



Author/Lead Officer of Report:
Neil Jones City Regeneration Division

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Report of: Laraine Manley
Report to: Cabinet Member for Finance and Resources
Date of Decision: March 2017
Subject: Nursery Street/Broad Street proposed property exchange

Is this a Key Decision? If Yes, reason Key Decision:-	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
- Expenditure and/or savings over £500,000	<input type="checkbox"/>	
- Affects 2 or more Wards	<input type="checkbox"/>	
Which Cabinet Member Portfolio does this relate to? Finance and Resources		
Which Scrutiny and Policy Development Committee does this relate to? Economic and Environmental Wellbeing		
Has an Equality Impact Assessment (EIA) been undertaken?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
If YES, what EIA reference number has it been given? <i>(Insert reference number)</i>		
Does the report contain confidential or exempt information?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:- <i>"The report is not for publication because it contains exempt information under Paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended)."</i>		

Purpose of Report:
To seek approval for the exchange of properties with a private owner in order to bring forward the marketing and sale of a derelict riverside property on the edge of the city centre.

Recommendations:

- 1 That the Cabinet Member for Finance and Resources approves the proposals to enter into the exchange of properties on the terms set out in this report.
- 2 That the Director of Legal and Governance be authorised to complete such legal documentation as she considers necessary or appropriate in connection with this transaction on such terms as she may agree to give effect to the proposals set out in this report and generally to protect the Council's interests

Background Papers: None

Lead Officer to complete:-		
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.	Finance: Paul Schofield
		Legal: David Sellars
		Equalities: Annemarie Johnston
<i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i>		
2	EMT member who approved submission:	Laraine Manley
3	Cabinet Member consulted:	Ben Curran
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Decision Maker by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.	
	Lead Officer Name: Neil Jones	Job Title: Partnerships Team Manager
	Date: 16 March 2017	

1.0 PROPOSAL

- 1.1 The Council owns the properties edged red on the attached plans and a private owner owns both of the blue properties. Terms have been agreed after several years of trying to get the owner of the blue to do something with his properties. The Council property on Nursery St was vacated just before it was flooded in 2007 and has been empty since.
- 1.2 The Nursery St property has deteriorated to such an extent that the Council has recently demolished it as it was becoming dangerous.
- 1.3 The Broad St site has a substation lease shown hatched on the frontage and the rear been empty for well over 30 years.
- 1.4 It is proposed that the Council will transfer its land at Broad St in exchange for the site at Nursery St and a future payment to reflect the higher value of Nursery St when the combined Nursery St site is sold. The Nursery St property will be marketed in the near future and officers are confident that there will be strong interest.

2.0 HOW DOES THIS DECISION CONTRIBUTE?

- 2.1 The proposal will contribute to the Corporate Plan priority of a Strong Economy. In particular this will help to drive the regeneration of the Wicker Riverside area and attract investment to build a vibrant city centre. It is likely that the redeveloped properties will involve a mix of commercial and residential uses, potentially including a riverside bar that would strengthen the links between the pubs and bars in Kelham Island to new activities proposed for Castlegate.
- 2.2 The Council will use its powers as landlord in approving any proposals to ensure that the redevelopment is as environmentally sustainable as economically possible.

3.0 HAS THERE BEEN ANY CONSULTATION?

- 3.1 It has not been considered necessary to carry out specific consultation on these proposals

4.0 RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

4.1 Equality of Opportunities Implications

- 4.1.1 There are no equality impacts from the decision to be made in this report

4.2 Financial and Commercial Implications

- 4.2.1 It is proposed that the Council will transfer its land at Broad St (valued at £85,000 incorporating an expected "marriage value" from joining it to the property edged blue) in exchange for the long leasehold of a site at Nursery St edged blue. The Nursery Street site is valued at £285,000 to leave a net payment to the counterparty of £200,000 less the cost of the demolition of the former Hare and Hounds public house which used to stand on the site. These costs have already been incurred by the Council when it took action under public safety concerns about the structural integrity of the building and have been secured on a charge on the property which the transfer will crystallise.

Payment will be due on the sale of the Nursery Street plot or eighteen months, whichever is the earlier. This sum will be funded out of the Corporate Resource Pool into which the expected sales value from Nursery Street will be repaid. Capital approval will be obtained via the appropriate route.

- 4.2.2 There is provision for overage to be paid to the counterparty if the Nursery Street site is sold for more than £400k. The first £100k will be split 20/80 SCC/Counterparty with any remaining surplus over £100k split 50/50. An indicative calculation is shown below:

SCC Receipts

Sale of Combined Nursery Street Plot	520
Sale of Broad Street	85
	<hr/> 605
less	
Overage payment	90
Payment for acquired plot	200
SDLT	4
Transaction Costs	15
	<hr/> 309
Costs	
Net Cash Gain to SCC	296
less value of land in SCC books	65
Overall profit	<hr/> 231

- 4.2.3 There will be transaction costs incurred by the Council which will be paid out of the receipt including conveyancing costs of £5,000 and Stamp Duty Land Tax of £3,750 will be payable by the Council on the purchase of the Nursery Street site. The Council will also lose annual rent of £150 from selling the land at Broad Street.
- 4.2.4 Discussions have been held in the past with the private owner in respect of simply carrying out a joint marketing of his property with the Council's but it has proved very difficult to reach agreement. Officers are concerned to ensure that the site is brought forward for development and believe acquiring the property is the most certain way to ensure that this happens.
- 4.2.5 There is a risk that the private owner will continue to do nothing with the Broad St property but it considered that to try to force him to do so would prejudice the proposed Nursery St transaction. By bringing the Broad St properties into a single ownership there is more likelihood that redevelopment will be carried out in future.

4.3 Legal Implications

- 4.3.1 The Council has the power to acquire land and buildings under section 120 Local Government Act 1972. In addition, the Localism Act 2011 introduced a general power of competence that allows Local Authorities to do anything that an individual can do subject to a limitation existing elsewhere in legislation. The proposal to acquire the property at Nursery St is authorised by this legislation.

- 4.3.2 Section 123 of the Local Government Act 1972 obliges the Council to achieve the best price reasonably obtainable upon a disposal of property. As stated in paragraph 4.2.3 valuation advice has confirmed the market value of the two properties and the proposed balancing payment. It is considered that terms to dispose of the Broad St property through the proposed exchange satisfy the Council's statutory obligations under section 123 of the Local Government Act 1972. The combined Nursery St property will subsequently be disposed of through an open market sale.
- 4.3.3 The content of this report is considered to exempt from publication pursuant to paragraph 3 of Schedule 12A of the Local Government Act 1973 in that the report contains information relating to the financial or business affairs of any particular person (including the authority holding that information)

5.0 ALTERNATIVE OPTIONS CONSIDERED

- 5.1 The Council could seek to dispose of the properties which it owns on the open market in isolation rather than combine the interests but to do would almost certainly result in achieving a lower value.
- 5.2 The Council could seek to acquire the Nursery St property through a compulsory purchase order. Whilst that could be achieved, it would take longer than the proposed exchange and could very well be a more expensive option.

6.0 REASONS FOR RECOMMENDATIONS

- 6.1 The proposed exchange will enable the Council to bring forward a prominent riverside site for redevelopment which will add to the regeneration of the Wicker Riverside area and also strengthen the links between Kelham Island to new activities proposed for Castlegate.
- 6.2 The proposed exchange will result in the Council achieving a higher value for its property at Nursery St than if it was to just seek to sell the property that it currently owns in isolation.
- 6.3 Whilst the derelict privately owned building has very recently been demolished this was done under emergency powers and there remains a lot of rubble and material on the site which continues to be unsightly. Completion of the proposals outlined in this report and marketing next year will ensure that the site is redeveloped.

7.0 RECOMMENDATIONS

- 7.1 That the Cabinet Member for Finance and Resources approves the proposals to enter into the exchange of properties on the terms set out in this report.
- 7.2 That the Director of Legal and Governance be authorised to complete such legal documentation as she considers necessary or appropriate in connection with this transaction on such terms as she may agree to give effect to the proposals set out in this report and generally to protect the Council's interests

Laraine Manley Executive Director Place

