

# Birmingham City Council

## Report to Cabinet Committee - Property

28<sup>th</sup> November 2024



<b>Title:</b>	<b>SELECTION OF DEVELOP PARTNER AND BID FOR THE TOWER BALLROOM SITE</b>
<b>Lead Member:</b>	Councillor Sharon Thompson- Deputy Leader and Economy and Skills
<b>Relevant Overview and Scrutiny Committee:</b>	Economy Skills & Culture
<b>Has this report been shared with the relevant Overview and Scrutiny Committee Chair?</b>	Yes
<b>Report Author:</b>	Andrew Cox - Principal Surveyor Development Team  Investment & Valuation Division Place Prosperity & Sustainability Directorate Contact: <a href="mailto:andrew.cox@birmingham.gov.uk">andrew.cox@birmingham.gov.uk</a>
<b>Authorised by:</b>	Philip Nell, Interim Strategic Director Place Prosperity & Sustainability Directorate
<b>Is this a Key Decision?</b>	Yes
<b>If this is a Key Decision, is this decision listed on the Forward Plan?</b>	Yes – 012470/2024
<b>Reason(s) why not included on the Forward Plan:</b>	Not Applicable.
<b>Is this a Late Report?</b>	No
<b>Reason(s) why Late:</b>	Not Applicable.
<b>Is this decision eligible for ‘call in?’</b>	Yes
<b>If not eligible, please provide reason(s):</b>	Not Applicable.

**Wards:** Ladywood/North  
Edgbaston

**Does this report contain exempt or confidential information?** Yes

**Exempt Information**

Appendices 2, 3, 4, 5 & 9 are exempt from disclosure by virtue of the following paragraphs of schedule 12A to the Local Government Act, 1972 as amended:

Paragraph3: Information relating to the financial or business affairs of a particular person (including the authority holding that information).

**Has this decision been included on the Notification of Intention to consider Matters in Private?** Yes

**Reasons why not included on the Notification:** Not Applicable.

## **1 EXECUTIVE SUMMARY**

- 1.1 This report seeks authority for the disposal of The Council's property interests and selection of a development partner for The Former Tower Ballroom site including Lodge Building on the edge of Edgbaston Reservoir by the granting of a new 250-year lease for a financial premium with pre-development agreement conditions.
- 1.2 The property has a site area of approximately 15,700 square meters and is shown edged bold black on the attached site plan at Appendix 1.
- 1.3 The recommendations contained in this report and the Exempt Appendix 2 are fully in line with the Council's Financial Recovery Plan.
- 1.4 Other options for this property interest have been considered and the recommended leasing route provides the best outcomes for the City as detailed in this report.

## **2 COMMISSIONERS' REVIEW**

- 2.1 Commissioners support the recommendations.

## **3 RECOMMENDATIONS**

### **That Cabinet Committee Property**

- 3.1 Authorise the Assistant Director of Corporate Landlord to confirm selection of the preferred development partner.
- 3.2 To further authorise the Assistant Director of Corporate Landlord to accept the bid and conclude the terms with the preferred development partner for entering into a new lease with pre-development conditions for a premium on Council owned assets at the former Tower Ballroom site, The Lodge Building and additional land at Reservoir Rd, Birmingham B16 2EE ("the Property") as shown edged bold black on the attached site plan at Appendix 1 and extending to 15,700 sqm by the grant of a new 250-year lease to the Developer as tenant and detailed in Exempt Appendix 2,3 & 4.
- 3.3 To approve the additional use of required land identified in the manner described in 1.2 above held in both the Leaders Portfolio and also further property interests held by the Parks and Local Services Directorate as shown included and edged bold black on the attached site plan at Appendix 1 that extends to a cumulative 15,700 sqm.
- 3.4 Note that the purchaser will pay a contribution towards the Council's surveyor and legal costs, as detailed in Exempt Appendix 2.
- 3.5 Authorises the City Solicitor to prepare, negotiate, execute, and complete all relevant legal documentation to give effect to the above.

## **4 KEY INFORMATION**

### **Context**

- 4.1 The property, previously known as the former Tower Ballroom, was a popular social and live music venue, particularly in the 50's, through to the 80's. It was also used as a roller-skating rink in its formative years and as a pavilion for brass bands on completion of the reservoir in the 1890's.
- 4.2 With the decline in the Tower Ballroom's popularity as an evening entertainment venue and overall financial viability the Council eventually took enforced lease surrender and repossession of all of the leases on the property by the Investment & Valuation Division of the Council from previous tenants in 2016, since which the property has been vacant.
- 4.3 In March 2021, Cabinet approved the award of a contract for the demolition of the Tower Ballroom structure with the final conclusion of that contract obtaining the deconstruction of the ballroom, the removal of the steel frame, all foundations, identified asbestos sheeting and also trace sulphur elements from collapsed building brickwork from previous historical structures and finally the support concrete footings that existed below the waterline in January 2024.
- 4.4 In October 2022, the Council adopted the Edgbaston Reservoir Masterplan Supplementary Planning Document (SPD), which outlined redevelopment opportunities to re-imagine the use of the site with a particular emphasis on improving the leisure and natural environment opportunities around the reservoir and contributing a significant number of affordable housing units for a new residential development.
- 4.5 Community Consultation on the Masterplan has been extensive on this sensitive and prominent water side development site, leading to the Edgbaston Reservoir Masterplan SPD; with particular local interest in the welfare of the Local Nature Reserve status of the site that surrounds the reservoir, the social and cultural significance of the former Tower Ballroom in addition to a keen local interest in the Council's planning policies to adhere to a high proportion of affordable housing provision.
- 4.6 The responsibilities of the development site have therefore represented a significant opportunity to making a significant affordable housing contribution to the Council's own housing targets, an improved community facility and to offer enhancement of amenity value to the local community and enjoyment by wider users of the Edgbaston Reservoir.
- 4.7 The Council with its appointed agents Avison Young completed an extensive marketing campaign for this prominent development opportunity based on a broad range of evaluation criteria relying on both design, price and deliverability

as well as considering local community need and expected landscape improvements.

- 4.8 Marketing for the property in line with the principles set out in the adopted masterplan SPD commenced in February 2024 by the Council's appointed external advisors Avison Young, which saw a prominent marketing campaign undertaken in the public and professional press.
- 4.9 Initial expressions of interest were solicited, with first round designs and bids submitted at the beginning of April 2024. Second round designs and bids were submitted at the end of April. Evaluation was undertaken by both the development, planning and sustainability teams within the Council. Members of the Local Nature Reserve advisory group and Ward Counsellors were also invited to comment on the submitted designs at this point. (See Appendix 7.)
- 4.10 Final Bids were submitted during May 2024, all subject to planning approval, with a final evaluation completed in June by respective officers and the report writer with the Assistant Heads of Property, Urban Design and Planning conferring on the recommendations in July 2024.
- 4.11 Under the terms submitted the selected developer has undertaken a period due diligence of 4 months to complete, prior to entering into legal negotiations and submitting a detailed planning application for the site.
- 4.12 The respective developer bid rounds and officer weighted evaluation scores are included in summary in Exempt Appendix 2 and are available in full detail in Exempt Appendix 5. The evaluation criteria being used were: 40% weighted on design, 32.5% on price and 27.5% on deliverability.
- 4.13 The site is shown edged bold black on the site plan at Appendix 1 of this report.
- 4.14 The property is owned freehold by the City Council in a series of titles dating back to the 1890's and is currently unregistered.
- 4.15 The proposed sale by the granting of a new 250-year lease represents best consideration and has been validated as such by the Assistant Director of Investment & Valuation and the Council's external agent Avison Young based upon an evaluation analysis of the financial terms of the recommended sale. The lease terms and sale of the Council's new leasehold interest are in line with the Council's Property Strategy, and the proposed transaction and generation of a capital receipt supports the Financial Recovery Plan by generating resources and thus helping to achieve a balanced budget. The continued long term public access to and around the reservoir in future will be maintained firstly by retaining the Council's freehold interest and secondly managed through the lease agreement with the developer.
- 4.16 The Council; will maintain control, through the lease provisions, of important local issues, amenities, pertaining to public access and enjoyment of the reservoir

area, the quality of landscaping and maintenance of the public realm areas to the site.

4.17 Avison Young, the Council's external advisor have recommended that the Council proceeds with the preferred developer and with the proposed sale following the competitive bid, formal evaluation and dialogue process and their recommendation report is in Exempt Appendix 3 with the proposed heads of terms attached in Exempt Appendix 4

#### 4.18 **Proposal and Reasons for Recommendations**

4.19 It is recommended to proceed with the transaction outlined in this report, in line with the aims of the Property Strategy, Planning Policy and the external advice obtained to support delivery of the Strategy, to deliver a capital receipt to further assist in the Council's Financial Recovery Plan.

#### 4.20 **Other Options Considered**

4.21 **Option 1 - Do Nothing.** The Council is under no obligation to proceed with this proposal and would suffer no reputational consequences if it did not proceed, notwithstanding the open marketing campaign. The negotiated capital receipt would not be realised at this time and would not be available to contribute to the affordable housing strategy nor fund the City Council's ongoing transformation programme. This option would fail to optimise the opportunity of Council owned land to help meet the city's housing needs. Furthermore, the opportunity to improve the public realm and landscaping round the Edgbaston Reservoir would remain dormant.

4.2 **Option 2 – Property Retained for Reuse and / or Development by the Council.** The property is owned freehold and has the benefit of the adopted Edgbaston Reservoir Masterplan SPD (October 2022) for redevelopment. In accordance with the Council's surplus property procedures, the property prior to being demolished and the site offered for sale on the open market, has been considered for potential internal reuse, and / or development by the Council to support its business priorities, with no interest expressed or identified.

4.3 **Option 3 – Proceed with Agreed Transaction.** It is recommended to proceed with the transaction outlined in this report, in line with the aims of the Property Strategy, Planning Policy and the external advice obtained to support delivery of the Strategy, to deliver a capital receipt to assist funding of the Council's transformation programme and assist in removing the Council current management obligation. The developer proposes to secure a planning consent for the proposed residential scheme and contribute a significant affordable housing project in addition to undertaking to improve local community facility, provide enhanced landscaping and increasing reservoir amenity value for both

local and the wider residents of the City. The enhancements to the reservoir will provide a focal point to green pathways through a wider connectivity with the Port Loop project, the emerging Ladywood Regeneration scheme and its reconnected canal cycle routes back to the City Centre.

## **5 RISK MANAGEMENT**

- 5.1 There are no immediate risks to the Council's holding if the transaction does not complete since its interests are well protected and managed as a secure freehold site, car park and temporary Council offices within the Lodge.
- 5.2 The risk is entirely in the hands of the developer tenant who have a highly valuable commercial scheme presently at risk, due to making external funding and contractual commitments with limited permitted uses under present lease structure.
- 5.3 The 'risk' of not proceeding could only be seen in terms of a lost opportunity to generate a capital receipt for potential reinvestment via a sale of the Council's interest.

## **6 CONSULTATION**

- 6.1 Both Ladywood & North Edgbaston ward members have been notified of the proposed sale of this property and were consulted extensively and directly on the developer bids during both evaluation of offers, but also during the demolition contract period, and additionally during the Edgbaston Reservoir Masterplan SPD consultation period, as well as through the Local Nature Reserve advisory group meetings.
- 6.2 The Local Nature Reserve advisory group members were also consulted, specifically on design considerations of submitted bids (after round 2 of the competitive process) in May 2024, at a focused event held at the Council House, with both property and planning officers present. The responses are summarised in a schedule in Appendix 7.

## **7 MEMBER ENGAGEMENT**

### **Ward Councillor(s)**

- 7.1 The Ladywood & North Edgbaston councillor ward members have been notified of the proposed sale of this property and their design comments and responses are summarised in Appendix 7.
- 7.2 The ward councillor responses to the proposed decision are recorded separately in Appendix 8

## **Overview and Scrutiny**

- 7.3 The report has been notified to the chair of the Economy, Skills and Culture OSC Committee.

## **8 IMPACT AND IMPLICATIONS**

### **Finance**

- 8.1 The Assistant Director of Investment & Valuations and external advisors consider this proposed sale represents best consideration based upon analysis of the bidders' proposals as per exempt appendix 2, 3 and 4.
- 8.2 The purchaser will pay a contribution towards the Council's professional costs related to the disposal as detailed in exempt appendix 2.
- 8.3 Upon exchange of contracts the purchaser will pay a premium as set out in exempt appendix 2 and a further premium on practical completion of the project.
- 8.4 The purchase price, including any contribution to the Council's costs, is exclusive of VAT.

### **Legal**

- 8.5 Sections 120-123 of the Local Government Act 1972 authorises the Council to acquire, appropriate and dispose of land. The disposal power in Section 123 of the Local Government Act 1972 is subject to the best consideration test. The Assistant Director of Investment & Valuations has confirmed that the recommended sale, as detailed in Exempt Appendix 2, 3 & 4 represents best consideration and satisfies the Council's obligations under Section 123 of the Local Government Act 1972.
- 8.6 Section 1 of the Localism Act 2011 contains the Council's general power of competence, which is circumscribed only to the extent of any applicable pre-commencement restrictions and any specific post-commencement statutory restriction of the power, and Section 111 of the Local Government Act 1972 contains the Council's ancillary financial and expenditure powers in relation to the discharge of its functions, including the disposal and acquisition of property and the expenditure of money.
- 8.7 The Local Government Act 2003 and guidance issued under it authorises the Council's investment management functions.
- 8.8 Exempt information: Schedule 12A of the Local Government Act 1972 (as amended) Paragraph 3. Information relating to the financial or business affairs of any particular person (including the Council). Exempt Appendices 2, 3 and 4 are considered to contain commercially sensitive information of a financial or business nature, which if disclosed to the public could be prejudicial to a named person, individual or company and in the public interest to keep exempt.
- 8.9 The Council's in-house legal team will complete all legal matters associated with the transaction.

### **Equalities**



- 8.10 An Equality Impact Assessment has been carried out. The EIA000459 dated 27/06/2024 is attached at Appendix 6. This identifies no adverse impacts on any groups protected under the Equality Act 2010. The principle of the redevelopment of the former Tower Ballroom site was subject to an equalities assessment as part of the assessment undertaken for the adoption of the Edgbaston reservoir Masterplan SPD.

### **Procurement**

- 8.10 N/A

### **People Services**

- 8.11 N/A

### **Climate Change, Nature and Net Zero**

- 8.12 The Council have sort to both preserve and enhance the environment of the Local Nature Reserve. It is also envisaged that the overall scheme itself will make valid contributions to the City by being a significant improvement to the previous development on the site (former Tower Ballroom building) in terms of impact on the environment and setting of the reservoir and by demonstrating a commitment to carbon neutral development through the proposed development specification.
- 8.13 Consideration to the impact on the Local Nature Reserve and how any scheme will deliver such enhancements will be a part of the planning application process.

### **Corporate Parenting**

- 8.14 N/A

### **Other**

- 8.15 N/A

## **9 APPENDICES**

- 9.1 Appendix 1 – Tower Ballroom – Site Plan  
9.2 Exempt Appendix 2 – Tower Ballroom Report  
9.3 Exempt Appendix 3 – Tower Ballroom Recommendation Report by Avison Young  
9.4 Exempt Appendix 4 – Tower Ballroom Heads of Terms  
9.5 Exempt Appendix 5 – Evaluation Rounds and Weighted Scores  
9.6 Appendix 6 – Equality Impact Assessment EQA000459  
9.7 Appendix 7 – Local Nature Reserve (LNR) Committee and Ward Councillor Design Consultation summaries  
9.8 Appendix 8 – Ward Councillor Consultations to the Decision.  
9.9 Exempt Appendix 9 – Preferred Bidder Design Update

## **10 BACKGROUND PAPERS**

- 10.1 Edgbaston Reservoir Masterplan SPD (October 2022)