

AGENDA ITEM

4.1

**EXECUTIVE**

**DATE:** 7<sup>TH</sup> APRIL 2008

**SUBJECT:** SALE OF SURPLUS SITES

**REPORT BY:** HEAD OF CAPITAL AND ASSET MANAGEMENT

**CONTACT OFFICER:** TONY PEARSON 546147

**IMPLICATIONS:**

LEGAL	✓	STAFFING
EQUALITIES	✓	COMMUNITY SAFETY
FINANCIAL	✓	RISKS

OTHER

**CONSULTATIONS:**

**COUNCILLORS CONSULTED** ✓ **SCRUTINY COMMITTEE  
CONSULTED**

**STAKEHOLDERS CONSULTED** **OTHER**

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**WARDS AFFECTED: HIGH TOWN, BISCOT, ICKNIELD AND LEAGRAVE**

**LEAD EXECUTIVE MEMBER(S): CLLR ROBIN HARRIS**

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**RECOMMENDATION(S)**

1. Executive is recommended to :
  - (i) Approve the freehold disposal of the four sites
  - (ii) Approve that the selection of the successful tenderer for each of the four sites be delegated to the Director of Customer and Corporate Services, the Head of Capital and Asset Management and the Portfolio Holder for Finance

**REPORT**

2. The four sites comprise the following properties:-
  - a) Former recreation centre, Old Bedford Road 0.73hectares,
  - b) Former open air pool site behind Wardown

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Swimming and Leisure Centre 0.61hecreares

c) Former elderly persons home, Warden Hill	0.50hectares
d) The Oaks/The Acorns site.	<u>0.70hectares</u>
Total	<u>2.54hectares</u>

3. The policy not to dispose of sites freehold was developed during the previous administration and has been continued by the current administration. It has always been recognised that it may be advisable to consider freehold sales in certain circumstances. Officers usually advise that long leasehold interests are preferable as they offer the ability to control the use of the site and it's affect on adjoining land to a limited extent. However with regard to these 4 sites only the former High Town Recreation centre is near the town centre and, as the Council do not own adjoining land (apart from one flat adjoining the entrance), it is difficult to see how any covenants could be enforced over time.
4. We have been advised by Drivers Jonas from their experience of marketing campaigns elsewhere that some development companies will not be prepared to bid for a leasehold interest. Also that this is likely to have a more marked impact in the current economic environment where developers are more cautious in their acquisitions. It is also a trend in this downturn that house builders are expressing less interest in more complicated sites. Additional to the above the majority, if not all, of these sites the current planning considerations and the character of their locations would lead most developers to include house units in their schemes. Houses would be more difficult to sell on a leasehold basis as this is very uncommon and would affect market interest and consequently the price realised. Developers would therefore bid less for the purchase of the land from the Council. It is also considered that developers would therefore bid on the basis of schemes which would only offer flats to negate the impact of the leasehold offer. This is likely to be unattractive in planning terms and not serve to meet Luton's housing needs.
5. For the above reasons it is felt that the difference in bid values between a sale on a freehold basis and leasehold basis would be material. Therefore, the limited benefit of selling leasehold interests in these sites would be far outweighed by the reduction in capital receipt likely to result. Therefore, in the particular circumstances of these assets, I recommend that the freehold interests are disposed of.
6. Messrs Drivers Jonas are handling the sale of these sites. The marketing commenced on 26 January 2008 for a period of 8 weeks with the closing dates for tenders on 20 March 2008. An analysis of the bids and interrogation of offers will follow after which Drivers Jonas will make recommendations to the Council by Monday 21 April 2008. If optimal unconditional offers are received the target date for completions will be 31 July 2008. However if the optimal offers are conditional, e.g. on planning permission being granted, then completion will be delayed.

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7. To optimise bids and the amount of capital receipt for each site the bidding guidelines accompanying the marketing have not placed conditions on the bids; however they indicated that the Council will expect bids to contain overage provisions and there will be claw-back facility in the event of resale. The information available to prospective purchasers includes the Supplementary Planning document on planning obligations that includes the policy of seeking up to 50% affordable housing on housing development sites in Luton.
8. The Oaks/Acorns and former Warden Hill elderly persons home are being sold with vacant possession. The Wardown pool site is subject to a number of garden tenancies covering a very small area together with a garage building where vehicles and other equipment is stored by the sub aqua club. The former High Town recreation centre site is subject to 2 significant tenancies (i.e. significant in terms of the area they occupy and their location within the site ) ; one of these, the TAVR, has virtually an indefinite right to remain on the site. Unless they voluntarily surrender their tenancy this part of the site will not be developed. The other is a boxing club who have asked to be relocated to exclusive premises in the locality. Consideration has been given to options for the club's activities continuing elsewhere on a non exclusive basis and also relocating to a Council owned site in the area; it is proving difficult to find a suitable Council owned site in the area that will attract planning consent. The Club argue that due to the frequency and hours of their activities, exclusive occupation is essential.
9. There has been a very big response to the marketing; it is difficult to estimate the level of total receipts for the 4 sites because if the recommended bids are conditional and include an element for overage the final price may be dependent on the density of development approved in the planning application.

### **LEGAL IMPLICATIONS**

10. Freehold disposals are relatively straightforward and the associated risks should be manageable. Agreed with John Secker in Legal Services on 18 March 2008.

### **EQUALITIES, COHESION AND INCLUSION IMPLICATIONS**

11. This report has no equality, cohesion and inclusion implications, except in so far as the Capital receipts will provide resources for the Council's Capital Programme which will indirectly impact equality, cohesion and inclusion. Agreed with the Equalities Coordinator, Customer and Corporate Services on 27<sup>th</sup> March 2008.

### **FINANCIAL IMPLICATIONS**

12. The disposal of these sites is necessary to resource the Council's capital programme for 2008/12 which was approved at Budget Council in February 2008. If the sites are not sold, or sell at below the estimates shown in the

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capital receipts programme, there will be shortfall in resources for the programme which would necessitate a review of the programme and may result in delay or failure to deliver some projects.

13. The process of disposing of sites for redevelopment is time consuming and expensive. The Executive approved a sum of £100,000 during the current financial year to help meet the costs of these disposals. The total expenditure is likely to exceed this sum and that will create a budget pressure which needs to be managed during 2008/9. Future disposals to resource the capital programme will require additional resources and this will require growth in budgets. Developers in the private sector would take development costs out of the proceeds of sale and treat the sale price as a net receipt. Unfortunately, this is not possible under the capital financing regulations.
14. These financial implications were agreed by the Chief Accountant on 18 March 2008.

### **COUNCILLORS CONSULTATIONS**

15. Councillor Harris has been consulted regarding the disposals. Cllrs Simmons and Harris are aware of and will be consulted in more detail about the future of the Boxing Club.

### **OPTIONS**

16. Proceed with freehold sales. In the current falling market there is a possibility that the amount of receipt will be at the lower end of expectations, but this is the lowest risk option and is therefore recommended.
17. Proceed with leasehold sales. This would vastly increase the risk of receiving a materially smaller receipt than for freehold sales and may inhibit the construction of houses (including affordable units) on the sites. This would not confer much benefit to the Council. This option is not recommended.
18. Do not proceed with some or all of the sales. Postponing sales in a falling market is highly risky and may ultimately result in a lower receipt as well as impacting on the capital receipt. There are also costs in securing vacant property. This option is not recommended.

### **APPENDIX**

19. Appendix 1 - Plans of the sites

### **BACKGROUND PAPERS**

Corporate Capital Strategy