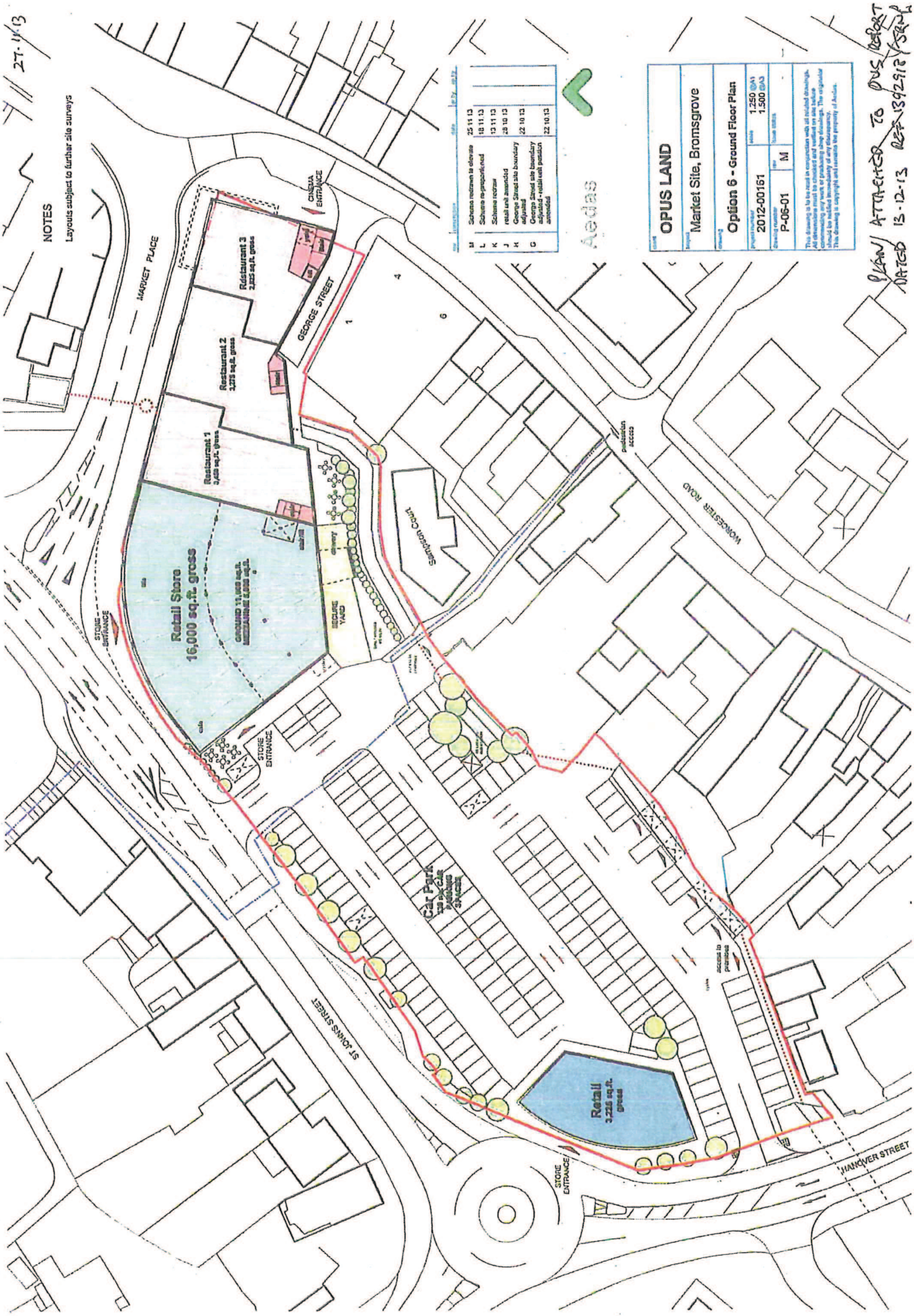
Assuming an income of £189,212, receivable in 2 years time, the value of the car park on completion of the proposed development is a sum in the region of **£1,400,000.**

The increase in value of the car park is of course dependent on the [redacted] cinema scheme and the Council stand to gain a significant increase in income and capital value only if it goes ahead.

Thus in considering the value of the site for the development scheme, it is not practicable to look at the site of the developed area (the retail and cinema areas) in isolation, as that scheme relies on a successful application for grant aid to enable the viability gap caused by the cinema to be closed.

If the development scheme is considered in conjunction with the retained car park land, the Council stand to benefit from an increase in capital value in the region of **£620,000,** together with any underlying site value from the scheme area.

This Appendix should is part of, and should be read in conjunction with, my report dated 13 December 2013 – Reference OGD 11392918/JRNP


27.11.13
NOTES
Layouts subject to further site surveys
MARKET PLACE
CINEMA ENTRANCE
GEORGE STREET
Restaurant 3
Restaurant 2
Restaurant 1
Retail Store
16,000 sq.ft. gross
SECURE YARD
STORE ENTRANCE
STORE ENTRANCE
Sampson Court
WORCESTER ROAD
Car Park
ST JOHNS STREET
Retail
HANOVER STREET
STORE ENTRANCE
Aedas
OPUS LAND
Market Site, Bromsgrove
Option 6 - Ground Floor Plan
2012-00161
P-06-01
M
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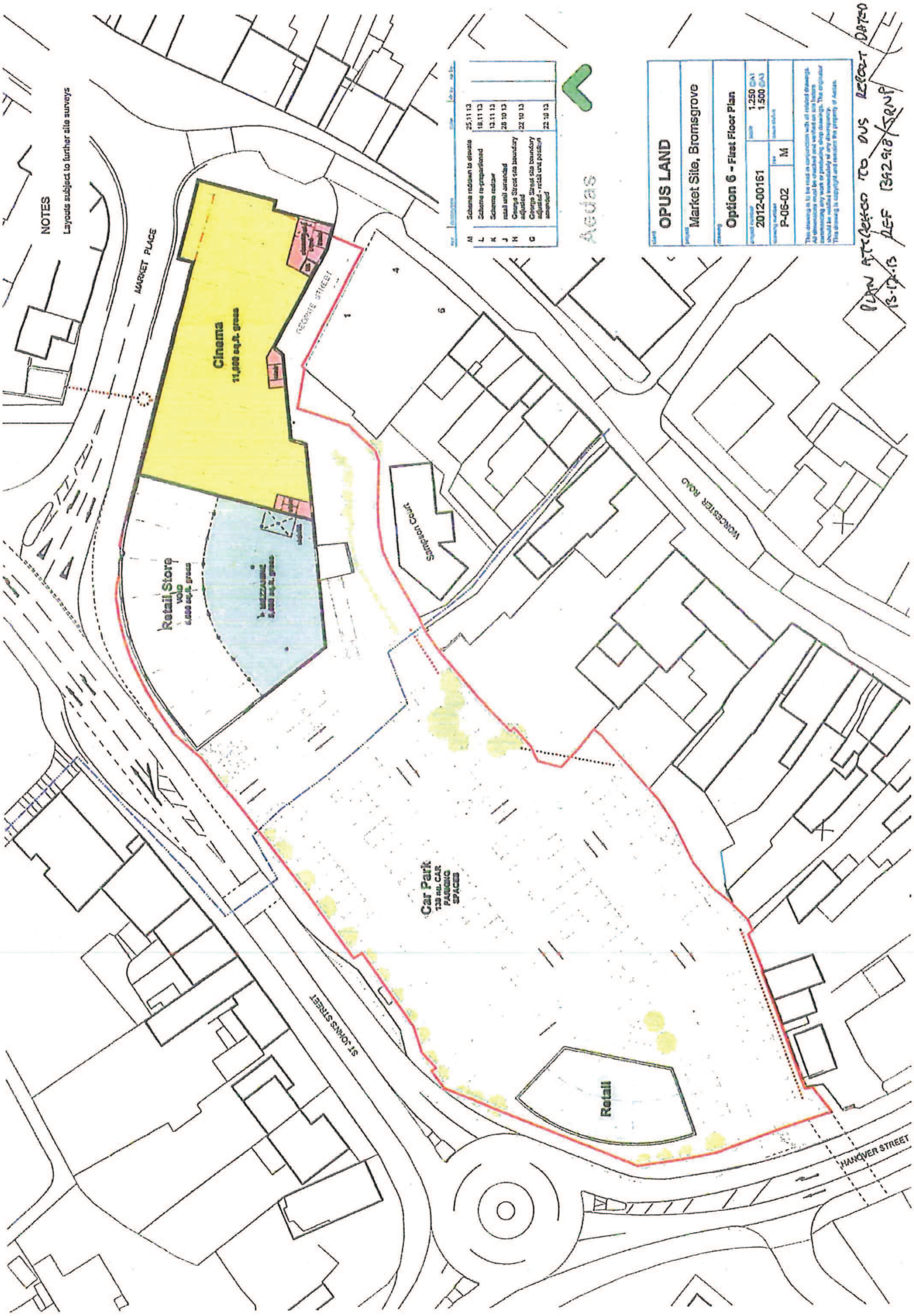
1:500 @A3


NOTES
Layouts subject to further site surveys
MARKET PLACE
Cinema
Retail Store
Car Park
Retail
ST JOHNS STREET
WORCESTER ROAD
HANOVER STREET
OPUS LAND
Market Site, Bromsgrove
Option 6 – First Floor Plan
2012-00161
P-06-02
M