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**A separate report is submitted in the private part of the agenda in respect of this item, as it contains details of financial information required to be kept private in accordance with Schedule 12A of the Local Government Act 1972. The grounds for privacy are that it contains information relating to the financial and business affairs of any particular person (including the authority holding that information). The public interest in maintaining the exemption under Schedule 12A outweighs the public interest in disclosing the information.**

Cabinet  
Council

24 February 2015  
24 February 2015

**Name of Cabinet Member:**

Cabinet Member for Business, Enterprise & Employment – Councillor Maton

**Director Approving Submission of the report:**

Executive Director Place

**Ward(s) affected:**

All wards are affected, particularly St Michaels

**Title:**

Disposal of Property Assets pursuant to Friargate

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**Is this a key decision?**

Yes -the proposals involve financial implications in excess of £1m per annum.

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**Executive Summary:**

On 25 June 2013 Council approved that the organisation support the development of the Friargate Business District to regenerate the City, transform the Council and deliver savings by the construction of a new Council owned office building at Friargate, the construction of a new bridge deck, the rationalisation of its operational property estate and the subsequent disposal of property assets vacated through such rationalisation. The report required that the capital receipts generated from the disposal of such assets be ring fenced to the Friargate Project as part of the affordability strategy for the investment. The report also required that a disposal strategy be developed that seeks early marketing and negotiations designed to minimise the impact on the City Centre estate. The Council has entered into contractual arrangements for the new building to be built.

Since this time officers have prioritised the disposal of the key City Centre sites, namely Civic Centres 1 – 4 and Spire/Christchurch House. Members have already approved the disposal of the latter, and officers have been working closely with Coventry University in respect of the former.

The University have now presented their proposals for this key site to the Council which are consistent with the Council's vision for the regeneration of this site and the city centre

In accordance with the June 2013 report, terms for the proposed disposal are set out for approval. This report also sets out the wider outline strategy for dealing with the disposal of further property assets which will become surplus as part of the move to Friargate.

**Recommendations:**

Cabinet is requested to recommend to Council that it:

1. Approve the freehold disposal of the site outlined red on plan 1 comprising Civic Centres 1 – 4 to Coventry University in accordance with the terms set out in in the report.
2. Delegate authority to the Executive Director Place, Executive Director Resources and Assistant Director for Legal and Democratic Services as appropriate in consultation with Cabinet Member for Business Enterprise and Employment to agree any variations or new requirements that are deemed necessary to give effect to the proposals.
3. Delegate authority to the Executive Director, Resources and the Assistant Director for Legal and Democratic Services to complete the necessary legal documentation in this matter and collect the agreed consideration.
4. Approve the outline disposal strategy set out in clause 2.12 and delegate authority to the Executive Director Place in consultation with Cabinet Member for Business Enterprise and Employment to amend the strategy as required to minimise the impact of vacation of the City Centre estate
5. Delegate authority to the Executive Director Place in consultation with the Cabinet Member for Business Enterprise and Employment to agree terms for disposals under the strategy, provided that the terms are in accordance with the Friargate Business case.

Council is requested to approve recommendations 1 to 5 above.

**List of Appendices included:**

Appendix 1 – Plan of Civic Centres 1-4 site

**Background papers:**

None

**Other useful documents**

“Starting the Friargate Business District to Regenerate the City, Transform the Council and Deliver Savings”- Council Report 25 June 2013.

Friargate Bridge – Council Report 25 June 2013

<http://moderngov.coventry.gov.uk/ieListDocuments.aspx?CId=130&MIId=9911&Ver=4>

**Has it been or will it be considered by Scrutiny?**

No

**Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?**

No

**Will this report go to Council?**

Yes - 24 February 2015

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## **Report title: Disposal of Property Assets pursuant to Friargate**

### **1. Context (or background)**

- 1.1 Following Council's approval of the June 2013 report regarding the development of Friargate, early steps were taken in respect of the redevelopment and disposal of the two most significant city centre property clusters; Civic Centres 1 – 4 site and the Christchurch/Spire House sites resulting from the move of Council offices to a single building at Friargate.
- 1.2 Initial efforts to secure redevelopment were therefore focussed on these sites to minimise the impact on the city centre when they are vacated by the Council.
- 1.3 A strategic decision to develop the Christchurch/Spire House site as a city centre leisure destination was taken by Council on 9 September 2014 thus securing the long term redevelopment of this site.
- 1.4 At an early stage Coventry University expressed an interest in the Civic Centre sites, these early discussions resulted in Member approval to enter into a Memorandum of Understanding between the Council and University at MIPIM in March 2014. This gave the University a 12 month exclusivity period in order to allow them to develop their proposals and undertake due diligence.
- 1.5 The University have subsequently presented their proposals to both officers and ruling group members and have made a proposal to purchase the sites.
- 1.6 An outline strategy has also been developed in relation to other property assets, which will be vacated as part of the Friargate Project. This is set out in paragraph 2.14 below.

### **2. Options considered and recommended proposal**

- 2.1 **Disposal to the University (recommended proposal)** Coventry University is a major asset to the local economy. It currently contributes over £100m per annum to the Coventry economy which is set to rise by a further £100m by 2020.
- 2.2 The University currently employs 4,000 staff which is set to rise by 500 in the period to 2019. Student numbers are also set to rise from 23,000 to 27,500 in the same period.
- 2.3 The University's proposals envisage that the site would become the key "front door" site for the University and would provide up to 35,000 sq.m of development incorporating research, HQ, commercial and International centre along with a small amount of post-graduate residential accommodation.

15-20,000 sqm Pure and Applied Research – the Research “Hub”  
5-8,000 sqm University HQ  
3-5,000 sqm International Centre – the International “Hub”  
4,000 sqm incubator/commercial  
Graduate/Faculty short term accommodation

- 2.4 The University are committing to invest £100-£125m on site over the period to 2020 although they are advising the majority of this investment is likely to be at the front end of this period. They are indicating that this development will contribute £100m per annum Gross Added Value to the Coventry economy post 2020.
- 2.5 It is estimated that the development once completed will yield Business Rates of between £1.0m and £1.25m per annum. The site currently yields less than £0.5m per annum.
- 2.6 The development would require the demolition of all the CC1-4 buildings and their phased replacement by the University. The University have also indicated that they wish to purchase the freehold of the commercial units and flats above that front Earl Street for possible incorporation into the redevelopment. These shops and the flats above are subject to a mixture of tenancies which are largely subject to security of tenure protection. The University would be responsible for negotiating with the leaseholders to secure vacant possession at their expense and at an appropriate time should the properties be required to facilitate development.
- 2.7 Under the draft Heads of Terms the University propose that they purchase the site and simultaneously enter into a lease back to the Council at a peppercorn until autumn 2017. This provides sufficient time for the Council to complete the move to Friargate and vacate Civic Centres 1-4.
- 2.8 The University has given a commitment to maintain the members car parking currently accommodated in the Magistrates car park albeit this may need to be reconfigured to allow it to be accommodated as development progresses.
- 2.9 Whilst sole negotiations have been held in good faith with the University, the Council has considered the following alternative uses for the site;
- 2.10 **Student Accommodation** - Currently good demand exists within the city centre for student housing sites however such uses can be accommodated in alternate, less well located sites elsewhere in the city centre and such a use on this site would not produce business rate income for the Council.
- 2.11 **Retail** - The site sits close to the retail centre of the City, accordingly retail uses might be possible on the site however such uses would be likely to undermine proposals for City Centre South accordingly such a use would be resisted on planning ground. Existing large retail consents currently exist and have not been taken up by the market

2.12 In respect of the remaining property assets it is proposed to deal as per the list below

<i>Property</i>	<i>Date</i>	<i>Strategy</i>
<i>Broadgate House</i>		<i>Retain &amp; seek uses for upper floors through disposal</i>
<i>Civic Centres 1 - 4</i>		<i>Disposal</i>
<i>Spire House/C'church Hse</i>		<i>Redevelop for City Centre Leisure facility</i>
<i>24 &amp; 42 New Union Street</i>		<i>Retain &amp; seek uses for upper floor through disposal</i>
<i>West Orchard House</i>		<i>Exit lease (already completed)</i>
<i>9 North Avenue</i>		<i>Disposal</i>
<i>Enterprise House</i>		<i>Retain &amp; let (already actioned)</i>
<i>Harp Place</i>		<i>Exit lease</i>
<i>James Brindley House</i>		<i>Retain &amp; let</i>
<i>Eburne Adult Education Centre</i>		<i>Disposal</i>
<i>Faseman House</i>		<i>Disposal</i>
<i>Logan Assessment Centre</i>		<i>Retain &amp; let</i>
<i>312a Charter Avenue</i>		<i>Retain &amp; let</i>
<i>200 Telfer Road</i>		<i>Hold for wider redevelopment</i>
<i>Stoke House</i>		<i>Sold</i>
<i>Elm Bank</i>		<i>Sold</i>

2.13 Officers continue to explore whether services within buildings identified within the strategy can be relocated into existing buildings to enable their disposal and the release of revenue running costs earlier than anticipated in the affordability case. Accordingly it is proposed to recommend that disposals are made under a delegation provided the terms are in line with the Friargate Business case.

2.14 Accordingly, a sale of CC1- CC4 to the University and the approval of the disposal strategy are the recommended options.

### **3. Results of consultation undertaken**

3.1 The purpose of this report is to implement policy decisions previously taken. Accordingly no further consultation is necessary. However, as set out in the report on 25 June 2013, employees are engaging in the Friargate Project through staff briefings. Formal consultation with employees and Trade Unions will take place as required during the project. A communications strategy remains in place, which is aimed at ensuring all stakeholders are aware of the changes and informed throughout the Friargate Project as it progresses.

#### **4. Timetable for implementing this decision**

- 4.1 The sale of CC1-4 to the University is scheduled to be completed in March 2015 a lease back to the Council until autumn 2017 to allow the move to Friargate to take place. The remaining properties will be disposed of once the Council has moved to Friargate and they become vacant.

#### **5. Comments from Executive Director, Resources**

##### **5.1 Financial implications**

The sale will produce a capital receipt in excess of the figure assumed in the Friargate Business case.

Assuming development of the site is made as per the University's plans, additional benefit will accrue as a result of Coventry's share of the much improved business rate yield, which based on high level information will increase Coventry's share by over £0.25m per year.

##### **5.2 Legal implications**

Section 123 of the Local Government Act 1972 enables the Council to dispose of land held by them in any manner it wishes provided that best consideration is obtained.

In respect of the proposed disposal of CC1 – CC4, the consideration to be paid by the University exceeds the value assumed in the Friargate Business Plan, which was valued by an Independent Valuer as representing best consideration.

#### **6. Other implications**

##### **6.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / Local Area Agreement (or Coventry Sustainable Community Strategy)?**

This report seeks to implement the decisions taken the June 2013 Friargate report.

##### **6.2 How is risk being managed?**

Two key risks need to be managed as part of the process, the first is to ensure that the programme for the delivery of the Friargate building does not leave the Council exposed to the costs of renting CC1-4 back from the University. This will be managed through the Friargate contract placement and mitigated through the imposition of Liquidated and Ascertained Damages in the Friargate contract to cover part of the rental costs.

The second risk would be a failure of the University to deliver the Masterplan presented and the consequential loss of Business Rates. To mitigate this risk, the sale contract will seek to impose reasonable endeavours obligations upon the University to deliver the scheme presented.

##### **6.3 What is the impact on the organisation?**

This report will deliver capital receipts to support the Friargate business case and will help deliver continuing regeneration of our city centre.



#### 6.4 Equalities / EIA

Property disposal – no impact on services.

#### 6.5 Implications for (or impact on) the environment

None

#### 6.6 Implications for partner organisations?

None

#### Report author(s):

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Finance: Phil Helm	Finance Manager	Resources	23 Jan 15	26 Jan 15
Legal: Helen Lynch	Place & Regulatory Team Manager	Resources	23 Jan 15	4 February 15
Director: Martin Yardley	Executive Director Place	Place	14 Jan 15	20 Jan 15
Members: Cllr Kevin Maton	Cabinet Member	BEE	3 Feb 15	10 February 15

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