

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

Relevant Portfolio Holder	Cllr Rita Dent
Portfolio Holder Consulted	Yes
Relevant Head of Service	Kevin Dicks
Wards Affected	Sanders Park
Ward Councillor Consulted	

1. SUMMARY OF PROPOSALS

1.1 The purpose of this report is to:

1.1.1 update members on the outcome of the recent marketing exercise in relation to the Council owned land and buildings at Hanover Street Car Park and George House as shown edged red on the plan attached at Appendix 1 (the “Site”);

1.1.2 to advise members of the identity of the preferred bidder;

1.1.3 to explain to members the details of the scheme that is being proposed by the preferred bidder;

1.1.4 to seek members approval for the disposal of the Site to the preferred bidder and for authority to be delegated to the Executive Director for Finance & Resources to agree the terms of the proposed disposal; and

1.1.5 for authority to be delegated to the Head of Legal Equalities and Democratic Services to enter into the legal documentation required for the disposal in accordance with terms agreed pursuant to 1.1.4 above.

1.2 This report sets out the information which can be made available publically. Financial details and information that is commercially sensitive to the Council/developer cannot be reported on publically and that information will be available to Members separately in an exempt report.

2. RECOMMENDATIONS

2.1 That Members note the contents of this report.

3. KEY ISSUES

Financial Implications

- 3.1 The Council will receive a capital sum upon completion of the disposal.
- 3.2 The Hanover Street car park with 121 spaces, in the financial year 2013/2014 generated income of just under £119,000. The Council would lose this income when the Site is disposed to the preferred developer, although an increase in visitor numbers to the Site may increase revenue from neighbouring car parks. The current and future parking income potential has been taken into account as part of the valuation of the Site. Members are asked to note that the District Valuer has advised that the Council would not be able to achieve a land value in the region of that offered by the preferred developer without the inclusion of the Hanover Street car park in the proposed disposal.
- 3.3 Based on the proposed timescale the impact of the loss of income would affect the revenue generated from April 2016. This will therefore be addressed as part of the budget proposals for 2016/17. Should the development be commenced earlier than anticipated a further report will be brought to Members for consideration of funding to meet any shortfalls in income.
- 3.4 The District Valuer has undertaken a valuation figure of the Site.
- 3.5 The Council is under an obligation to dispose of its assets at best value (under section 123 of the Local Government Act 1972). The offer received from the preferred developer is in excess of the District Valuer's valuation and accordingly satisfies this requirement and represents best value. Higher offers were received for the Site, but after further scrutiny by the District Valuer and independent specialist costs consultants Turner and Townsend it was considered that the higher offers were predicated on unrealistic build costs and/or rental yields resulting in an inflated gross development value. The consequence of this being that it was unlikely that the disposal at the higher offer would proceed at all or at the higher price offered.
- 3.6 The District Valuer has validated the financial appraisals of the preferred developer.
- 3.7 In relation to George House the Council will be relieved from its current liabilities of maintaining the building which equates to £18,000 per annum.

Legal Implications

- 3.8 Bromsgrove District Council owns the freehold interest in the Site.
- 3.9 Bromsgrove District Council's freehold interest in the Site will be transferred to the preferred developer.
- 3.10 The disposal of the Site will be subject to planning permission being granted for the proposed development.
- 3.11 The disposal and/or terms of the disposal will be negotiated and/or structured to mitigate any risks to the Council. There will be no contingent liability to the Council beyond completion.
- 3.12 A strip of land owned by the Council 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.

Service / Operational Implications

- 3.13 The Site is situated on the junction of Hanover Street and Birmingham Road and covers approximately 1.78 acres.
- 3.14 The Site currently includes a pay and display car park and a vacant building known as George House.
- 3.15 The District Plan has identified this Site for retail led mixed use development.
- 3.16 In December, Cabinet agreed to re-market the Site. Re-marketing was undertaken by commercial property consultant, John Dillon of GJS Dillon Property Consultants.
- 3.17 As a result of the marketing exercise, 16 expressions of interest were received.
- 3.18 7 developers were shortlisted and invited to attend on 4 and 5 February to present their offer for the Site and proposed development plans for the Site to an assessment panel.
- 3.19 Each proposal was scored by the assessment panel using the scoring matrix shown at Appendix 3.
- 3.20 The assessment panel consisted of:

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- Cllr Margaret Sherrey, Leader of the Council
 - Cllr Rita Dent, Portfolio Holder
 - Cllr Kit Taylor
 - John Dillon, GJS Dillon Property Consultants
 - Mike Dunphy, Strategic Planning Manager
- 3.21 The two highest scoring proposals were both invited to answer further questions in respect of their proposals and to give their best and final offer for the Site. This round of questions was led by the Council's professional advisers, consisting of John Dillon of GJS Dillon Commercial Property Consultants, the District Valuer and James Walsh, Associate Director of Turner and Townsend Cost Management Limited. The two developers were also asked to submit written answers to specific questions raised to assess the planning merits of their proposals (the 'Planning Assessment').
- 3.22 The assessment panel reconvened on 5 March, and in light of expert advice and information in the Planning Assessment the two highest scoring developers were scored again using the scoring matrix shown as Appendix 3.
- 3.23 The highest scoring proposal was submitted by the preferred developer with a proposal for a retail led development. The preferred developer has named potential tenants as part of their bid and there was evidence of interest from major high street retailers, but the final tenant mix will be a matter for the preferred developer. It is envisaged that the car park will be let to a car parking operator.
- 3.24 Arrangements will need to be made for season ticket holders for the Hanover Street car park to be allocated season tickets for other Council car parks.
- 3.25 The Bromsgrove District Plan is currently undergoing formal examination in the public stage and whilst it is not yet an adopted document, the policies which guide the redevelopment of the town centre have gone largely unchallenged. It is against the National Planning Policy Framework and these emerging policies that the proposals will be judged when planning permission is considered for this Site. The proposed development accords with the emerging policies and the design will provide a street frontage visible from the town centre and the roads surrounding the Site will be designed in line with the requirements of the planning.
- 3.26 The proposal would also provide jobs both in relation to the construction of the Site and once the development of the Site is completed and is operational.

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- 3.27 The proposed development may also provide a catalyst for development of the adjacent sites which are in private ownership.

Customer / Equalities and Diversity Implications

- 3.28 The regeneration of Bromsgrove town centre has been a priority raised by the community for a number of years. This Site is a gateway to the town and as such is regarded as a catalyst for the development of surrounding sites, an increase in footfall and the general improvement of the local area.

4. RISK MANAGEMENT

- 4.1 As learnt from the previous abortive disposal of this Site, there is a risk that the proposed disposal of the Site to the preferred developer may not go ahead. This risk has been mitigated by a robust selection process.
- 4.2 There is a risk that the preferred developer may fail to develop the Site or develops the Site in a different way to that outlined in its proposals. This risk has been mitigated by the selection of a developer which has confirmed that it has finance available for the proposed development and named tenants for the main retail units. Any alternative proposal would be likely to affect the preferred developer's assessment of the gross development value of the Site and its proposed offer. In addition any alternative proposal would need to obtain the relevant planning approval.
- 4.3 The preferred developer would require the proposed disposal to be conditional upon obtaining a satisfactory planning permission for the proposed development. The risk of the proposed development not achieving 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 there is a proposed development which appears to conform in principle to the planning policies / guidelines for the Site.

5. APPENDICES

Appendix 1 – Site Plan

Appendix 2 – District Valuer's Report – Exempt and not available

Appendix 3 – Scoring Matrix

Appendix 4 – Summary of scores for 7 presenters – Exempt and not available

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Appendix 5 – Summary of scores for 2 highest scoring developers –
Exempt and not available

6. BACKGROUND PAPERS

December Cabinet Paper – 'Update Report re Disposal of Council Held Assets at Hanover Street Car Park and George House.'

7. KEY

AUTHOR OF REPORT

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