

FORMER RITZ CINEMA CAR PARK & FORMER GREENHALE HOUSE DISPOSAL

Report of the Deputy Chief Executive (Place)

Commercially Sensitive – This public report contains some appendices that are confidential by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in respect of which the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

1. INTRODUCTION AND PURPOSE OF REPORT

- 1.1 This reports sets out and summarises the marketing campaigns that have recently concluded on two key town centre development sites and seeks approval to dispose of the two sites.
- 1.2 The sites are the former Ritz Cinema car park (also known as 'land at Piccadilly' and 'Fletcher Street') and the former Greenhale House site. These respective sites are identified on the red line plans in Appendix 1.

2. BACKGROUND

- 2.1 The Council own the Freehold land interest in the two development sites; at the former Ritz Cinema car park which is currently used as surface car park; and former Greenhale House which is a cleared vacant site.
- 2.2 These sites have been under offer within the last three years to parties for redevelopment. The former Ritz Cinema car park was under offer prior to exchange of contracts, however due to changes to the company structure and management of the selected party they were not able to proceed and withdrew from the sale and the site remained in Council ownership.
- 2.3 Terms had been agreed on the former Greenhale House with a preferred party. Planning consent was granted for the site but the party was unable to secure development funding or a contractor, consequently the site returned to Council's ownership.
- 2.4 In the last 12-24 months there has been increased interest in the town by property developers and investors seeking redevelopment opportunities, particularly in the residential sector. This interest is a direct result of the place making and strategic investment in the town centre by the Council and the Mayoral Development Corporation, and in line with the strategic policy objectives as set out in the 2018 *Town Centre Living: Development Framework*.
- 2.5 Recent examples include the success of the residential redevelopment of the former Royal Mail Sorting Office on Wellington Road (A6); the Stockport Interchange residential element securing a development partner; the sale of the substantial surplus part of the Stockport College and associated recent planning application to

create the proposed Royal George Village scheme; and, the recent acquisition of Weir Mill which is expected to see a planning application shortly.

3. CURRENT POSITION

- 3.1 In light of the marked interest in developer appetite the Council instructed CBRE as framework property advisors to undertake a marketing campaign subject to demand for the sites.
- 3.2 A two phased marketing approach was adopted. The first phase consisted of a soft market testing exercise to ascertain if there was sufficient interest in the site.
- 3.3 Following positive responses to the initial exercise CBRE formally embarked on the second stage, namely a comprehensive open marketing campaign for the two sites separately. There was a significant amount of interest. Offers were invited for both opportunities and following the conclusion of the marketing campaign CBRE had received a total of eleven formal bids across the two sites.
- 3.4 The bids were reviewed by CBRE and following a series of clarifications a scoring matrix was applied to identify the preferred parties to bring forward each site. Confidential Appendix 3 contains a report detailing the marketing exercise. Confidential Appendix 2 contains a report further considering aspects of the bids. Heads of terms for both sites are included in Confidential Appendices 4 and 5.

4. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

4.1 Revenue and Capital consequences of report recommendations

- 4.1.1 Successful disposal of the leasehold interests would generate capital receipts for the two sites. The former Greenhale House has ongoing current holding costs for site security and barriers. The site does not generate any income, nor has the ability to do so without significant capital expenditure. In recent history the site was used for privately run surface car parking. The planning consent for this use was time limited and has expired. The poor state of the surface would require notable remedial costs to recommence a car park use.

4.2 The effect of the decision

- 4.2.1 This would bring forward two development sites that will contribute positively to the town centre population and contribute to the aims of the Town Centre Living Framework.
- 4.2.2 The sale and development of future schemes would further investor confidence in the town centre.

4.3 Risks

- 4.3.1 The current sites are not contributing positively to the town centre. The former Greenhale House site is cleared, uneven and vacant while the former Ritz Cinema car park site is used as surface car parking. The resultant sale would result in a small loss of car parking but this would be naturally displaced across other car parks in the town centre that would absorb the demand.

4.3.2 Not progressing with the recommendations for the preferred bidders following the comprehensive marketing would mean the sites would remain undeveloped for the foreseeable future.

4.4 Options

4.4.1 The scoring assessment has resulted in the most appropriate bidders being selected for the respective sites.

4.5 Future savings/ efficiencies

4.5.1 There would be reductions in holding and security costs for the sites. Ultimate delivery of future development would result in increased town centre population to add to the potential economic base.

5. **LEGAL CONSIDERATIONS**

5.1 Local authorities are given powers under the Local Government Act 1972, subject to applicable legal constraints, 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 the granting of easements. However, a disposal must be for the best consideration reasonably obtainable, as set out in section 123 of the Local Government Act 1972 (except in the case of short tenancies), unless the Secretary of State consents to the disposal.

5.2 CBRE's recommendation reports at Confidential Appendix 2 confirm that in the case of each site, the best consideration reasonably obtainable will be achieved as a result of the disposal, which is therefore compliant with the obligation contained in section 123 Local Government Act 1972.

5.3 The Council must consider, when disposing of land in circumstances where, in return, it may also be receiving the benefit of "works", whether the transaction gives rise to a public works contract. If it did, then the contract would need to be awarded in accordance with the Public Contracts Regulations 2015. The law is clear, however, that where the developer does not have an obligation to carry out the works, the transaction shall be treated as an exempt land disposal. As explained in the report, there is no such obligation in this situation.

5.4 One of the main reasons for the disposals is to facilitate comprehensive redevelopment. The Council has introduced a number of measures to help secure delivery of the redevelopment, without creating an obligation to carry it out, which would have procurement implications.

5.5 Heads of Terms for the disposals have been provisionally agreed and these are contained within Confidential Appendices 4 and 5. It is intended that each proposed transaction comprises an Agreement for Lease followed by a 250 year Lease on satisfaction of usual pre-development conditions. The legal agreements for each site will each also include a buy-back option to enable the Council to call for a surrender of the respective lease if development has not commenced within a defined period.

6. HUMAN RESOURCES IMPACT

6.1 Not directly applicable to the report.

7. EQUALITIES IMPACT

7.1 Not directly applicable to the report.

8. ENVIRONMENTAL IMPACT

8.1 Not directly applicable to the report however any environmental considerations for potential developments on the two sites would be controlled through the Planning Application and Building Regulation processes and requirements.

9. CONCLUSIONS AND RECOMMENDATIONS

9.1 Scrutiny is asked to note the content and comment on the report and recommendations as appropriate.

9.2 Cabinet is asked to:

(a) Approve the proposal to dispose of the former Ritz Cinema car park in line with the recommendation report in Confidential Appendix 2 and the Heads of Terms as detailed in Confidential Appendix 4;

(b) Approve the proposal to dispose of the former Greenhale House in line with the recommendation report in Confidential Appendix 2 and the Heads of Terms as detailed in Confidential Appendix 5;

(c) Delegate authority to the Deputy Chief Executive (Place) and Deputy Chief Executive (Corporate and Support Services) in consultation with the Cabinet Member for Economy and Regeneration and the Cabinet Member for Resources, Commissioning and Governance to negotiate and agree the detailed final terms relating to the disposal of the interests in the two subject sites;

(d) Delegate authority to the Strategic Head of Service (Legal & Democratic Governance) to do all things necessary or incidental to the implementation of the above-mentioned resolutions.

APPENDICES

Appendix 1 – Location/Site plans

Appendix 2 – CONFIDENTIAL – SMBC Report

Appendix 3 – CONFIDENTIAL – CBRE Recommendation Report

Appendix 4 – CONFIDENTIAL – Heads of Terms for former Ritz Cinema car park site

Appendix 5 – CONFIDENTIAL – Heads of Terms for former Greenhale House site

BACKGROUND PAPERS

There are none

Anyone wishing to inspect the above background papers or requiring further information should contact Paul Richards on Tel: 0161-474-2940 or by email on paul.richards@stockport.gov.uk