

## WRITTEN STATEMENT OF A NON-KEY OFFICER DECISION ECONOMY, COMMUNITIES & CORPORATE DIRECTORATE

<b>ITEM:</b>	Disposal of land, plots N18, 21 and 22 off Vincent Carey Road, Hereford Enterprise Zone
<b>Officer Title:</b>	Development Manager
<b>Date of Decision:</b>	1 September 2016
<b>Purpose:</b>	To seek approval for the disposal of development land at Plot N18, 21 & 22 off Vincent Carey Road on the Hereford Enterprise Zone in accordance with the District Valuer valuations and Hereford Enterprise Zone (EZ) land disposal policy.
<b>Decision:</b>	<p><b>THAT:</b></p> <ul style="list-style-type: none"> <li>a) <b>plots N18, 21 and 22 being approximately 4 acres at Vincent Carey Road be sold to Priority Space Ltd for a minimum price of £800,000 conditional on Priority Space (Hereford) Ltd or its nominee satisfying due diligence prior to completion of works and full payment being made within 3 years of completion of the legal agreement; and</b></li> <li>b) <b>pending satisfaction of the conditions specified in recommendation a) above Priority Space (Hereford) Ltd be granted a 125 year lease to include early termination provisions should the lease terms be breached. The freehold transfer of the land to Priority Space (Hereford) Ltd will take place on the practical completion of certain agreed works to be carried out by Priority Space (Hereford) Ltd during the lease (longstop dates are 21 months after entering the lease for phase 1, 33 months after entering the lease for phase 2).</b></li> </ul>
<b>Reasons for the Decision:</b>	<p>Compliance with approved council policy.</p> <p>Provision of 55,000 sq ft of speculative office and industrial space to purchase or rent by businesses on the zone, adding to the portfolio of the zone.</p> <p>There are a growing number of small local companies who have approached the zone, been recognised as suitable investors but have not progressed their interest. A number have been deterred by the prospect of taking forward a construction project themselves, and in particular find the costs of the project relative to the value of the resulting asset non-viable.</p> <p>Utilising this approach from a specialist developer, with their existing procured set of professional services, including a contractor, should mean the implementation of the development will be quicker and cheaper than either</p>

	<p>individual businesses trying to do this themselves or the council doing it itself.</p> <p>Connecting existing known client interests to the developer in a preparatory phase should ensure that these interests get reflected in the planned design, with the prospect of triggering building construction and occupancy within a short time period generating benefit to the zone.</p> <p>The financial exposure and principal risk is taken by the developer, rather than the council in this model.</p>
<b>Consultation:</b>	<p>The Enterprise Zone executive board has been consulted and is supportive of the approach, as is the ward councillor through the stakeholder group.</p>
<b>Options Considered:</b>	<p>1 Not proceeding with the sale on the terms outlined above, and waiting for another offer to emerge for the plots in question.</p> <p><u>Advantages</u></p> <p>None</p> <p><u>Disadvantages</u></p> <p>Would not comply with the approved disposals policy and would adversely impact the council's ability to achieve the outcomes expected of the Enterprise Zone (the zone).</p> <p>2 Council/EZ develops out a similar project directly</p> <p><u>Advantages</u></p> <p>The zone team has procured and project managed two construction projects on the EZ successfully to date.</p> <p><u>Disadvantages</u></p> <p>This option would necessitate the borrowing of an additional £6m on top of the £16m current capital allocation for the zone. This would incur cost of capital over whichever period it is borrowed, which would also need to be factored in and then balanced off as sales occur.</p> <p>The EZ has another significant direct development project in preparation – the Incubation centre based at the Shell Store. Subject to successful funding bids, the EZ/council will be looking to take this development forward directly, and the implementation of this will overlap with the suggested development here, thereby imposing a considerable resource input on the EZ team.</p> <p>The EZ/council process necessitates going out to procurement for project development, design and</p>

	<p>construction. This should be slower than the preferred option, where the purchaser already has the contractor and professional services on board so should be ready to start on site more quickly.</p> <p>3 Include the site within the council's development partnership project</p> <p><u>Advantages</u></p> <p>Could work well as a route to facilitate development on the zone.</p> <p><u>Disadvantages</u></p> <p>However, this option would cause a significant delay in the provision of new workspace on the zone currently, as the procurement process still has a way to go. A partner is being selected currently, being tested on a couple of example projects with arrangements, possibly being in place by the summer of 2017. Business cases for new potential investments will then need to be developed and submitted for consideration by that mechanism. So this would impose a delay of at least one year compared to the preferred option. Once that mechanism is fully established the EZ/council will consider this as another means of developing out more opportunities elsewhere on the Zone.</p>
<b>Declaration of Interest:</b>	N/A

Officer Name: Geoff Hughes

Officer Title: Director for Economy, Communities and Corporate

Signature: ..... Date: 1 September 2016