

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 Member for Jobs and Regeneration

10 January 2018

Name of Cabinet Member:

Cabinet Member for Jobs and Regeneration – Councillor O’Boyle

Director Approving Submission of the report:

Deputy Chief Executive (Place)

Ward(s) affected:

St Michaels

Title:

City Centre South – Early Acquisition of 14-16 Market Way

Is this a key decision?

No

Executive Summary:

The purpose of this report is to seek retrospective endorsement for the Council’s early acquisition of a long leasehold interest in the City Centre South (CCS) red line boundary area

The long leasehold property interest in the CCS red line boundary area comprises of 14-16 Market Way, which extends to 7,309 sq ft banking and retail space.

The opportunity to acquire this long leasehold property interest arose when the property was put on the market for sale at auction.

Authority to bid at auction and if successful, to complete the purchase of the property up to the value contained in the private section of this report, was granted by the Chief Executive, in consultation with the Leader, using the Chief Executive’s emergency powers as outlined in Paragraph 3.8 of Part 2M of the Constitution.

The property was purchased on 17 October 2017 at a value as set out in the private section of this report.

Recommendations:

Cabinet Member Jobs and Regeneration is requested to:

1. Endorse the terms of the acquisition of the long leasehold property interest at 14-16 Market Way, subject to the current tenancy, for the value detailed in the private report, plus acquisition fees and Stamp Duty Land Tax.
2. Note that the acquisition was completed on 28 November 2017.

List of Appendices included:

Appendix 1 – Plan detailing the CCS red line boundary area.

Appendix 2 – Plan detailing the long leasehold property interest in the CCS red line boundary area.

Background papers:

None

Other useful documents

Report to Cabinet and Council 24 January 2017 – City Centre South Development.
<http://democraticservices.coventry.gov.uk/ieListDocuments.aspx?CId=130&MId=11141&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?

No.

Report title: City Centre South – Early Acquisition of 14-16 Market Way

1. Context (or background)

- 1.1 The Council has secured a £98.8m grant from the West Midlands Combined Authority (“WMCA”) towards the cost of the CCS scheme.
- 1.2 The Council already owns the majority of the land and property interests in the CCS red line boundary area, however there are a number of property interests that are held by third parties. One of these property interests is 14-16 Market Way, which is held on a long leasehold. The property interest comprises of 7,309 sq ft banking and retail space. A plan showing the location of the property in the CCS red line boundary area is attached at Appendix 2.
- 1.3 The opportunity to acquire this long leasehold property interest arose when the property was put on the market for sale at auction to be held on 17 October 2017.
- 1.4 Authority to bid at auction and if successful, to complete the purchase of the property was granted by the Chief Executive, in consultation with the Leader, using the Chief Executive’s emergency powers as outlined in Paragraph 3.8 of Part 2M of the Constitution.
- 1.5 The property was purchased on 17 October 2017 and completion of the property was achieved on 28 November 2017. The total cost paid is contained in the private section of this report
- 1.6 The decision to purchase the long leasehold property interest of 14-16 Market Way is being brought to the Cabinet Member for Jobs and Regeneration for retrospective formal endorsement.

2. Options considered and recommended proposal

2.1 Option 1 – Wait and Purchase Later

- 2.1.1 This option involved making a decision not to bid at the auction in the hope that the property would fail to sell and there would be an opportunity to purchase the property at a cheaper price afterwards.
- 2.1.2 This option was based on a number of assumptions as follows:-
 - a) The property would fail to sell at auction. The likelihood that this would happen depends on the level of purchaser interest in the market, which was an unknown for the Council at the point at which it needed to make a decision about whether to bid or not. The risk with this assumption was that another third party would make a successful bid at the auction and complete the purchase of the property.
 - b) The owner would be prepared to sell the property after the auction. If the property failed to sell at auction, it was possible that the owner would review their position and decide to hold onto the property until the market improved. In this case, it was likely that the property would not be available for purchase again for some time.
 - c) The owner would be prepared to accept a lower price after the auction. This assumption was based on the owner, having made the decision to sell, being determined to offload their asset, thus giving the Council a stronger negotiating position to agree a lower price.

2.1.3 This option was based on too many unknown assumptions to guarantee that if the Council decided to wait that it would be able to purchase at a cheaper price after the auction.

2.1.4 Following due consideration, the option of “Wait and Purchase Later” was discounted for the reasons stated in 2.1.3.

2.2 Option 2 - Wait and CPO

2.2.1 This option involved making a decision not to bid at auction and waiting to pursue a CPO at the appropriate time in the project programme as currently scheduled.

2.2.2 This option was representative of the status quo and meant the budget, programme and risk profile of the CCS project would continue on its current course with the project progressing as intended. However, it also meant that the opportunity to make an early start and shorten the timescale for land would be lost to the project.

2.2.3 Following due consideration, the option of “Wait and CPO” was discounted for the reasons stated in 2.2.4.

2.3 Option 3 Buy Now (Recommended)

2.3.1 This option involved making a decision to bid at auction for 14-16 Market Way and if successful, completing the purchase.

2.3.2 The purchase would be reimbursed from the WMCA £98.8m grant allocation via the existing grant claim process.

2.3.3 There were a number of benefits of making an early purchase of 14-16 Market Way, which were as follows:-

- a) Purchasing 14-16 Market Way would kick off the land assembly process for CCS by bringing the first third party interest in the red line boundary area under the Council’s control. This would reduce the number of interests potentially requiring a CPO.
- b) Purchasing 14-16 Market Way would mean that an intermediary interest would be removed and the Council would become landlord to the remaining occupational tenants.
- c) Starting to bring third party interests in the CCS red line boundary area under the Council’s control would begin to reduce the risk associated with scheme delivery.
- d) Reducing the risk associated with scheme delivery was also likely to improve the project programme as the timescale for completing land assembly is likely to be reduced.
- e) This decision would help to provide confidence in scheme deliverability for SPG (the developer), the WMCA and a development funder to invest in the scheme.

2.3.4 Following due consideration, the option of “Buy Now” was recommended for the reasons stated above.

3. **Results of consultation undertaken**

- 3.1 No consultation has been undertaken on this decision to date because it is not appropriate to consult on commercial deals due to reasons of confidentiality.

4. Timetable for implementing this decision

- 4.1 A successful bid at auction means that the Council is legally bound to complete the purchase. Completion of the purchase took place on 28 November 2017.

5. Comments from Director of Finance and Corporate Services

5.1 Financial implications

The Capital cost of the recommended option is as set out in the private section of this report and will be funded from the £98.8m funding awarded by the WMCA in January 2017.

5.2 Legal implications

The Council has power under section 1 of the Localism Act 2011 to do anything that individuals generally may do provided it is not prohibited by legislation and subject to public law principles. The recommendations detailed in this report are in accordance with the Council's powers.

When considering an acquisition of property, the Council must act in accordance with the Council's constitution including ensuring that the terms negotiated and the price paid for the acquisition represents value for money.

6. Other implications

6.1 How will this contribute to the Council Plan (www.coventry.gov.uk/councilplan/)?

- 6.1.1 The recommendations in this report will result in a step forward towards making the CCS scheme deliverable. The scheme itself is critical to Coventry's aspirations of creating a vibrant city centre environment for the benefit of its residents, with development of the city centre being an integral part of meeting these aspirations. The improved city centre environment is expected to increase footfall to the city centre and significantly broaden the catchment shopper population. This would elevate Coventry's position to become the second largest retail destination in the West Midlands.

- 6.1.2 The scheme presents a significant opportunity to act as an interface between the existing city centre projects and also to act as a catalyst for other private sector investment. This is therefore an exciting time for Coventry and is an opportunity for the city to develop an offering of significant scale to differentiate itself through a unique shopping and leisure offering.

- 6.1.3 The scheme will also contribute to achievement of the Coventry Plan by delivering c1500 new permanent jobs and over 2,000 jobs during the construction period, and providing a positive impact on the local economy. It is estimated that the economic impact of increased daytime footfall will be £16.6m per annum and £3.8m from additional evening footfall.

- 6.1.4 The development of 130 PRS apartments, 150 private for sale residential apartments and 585 student beds, will increase city centre living in Coventry.

6.2 How is risk being managed?

The key risks associated with this proposal are set out in the private section of this report.

6.3 What is the impact on the organisation?

The recommendations in this report have an impact on the Council's assets. In the short term, an additional asset has been acquired and in the medium term, this asset will need to be managed and maintained. In the long term, the asset will form part of the CCS development.

6.4 Equalities / EIA

There is no Public Sector Equality Duty implications of this decision, so there is no need to undertake an Equality Impact Assessment at this stage in the project process.

6.5 Implications for (or impact on) the environment

There are no implications for the environment as this decision will result only in a change in ownership of the specified long leasehold property interest and there will be no impact on the existing day to day operations undertaken in, of or by the interests purchased.

6.6 Implications for partner organisations?

The purchase of these interests has an impact on two of the Council's partners as follows:-

- a) WMCA – this purchase will help to expend financial resources and demonstrate that the CCS project is progressing, which will increase confidence that the scheme will be delivered.
- b) SPG – this purchase will help to reduce the risk and increase confidence in the Council to deliver its land assembly obligation, which will help to increase the overall scheme deliverability. Specifically, it will help the developer to demonstrate commitment to the scheme and market it to potential anchor stores and development funders.

Report author(s):**Name and job title:** David Cockroft, Director of City Centre and Major Projects Development**Directorate:** Place**Tel and email contact:** 02476 833964 david.cockroft@coventry.gov.uk

Enquiries should be directed to the above person.

Contributor/approver name	Title	Directorate or organisation	Date doc sent out	Date response received or approved
Contributors:				
Suzanne Bennett	Governance Services Officer	Place	15 December 2017	18 December 2017
Lisa West	Project Manager	Place	1 December 2017	1 December 2017
Aimee Proctor	Programme Manager - Finance	Place	1 December 2017	5 December 2017
Oluremi Aremu	Major Projects Lead Lawyer	Place	1 December 2017	5 December 2017
Names of approvers for submission: (officers and members)				
Finance: Phil Helm	Finance Manager	Place	1 December 2017	6 December 2017
Legal: Julie Newman	Legal Services Manager	Place	1 December 2017	5 December 2017
Director: Martin Yardley	Deputy Chief Executive - Place	Place	6 December 2017	7 December 2017
Members:				
Name: Cllr O'Boyle	Cabinet Member for Jobs & Regeneration	N/A	15 December 2017	18 December 2017

This report is published on the council's website:

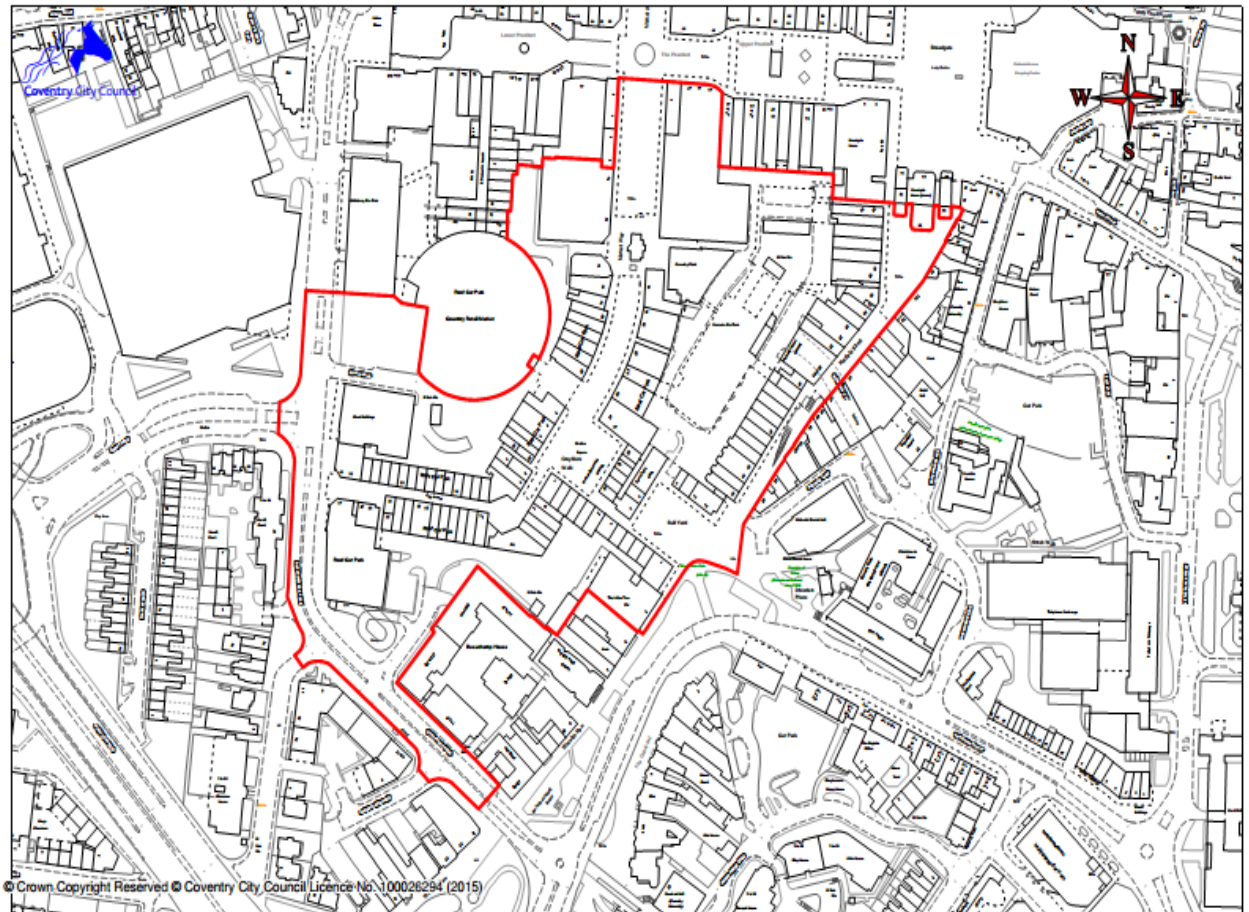
www.coventry.gov.uk/councilmeetings

Appendices:-

Appendix 1 – Plan detailing the City Centre South red line boundary area.

City Centre South, Coventry.

Scale at A4 1 : 1250

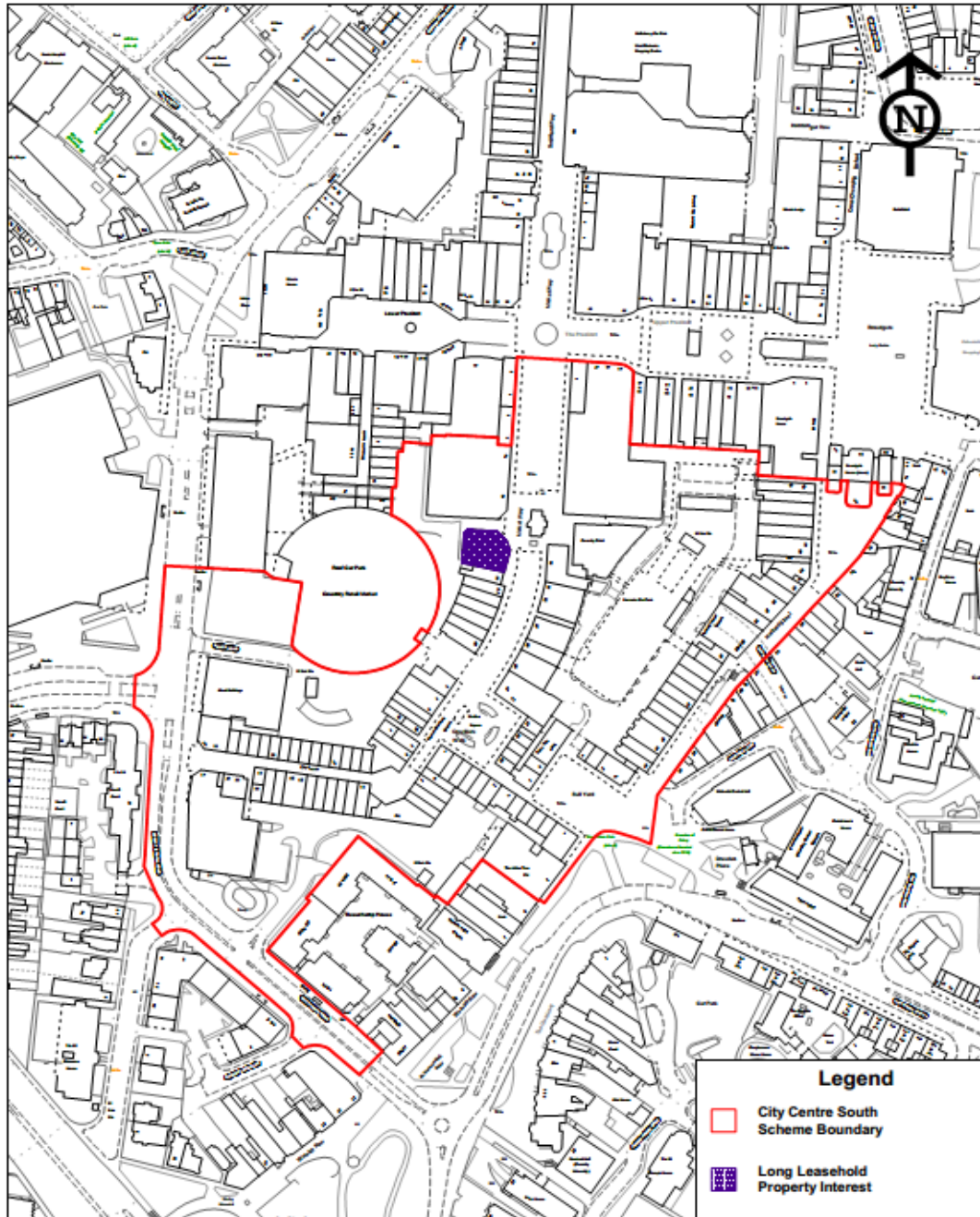


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Plan Production Date: 20/08/2015

This plan is for identification purposes only.

Appendix 2 – Plan detailing the long leasehold property interest in the City Centre South red line boundary area.



PLACE DIRECTORATE
 STRATEGY & PERFORMANCE TEAM
 FLOOR 9, CIVIC CENTRE 4
 MUCH PARK STREET
 COVENTRY CV1 2PY
 024 7683 2755



Coventry City Council

Title: CCS Long Leasehold Property Interest (2)

Drawn By: NH
 Scale: 1:2500 at A4
 Date: 09/11/2017

Martin Yardley - Executive Director, Place
 Richard Moon - Assistant Director, Project Management & Property Services

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