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CITY OF
WOLVERHAMPTON
C O U N C I L

Council Meeting

Wednesday, 6 April 2016

Dear Councillor

COUNCIL - WEDNESDAY, 6 APRIL, 2016

I am now able to enclose, for consideration at next Wednesday, 6 April, 2016 meeting of the Council, the following reports that were unavailable when the agenda was published.

Agenda No	Item
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7	<u>Purchase of a city centre regeneration site.</u> (Pages 3 - 12)
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To consider the purchase of city centre regeneration site.

If you have any queries about this meeting, please contact the democratic support team:

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Meeting of the City Council

6 April 2016

Report title	Former Sainsbury's Site, St George's Parade	
Wards affected	All	
Cabinet Member with lead responsibility	Councillor Andrew Johnson Resources Councillor John Reynolds City Economy	
Accountable director	Mark Taylor, Director of Finance Keren Jones, City Economy	
Originating service	Planning	
Accountable employee(s)	Stephen Alexander	Head of Planning
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Recommendations for action or decision:

Full Council is recommended to:

1. Approve the purchase of the freehold of the former Sainsbury's site at St George's Parade for a sum of £13.1 million.
2. Delegate authority to the Cabinet Member for Resources in consultation with the Director of Finance to approve the resulting changes to:
 - (a) Capital Budgets;
 - (b) Revenue Budgets;
 - (c) Treasury Management Indicators and Borrowing Limits and Prudential Indicators.

1.0 Purpose

- 1.1 The site is owned by the receivers who set a short deadline for offers to be submitted to purchase the site. Having obtained independent advice, the Council submitted an offer of £13.1 million for the site which has been accepted subject to approval by Full Council and subject to exchange of contracts by the 15 April 2016.

2.0 Site description

- 2.1 The St George's site is located on the eastern side of Wolverhampton city centre, just inside the ring road. Currently the former supermarket building occupies the northern portion of the site, with the service yard backing onto Bilston Street and the "Wishbone" roundabout. The building also abuts a former grade II listed church, which was utilised as the supermarket café on the ground floor, with offices on a first floor. The rest of the site remains as car parking (see attached plan).
- 2.2 The site is identified as a key strategic city centre gateway site in the City Centre Area Action Plan (AAP). It is situated in a highly prominent position with a highly visible frontage to the ring road and is only 250m from the retail core and the Interchange.

3.0 Background

- 3.1 The site was marketed on behalf of EK Dry and GB Judd Joint Fixed Charge Receivers as an asset management or development opportunity with offers invited in excess of £13 million. A request for best offers to be submitted by 12 noon Friday 11 March 2016 was issued by their agents, GVA. An offer of £13.1 million was submitted and subsequently accepted subject to approval by Full Council and subject to exchange of contracts by the 15 April 2016.
- 3.2 The property is subject to the following legal interests:
- The property is let in its entirety to Sainsbury's on a lease for 35 years from 1990 (approximately 9.2 years unexpired) subject to five yearly upwards only rent reviews. The current rent is approximately £1.2 million per year.
 - A restriction in favour of The Church Commissioners for England not to use part of the site including the Church and its surroundings for any purpose other than for retail shopping and office purposes.

4.0 Constraints

- 4.1 Jacobs carried out a desk-top Geo-Environmental study of the site in 2011 (including a number of other city centre sites) as part of the evidence base for the AAP which did not identify any very significant constraints and advised that more detailed routine studies would be required prior to redevelopment of the site.

- 4.2 The route of the former Cleveland Road crosses the site and needs to be reinforced for any new development with pedestrian and cyclist routes across the site and the ring road, connecting the retail core directly with the Royal Hospital site and wider All Saints area. This effectively splits the site into two halves.
- 4.3 The listed former church building should be retained. It appears to be in reasonable condition and has until recently been in partial office use. The remaining buildings on the site are unsightly and may be demolished to enable high quality new development that respects the setting of the listed building. Any new development would also need to respect the setting of three adjacent Conservation Areas.
- 4.4 There are trees on the site, ten of which are subject to a tree protection order, which would need to be duly considered as part of any redevelopment proposals.
- 4.5 There are burial records dating back to 1832 (the time of the first cholera epidemic, which claimed 193 lives), and St George's was specifically used during the next cholera epidemic of 1849, which claimed over 500 lives. There were remains exhumed during the construction of the ring-road (there is a monument at Bushbury where they were re-buried).
- 4.6 The current Business Rate liability for the site is £562,000 per annum. To reduce on-going costs whilst working up feasibilities for the site, the existing buildings could be demolished to reduce the on-going Business Rate liability for the site.

5. Sainsbury's lease

- 5.1 Negotiating the surrender of Sainsbury's lease will require negotiation directly with them. Initial high level meetings have been held and Sainsbury's have indicated their willingness in principle to surrender their lease.
- 5.2 For the time being, Sainsbury's have been requested to do what they can to clean and tidy up the site. They have informally agreed to this.

6. Removal of covenant

- 6.1 The site is suitable for a mixed use development including residential use. As the restriction only applies to part of the site it may be possible to bring forward the redevelopment of the site in a way which does not breach the covenant. To seek release of the restriction will require the consent of the Church Commissioners.

7.0 Market appraisal and valuations

- 7.1 An independent market appraisal on various end uses for the site with resultant indicative values, and an indication of value for the release of the restriction has been obtained to ascertain the potential for development with and without the release of the restriction and end uses for the site. The development land values have been evaluated taking into account town planning assumptions, empirical evidence in the market and

yields to assess the financial viability and resultant values. There is an opportunity to derive value from the site both in terms of high quality development and future returns to the Council.

8. Opportunity

- 8.1 There is a time limited window of opportunity to acquire this key strategic site. There is strong planning policy support for the regeneration of this prominent gateway. Purchasing the site would enable the Council to control the site, subject to market demand and/or public funding opportunities. Given the growing interest in the regeneration opportunities available in Wolverhampton including Interchange and Westside, the redevelopment of the site would complement and add to the revitalisation of the city centre. There is an opportunity to bring forward various sites including St George's and Westside in a strategic and mutually reinforcing way that adds substantially to the vitality and viability of the city.
- 8.2 The site is suitable for a range of uses. The Council would like to see an impressive high quality development and would welcome an urban perimeter block scheme, that is more 'outward looking' enhancing the frontage onto the ring road and the metro line at Bilston Street that retains the listed church and provides a pedestrian route across the site along the route of the original Cleveland Road in order to maximise connectivity between the City Centre Shopping Core (including Southside) and future development opportunities to the south east of the city centre, such as the strategically important Royal Hospital site. One possibility would be a mixed use development with commercial uses on the ground floor, with residential above. The Council is flexible regarding future uses and a design solution and would welcome discussions with potential developers about the development possibilities of the site. For more information see the attached extract from the City Centre Area Action Plan (AAP) (pages 111-116). The site is a development opportunity identified in the "St John's & St George's" Character Area of the AAP, which recognises the strategic importance of the site and the important role the site will play as a catalyst for regeneration in this part of the city centre.
- 8.3 If the site was purchased by the Council, early steps could include the demolition of the unsightly buildings and canopies, tidy up the site and present the site as a development opportunity with suitable signage and hoardings. And until the site is redeveloped the car park use could continue and may possibly be extended for a temporary period once the unsightly buildings are demolished.

9. Risk management

- 9.1 The nature of rival bids for the site is of course unknown. However, If the Council do not purchase the site it is possible that the site may be bought and not regenerated for a considerable period of time; the key risk is that the site is purchased by an investment company and then land banked. If the Council purchases the site it's role would be to facilitate and bring forward the high quality regeneration of the site as quickly as possible.

10. Assessment

- 10.1 In considering whether the potential purchase of the site is justifiable the social, economic and environmental benefits of the regeneration of the site should be taken into account. If the Council was in control of the site there would be the ability to facilitate and enable the development whilst an alternative purchaser may just landbank the site. The most recent buildings on the site are currently detrimental to the appearance of the City and create a very poor impression on this prominent site. The redevelopment of the site would enhance the visual amenities of the area and create a far better environment. Potential new residential and commercial development would contribute significantly to the vitality and vibrancy of the city centre.
- 10.2 If the Council is successful in its bid to purchase the site, the Council will have a number of options, including:
- Agree a settlement figure (surrender premium) with Sainsbury's to obtain clean title to redevelop the site;
 - Demolish the most recent buildings (excluding the listed former church building) to reduce business rates liability;
 - Undertake feasibility studies to explore the best mix of uses for a gateway site into the City;
 - Work with developers and interested parties to explore the best mix of uses on the site (this could include residential, commercial or educational uses);
 - Market and develop the site, potentially splitting the site into two developable areas.
- 10.3 A redeveloped site would potentially bring new uses houses and jobs that would bring significant benefits and help to drive up land values across the City. There is an opportunity to secure high quality regeneration and future returns to the Council that could be used to further enable development and growth in the City.
- 10.4 The risk to the Council of purchasing the site is minimised by the rental income from Sainsbury's and the existing income from the car park. There should also be further regeneration benefits to the City from developing a key gateway into the City. It is also expected that land values will increase during the period of ownership of this site as developments across the City move forward.
- 10.5 The Council has taken advice about residual land values for the site, exploring different options and mixes of use. If the Council purchases the site it would seek to facilitate the expedient regeneration of the site.

11.0 Financial implications

- 11.1 The capital outlay of £13.1 million plus stamp duty land tax of £775,500 would need to be met initially through prudential borrowing which would result in annual borrowing costs of

£1.4 million. For the purpose of modelling the useful economic life and the interest rate has been assumed to be nine years in line with the period remaining on the lease.

- 11.2 If there were no surrender of the lease then income from Sainsbury's of £1.2 million per annum would be receivable over the next nine years in addition to the continuing payment of business rates to the Council of £562,000 per annum (of which the Council retains £275,000). Though there would be a net cost to the Council's existing revenue budget of £200,000 over the next 9 years, there would be economic and regeneration benefits/opportunities arising from the acquisition as set out in the report. The Council would seek to mitigate the impact on the revenue budget through the Treasury Management strategy and use of the regeneration reserve.
- 11.2 The Council would seek to negotiate with Sainsbury's to secure the surrender of their lease to enable the site to be redeveloped. On transfer the liability for the business rates would become the Council's but it may also benefit from existing car park income which could be increased in the short term prior to any redevelopment of the site.
[MF/29032016/X]

12.0 Legal implications

- 12.1 By virtue of Section 120 of the Local Government Act 1972 the Council may acquire by agreement any land for any purpose for which they are authorised notwithstanding that the land is not immediately required for that purpose. There is no obligation to obtain best consideration in the purchase of such land. Legal Services will provide advice throughout any purchase process. [RB/29032016/A]

13.0 Equalities implications

- 13.1 The site is identified as a development opportunity (site 9a) in the City Centre Area Action Plan that has been subject to an equality analysis.

14.0 Corporate Landlord implications

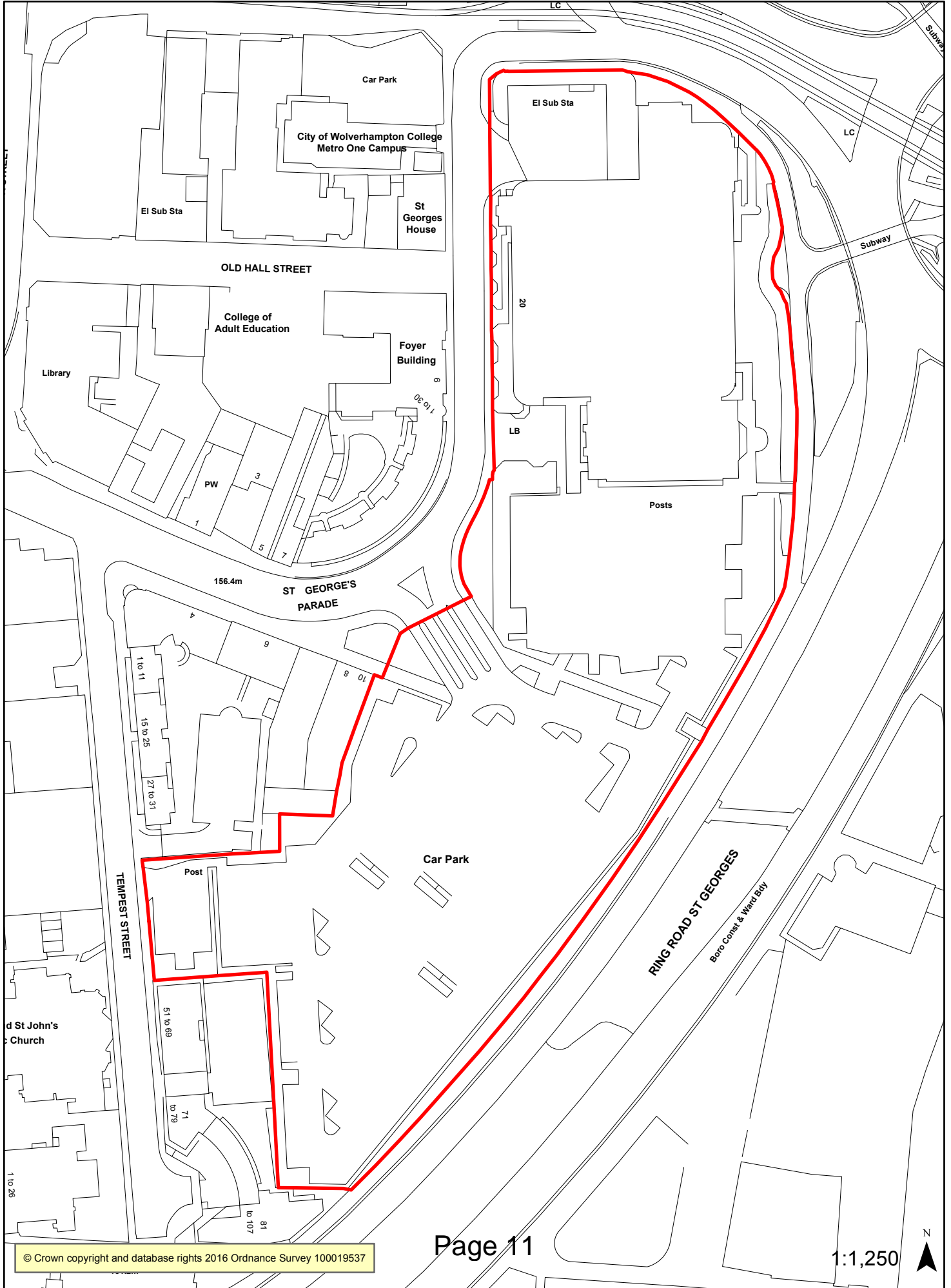
- 14.1 The acquisition of the site by the Council will require the need for a holding management strategy, whilst feasibilities are developed for the future development of the site in part of for the whole. Additional funding in respect of holding management will need to be identified for management.
- 14.2 The demolition of the buildings on site will require a strategy and capital funding allocated to deliver the project. However this cost will be offset against the reduction in the Business Rate liability for the period to demolition of the existing buildings, as well as be reflected in any capital receipts that will be achieved upon forward sale of a cleared site.
- 14.3 During the period of retaining the site to commencement of redevelopment the Council will be receiving income from the current car parking on part of the site, possibly along with other income generating solutions such as additional car parking and temporary

uses of the former church building to mitigate the costs of holding the site to the point of redevelopment.

15.0 Schedule of background papers

15.1 City Centre Area Action Plan

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