
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

12th July 2022

Name of Cabinet Member:

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

Director Approving Submission of the report:

Director of Property Services and Development

Ward(s) affected:

St Michaels

Title:

Land Disposal at Parkside, Paradise Street

Is this a key decision?

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

Executive Summary:

In June 2020, the Cabinet Member for Jobs, Regeneration and Climate Change approved the grant of a long leasehold interest of Parkside Paradise Street to Rainier Developments Ltd (RDL), together with the re-provision of Newgate Court industrial units. This report outlines proposed changes required to the development and lease terms to facilitate the revised scheme on land at Parkside / Paradise Street.

Due diligence work commissioned by RDL prior to submission of a planning application included an archaeological evaluation of the site. This confirmed the extent of the City Wall, already known to run through the site but in addition has uncovered significant additional remains. These additional constraints and additional development costs have led RDL to redesign the scheme. This has resulted in fewer proposed residential units and no longer enables the re-provision of the Newgate Court industrial units.

To protect the Council's financial position, any land not proposed to be developed will be restricted to open space or surface car parking. Therefore, if in the future it becomes economic to develop these areas of land the Council will receive further value from the site.

A financial review of the revised scheme has also indicated to RDL that in order to assist with funding the delivery of the development, the investment funding market is seeking to remove the ground rent element payable to the Council of the original proposal and replace with an initial capital premium instead.

Subsequently as a result of these new findings RDL have advised that they are unable to progress on the previously agreed terms, however, they are prepared to proceed and deliver a scheme based on their revised offer outlined below:

- Two residential blocks totalling 335 units (25% allocated as affordable housing). This is a reduction from 494 units across three blocks.
- Premium payment for a new long ground lease with a peppercorn rent. New 4,000 sqft of ground floor retail space for a convenience store at the base of the residential tower block with the Council to retain income offsetting the loss from the industrial units. This is a change from the previous terms, moving from an annual ground rent to a 'one-off' capital premium payment.
- 999-year lease has been requested instead of the previous 250 years. (In response to proposed government legislations and funding requirements).

The revised scheme and proposed uses concur with the Parkside area policy of the City Centre Area Action Plan (AAP), which supports residential development in principle as part of the wider 'London Road Gateway'. The scheme will look to retain the historic findings within the new development to preserve and protect the medieval link and connection with Coventry as a city with deep historic history. Notwithstanding this, the final scheme that will be delivered will be subject to the Planning application and decision-making process. If this results in material scheme changes then the terms of the disposal may need to be revisited in due course to take these changes into account.

This report seeks approval for the revised baseline terms enabling the long leasehold disposal of the land to RDL, subject to Planning Approval.

Recommendations:

The Cabinet is recommended to:

- 1) Approve the grant of a long leasehold interest of Parkside Paradise Street on the terms outlined in this report and as shown shaded in Appendix 1 to the report to Rainier Developments Ltd.
- 2) Delegate authority to the Director of Property Services and Development, following consultation with the Chief Operating Officer, the Director of Law and Governance and the Cabinet Member for Jobs, Regeneration and Climate Change, to agree the final terms of the lease, make any subsequent variations to these terms, enter into any necessary easements/wayleaves and complete the necessary legal documentation.

List of Appendices included:

Appendix 1 - Land at Parkside, Paradise Street

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

1. Context (or background)

- 1.1 Following a review of the Council's land holdings by Property Services, the sites at Parkside Paradise Street and Newgate Court Industrial Estate had 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. The sites are shown in Appendix 1 to the report. 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 expressions of interest from the market in January 2020 and following the selection process the Cabinet Member for Jobs, Regeneration and Climate Change approved and selected Rainier Development Ltd (RDL) as preferred partner in June 2020. The deal was based on re-provision of Newgate Court Industrial Estate within the site, with the Council retaining the income and a ground rent income per annum from the residential units.

Scheduled Ancient Monument and Archaeological findings

- 1.4 In October 2021, RDL carried out investigative works and an archaeological survey of the medieval city wall which is buried underground between the Newgate Court Industrial Estate and the vacant Council owned derelict site. This is designated and listed as a Scheduled Ancient Monument (SAM) (List ID 1002979).
- 1.5 The Council was aware of the approximate length and area of the historic wall but had not carried out its own investigations prior to the survey conducted by the developer. Historic England advises that historic walls such as these should be retained, preserved or restored within any development scheme if possible. These survey findings concluded that the boundary wall is larger in size than originally thought, as it crosses horizontally to the southwest of Paradise Street. The medieval wall is undoubtedly a constraint to the development of this site though it is difficult to pre-judge the planning application process and be definitive about the scale of that constraint. Based on their own expert advice, RDL have come to the view that a 5-metre buffer zone from the centre of the wall must be preserved thus making a proportion of land 'undevelopable'. In addition, the archaeological investigations also found remains of medieval items inside the wall. To protect and maintain the historical findings, RDL have concluded that a section of land will need to remain open, accessible and preserved, resulting additional parts of the site being sterilised for development.
- 1.6 Following archaeological investigations, RDL advised the site is a heavily constrained development. In the view of RDL, these archaeological constraints have reduced the developable area by approximately 50% and therefore a redesign of their previous scheme (see below) was necessary. It should be noted that RDL are currently in pre-application discussions with the City Council's planning department and therefore absolute conclusions about the scale of the developable area are not yet possible. Furthermore, it is the view of Council planning officers that the scale of the undevelopable (constrained) areas of this site may be reduced as detailed design progresses.

Previous Revised Scheme

- Previous Revised Scheme: RDL pays the full relocation cost of and re-provides all 8 industrial units
- 494 residential flats including 25% (148) affordable

- Residential ground rent reduced from 2.5% down to 1.7% of gross income.
- Council still retains the income of Newgate Court
- 250 Year Lease

1.7 The proposed revised scheme now seeks to provide a minimum of the following:

- 335 residential flats of which 84 (25%) to be affordable homes (Subject to satisfactory planning).
- 999 Year Lease - (The Council's final position on the length of the lease term will be informed by legislative requirements relating to housing and any funding requirements of the developer).
- Capital payment for long ground lease with a peppercorn rent, rather than share of income
- 4,000 sqft of ground floor retail space within the affordable housing block tower to be retained by the Council.

The proposed revised scheme will result in the loss of the existing industrial units in Newgate Court but it is important to note that a relocation process has been agreed with the tenants and vacant possession can be readily secured to ensure the redevelopment of the site. The projected income from the retail space is in line and above with the rental income from the loss of the Newgate Court.

- 1.8 RDL have provided their revised development scheme and appraisal which has been independently reviewed by a property consultant, acting for the Council, to ensure and confirm the revised values still meet 'best consideration' under S123 of the Local Govt Act 1972.
- 1.9 RDL have provided supporting documentary evidence from their development and funding advisors on the current market funding for Private Rented Sector residential schemes. It concluded that is more likely to be able to fund the proposed scheme if the Council did not seek a ground rent but rather accept a capital payment up front. The Council's advisors have considered this position in light of the information provided and their own experience and have agreed that the development is less likely to be able to be funded and delivered unless structured with a capital payment.
- 1.10 The revised scheme set out in para 1.7 above represents a "baseline" position for the terms of the disposal of the Council's interest. The scheme requires Planning Consent and if the application and decision-making process results in material changes to the scheme then the terms of the disposal will be revisited.

2. Options considered and recommended proposal

Option 1. To accept the proposed revised offer from RDL on the basis of premium payment on a long ground lease.

- 2.1 Whilst the Council is not obligated to accept any offer submitted, the proposed offer being presented by RDL and set out in this report is considered to be 'best consideration', which has been the subject of an independent valuation assessment prior to any Development Agreement being entered into. The offer is in line with and meets the Council's objectives of retaining income from the development site. To protect the Council's position over the land currently undevelopable due to the archaeology and economic constraints, officers will restrict the use of this part of the site. If in the future the position changes and it can be developed the Council could benefit financially.
- 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, this proposed

development will contribute towards the creation of a new community looking to work in the city and live in its vibrant city centre. Not undertaking this disposal would forgo the current timely opportunity to add to the delivery of the Council's objectives for the city centre.

- 2.3 Notwithstanding the above, the uncertainties around the planning process (in particular the scale of the developable vs undevelopable land) should be taken account of. There remains potential that the final permissible development scheme for this site may significantly change and this potential has been accounted for in the wording of the recommendation.

Option 2. To retain status quo and not proceed with proposals for redevelopment

- 2.4 If the Council does not accept the proposed revised offer from RDL, the Council would continue to generate income from Newgate Court Industrial Estate. If the Council wanted to see redevelopment come forward, it would likely need to undertake a new expressions of interest process and go back to the market for options for redevelopment. This process will take time and proposals will reflect market conditions at that point in time.

- 2.5 Based on the available options, the recommendation is to Proceed with Option 1 and accept the offer from RDL for the following reasons:

- 2.5.1 Coventry City Council's Local Plan identifies a strong requirement to provide additional private residential accommodation across the city. Proceeding with RDL will (Subject to planning consent) deliver 335 private residential units (including 25% affordable housing) which will help contribute to a key corporate priority as well as a positive social outcome for local people. In addition, it will receive a premium payment from the residential development scheme and income from the retail/commercial space, helping bring economic benefits to the Council.

3. Results of consultation undertaken

Ward Councillors will be notified and invited for comments.

4. Timetable for implementing this decision

- 4.1 Subject to Cabinet approval and necessary planning consents, it is anticipated the development will start on site in spring/summer 2024 and be completed in autumn 2026.

5. Comments from the Chief Operating Officer (Section 151 Officer)

- 5.1 Financial implications

The recommended decision will result in the Council generating a capital receipt and an income for the retail unit, whilst retaining the ability to deliver 335 private residential units and the ability to apply a better strategic fit. This proposed offer has been valued independently on behalf of the Council and considered to achieve best value.

Other than officers time, there is no additional cost, or net loss of income as result of this arrangement. The annual income is largely in line with what was collected previously from the Newgate Court Industrial Units. The capital receipt will contribute to corporate capital resources and be managed through the Council's Treasury management strategy.

6. Comments from the Director of Law and Governance

6.2 Legal implications

The Local Government Act 1972, section 111(1) empowers a local authority to do anything (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions. This enables the Council as part of its asset management strategy to acquire and/or dispose of assets meeting relevant statutory requirements.

Section 123(2) of the 1972 Act enables the Council to dispose of land or property for the best consideration reasonably obtainable. An independent valuation has been obtained which supports this transaction as meeting this legal duty.

Acting on the recommendations is within the Council's powers as set out in the above statutory provisions.

7. Other implications

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

The premium payment and rental income from retail space will contribute towards corporate resources whilst the long lease disposal of the site will enable their development and support urban regeneration.

7.2 How is risk being managed?

The risks have been identified as per paragraph 2.3 of the report 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.

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 income from the retail space.

7.4 Equalities / EIA

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

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

The impact will be positive as the site 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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This report is published on the council's website: www.coventry.gov.uk/meetings

Appendix 1 - Parkside, Paradise Street, Newgate Court Industrial Estate – Whole Site

The land is managed, maintained and part of Property portfolio.

