
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

3rd June 2020

Name of Cabinet Member:

Cabinet Member for Jobs and Regeneration - Councillor J O'Boyle

Director Approving Submission of the report:

Director of Project Management and Property Services

Ward(s) affected:

St Michaels

Title:

Land Disposal at Parkside, Paradise Street and Re-provision of Newgate Court Industrial Estate

Is this a key decision?

No

Executive Summary:

Building on the recent success of promoting residential developments which are attracting people to come and live in and around Coventry's city centre, the disposal of prominent land at the corner of Parkside and Paradise Street has been identified as the next phase in delivering this key corporate priority.

This part of the city, adjacent to Coventry University's campus and their industry facing Technology Park, has seen large scale residential accommodation in recent years and the Council was keen to test the development market's appetite for further residential development in the area. As such and in an attempt to look to expand the type of housing in the area, the Council sought expressions of interest and tenders from developers keen to deliver new Private Residential accommodation including the Private Rented Sector (PRS) and / or Purpose-Built Student Accommodation (PBSA).

The land identified for development already has eight small but very popular industrial units located within it and the balance of the development land has been created by the relocation of offices into new accommodation within the immediate area. To maximise the sites' development potential, it was recognised that these industrial units may need to be moved. It was, however, a precondition of any development proposal that these industrial premises and the businesses which occupy them, should be retained and relocated to new facilities within the wider site.

The Council, acting as planning authority, is in principle supportive of opportunities to promote urban regeneration throughout Coventry and has indicated that this site may be acceptable for residential development subject to full consideration through the planning application process. As such all tenders received are conditional on securing a planning consent.

In line with the agreed principle of seeking to generate revenue the Council, for granting a long leasehold, is looking to receive a percentage of rent generated from the completed development instead of a capital receipt. This new revenue would be used to help fund Council services.

Within the three shortlisted tenders received, each party approached the development differently with regards the type of residential accommodation proposed. One was a pure student housing led scheme, the other a mix of student and private housing with the third being a purely private housing led development. In assessing the tenders, the aspiration of the Council to encourage a greater diversity of residential accommodation across the city centre was balanced against the income generated from each proposal.

The tender, recommended for approval, proposes to deliver 494 private, residential dwellings to rent, of which 25% would be affordable housing. This provides the strategic mix of residential accommodation and tenures the Council is seeking to compliment existing accommodation in the area, in addition to the re-provision of the industrial estate units. This scheme generates a significant additional annual income to the Council. Although the net new income is lower than the residential schemes which included student housing, it was considered that the social and economic benefits to the residents of the City through the additional private housing outweighed the financial benefit. In light of the current virus pandemic, the considerable number of student schemes still under construction coupled with uncertainty around student number growth in the next few years it was also considered that there was greater certainty around the need for further residential accommodation. In addition, when the new residential and industrial unit ground rent is combined by the estimated Council Tax income generated, the private residential scheme generates a greater level of income, details of which are included in the private report.

The site sits within the Parkside area of the City Centre Area Action Plan (AAP) which supports residential development in principle as part of the wider 'London Road Gateway'.

The purpose of this report is to seek the approval to proceed with the long leasehold disposal of the subject land and re-provision of Newgate Court Industrial units to Tenderer 1.

Recommendations:

The Cabinet Member for Jobs and Regeneration is recommended to:

1. Declare the part of the land at Parkside, Paradise Street shown edged red in Appendix 1 of this report surplus to requirements.
2. Approve the grant of a long leasehold interest of Parkside Paradise Street as shown edged red in Appendix 2 to Tenderer 1.
3. Delegate authority to the Director of Project Management & Property Services following consultation with the Director of Finance and the Director of Law and Governance to agree the final terms of the lease and complete the necessary legal documentation

List of Appendices included:

Appendix 1 - Land at Parkside, Paradise Street

Appendix 2 - Parkside Paradise Street and Newgate Court – Whole site

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: Land Disposal at Parkside, Paradise Street and Re-provision of Newgate Court Industrial Estate

1. Context (or background)

- 1.1 Following a review of the Council's land holdings by Property Services, sites at Parkside Paradise Street and Newgate Court Industrial Estate have been identified for regeneration.
- 1.2 The identified two sites are a mix of non-operational assets (land at Paradise Street) and an operational asset (Newgate Court Industrial Estate) which equate to approx. 1.417 acres / 0.5732 Hectares. They are situated adjacent to Junction 4 Ring Road (London Road) and close to Coventry University Technology Park and the University Campus. The subsequent development of these sites will improve and regenerate the area from its current use.
- 1.3 The Council sought tenders for both student accommodation and private rented residential schemes from the shortlisted parties who successfully completed the 'expressions of interest' exercise, for the land at Parkside. The criteria set out a requirement for re-provision of the industrial units at Newgate Court, which are approximately 17,700 square feet. The annual income is also set out in the private element of this report.
- 1.4 The three tenderers were requested to provide the value of the ground rent they were prepared to pay as well as setting out their development programme for the re-building of the 8 industrial units, the relocation of the businesses and the development of the student/residential scheme.
- 1.5 **Tender Summary -The financial details relating to the three tenders received are contained in the corresponding private report.**
- 1.6 Phase 1 - The Council requested the retention of Newgate Court Industrial Estate and the income from this estate, based on this criterion all three developers satisfied this requirement.
- 1.7 Phase 2 – The Council requested each tenderer to provide two schemes based on the student accommodation and private residential options. The outcome of the bids received are as follows:
 - Tenderer 1 offered a purely PRS scheme
 - Tenderer 2 offered a hybrid mix scheme including both student and residential development
 - Tenderer 3 offered a student accommodation only scheme

2. Options considered and recommended proposal

Option 1. To not accept any of the tenders submitted.

- 2.1 The Council is not obligated to accept any tender submitted. If none of the proposals met with the Council's objectives, the identified site does not need to be declared surplus and released for disposal. Although the opportunity to generate additional ground rent from the redevelopment of the wider site is lost at this time, Newgate Court industrial units remain with the Council receiving the existing income generated only. This would not prevent a future scheme coming forward.
- 2.2 Given the Council's economic development and regeneration ambitions for the city and its residents together with the importance of providing a diverse housing offer that will help to create

a new community looking to work in the city and live in its vibrant city centre not undertaking this disposal would run contrary to the Council's objectives for the city centre. For these reasons, this option is not recommended.

Option 2. To proceed with proposals contained in Tender response 2 or 3

2.3 Tender 2 and Tender 3 generates higher net income than Tender 1. Tender 2 and Tender 3 have a high proportion of student housing in comparison to private residential. Selecting Tender 2 would provide 197 fewer private residential properties than Tender 1. The Council's desire to encourage a more diversified housing mix to provide more housing options for existing and new communities, leads us to not recommended to proceed with Tender 2.

2.4 Tender 3 is offering the lowest amount of combined income in comparison to Tender 1 and Tender 2 and is focused solely on delivering student housing. Given this, it is not proposed to proceed with Tender 3.

2.5 Recommendation- Proceed with Tenderer 1

2.5.1 Coventry City Council's Local Plan identifies a strong requirement to provide additional private residential accommodation across the city. Proceeding with Tender 1 will deliver 494 private residential units (including 25% affordable housing), 294 more than Tender 2.

2.5.2 Although the Net New Income receivable from Tender 2 is greater than Tender 1(not including Council Tax income) it is considered that the social and economic benefits to the Council of delivering a purely private rented residential scheme, thereby increasing housing options for people wishing to live in rented accommodation in the city centre, outweighs the financial benefit proposed by Tender 2. This option is therefore recommended in view of the significant tangible economic and social benefits outweighing the relatively small undervalue.

2.6 It should also be noted that subsequent to the assessment of the tender responses, potential impacts of the COVID 19 pandemic have begun to play out on local, national and international economies. Given the likely impact on the level of students attending Coventry University in the short to medium term, especially from overseas, this reinforces the recommendation to select the development proposing a 100% private rented residential accommodation.

3. Results of consultation undertaken

Ward Councillors have been notified and were invited for comments, in addition an expressions of interest exercise was conducted to establish what interest there was in regards to both student accommodation and private residential development.

4. Timetable for implementing this decision

4.1 Subject to Cabinet Member approval and necessary planning consents, Phase 1 Redevelopment of Newgate Court could be completed by September 2021 and Phase 2 Redevelopment of the PRS scheme to be completed November 2024.

5. Comments from the Director of Finance

5.1 Financial implications

The recommended decision returns a good level of income to the Council whilst retaining the ability to apply a better strategic fit. Other than officers time, there is no additional cost or loss of income as result of this arrangement

5. 6. Comments from the Director of Law and Governance

6.2 Legal implications

Property Implications - disposal at less than market value

6.2.1. The Council has powers under Sections 123 and 127 of the Local Government Act 1972 to dispose of land in any manner they wish, including sale of their freehold interest, granting a lease or assigning any unexpired term on a lease and granting of easements. The only restriction is that a disposal must be for the best consideration reasonably obtained otherwise consent is required from the Secretary of State.

6.2.2. On 4 August 2003, the Government launched the General Disposal Consent 2003 (“the Consent Order”). This allows the Council to sell land, in certain circumstances, for less than its market value without having to obtain consent from the Secretary of State for any disposal of land where the purpose for which the land is to be disposed is likely to contribute to the achievement of the economic, environmental and/or social wellbeing of its residents together with the difference between the unrestricted value of the interest to be disposed and the consideration accepted being £2m or less. This is known as “an undervalue”.

6.2.3. The Council has undertaken an open and transparent disposal process which is resulting in a disposal where approximately £80,000 ground rent income pa is being foregone through the recommendation to proceed with Tender 1 rather than Tender 2. This undervalue sits within the threshold allowed under the General Disposal Consent Order.

6.2.4. In view of the benefits described in section two (preferred option) of this report, legal services are satisfied that the criteria in para 6.2.3 above has been satisfied.

7. Other implications

7.1 How will this contribute to achievement of the Council's Plan?

The increased ground rent income will contribute towards corporate resources whilst the long lease disposal of the two sites will promote their development and support urban regeneration.

7.2 How is risk being managed?

The risks have been identified as per paragraph 2.4 with the loss of potential generated income.

7.3 What is the impact on the organisation?

Resource Implications

The impact to the organisation will be minimal, however, it will generate additional work for officers within Place Directorate (Legal Services) in processing the agreement for lease.

Property Implications

The proposal to proceed with a PRS scheme will dispose of land at Parkside that does not serve any strategic use and therefore surplus to requirements and contribute towards corporate financial targets. The Council will continue to retain existing income from the industrial units and this will be redeveloped as part of the first phase and Council will not lose any income in the process.

7.4 Equalities / EIA

An Equality Impact Assessment has not been undertaken as the proposal concerns the land for redevelopment and no group will be impacted.

7.5 Implications for (or impact on) climate change and the environment

The impact will be positive as the two sites will be redeveloped and utilised in a more efficient manner than it currently is.

7.6 Implications for partner organisations?

There are no implications for any partner organisations.

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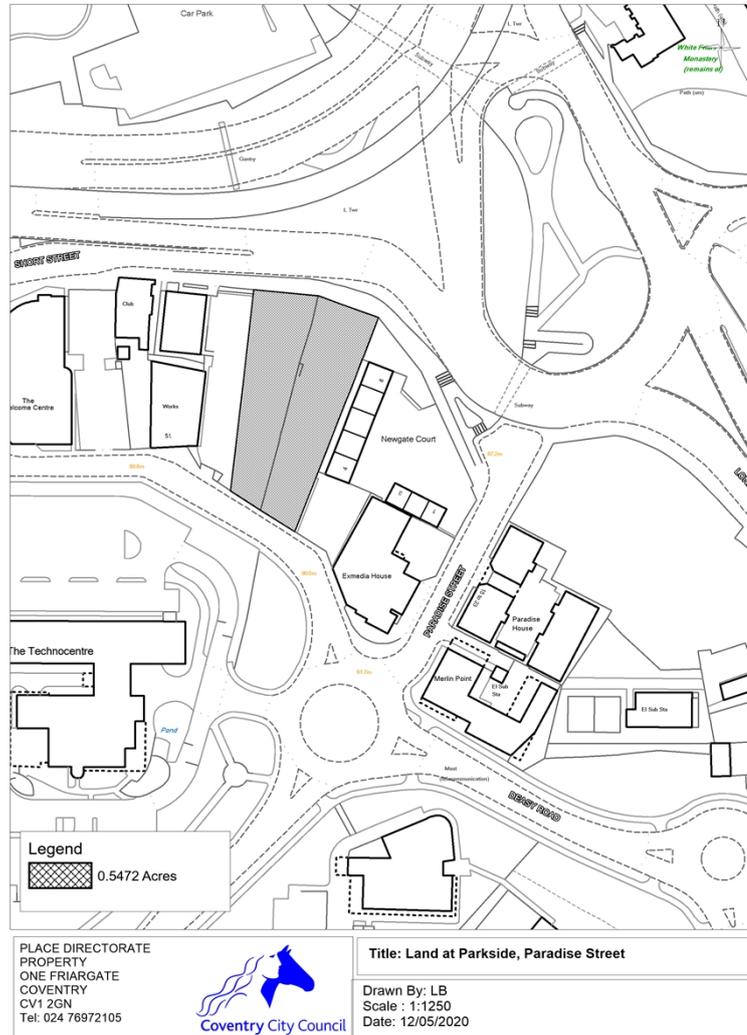
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This report is published on the council's website:

www.coventry.gov.uk/meetings

Appendix 1 - Land at Parkside, Paradise Street

0.547 acres comprising of overgrown vegetation and hard ground, accessed directly off Paradise Street. The land is non-operational and managed as part of Place Directorate portfolio.

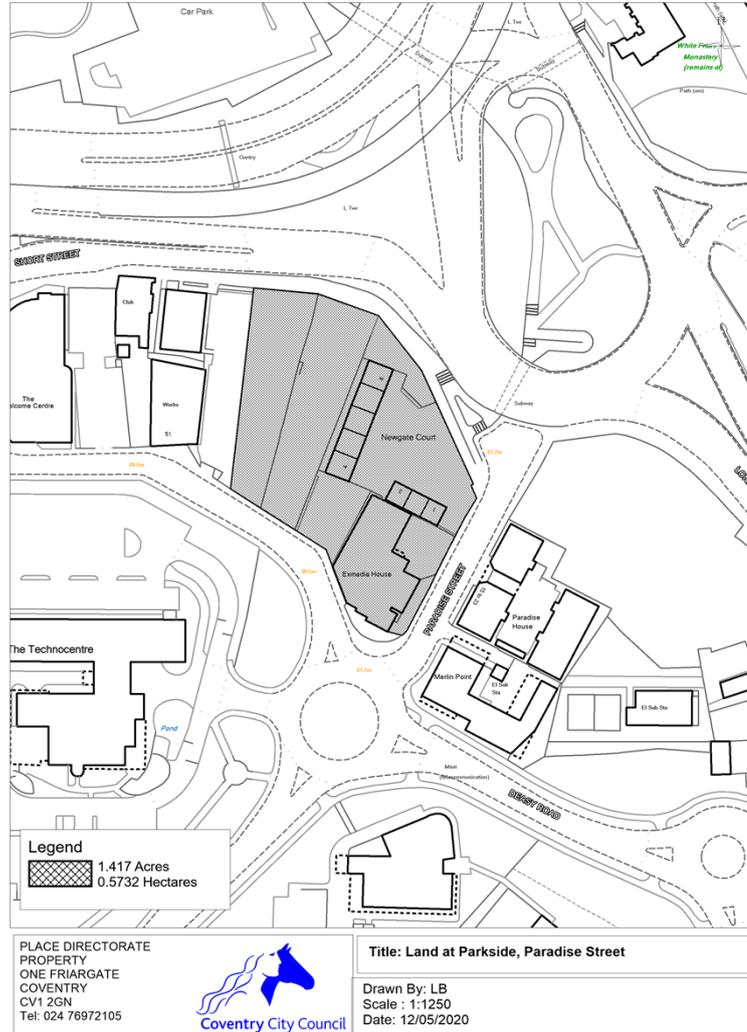


Martin Yardley - Deputy Chief Executive, Place
Richard Moon - Director, Project Management & Property Services

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Appendix 2 - Parkside, Paradise Street, Newgate Court Industrial Estate – Whole Site

The land is managed, maintained and part of Place Directorate portfolio.



Martin Yardley - Deputy Chief Executive, Place
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