

# STROUD DISTRICT COUNCIL

## COUNCIL

21 JULY 2022

<b>Report Title</b>	<b>Acquisition of Land at Bath Place, Stroud</b>			
<b>Purpose of Report</b>	To seek approval to the acquisition of a brownfield development site in Stroud.			
<b>Decision(s)</b>	<b>Council RESOLVES that:</b>  i. the Council purchases the site shown at Appendix A to this report and delegates authority to the Head of Property Services to take all necessary steps and undertake necessary procedures, including entering into any legal documents for, and associated with, the purchase of the site as may be required to complete the purchase.  ii. that a budget of £1.535million is added to the Council's Capital Programme for the brownfield site acquisition.			
<b>Consultation and Feedback</b>	The Levelling Up Fund stakeholder's group supported the area to be included in the bid and the acquisition of a brownfield site as part of the bid			
<b>Report Author</b>	Alison Fisk, Head of Property Services Email: <a href="mailto:alison.fisk@stroud.gov.uk">alison.fisk@stroud.gov.uk</a>  Leonie Lockwood, Regeneration Delivery Lead Email: <a href="mailto:leonie.lockwood@stroud.gov.uk">leonie.lockwood@stroud.gov.uk</a>			
<b>Options</b>	The Council could choose not to proceed with the acquisition of this site and remove it from the LUF bid			
<b>Appendices</b>	Appendix A – Site Plan			
<b>Implications (further details at the end of the report)</b>	Financial	Legal	Equality	Environmental
	Yes	Yes	No	No

## 1. INTRODUCTION / BACKGROUND

- 1.1 The Council has submitted its bid to the Levelling Up Fund (LUF) in Round 2 and a report to Strategy and Resources Committee on the 9<sup>th</sup> June set out the size and scope of the bid and was approved.
- 1.2 Included within the proposed bid is the purchase of a brownfield site, plus associated costs, in a strategically important location for a sum of £1.535 million. This report sets out the details of the proposed purchase of the site, which is known as Bath Place, Cheapside and is currently owned by Newland Homes (See Appendix A).

1.3 The acquisition and regeneration of brownfield sites is stated under the investment theme of 'Regeneration and Town Centre Investment' in the LUF Prospectus as the type of project that the Fund would support.

1.4 One of the three projects within the Council's proposed package bid is:

**Gateway Spaces** –the rejuvenation and transformation of key spaces into attractive destinations to increase vitality and prosperity for residents, visitors, shoppers and businesses. Places for people to spend time and feel a sense of pride in the town.

This site connects the two key gateways of Wallbridge and the station and is a strategically important site for the long-term vision of this part of Stroud as set out in the Local Plan and the Neighbourhood Development Plan.

1.5 The site also links with the work associated with the successful bid to OPE for the Zero Carbon One Public Estate project, where one of the elements of this project includes funding towards the master planning of the car parks at Cheapside. The Council is proposing to enter into a 12-month Memorandum of Understanding with Network Rail and London Continental Railways (LCR) who are a government owned body with the remit of exploring mixed used development around the railway network. This site is within the red line boundary of exploration and would enable a comprehensive master plan to be prepared for the whole area.

1.6 This site appears on the Council's brownfield sites register and was granted planning permission in April 2021 for 47 two bed apartments and 2 retail units. As part of the council's ongoing work to bring forward stalled regeneration sites (a key activity in the Council Plan (ER2)), officers contacted the owner of this site (Newland Homes Ltd) to ascertain what its plans were and whether there was anything the council could do to help bring it forward for development.

1.7 It became evident that the site had stalled due to its more complex ground conditions and topography and that Newland Homes was willing to consider a 1:1 disposal direct to the council.

1.8 The site's importance to this gateway to the town centre was already apparent and as the Levelling Up Fund bid work started to gain momentum, it was clear that a redesign of the site could improve connectivity between the canal and the town centre, the housing type and tenure of site could also be improved (current scheme only provides 2 bed accommodation) and affordable housing introduced if it were owned by the council.

## 2.0 SITE DETAILS

The site is in central Stroud and comprises a steeply sloping, canal-side site with the benefit of planning permission. The site area is 0.87 acres (0.35 hectares) and includes the redevelopment of an existing (fire damaged) Grade II listed former canal warehouse.

### Planning

2.1 The permitted development for the site under planning permission S.20/0684/FUL is for the construction of 4 new build blocks and the redevelopment of the listed warehouse. It

is proposed that there will be a total of 47 two-bed residential apartments and 2 retail units with associated landscaping, to include private balconies and allocated parking, green space, and public access to the retail units. There is no requirement for any affordable housing provision, nor any CIL requirements.

- 2.2 The site also has Listed Building Consent for alterations to facilitate the conversion of the former canal warehouse S.20/0685/LBC.

### **3.0 Due Diligence**

- 3.1 To properly consider the value of the site and risks associated with its development Newland Homes' topographical surveys and ground condition report have been shared with the council and a Structural and Civil Engineer and Quantity Surveyor have been appointed to review the relevant reports, the existing and proposed site levels and to confirm at a high level, that there are ground engineering, foundation and retaining wall solution/s which have then been used for pricing estimates. These and the associated advice have been incorporated into an independent valuation.

- 3.2. An internal valuation has been undertaken and Carter Jonas have also been appointed to provide market valuations of the site which have provided a range of values which are discussed below.

- 3.3 One Legal are in the process of providing a Title report for the property.

### **4.0 Appraisals and Market Value**

The independent valuations and internal appraisals show a range of values with the major difference arising from different percentage rates used for professional fees, developer's profit, and small difference in constructions costs. Carter Jonas has provided a sensitivity analysis at various purchase prices and profit levels which range from £1m to £1.3m. The profit level at £1.3m is estimated at 8% on construction costs, about 50% of the rate a developer would expect, although the market is currently more competitive, and some are having to accept less to secure sites. Clearly the council's interest in the site is not purely a financial one

- 4.1 Newland Homes have advised us that they have had unsolicited approaches from other developers this year, interested in acquiring the site. They had intimated that they preferred to agree a deal with the council and would settle somewhere in the region of £1.3m.

- 4.2 Our lower offers have been declined immediately, the independent valuations do support a consideration of £1.3m for the council, showing a profit of £1m on the consented scheme and we are aware of other interest in the site. There are also the social and economic benefits to consider that would be realised if the council owned the site and potential improved energy efficiency and other environmental improvements that can be realised if the council has greater control over the design and development.

### **5.0 Proposed Heads of Terms**

<b>Property</b>	Land at Bath Place, Stroud as shown outlined in red on the attached plan at Appendix A
<b>Tenure</b>	Freehold Interest
<b>Purchase Price</b>	£1,285,000 (One million, two hundred and eighty-five thousand pounds)
<b>Legal costs</b>	Each party will meet their own legal costs in this matter
<b>Target date for legal exchange of contracts</b>	Lawyers to progress to exchange contracts during August 2022 with completion by the 16th of December.
<b>Conditions</b>	Subject to the necessary legal due diligence, the land will be transferred with vacant possession, acceptable access arrangements and without restriction or onerous covenant.
	Subject to an overage clause. <ul style="list-style-type: none"> <li>• Term 3 years</li> <li>• 50/50 split on gain in value over £1,300,000</li> <li>• triggered by a disposal of the site.</li> </ul>
	This is not intended to restrict the council's ability to revise the planning or deliver the site.
	Subject to contract

## 6.0 CONCLUSION

- 6.1 The opportunity to acquire this site by private treaty (on a one-to-one basis) is time-limited, with Newland Homes, advising that it will be marketing the site if the council is unable to proceed by the end of July. In order to be included in the LUF bid, terms needed to have been agreed; with the inclusion of the site benefitting the bid by strengthening the economic case, improving land value uplift, and creating construction jobs.
- 6.2 If the LUF bid is successful, the council will have more flexibility to deal with the site, improving the layout, types, and tenures (including introducing affordable units) of the residential units and its linkages between the canal and the town centre with its financial risks significantly mitigated. It can ensure delivery of the development, with its higher building costs, due to the need to reprofile the slope and include significant retaining structures.
- 6.3 Whilst there is a need to complete the sale before the outcome of the LUF bid is known, this site still represents a strategic opportunity purchase for the council, enabling it to achieve a revised planning permission and introduce affordable units into the scheme. There is still a strong business case for acquiring the site, which includes alignment with Council Plan key objectives and to bid for other funding (e.g., One Public Estate Brownfield

Land Release Fund)/ Homes England Funding) to ensure the site is viable and is developed out.

- 6.4 In either scenario, consideration will have to be given as to how the council wishes to achieve the development of the site and its risk appetite in doing so. The development route, proposals for changes to the consented scheme and financial appraisals will all be brought back to committee for approval.
- 6.5 At its meeting on the 9<sup>th</sup> June Strategy and Resources approved the recommendation that Council proceeds with the acquisition of this site and that the capital budget is provided for the purchase price of £1,285,000 plus £250,000 for associated costs and the redesign of the scheme (including the applicable Stamp Duty Land Tax and costs for legal, professional, planning and architects' fees), making the total sum of £1.535 million.

## **7.0 IMPLICATIONS**

### **7.1 Financial Implications**

This report sets out the acquisition of a brownfield site for £1.285million, which including all associated costs means a capital budget request of £1.535million. It is hoped that this initial purchase will be funded from the Levelling Up Fund, but this funding is not guaranteed. If the bid is unsuccessful the Council would need to fund this spend through borrowing.

This borrowing and associated interest, along with any subsequent costs of developing the site or engaging a development partner, would need to be recovered from sales from the site, once developed.

Independent valuations commissioned by SDC show that the site is financially viable and so it can be expected that any costs incurred by SDC could be recovered once the site is developed. However, the primary reason for acquiring the site is not financial and by changing the scheme layout the Council would be able to improve deliverability of the Council Plan objectives, such as affordable and energy efficient housing, and also have control over a strategically important site in Stroud town centre. These changes would likely lead to increased costs, and there is currently no expectation of financial profit (or loss) from this site. A successful LUF bid and/or any other grant funding would allow for additional social and economic benefits whilst maintaining a neutral financial position.

A decision on the overall site plan, with consideration of the contribution to the Council Plan objectives and wider benefits alongside the financial position will be subject to a later member decision, with its own financial implications.

It is not expected that all housing would be held by the Council for its own stock and therefore this will be purchased as a General Fund asset, rather than through the Housing Revenue Account. There would be an option for the HRA to 'purchase' any affordable housing units, subject to assessment.

Lucy Clothier, Accountancy Manager

Tel: 01453 754343 Email: [lucy.clothier@stroud.gov.uk](mailto:lucy.clothier@stroud.gov.uk)

## **7.2 Legal Implications**

Whilst there is a general power to acquire land and property under Section 120 of the Local Government Act 1972, the Authority may also rely on section 1 of the Localism Act 2011 where the purchase relates to regeneration and economic/social benefits in the council's area.

The Authority has a general duty to act prudently when purchasing land. To this end, in addition to valuations, appropriate title checks, and searches will take place before the Authority is committed to purchase the property, in order to ensure that the title the Authority acquires is good and marketable.

Stamp Duty Land Tax will be payable on completion of the purchase. As this date is in the future, it is impossible to say with certainty what this figure will be.

Any concerns on the title will be reported to the Head of Property Services for further instruction. Ambiguities in, for example, in any occupational lease, may result in unanticipated expenditure by the Authority in the future.

One Legal

Tel no: 01684 272691 Email: [legal.services@onelegal.org.uk](mailto:legal.services@onelegal.org.uk)

## **7.3 Equality Implications**

There are not any specific changes to service delivery proposed within this category. A decision on the overall site plan, with consideration of the contribution to the Council Plan objectives and wider benefits will be subject to a later member decision, with its own equality implications.

## **7.4 Environmental Implications**

There are no significant implications within this category. A decision on the overall site plan, with consideration of the contribution to the Council Plan objectives and wider benefits will be subject to a later member decision, with its own environmental implications.

# APPENDIX A

## SITE PLAN

