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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 refers to the identity, financial and business affairs of an organisation and the amount of expenditure proposed to be incurred by the Council under a particular contract for the supply of goods or services.**

Cabinet

9<sup>th</sup> February 2016

**Name of Cabinet Member:**

Cabinet Member for Business, Enterprise and Employment – Councillor K Maton

**Director Approving Submission of the report:**

Executive Director of Place

**Ward(s) affected:**

St Michaels

**Title:** Belgrade Plaza Development

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**Is this a key decision?**

Yes

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**Executive Summary:**

In order to complete the development of Belgrade Plaza with a mixed use scheme comprising residential flats, a family Hotel and student flats and change the use of the underutilised Belgrade Plaza multi-storey car park to part private/part public parking, Oakmoor Deeley Partnership (“ODP”) have requested that the Council vary the ground leases under which ODP hold Belgrade Plaza and permits the assignment of the respective parts of the development. . By permitting such variations the Council will generate a capital receipt and additional Business Rates. This report sets out the background and rationale for permitting such variation.

**Recommendations:**

Cabinet is recommended to:

- (1) Approve the change of use and subsequent assignment of the land designated as Phase 2b of Belgrade Plaza (as outlined on the attached plan) to the Downing Group conditional on planning consent being granted for a mixed use scheme to include residential flats, student housing and hotel

- (2) Approve the change of use and subsequent assignment of the land designated as Phase 1 of Belgrade Plaza (as outlined on the attached plan) to Coventry University for continuing use as a multi-storey car park on the terms set out in this report
- (3) Delegate authority to Executive Director of Place and Executive Director of Resources to vary the ground lease dated 20<sup>th</sup> May 2005 and to enter into the necessary legal documentation to facilitate the delivery of the development on Phase 2b and to allow the assignment of that part of the demise forming the multi storey car park to Coventry University.

**List of Appendices included:**

Appendix 1 – site plan

**Other useful background papers:**

None

**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?**

No

## Report title: Belgrade Plaza Development

### 1. Context (or background)

- 1.1 In May 2005, following a developers competition, Oakmoor Deeley Partnership (“ODP”) were appointed as the Council’s preferred developer for the Belgrade Plaza scheme (“the BP scheme”) The Council and ODP subsequently entered into a Development Agreement dated 20<sup>th</sup> May 2005 to facilitate the development of Belgrade Plaza.
- 1.2 The 125 year leasehold interest in the site was simultaneously granted by the Council to ODP and also dated 20<sup>th</sup> May 2005.
- 1.3 Whilst the early phases of the BP scheme, which incorporated hotel, car park, retail and café bars and restaurants, were successfully developed, the subsequent phases known as 2b and 3, which were to provide a hotel, café/bar, retail and residential apartments, were stalled by the recession.

However in late 2015 following the assignment of part of the lease relating to Phase 3 from ODP to the Downing Group, development has restarted with construction of a mixed use scheme due for completion in September 2017.

- 1.4 Phase 2b which is subject to the original Development Agreement, remains undeveloped. It was intended that this site be developed as a 3-4 star quality hotel. However having marketed this site extensively ODP have been unable to secure any credible interest from appropriate operators.
- 1.5 Accordingly discussions with ODP and their bankers have resulted in a revised plan for the delivery of Phase 2b being proposed. This plan will comprise, subject to planning consent being granted, a mixed use scheme including a family hotel, residential flats and student accommodation. It is intended that the scheme will be delivered by the Downing Group who are currently on site constructing Phase 3.
- 1.6 In order to deliver this scheme the Council will, subject to planning consent being granted, be required to vary the ground lease to permit such development.
- 1.7 Due to the protracted period over which Belgrade Plaza has been delivered and the changing uses being accommodated on the site the 1100 space Belgrade Plaza multi-storey car park (MSCP) (formerly known as Leigh Mills Car Park) has never traded to its potential. In recent years 900 of the 1100 spaces have effectively been taken out of business rates as they were barely used.
- 1.8 Coventry University (CU) has a long standing requirement for an additional MSCP. Terms have been agreed between ODP and CU whereby CU will acquire the long leasehold interest in the car park and operate the car park themselves. The car park would be predominantly made available to staff and students but 350 spaces would remain available to the general public at all times on comparable terms to those available on other Council car parks. This is more spaces available to the public than are currently being used and will be sufficient to support the development proposed on Phase 2b.
- 1.9 The lease by which ODP hold the MSCP effectively require them to operate it as a public car park In order to allow CU to use the MSCP as they propose the Council would be required to vary the terms of the ground lease.

1.10 In consideration for the Council agreeing to vary the ground lease to facilitate the sale of the car park ODP is prepared to pay the premiums set out in your private report. The premium for site 2b is subject to planning consent being granted. This represents a negotiated share of the uplift in value of the land and car park arising for the variations the Council is making to the leases.

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

- 2.1 The steps outlined above should result in the remaining phases of the Belgrade Plaza development being completed, the MSCP being brought back into use and rating and the provision of additional hotel rooms, apartments and student accommodation to support growth in the city.
- 2.2 The premiums offered by ODP represents a fair share of the value created through the Council agreeing to vary the leases and has been verified by the Council's Valuation Panel as representing best consideration in accordance with section 123 of the Local Government Act 1972
- 2.3 The premiums will contribute to capital receipts.
- 2.4 It is clear that ODP do not have the will or the resources to complete this development, accordingly to reject this proposal would continue to leave this site undeveloped for the foreseeable future.
- 2.5 Accordingly it is recommended that the leases be varied, subject to planning consent being approved, assignment of part be permitted and development facilitated.

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

None

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

In respect of the car park both ODP and Coventry University wish to proceed as quickly as possible. The redevelopment of Phase 2b will be conditional upon planning consent being granted. It is anticipated that a planning application will be submitted in Spring 2016.

## **5. Comments from the Executive Director of Resources**

### **5.1 Financial implications**

The capital receipt will contribute to Council resources, in addition the Business Rates generated by the hotel and the MSCP being more effectively used will increase its rateable value and will provide significant revenue benefits to the Council through additional rateable income.

The Council's ground lease income will be unaffected by these proposals.

It is known that in creating additional car parking spaces, Coventry University will be providing capacity to meet both existing and future demand from staff and students. It is inevitable that some of the existing use will be in City Council car parks which once this transfers, will have an adverse effect on demand for City Council car park usage, and the income that generates. Unfortunately, it is not currently known how significant this will be.

On that basis, the capital receipt will contribute to Council capital receipt targets rather than be used to buy car parking income targets, however, it should be noted that car parking income is likely to reduce as a result of the University bringing the spaces into use as a private car park.

Car parking usage will continue to be measured to determine the impact on City Council parking demand, and that information will be taken into account in the City Centre Car Parking Strategy which will be reported to Cabinet in March 2016.

## 5.2 Legal implications

Officers within Resources Directorate will prepare and complete the necessary legal documentation required to facilitate the objectives set out in this report and shall collect the capital receipt.

The Council's valuation panel has verified that the capital receipt represents best value in accordance with the Council's obligation to secure the best consideration reasonably obtainable in accordance with section 123 of the Local Government Act 1972.

## 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)?

Subject to planning consent being granted these proposals will facilitate additional hotel and residential development in the city centre and will provide additional student beds (in turn relieving pressure on HIMOs

### 6.2 How is the risk being managed?

Not applicable

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

This decision impacts on the organisation's human resources and property assets.

The impact on human resources is that officer time is required to prepare and complete the legal documents and to monitor the development progress to ensure that the development is delivered as agreed with minimal risk to the Council.

The impact on property assets is that a site within the City Centre is developed and improved and linked between Belgrade Plaza and the City Centre are improved.

### 6.4 Equalities / EIA

No equality impact assessment has been carried out as the recommendations do not constitute a change in any Council policy or service.

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

None

## 6.6 Implications for partner organisations?

None

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Julie Sprayson	Place Team – Property Lawyer	Resources	21/12/15	21/12/15
Martin Yardley	Executive Director	Place	7/1/16	7/1/16
Councillor K Maton	Cabinet Member for Business, Enterprise and Employment	-	7/1/16	13/1/16

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