

Decision maker:	Cabinet member contracts and assets
Meeting date:	Thursday, 28 June 2018
Title of report:	Sale of land and buildings (Romney huts) within the Enterprise Zone at Chapel Road, Rotherwas
Report by:	Development manager

Classification

Open

Decision type

Non-key

Wards affected

Dinedor Hill

Purpose and summary

To approve the marketing and sale of land for development proposals within the Hereford Enterprise Zone (EZ). The area comprises 0.96ha (2.36 acres) including 6 romney huts and surfaced bases let to third parties on various terms producing approx. £23,500p.a. Selling the site creates the opportunity for a comprehensive redevelopment with enhanced build quality and job opportunities which meet the objectives of the EZ and the EZ land disposals policy.

Recommendation(s)

That:

- (a) the council approves in principle the disposal of its freehold interest in Romney Huts 22, 24, 26, 46, 48 & 50 and Bases 23, 25, 47 & 49 on land extending to approximately 2.36 acres at Chapel Road, Rotherwas to the preferred bidder of an informal tender competition inviting redevelopment proposals for the site.**

Alternative options

1. Not proceeding with the sale as recommended above.

Advantages

None

Disadvantages

Would not market test development proposals that the private sector could deliver for this site.

Council left with low value low rent assets.

2. Seeking a sale to the highest bidder

Advantages

Potentially, although not known until receipt of tenders, higher receipt for the Council for the land.

Disadvantages

The highest bidder will not necessarily produce best value in terms of economic benefit, particularly the number of jobs, quality of jobs created and quality of development. To exemplify this, a large warehouse of 3,820 sq m could be accommodated on this site and may generate the highest land value. This (under industry standards) would accommodate 54 jobs, at potentially minimum wage. Alternatively an office/workshop mix of 7,640 sq m would accommodate a higher number of jobs (399), with a better mix of uses and wages but result in a lower land value.

3. Selling existing units to existing occupiers

Advantages

Relatively simple process.

Disadvantages

Loss of income for the council with little change in economic value. Individual units restricted in size and scope so very limited redevelopment potential.

4. Redevelop the site using the Development & Regeneration Partner (DRP).

Advantages

Council retain ownership and revenue income from the development.
Direct control of lettings to ensure ez and economic regeneration objectives are maximised

Disadvantages

DRP not yet contracted so project delivery will be delayed
Scheme may be too small or financially unattractive to council and/or DRP

Key considerations

5. EZ status was granted to circa 110 acres of land at Rotherwas in August 2011, and all the EZ land has been actively marketed since then. The range of incentives, profile and preparatory work at Hereford enterprise zone has resulted in 19 sales of individual plots completed covering approximately 34.5 acres to investors within the EZ together with the direct development of two plots.
6. Most of the EZ area is bare brownfield or greenfield land. However the exception is the Chapel Road area, which is already built out. This particular part comprises Romney huts (Second World War vintage corrugated iron sheds with only very basic amenities), and their adjoining bases. These are rented out primarily under short term arrangements by the council. The wider Chapel Road area is made up of land used for open storage and buildings generally of older and poorer quality.
7. This part of the overall Chapel Road development is unusual in that a good sized, discrete development parcel can be created, which gives the potential for a new sizeable development, depending on detailed design, circa 4-7,000 m² in its own right providing a potentially significant uplift in the economic value of the area as a result of the activity generated from occupiers of the new premises.
8. Given that this proposed sale involves the sale of assets that currently provide a rental income to the council, a separate independent valuation has been undertaken, valuing this area at £270,000.
9. The EZ's stated ambitions are to deliver high quality workspace creating the opportunities for high value added employment.
10. The recent approval of two sales at Chapel Road have galvanised interest and a number of potential investors have expressed a desire to buy this parcel of land; this includes existing tenants in the locality. A variety of possible uses have been suggested.
11. All EZ land is being sold according to the EZ Land Disposal Policy which was approved by cabinet member on 7 January 2016 save for in this instance particular consideration is being given to the development proposals that will deliver a scheme that has the potential to deliver on the ez priorities in terms of employment opportunities and quality of building.
12. It will be important to demonstrate that all potential interests have an opportunity to secure the land. Furthermore, the range of interest enables us to enhance the quality and prospects of the development that occurs on site.
13. A tender competition is proposed where tenders will be invited for redevelopment proposals, maximising quality, delivery and the number and type of job opportunities created. All bidders will be required to meet the benchmark valuation of £270,000 as a prerequisite for consideration. However, the proposal is not to invite, or choose on the basis of highest bids. Those would not necessarily result in the high quality, high value development proposals as set out in the EZ Land Disposal Policy.
14. The proposed approach is for the EZ Board to review the tenders and make a recommendation to the council on the basis of the proposal that best meets their objectives in terms of delivering employment opportunities, high quality development and financial return. Authority would then be obtained to proceed with a sale on specific terms.

15. Four businesses currently operate from this area, under a variety of short term tenancies. Tenants are aware of the broad intention of the EZ proposals for this land and they have been notified of the recommendations of this report and the proposed timescales. The EZ and property services team will go through the sales bidding details with these tenants once those terms are confirmed, and keep them informed of progress. The sale would go forward subject to the tenancies. The EZ property services team and the purchaser will follow through the implications of the sale with these businesses, and provide information on alternative premises that may be suitable for businesses wishing to relocate as appropriate
16. As with all sales of land at the EZ, clauses will be inserted into the sales contract to ensure that the agreed timetables for the redevelopment are met and that the site does not remain in its current state. Failure to adhere to the agreed timetables would mean the land would revert back into council ownership. Such terms will be detailed in the subsequent report.

Community impact

17. Through the direct facilitation of company growth by providing land and premises for expansion and relocation of businesses, the EZ contributes to the council priority of 'Support the growth of our economy' and it is a key project in the council's corporate delivery plan.
18. It is also a priority project within the Herefordshire Economic Vision and it could significantly support the goals of the scheme including growing the local economy and creating higher value jobs. The project will also support the goals for the Marches Strategic Economic Plan including Supporting Business and Physical Infrastructure.

Equality duty

19. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:
 - i. A public authority must, in the exercise of its functions, have due regard to the need to -
 - ii. eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - iii. advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - iv. foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
20. The development of the enterprise zone will support the council's commitment to equality by advancing equality of opportunity, with the potential of increased job opportunities.

Resource implications

21. The total plot area to be sold is 2.36 acres. An independent valuation has been carried out and any successful bid will be required to at least meet this valuation.
22. The capital receipt will form part of the council's capital receipt's target in 2018/19.
23. The loss of approx. £23,500 p.a. rental income has been factored into the council's 2018/9 budget and for future years.
24. There will be legal costs and other administrative costs in relation to the preparation and completion of the sale which will be deducted from the overall receipt cost, up to a maximum of 4%. If disposal costs exceed this value they will need to be met from existing enterprise zone revenue budgets.

Legal implications

25. A principal council cannot dispose of its land for a consideration less than the best that can be reasonably obtained in the market, except with the express consent of the Secretary of State (section 123(1), Local Government Act 1972 (LGA 1972)). The council needs to be able to evidence that the best price has been obtained for the site and it will only be able to demonstrate that it achieved the best consideration possible by:
 - a) marketing the property;
 - b) obtaining an appropriate independent valuation; or
 - c) both of the above.

The EZ plots are being actively and comprehensively marketed. A separate independent valuation exercise was carried out in this case to confirm a benchmark value.

26. The council's legal team will deal with the transaction.
27. Written offers will be invited by way of sealed bids and a closing date for such offers will be published. All offers will be opened at the same time. The council will not be committed to accepting the highest or indeed any offer. Informal tender is a useful method of sale for sites such as this where proposals may need to be developed in co-operation with the preferred bidder in order to meet EZ objectives and to achieve the best consideration that can reasonably be achieved. The offer is not binding and on acceptance of any offer the transaction will proceed subject to contract. A binding legal contract will not be created until contracts/conditional contracts are exchanged.
28. Consideration will be given to the reservation of rights in the transfer documentation for running of services etc. for the benefit of remaining plots. The transferee should also indemnify the council against future breach of any existing covenants affecting the plot, as contained in the relevant registered title with the imposition of site specific further obligations and covenants as appropriate.
29. Termination of the existing tenancies will be in accordance with the tenancy terms on a case by case basis.

Risk management

30. a) If the recommendations are agreed

Risk / opportunity	Mitigation
Operational	
Purchaser does not deliver on proposed redevelopment	Clauses are built into the sales contract setting time limits to deliver milestones such as planning approvals and start on site, together with buy back provisions if those deadlines are not met
Existing occupiers are unable to find alternative accommodation	Property services team to work with economic development team and ez team to identify opportunity for alternative premises and location for occupiers
b) if the recommendations are not agreed	
Council left with low value low rental site in need of significant investment.	Council invests itself to redevelop site
EZ jobs and investment objectives not met	

Consultees

31. The local ward member, Councillor Summers has been consulted and is supportive of the proposal. The EZ stakeholder group have also been consulted and are supportive of the approach set out in this report.
32. Some of the businesses occupying the affected properties have expressed an interest in purchasing the land and are expected to submit a tender proposal.

Appendices

Appendix 1 – Map showing the plot

Background papers

None identified