

Gloucester City Council

Meeting:	Cabinet	Date:	11th March 2020
Subject:	Regeneration at St. Oswalds Retail Park		
Report Of:	Cabinet Member for Performance and Resources		
Wards Affected:	Westgate		
Key Decision:	No	Budget/Policy Framework:	No
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Appendix:	Plan Showing Land Parcels at St. Oswalds		

FOR GENERAL RELEASE

1.0 Purpose of Report

To note the progress made for the regeneration of the vacant land to the rear of St. Oswalds Retail Park and to approve the continuing negotiations for development of this area.

2.0 Recommendations

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

- (1) the progress made with the St. Oswalds land regeneration be noted, and in particular that:
 - (a) Tesco have undertaken an open tender for the disposal of their land following the withdrawal of the Homes and Communities Agency from purchase negotiations
 - (b) negotiations have continued with Tesco for the City Council's consent to vary their lease so that their vacant land can be the subject of an agreed disposal.
- (2) the Tesco lease is agreed to be varied to enable a sale of their vacant land only for residential purposes and negotiations continue to bring forward a masterplan for the comprehensive residential development of the Tesco land together with the adjoining City Council land.

3.0 Background

3.1 The City Council own the freehold of St. Oswald's Retail Park with vacant, part overgrown and unused land to the rear. The City Council recently acquired the Hammerson (Grantchester) plc long lease of the retail units and adjacent car parking, edged in blue on the attached plan, which includes the option to build on the vacant land, edged in yellow on the plan.

- 3.2 Tesco Stores hold all their land and buildings at St. Oswalds on a single long lease from the City Council which contains restrictions on any disposal of part, for which they paid a very substantial sum in 2012.
- 3.3 There is a valid planning consent for a new superstore including two standalone retail units of 1,850 sq m each.
- 3.4 Tesco still have no intention of constructing the superstore, in breach of that condition in their lease, and have now completed a tendered disposal exercise to obtain best consideration for their land.
- 3.5 City Council consent is required for any disposal or variation of part of the lease, for which we can charge a premium if desired.
- 3.6 Bids have been received from four residential developers and from two commercial developers for the land (2.65 hectares) edged red on the attached plan. We have been informed that the commercial bids are of a considerably higher value than any of the residential bids, due to the lower land remediation costs for this type of use and the very strong market for distribution facilities.
- 3.7 All the vacant land at St. Oswalds has been included in the emerging City Plan for residential development of up to 300 units with the aim of 25% affordable housing.
- 3.8 Rooftop Housing, Keepmoat Homes and Persimmon have all been in discussion with the City Council for a comprehensive development of all the land were any one of them to be successful in acquiring the Tesco land.
- 3.9 It should be borne in mind that this land is not easy to develop as it suffers from constraints as a result of contamination from the old abattoir and cattle market, the expense and risk of maintaining the Leachate drain by a management company, a risk of flooding and is alongside the railway. It is also possible that any residential planning application could trigger a requirement for playspace/games area and s106 contributions, as the adjoining residential development contains quite high-density affordable rent and shared ownership homes without such facilities.
- 3.10 There is no formulaic method of assessing any premium for releasing restrictions in a lease but a “starting” position is often 1/3rd of any realised development value but here Tesco are realising a substantial loss. Tesco have previously agreed to pay the City Council for varying the lease conditions subject to final discussion and valuation. The method of disposal is likely to be a surrender of the existing lease and a re-grant of the smaller area on similar terms. A long lease would then be granted to the successful developer for the vacant land with the freehold being transferred on completion of the development or phases thereof. Detailed negotiations with the successful bidder would be undertaken to achieve development of the City Council’s freehold land subject to procurement considerations and best value.

4.0 Options Considered

- 4.1 Accept the Tesco proposal to sell their land but stipulate only to a residential developer and vary the lease.

This proposal can be achieved quickly and should result in a payment to the City Council and the opportunity to develop the Tesco leasehold land and the City Council's freehold land with a masterplan for residential purposes, either with a reliable partner who can fund initial enabling works, or by way of a negotiated sale of the City Council's land.

This is the recommended option and accords with the City Plan.

4.2 Accept the Tesco proposal to sell the land to the highest commercial bidder and vary the lease.

Should this option be progressed, Tesco would need to submit a new planning permission which may be contentious as it would not be in accordance with the emerging City Plan. Hence the development could be delayed or uncertain and the land remain derelict for a further period. Tesco could be able to pay a slightly higher premium for this option.

However, this option is not favoured.

4.3 Build residential development only on the City Council land.

This is a possibility now that the City Council have acquired the Hammerson plc option to build. However, it is not desirable to build houses immediately adjoining the Tesco derelict vacant site with presently an uncertain future. This could adversely affect the value of our residential land and hence viability especially with already high remediation costs.

This is not considered the best option.

4.4 Do Nothing.

Not an attractive option as all the land could remain vacant and semi-derelict for the foreseeable future when alternatively, the City Council can now enable the building of new homes, realise affordable homes and receive economic benefit and regeneration.

5.0 Reasons for Recommendations

- 5.1 To achieve a comprehensive residential development on all the vacant land at St. Oswalds in accordance with the emerging City Plan and Joint Core Strategy at an early date and realise a substantial value to the City Council.

6.0 Future Work and Conclusions

- 6.1 Officers will instruct One Legal for the surrender of the existing Tesco lease and the grant of a new long lease to Tesco for the reduced area. They will continue negotiations to bring forward a masterplan and a planning application for residential development on the entire site at an early date. Further progress reports on St. Oswalds will continue to be provided.

7.0 Legal Implications

- 7.1 None noted to date as the implementation stage has not yet been negotiated. One Legal will be consulted for agreeing the Tesco lease changes.

8.0 Financial Implications.

- 8.1 The City Council should receive a premium from Tesco on completion of the new lease subject to final agreement for SDLT and VAT. Negotiations will continue to agree a value for the City Council's freehold land for residential development and a method of delivery.

9.0 Asset Based Community Development Considerations (ABCD)

- 9.1 An engagement process has been underway for a few years concerning the development of this land with Local Councillors representing adjoining residents and representatives of the adjacent Care Home.

10.0 Risk & Opportunity Management Implications

- 10.1 The key risk to the St. Oswalds scheme at this stage is the failure to purchase the land from Tesco and to procure a suitable development partner and viability to take the entire project forward.

11.0 Social Value Considerations

- 11.1 Social value could be considerable by utilising an "Urban Village" design criteria to create a new "place" and enhance the facilities, thereby also benefitting residents in nearby Dexter Way who currently have limited open play space.

12.0 People Impact Assessment (PIA):

- 12.1 At present, there are no adverse impacts identified for any of the Protected Characteristic groups; as the regeneration of St. Oswald's land progresses, Impact Assessments may be required to ensure that those who require parking and access to the area are given due consideration.

13.0 Other Corporate Implications

Community Safety

- 13.1 Safety of the public will be managed during the regeneration by the residential developer, the City Council and appointed Construction Design Management health & safety advisors in association with the main contractor.

Sustainability

- 13.2 None specific to this report, although sustainability and green construction together with apprenticeships and the local supply chain will be considered when specifying products, and in construction methods.

Staffing & Trade Union

- 13.3 None.

Background Documents: None