

DISPOSAL OF LAND AT FLETCHER ST (FORMER RITZ CINEMA CAR PARK)

Commercially Sensitive – Appendices 2-5 of this report 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 report seeks approval to dispose of the former Ritz Cinema car park, Fletcher Street, identified on the red line plan in Appendix 1.

2. BACKGROUND

- 2.1 Cabinet approved the disposal of two development sites in December 2020, the former Ritz Cinema car park which is currently used as surface car park; and former Greenhale House office.
- 2.2 The Greenhale House land disposal did not proceed. The bid was subject to the acquisition of Hilton House, on the adjacent site and the purchaser was unable to secure this property. The land is currently being used as contractor compound pending future redevelopment.
- 2.3 Following a two phased marketing approach, bids were evaluated, and a purchaser was selected for the Fletcher Street site.
- 2.4 There has been a time delay since the original offer was accepted in December 2020, impacted by a range of factors including the post Covid environment, complex technical and legal issues with the site, inflationary factors and market changes, all impacting on viability.
- 2.5 The CBRE Recommendation report in Confidential Appendix 4 considers these factors in detail and makes a recommendation to proceed on the basis of revised Heads of Terms in Confidential Appendix 3.

3. CURRENT POSITION

- 3.1 Homes England awarded a grant to undertake a range of technical surveys and reports to assist with the design process and this work has now been completed to RIBA stage 2 and pre planning discussions have taken place with the proposed purchaser.
- 3.2 Following pre planning discussions, the design has been reviewed with the next step to arrange a formal pre application planning meeting. The Design Concept is in Confidential Appendix 5.

- 3.3 The aspiration is for a high- quality residential development in this important town centre location. The quality of the design of the building, amenity and space standards will be guided and controlled through the planning process.
- 3.4 The final housing tenures will evolve and be determined as the design of the scheme progresses, the site is not considered suitable for a supported housing use due to the scale, density and location of the development.
- 3.5 The Heads of Terms have been re-negotiated in light of the changes including the outcomes from the Homes England funded design works and surveys, the current scheme viability and the Council's ambition to see development delivery on this site. The current version of these Heads of Terms is attached at Confidential Appendix 3.
- 3.6 CBRE have considered whether, due to the time lapse from the original offer being accepted, best value is being achieved by the Council in progressing with the original purchaser or whether there is an opportunity to test the market again by repeating the procurement process. Confidential Appendix 2 sets out the rationale for progressing with the current purchaser and wider holistic benefits for developing this site with adjacent sites in the area. The Recommendation is set out in Confidential Appendix 4.

4. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

4.1 Revenue and Capital consequences of report recommendations

- 4.1.1 Successful disposal will generate a capital receipt for the Fletcher St site. The former Ritz Cinema car park site is used as surface car parking and in recent years has generated between £40k-£50k per annum. This income was higher in the last year due to temporarily letting spaces to Stockport Exchange tenants, but this will cease on completion of the new car park in summer 2023.
- 4.1.2 An overage provision will be included in the contract to capture a percentage of any development value uplift.

4.2 The effect of the decision

- 4.2.1 This development of this site will contribute positively to the town centre population and contribute to the aims of the Town Centre Living Framework. It will also address and environmental 'eyesore' which is having a detrimental impact on the adjacent site in this area of the town.
- 4.2.2 This development supports the wider ambition of the MDC's masterplan for Stockport to become the most sustainable, liveable town centre in Greater Manchester with schemes already on site at Weir Mill and announced at Stockport 8. It will help to deliver against ambitions for 4000 new homes and further promote investor confidence in the town centre.

4.3 Risks

- 4.3.1 The loss of revenue income is covered in section 4.1, and the risk of loss of car parking spaces will naturally be accommodated across other car parks in the town centre that would absorb the demand.
- 4.3.2 Not progressing with the disposal could mean that the site remains undeveloped for the foreseeable future and continues to have a negative environmental impact on the surrounding area.
- 4.3.3 The developer risk in funding and delivering this high density scheme is managed through due diligence and the legal structure to enable the Council to take back possession of the site if certain milestones are not met.

4.4 Future savings/ efficiencies

- 4.4.1 There would be reduction in holding and security costs for the site, but this would need to be set against car parking income loss. 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 report at Confidential Appendix 4 endorses this approach to meet the council's legal obligations on disposal. A red book valuation will be commissioned to assess and demonstrate this is the case for compliance 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, there is no such obligation in this situation.
- 5.4 One of the main reasons for the disposal 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 Appendix 3. It is intended that the proposed

transaction comprises an Agreement for Lease followed by a 250 year Lease on satisfaction of usual pre-development conditions. The legal agreement for the site will also include a buy-back option to enable the Council to call for a surrender of the lease if development has not commenced within a defined period. The Council will have the benefit of the design work and technical reports including any planning consent if granted at the relevant stage.

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 the potential development on the site would be controlled through the Planning Application and Building Regulation processes and requirements. The proposed redevelopment will have a visual improvement to the current derelict buildings on the adjacent site.

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 site at Fletcher St (former Ritz Cinema car park).
- (b) Delegate authority to the Deputy Chief Executive and Director of Development & Regeneration, in consultation with the Cabinet Member for Economy, Regeneration & Housing and the Cabinet Member for Finance & Resources to negotiate and agree the detailed final terms relating to the disposal of the interest in the site.
- (c) 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 plan

Appendix 2 – CONFIDENTIAL – Site context and holistic development

Appendix 3 – CONFIDENTIAL – Heads of Terms for Fletcher St site

Appendix 4 – CONFIDENTIAL – CBRE Recommendation Report

Appendix 5 – CONFIDENTIAL – Fletcher St Design concept

BACKGROUND PAPERS

There are none

Anyone wishing to inspect the above background papers or requiring further information should contact Robert Goulsbra on Tel: 0161-218-1764 or by email on robert.goulsbra@stockport.gov.uk