



Historic Market Site – Development Options Appraisal

Section 1 - Background

Developers Opus Land put forward a comprehensive development proposal for the Historic Market Hall Site in Bromsgrove which included an anchor food store (16,000 sq. ft.), three ground floor restaurant units (ranging from 2,825 sq. ft. to 3,450 sq. ft.) with a five screen cinema above (11,000 sq. ft.) and a stand alone pod style restaurant in the car park (3,225 sq. ft.), together with 140 allocated car parking spaces on the site.

Opus Land were proposing to acquire the site on a 250 year ground lease for an agreed sum of £700,000 (with an equivalent LEP Grant of £700,000) on the basis that the District Council would keep all of the car parking revenue from the allocated car parking spaces.

On 12th September 2014, Opus Land withdrew their development proposal.

Section 2 – Purpose of this report.

The District Council; the retail operator and the cinema operator are all keen for a development on this site. The purpose of this report is to consider what options are available to enable a development to go ahead that provides the best outcome for the people of Bromsgrove; the appropriate value to the Council (as reported by the District Valuer) and a scheme that works as an investment for a developer. Four options have been considered and these are detailed in section 3 below.

Section 3 - Options

1. The District Council now builds out the proposed scheme themselves:

If Bromsgrove District Council built out this development then they would not require the same level of profit as a developer as the Council could retain the scheme and benefit from the rental income generated or sell the scheme on to an investor.

However the Council would need significant specialist external professional resource to undertake this approach, which would normally be funded from the developer's gross profit and would require a prolonged procurement exercise. Furthermore, in

light of an independent analysis of the fees and construction costs compared with research into the tenants mix and likely rents, it is our opinion that it is not financially viable for the Council to construct the scheme as it stands.

2. Does the District Council encourage one of the key occupiers (i.e. anchor retail store and/or cinema operator) to build out the proposed scheme?

Both the retail store and the cinema operator confirmed their commitment to coming to Bromsgrove and this site in particular. As a result both tenants spoke to their respective development consultants who subsequently confirmed that they would not build out the scheme as per the Opus proposal.

Alternative schemes from the anchor tenants could not be considered in isolation as any variation to the scheme would not be possible under the current approval and would leave the District Council open to a legal challenge from developers aware that Opus had withdrawn from the scheme and had, as a result registered their interest in offering an alternative proposal.

3. Could the District Council retain George House and dispose of the adjacent site to the anchor retail store?

An independent cost analysis to refurbish George House was commissioned and came out at approx. £3.5 million. The rent levels that could be achieved from an upgraded George House would not support this level of capital investment and therefore this option is not viable. It would also compromise the opportunity that ownership of the property provides for a comprehensive regeneration proposal for the site.

4. The District Council re-markets the site.

The site was originally placed on the market in November 2011 Since then there has been a substantial upturn in the retail market and this is borne out by the significant interest from other developers, following the announcement that Opus Land were withdrawing from developing the site.

If the District Council seek to redevelop the site but not re-market the site it would leave itself open to challenge from one (or more) of these developers, especially if they had bid on the original marketing exercise.

5. Conclusion

We are of the opinion that the only sensible option remaining for the Council is to remarket the site indicating that all expressions of interest are based upon the current Town Centre Area Action Plan.