

# Gloucester City Council

<b>Meeting:</b>	<b>Cabinet</b>	<b>Date:</b>	<b>15 January 2020</b>
<b>Subject:</b>	<b>Disposal of Herbert, Kimberley and Phillpotts Warehouses</b>		
<b>Report Of:</b>	<b>Cabinet Member for Regeneration and Economy</b>		
<b>Wards Affected:</b>	<b>Westgate</b>		
<b>Key Decision:</b>	<b>Yes</b>	<b>Budget/Policy Framework:</b>	<b>No</b>
<b>Contact Officer:</b>	<b>Mark Foyn, Property Commissioning Manager Tel 396271</b> <b>Mark.Foyn@gloucester.gov.uk</b>		
<b>Appendices:</b>	<b>None</b>		

## FOR GENERAL RELEASE

### 1.0 Purpose of Report

- 1.1 The purpose of the report is to update Cabinet on the progress of the disposal of this key interest and to authorise continued negotiations.

### 2.0 Recommendations

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

- (1) the actions taken to date be noted
- (2) the Property Commissioning Manager be authorised to continue negotiations with the interested parties and, in consultation with the Cabinet Member for Regeneration and Economy and the S151 Officer, to accept an offer of an assignment of the existing leases or the grant of a new lease, which in the opinion of external advisers represents best consideration provided that:
  - a. The consideration shall be payable in full upon the assignment or grant of new lease; and
  - b. The transaction shall be an outright assignment or grant of lease at arms' length, without any obligation for a continuing relationship with the Council other than as landlord

### 3.0 Background

- 3.1 Cabinet will recall that agents were instructed in February 2019 to market the three leasehold interests that the Council holds in Herbert, Kimberley and Phillpotts Warehouses
- 3.2 Following a marketing campaign where initial expressions of interest were received from 50 parties, more detailed offers were invited by 26th September 2019. Five such responses were received from potential purchasers for a variety of uses and on differing terms and subject to different conditions.
- 3.3 Two of the offers were less attractive as they were for uses where it is extremely unlikely that planning consent could be obtained and in consultation with the Cabinet Member for Regeneration and Economy, we have informed these parties that we are unable to take their offer's forward at this time. The remaining three

offers are all from developers looking to create a hotel in all or part of the accommodation.

3.4 All three offers were subject to planning approval and would require a variation to the user clause in the Council's leases to allow a hotel use. Officers are in discussion with the Council's Landlord, the Canal and River Trust, over these changes and have reached agreement subject to final contractual details. These negotiations have been based on a quid pro quo arrangement as the outline agreement involves releasing rights the Council has over Canal and River Trust retained land elsewhere in the Docks

3.5 We have now considered these three offers in more detail and in consultation with the Cabinet Member for Regeneration and Economy, have identified a preferred bidder. We have informed the other two bidders that we are seeking agreement with another party but have retained the right to return to them if negotiations fail.

#### **4.0 Social Value Considerations**

4.1 It is not possible to involve the community in this transaction at this stage, but any future development will provide employment opportunities.

#### **5.0 Alternative Options Considered**

5.1 The site is under used and bringing the buildings into a full use that will contribute to the local economy is seen as important to the regeneration of this area of the city. It will also strengthen the link between the docks and the city centre. Unless we take advantage of the opportunities they may be lost. There is demand for quality hotel beds in Gloucester and this will contribute to the local economy. The site could be converted for residential use, which would be attractive to developers, but it is contrary to planning policy and the change of use would be refused while alternative employment led uses are viable.

5.2 We have marketed the site fully without specifying the exact form of disposal, we have considered a JV arrangement, but this was discounted later in the marketing process and our legal advice is that we cannot enter into such an arrangement with the preferred bidder.

#### **6.0 Future Work and Conclusions**

6.1 Officers will carry out the following work:

- (i) Seek to agree the best terms for the Council.
- (ii) Document agreement with Canal and River Trust for the changes to the lease required for a hotel development
- (iii) Instruct Lawyers to deal with the disposal should agreement be reached

#### **7.0 Financial Implications**

7.1 The release of Capital formed part of the rationale for the move of City Council Staff from the Docks to Shire Hall it is therefore important to achieve the disposal to realise the full benefits from the relocation.

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

## **8.0 Legal Implications**

8.1 The Council has a statutory obligation to secure the best consideration reasonably obtainable when disposing of a freehold interest in land, unless the (general or specific) consent of the Secretary of State is obtained to the disposal at an undervalue.

(One Legal have been consulted in the preparation this update)

## **9.0 Risk & Opportunity Management Implications**

9.1 This is a complex property transaction which will be subject to further negotiations and dependencies (Landlord's consent, planning etc), it is possible that we will not be able to agree terms with the preferred bidder. However, we have not closed off the possibility of a disposal with the other 2 parties so we do have some potential resilience for the delivery of a disposal of the Council's interest.

## **10.0 People Impact Assessment (PIA):**

10.1 At present, there are no adverse impacts identified for any of the Protected Characteristic groups; The applications for planning consent will ensure that due consideration is given to these groups as part of any redevelopment scheme.

## **11.0 Other Corporate Implications**

### Community Safety

11.1 No real impacts. If sold and building works commence with regards the public realm works, contracts will be let and managed in accordance with the required safety requirements.

### Sustainability

11.2 No adverse implications.

### Staffing & Trade Union

11.3 There are no implications.

**Background Documents:** None