

## OFFICER DELEGATED DECISIONS FORM

### Delegated Authority:

#### Executive Report – Disposal of Land at Centre Square for the purposes of Commercial Development – 6<sup>th</sup> September 2016:- ...

- b) approves the conditional freehold disposal of land at Centre Square, to Ashall Projects Ltd, for a consideration equal to Market Value, which is reflective of abnormal costs and subject to independent validation;
- c) approves that the final disposal terms be reported to the Deputy Mayor / Executive Member for Regeneration;
- d) approves that the sale would be:
  - i. subject to securing reasonable planning approvals;
  - ii. subject to submitting a planning application within three months of completion;
  - iii. subject to, within six months of securing planning approval, the buyer secures a pre-let for the first development phase of a term not less than 20 years;
  - iv. subject to the Council securing an option to buy the land back, in a reasonable timescale, should the development not progress; and,
  - v. phased release of a first phase development parcel to commence the scheme, aligned with an option to unlock the remaining development phases;
- e) delegates the determination of all contractual terms, to the Executive Director of Economic Development and Communities and Strategic Director of Finance, Governance and Support, following consultation with the Deputy Mayor / Executive Member for Regeneration;**

### Subject of decision:

#### Proposal to vary contractual terms:

The proposed disposal forms part of the Council's Accommodation Strategy and was authorised by Executive on 6<sup>th</sup> September 2016. Authority is now being sought for a variation to the original sale contract dated 18<sup>th</sup> January 2017 so as to allow the transfers for Plots 2a & 2b to be completed now, at a nominal sum, of £1.00, and for the calculation of the Plot Prices to be deferred until commencement of development as the Abnormal costs to be deducted from the sale price cannot be quantified until there is the basis of a finished design scheme.

The calculation of the respective plot prices will be deferred until the trigger date in the variation of contract, the trigger date being the date of commencement of development of Plot 2a and/or 2b.

The current sale contract provides for a delayed payment of the purchase price until commencement of development and this is not changed by the variation to the sale contract, the delayed payment of purchase price is protected by a legal charge in favour of the Council.

### Text of decision:

The Buyer has advised the Council that it will not be in a position to quantify the Abnormals to the Council's satisfaction until there is the basis of a finished design scheme.

The variation to the sale contract provides for the following :-

- (1) that Plots 2a & 2b are transferred for a nominal consideration of £1.00
- (2) On the trigger date the calculation of the Plot Price is made pursuant to the mechanism in the original sale contract
- (3) The trigger date is defined in the variation as the date of commencement of development of Plot 2a and/or 2b.
- (4) Payment by way of an 'additional plot price ' is to be made to the Council 10 working days after agreement or determination of the Plot Price (although this depends on the level of quantified abnormals when the calculation is made and whether or not it produces a positive or negative amount)

### Reason for decision:

**The buyer is presented with two conflicting requirements:-**

## OFFICER DELEGATED DECISIONS FORM

1. To satisfy the commercial pre-let market, the buyer requires a secure interest in the subject land i.e. Plot 2a and/or Plot 2b, but under the terms of the current agreement is not able to do so until full abnormal costs have been ascertained
2. The buyer is not in a position to ascertain the full abnormal costs until a final detailed design is derived from pre-let negotiations.

**As such, it is recommended to proceed with the variation of the sale contract now to allow the transfer of Plots 2A & 2b to take place. The Council benefits from this proposed variation by:**

- a) potentially enabling future commercial development of Centre Square; and
- b) not prejudicing commercial discussions between the buyer (developer) and prospective lessees
- c) ensuring a more accurate calculation of Abnormals can be made when there is a finished design scheme

**The buyer has fulfilled the conditions precedent in the original sale contract and is entitled to call for the transfer of the freehold for both Plots. The buyer has made significant progress with the development overall as follows :-**

- i. Centre Square Masterplan and Buildings 1 & 2 detailed planning approvals (tabulated as follows):-

<p><b>17/0195/OUT</b>  <b>Land At Central Gardens</b>                  Outline application for the development of 5 commercial office buildings (B1 Use) with part ground floor cafes (A3 use), including public realm works, landscaping, car parking, cycle parking and other ancillary development</p>	<p><b>17/0194/FUL</b>  <b>Land To East Central Gardens</b>                  Erection of office building (Use Class B1) and associated access, car and cycle parking and landscaping</p>	<p><b>17/0193/FUL</b>  <b>Register Office</b>                  Erection of office building (B1 use class) with ground floor cafe / food use (A3 Use Class) and associated cycle parking and landscaping</p>
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- ii. Detailed planning permissions for future buildings outlined in the masterplan are subject to final detailed design
- iii. The buyer has leased the first phase of development to the Council.
- iv. A buy-back option of the Plots in favour of the Council will be entered into simultaneously with the transfers and will be exercisable on specific trigger dates within the option if the development does not proceed within a specific timescale. This was already in place under the original sale contract dated 18<sup>th</sup> January 2017.
- v. The first phase has been completed.

**For the avoidance of doubt the proposed variation does not change:**

- the contractual calculation on the sum the Council would expect to achieve from the sale of the plots but rather it defers the calculation of the Plot Price until the commencement of development for either Plot 2A and/ or 2B ; or
- the Council's contractual restrictions on the buyer.

### Other options considered (if any)

No other suitable proposal has been identified to ensure the buyer is not prevented from facilitating commercial development of future phases of Centre Square due to the conflicting requirements of the existing contractual obligations and the commercial market position.

### Has an Impact Assessment been completed?

Not applicable.

### Declarations of Interest by any member or relevant local government body

## OFFICER DELEGATED DECISIONS FORM

None
<b>Consultees:</b>
<ul style="list-style-type: none"><li>• Executive Member for Regeneration, Councillor Ashley Waters;</li><li>• Legal Services;</li><li>• Valuations and Estates; and</li><li>• Economic Growth and Infrastructure.</li></ul>
<b>Date of decision:</b>
2 <sup>nd</sup> April 2020.
<b>Service area:</b>
Economic Growth and Infrastructure.
<b>Name of the officer(s) making the decision:</b>
Kevin Parkes (Executive Director of Growth and Place) and James Bromiley (Director of Finance, Governance and Support)
<b>List of background papers</b>
Executive Report – Disposal of Land at Centre Square for the purposes of Commercial Development – 6 <sup>th</sup> September 2016
 Signed: <b>Kevin Parkes, Executive Director of Growth and Place</b> Date: 03.04.2020
 Signed: <b>James Bromiley, Director of Finance, Governance and Support</b> Date: 03.04.2020