

Birmingham City Council

Report to the Leader of the Council

[December 2019]



Subject: Summer Hill House Summer Hill Terrace City Centre
Birmingham B1 3RA: Revised Sale Terms

Report of: Acting Director, Inclusive Growth

Relevant Cabinet Member: Councillor Ian Ward – Leader of the Council

Relevant O &S Chair(s): Councillor Tahir Ali, Economy and Skills O&S Committee

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Are specific wards affected?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No – All wards affected
If yes, name(s) of ward(s): Soho and Jewellery Quarter		
Is this a key decision?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, add Forward Plan Reference:		
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant , provide exempt information paragraph number or reason if confidential: Exempt Appendix 1 - Proposed Sale Terms and Tender Evaluation Exempt information 12A of the Local Government Act 1972 (as amended) 3. Information relating to the financial or business affairs of any particular person (including the Council)		

1 Executive Summary

- 1.1 This report seeks authority for a revision in approved sale terms for the sale of the surplus City Council owned property, Summer Hill House, Summer Hill Terrace, City Centre, Birmingham B1 3RA by the grant of a new 250 year lease at a premium to Claremont Land & New Homes Limited.
- 1.2 The subject property has a site area of 2,912m² approximately and is shown edged black on the attached plan at Appendix 1.

- 1.3 The revised commercially confidential details relating to the proposed terms of the transaction are set out within Exempt Appendix 1.

2 Recommendations

That the Leader:

- 2.1 Approves the unconditional sale of the surplus City Council owned property, Summer Hill House, Summer Hill Terrace City Centre Birmingham B13RA, as shown edged black on the attached plan at Appendix 1 (extending to 2912m²), and authorises the Assistant Director of Property to negotiate and grant a new 250 year lease at a premium to Claremont Land & New Homes Limited, noting that additional commercially sensitive information is detailed in Exempt Appendix 1.
- 2.2 Approves the purchaser paying a 10% deposit on exchange and the balance of the purchase monies on completion.
- 2.3 Notes the Tender Evaluation Report detailed in Exempt Appendix 1.
- 2.4 Authorises the Acting City Solicitor to prepare, negotiate, execute and complete all relevant legal documentation to give effect to the above.

3 Background

- 3.1 The subject property was declared surplus in a report of the Corporate Director Economy to Cabinet entitled "Property Strategy 2018/19-2023/24 (The Property Strategy) including First Phase Projects" in November 2018. The report also approved the subject property being offered for sale.
- 3.2 The property has subsequently been offered for sale to the open unrestricted market by informal tender with a closing date of 4th January 2019, as part of the Birmingham Sites Prospectus (Nov 2018).
- 3.3 Tenders were invited on either an unconditional or conditional (subject to planning only) basis.
- 3.4 By the closing date a total of 13 offers had been received.
- 3.5 The offers received were reported to Cabinet on 5th March 2019 within a report entitled "Property Prospectus – Tenders", with a recommendation to accept the highest unconditional offer. Unfortunately, this offer was withdrawn immediately post Cabinet.
- 3.6 In accordance with the recommendations of the March 2019 Cabinet report, officers invited best and final unconditional offers from the under bidders by a closing date of 29th March 2019.
- 3.7 The outcome of the best and final process and recommendations for sale were approved in a report of the Leader of the Council jointly with the Director Inclusive Growth, entitled "Sale: Summer Hill House, Summer Hill Terrace, City Centre Birmingham B1 3RA" (CMIS Ref 006642/2019 23.05.19).

- 3.8 Claremont Land & New Homes Limited, have subsequently undertaken final due diligence ahead of sale completion. These investigations have revealed potential environmental planning restrictions on any future residential use for the property due to noise levels emanating from an adjoining manufacturing business.
- 3.9 Claremont Land & New Homes Limited have indicated, that given the nature and perceived level of the associated risk on their development proposals for the property, whilst they remain committed to acquire the property, they cannot contract at the sum originally tendered at the Best & Final Stage.
- 3.10 Claremont Land & New Homes Limited, have accordingly submitted a revised unconditional offer, with supporting evidence. This offer has been evaluated and recommended revised terms for the transaction, in accordance with approved extended delegations are set out in Exempt Appendix 1.

4 Options Considered and Recommended Proposal

- 4.1 Option 1: Don't Proceed with the Sale - not to proceed would mean not realising a capital receipt from the sale of a surplus asset
- 4.2 Option 2: Proceed with the Sale under the Revised Terms - the sale of this surplus asset will remove an ongoing management liability to the City Council and will promote opportunity for private investment into the city region economy
- 4.3 The recommended sale terms detailed in the Exempt Appendix 1 represent best consideration and have been validated by the Assistant Director of Property based on an analysis of the offer received.

5 Consultation

- 5.1 The relevant ward members have been consulted and have no objections to the report's recommendations. A record of this consultation is detailed in Appendix 2.

6 Risk Management

- 6.1 Inability to meet the current expectations of the property market: To meet the expectations of the prevailing property market, the City Council has committed to deliver this sale in accordance with the Delivery Milestones set out in the Birmingham Sites Prospectus (Nov 2018). Unfortunately, due to the events outlined in the background of this report, the initial target date of July 2019 was missed. Sale completion is now anticipated by January 2020.

7 Compliance Issues:

7.1 How are the recommended decisions consistent with the City Council's priorities, plans and strategies?

- 7.1.1 The Property Strategy is aligned with the strategic outcomes outlined in the Council Plan 2018-2022 (as updated in 2019) – to create a city of inclusive

growth where every child, citizen and place matters. The Property Strategy will help make Birmingham: a great city to learn, work and invest in; a great city to grow up in; a great city to age well in; a great city to live in; and for residents to gain maximum benefit from hosting the Commonwealth Games.

7.1.2 As the largest local authority in the country with the biggest property portfolio, the City Council has the opportunity to utilise its property and land assets in a strategic way to deliver our priorities.

7.1.3 The Property Strategy takes a medium to long term strategic approach to how the City Council utilises its unique asset base and will ensure a balanced delivery of maximised commercial and social returns. Re-aligning the City Council's property portfolio will provide a catalyst for development and underpin the social fabric of communities across the city.

7.2 Legal Implications

7.2.1 The power to hold, appropriate and dispose of land is contained in Sections 120 - 123 of the Local Government Act 1972.

7.2.2 Section 1 of the Localism Act 2011 contains the Council's general power of competence 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

7.2.3 Exempt information 12A of the Local Government Act 1972 (as amended) 3. Information relating to the financial or business affairs of any particular person (including the Council). Exempt Appendix 1 is considered to be in the public interest as it contains 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.

7.3 Financial Implications

Capital

7.3.1 The property forms part of the Non-Investment Portfolio, and the capital receipt from the sale of this asset will be available to support the City Council's priorities, subject to Capital Board approval and the City Council's governance process.

Revenue

7.3.2 The work to market the property and agree the revised sale terms has been undertaken by existing staff within Inclusive Growth and covered by existing approved revenue budgets.

7.3.3 The purchasers will be responsible for paying the Council's reasonable surveyors and legal fees.

7.3.4 The sale of this asset will remove current void property liabilities totalling £0.119m per annum.

7.4 Human Resources Implications (if required)

7.4.1 Internal professional property, legal and planning resources will be utilised to deliver this sale.

7.5 Public Sector Equality Duty

7.5.1 The proposed sales programme will be undertaken in accordance with the Property Strategy. The Property Strategy is a policy document setting out the strategy principles associated with property assets and at this stage there are no specific implications. An Equality Assessment Ref No. EQUA124 dated 25th September 2018, is attached as Appendix 3. The assessment confirms there is no adverse impact on the characteristics and groups protected under the Equality Act 2010 and a full Equality Assessment is not required for the purpose of this report.

8 Appendices

8.1 Appendix 1 – Site Plan

8.2 Appendix 2 – Ward Member Consultation

8.3 Appendix 3 - Equality Assessment

8.4 Exempt Appendix 1 – Proposed Sale Terms and Tender Evaluation

9 Background Documents

9.1 Property Strategy 2018/19-2023/24

9.2 Birmingham Sites Prospectus (Nov 2018)

9.3 Property Prospectus – Tenders report to Cabinet 5th March 2019

9.4 Report of the Leader of the Council jointly with the Director Inclusive, Growth, entitled “Sale: Summer Hill House, Summer Hill Terrace, City Centre Birmingham B1 3RA (CMIS Ref 006642/2019 23.05.19)