

Meeting:	Cabinet	Date:	8 February 2017
Subject:	Blackfriars and Quayside development sites Equalisation agreement.		
Report Of:	Cabinet Member for Regeneration and Economy		
Wards Affected:	Westgate		
Key Decision:	Yes	Budget/Policy Framework:	No
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Appendices:	1. Plan showing extent of the sites to be the Subject of this agreement. 2. Draft Heads of Agreement.		

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 The purpose of the report is to recommend approval for the City Council to enter into an agreement (the equalisation agreement) with the Gloucestershire County Council dealing with how any receipts from the disposal of both authorities sites will be dealt with. Cabinet approval is required in order to comply with the requirements of the Constitution.

2.0 Recommendations

- 2.1 Cabinet is asked to **RESOLVE** that:

- (1) Authority be delegated to the Property Manager in consultation with the Cabinet Member for Regeneration & Economy, to agree terms for an equalisation agreement between the Councils.
- (2) Authority be delegated to the Property Manager to agree any ancillary documentation that the City Council's Solicitor considers necessary or desirable to enable the transaction to proceed.
- (3) The proceeds be distributed on the basis of the percentage of the area that each authority's site bears to the total area of the combined sites. This has been calculated at 43.45% for the City Council and 56.55% for Gloucestershire County Council. However, this figure may change if either party adjusts the site areas available for development.

3.0 Background and Key Issues

- 3.1 The City Council's land formed part of the South West Regional Development Agency (SWRDA) portfolio that transferred to the City in 2011 following the closure of the Regional Development Agencies (RDA).
- 3.2 The transfer was conditional on any proceeds from the land being used for the regeneration of the City. To prevent a breach of the lease terms the County will have to use their share of the proceeds from the Blackfriars site for regeneration in accordance with the SWDRA transfer agreement.
- 3.3 The City holds a freehold interest in the land and as a key central site lying between the docks areas and the traditional city centre the council is keen to promote the redevelopment of the site as a link between the 2 areas.
- 3.4 Working in partnership with the County Council who own the adjoining site, gfirst Local Enterprise Partnership (LEP) funding has been obtained to promote the development of the Blackfriars and Quayside sites. The funding has enabled the councils to instruct consultants to carry out investigation and planning work to de-risk both sites and bring them forward to the market. The councils have now submitted a local development order LDO for consideration by the City's planning department.
- 3.5 There was a memorandum of understanding for this partnership, which was signed by the leaders of both Councils and was completed in May 2014.
- 3.6 The final LEP Growth Fund 2 funding application covering both Council's sites was submitted in December and the £4.13 million of funds was awarded in April 2015. Following the award of funds the Project Board was established in May 2015 to oversee and direct the project. Terms of reference were approved at the initial Board meeting in June 2015.
- 3.7 The City Council has directly benefited from some of this funding and the £4.13m that can be broken down as follows:
- Local Development Order preparation £500,000
 - Site investigations at the Fleece £200,000
 - Shire Hall photovoltaic installation £980,000
 - Road Works to access Quayside £1,500,000
 - Demolition Quayside House £600,000
 - Contamination at Quayside £400,000
- 3.8 It is common practice for parties who own a site to be developed jointly to set out in a legally binding form how the proceeds will be distributed.
- 3.9 The first draft and principles of the Equalisation agreement were discussed and agreed by the Project Board in September 2016.
- 3.10 A copy of the draft heads of agreement are attached, they are still under discussion, but in summary the impact on the City is that the receipt from the Blackfriars site will go into a development account. We are still in negotiation with the developer but we have received an initial offer and this includes work they will have to carry out to the retained option land so it can remain in beneficial use as a car park.

- 3.11 Under the agreement the City would share in the net disposal proceeds from the Counties land, it was anticipated when the project was initiated that the Quayside House area would generate a significant receipt. The County are working hard to clear the site for redevelopment. However, due to the complexity it is not developer ready and there is no clarity what the level of return the City can anticipate.
- 3.11 The current calculation of the developable area of each parties land ownership is 43.45% City (9,248 sqm) and 56.55% (12,037 sqm) County Site plan attached.
- 3.12 Both Authorities have worked as partners but in addition to the funding both parties have committed considerable officer time and other resources to this project, it would be difficult to unravel the respective commitment if there were no overarching agreement.

4.0 Asset Based Community Development (ABCD) Considerations

- 4.1 It is not possible to involve the community in this transaction.

5.0 Alternative Options Considered

- 5.1 The party's sites are clearly in separate distinct areas each in a single ownership the parties could simply keep the receipts from their own site and continue without an agreement. However, it has to be remembered that the sale of the City's site for Student accommodation is currently only a proposal. The development for student accommodation would mean that there is little interdependency between the Quayside and Blackfriars sites, but if this does not proceed depending on the nature of the development both sites could be purchased and developed together with linked uses. In which case an equalisation agreement would be required.
- 5.2 The equalisation could be calculated on a different basis; a division of the proceeds based on area is very simple to calculate but does not reflect the market value of each party's interest. The value can only be truly determined when a developer brings forward a scheme, it is a reflection of the particular viability of the proposed development, which is product of the commercial value of the completed scheme less any development costs. The receipts could be held in a development account and distributed on the basis of their respective values.

6.0 Reasons for Recommendations

- 6.1 The proposals represent a simple and easily understood means of distributing the proceeds from the site; although in terms of area the City has the smaller share they would get a share in the County Council's larger site.

7.0 Future Work and Conclusions

- 7.1 Following approval officers will carry out the following work:

- (1) Agree the terms of the equalisation agreement, so that it is flexible enough to deal with potential changes of circumstances such as the potential phasing of development and the site areas changing.

8.0 Financial Implications

- 8.1 The properties were transferred to the Council from SWRDA and as a result the capital receipts must be utilised for regeneration purposes.
- 8.3 The properties generate a net surplus of funds each year from their current use as a car park the surplus is currently running circa £100k. As SWRDA assets this income would not be lost to the General Fund but would reduce the amount that the Council is able to put into the regeneration reserve at the end of each financial year by that amount. We would get the capital receipt but part of it will be passed to the County.

(Financial Services have been consulted in the preparation this report.)

9.0 Legal Implications

- 9.1 The Blackfriars site was transferred to the Council by the former South-West Regional Development Agency. An agreement between the Council and SWRDA dated 30 January 2011 requires the Council to pay the proceeds of sale in to a Regeneration Account owned by the Council and then only use the money in the account for the following purposes and in the following sequence
- Carry out the functions detailed in the agreement relating to asset management, development management;
 - including development of the Regeneration Area (areas shown on the plan to the agreement including land at the Docks and Blackfriars) in general accordance with the Management Plan (Sch 4 of the Agreement) and guided by the Development Documents listed in Sch 5
 - use reasonable endeavours to transfer ownership of the Properties to developers in accordance with the provisions of the management plan
 - Complete the regeneration of the Regeneration Area
 - Complete other regeneration projects within the central Gloucester area; and
 - Economic regeneration generally within the Council area.
- 9.2 The Council is permitted under the agreement to appoint third parties for the provision of services to assist in meeting the council's obligations. To avoid being in breach of the SWRDA agreement, the city council will need to include terms in the equalisation agreement that the County Council would use its percentage of the proceeds of sale of the Blackfriars site in accordance with the terms of the City Council's agreement with SWRDA.
- 9.3 The power to enter into this arrangement with Gloucestershire County Council is given by Section 1 of the Localism Act 2011. This power permits Councils to do anything which an individual may generally do provided that it is not prohibited either by other legislation or by limitations within the Localism Act itself. The power

to sell land is contained in Section 123 of the Local Government Act 1972 and the Council must obtain the best consideration reasonably obtainable unless it has consent from the Secretary of State, either via the General Disposal Consents 2003 or a specific consent from the Secretary of State

(One Legal have been consulted in the preparation this report.)

10.0 Risk & Opportunity Management Implications

- 10.1 The benefit for the City is that we will share in the value of the Counties site, in terms of area this is a larger site situated between Shire Hall and the former prison and has frontage to the Quay. The site currently in the location for Quayside House and other buildings but the LEP funding will pay for demolition and site investigation once the site is clear. However the risk profiles for the City and County sites are different and there is no certainty on the level of return from this site.
- 10.2 There is no way of determining whether the return the City will see under the agreement will match the return they would simply get for the site taken in isolation.

11.0 People Impact Assessment (PIA):

- 11.1 At present, there are no adverse impacts identified for any of the Protected Characteristic groups;

12.0 Other Corporate Implications

Community Safety

- 12.1 No real impacts

Sustainability

- 12.2 No adverse implications,

Staffing & Trade Union

- 12.3 There are no implications.

Press Release drafted/approved

- 12.4 It is premature to consider this aspect.

Background Documents: None