

DECISION-MAKER:	CABINET		
SUBJECT:	SALE OF LAND AT PARKVILLE ROAD		
DATE OF DECISION:	25 OCTOBER 2010		
REPORT OF:	CABINET MEMBER FOR RESOURCES AND WORKFORCE PLANNING		
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STATEMENT OF CONFIDENTIALITY

The Confidential Appendix to this report contains information deemed to be exempt from general publication based on Category 3 of Paragraph 10.4 of the Council's Access to Information Procedure Rules. The appendix includes details of a proposed transaction which, if disclosed prior to entering into a Legal contract, could put the Council at a Commercial disadvantage in the future. In applying the public interest test it is not considered appropriate to make public offers received as this could lead to a revision of bids and, in the event of the transaction failing to complete, prejudice re-marketing of the property, therefore reducing the amount receivable by the Council.

SUMMARY

At its meeting of 22nd December 2008 Cabinet approved the sale of this site to a subsidiary of Carecapital Ltd and delegated authority to negotiate final terms to the Head of Property & Procurement. Cabinet is requested to approve variations to the contractual terms of the proposed sale required in light of changes to the proposed development scheme.

RECOMMENDATIONS:

- (i) To approve the revised terms to the sale of the land as summarised in this report and delegate authority to the Head of Property and Procurement to negotiate any other changes to the terms necessary and to undertake such ancillary action in order to achieve the variation to the terms of the sale.
- (ii) To authorise the Solicitor to the Council to enter in to any legal documentation necessary in respect to the revised terms of the land sale and undertake any necessary ancillary action to enable the sale.

REASONS FOR REPORT RECOMMENDATIONS

1. The land is currently underutilised, the sum offered represents best consideration for the site of the proposed development scheme (as revised) and will result in a significant capital receipt. The proposed sale price of the land is not to be subject to further negotiation by the intended purchaser; the alterations to the proposed scheme return the project to viability.
2. The proposed development retains socially desirable elements that will provide enhanced services to the local community including improved medical facilities for the area, pharmacy, two community / retail type units and convenience store. The student accommodation that is planned to be

provided can be anticipated to relieve pressure on family housing in Swaythling resulting from student lettings in the area and is anticipated to assist in enhancing the offer the University of Southampton is able to make within the student market place.

3. The development will result in a prominent 13 storey building marking the entrance to Southampton from Junction 5 of the M27. This will achieve creation of a landmark 'Gateway' high rise building as proposed under a study commissioned by the Council entitled 'Gateway Approaches and Initiatives' in 2006 which provides informal guidance to the Planning Department when considering planning objectives on strategically located sites situated upon the approach roads to the city centre.
4. Property development is adversely affected by the ongoing economic problems facing the country, resulting in many proposed developments being shelved in the region. The proposed scheme is enabled by pre-lettings and sales of the ground floor commercial and upper student residential accommodation as now proposed. The development provides an opportunity to create jobs for the local construction industry during a difficult period as well as other ongoing job creation from the commercial elements of the proposed development. The proposal is for construction to start in April 2011 and there is a two year build period.
5. The scheme would achieve a substantial regeneration of a strategic site which is currently unsightly and the visual amenity of the area will be improved as a result.

CONSULTATION

6. This report has been the subject of internal consultation with officers including those affected by relocation needs. The proposals for the development of this site were presented to the Major Development Steering Group in September 2007 and were supported. A decision was made to sell the site by Cabinet on 22nd September 2008.
7. Since September 2008 a resolution to grant planning consent was obtained by the developer for the previously proposed scheme and this will have involved the required consultation. The amended scheme for which planning consent is now required has many similarities to the scheme for which consent has already been approved and will be the subject of consultation as part of the planning process.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

8. Do nothing and retain the property in which case the proposed sale will not come to fruition. It is now possible for either party to serve notice to terminate the current sale contract. The site would continue to be underutilised and there would be no capital receipt.
9. Re-market the property. The proposed purchaser has acted in good faith and made strenuous efforts to bring the site forward for development resulting in the current position and involving considerable expenditure on their part. It should be borne in mind that the proposed purchaser is the freeholder of the existing Stoneham doctor's surgery and is appointed by the surgery to bring about their expansion / relocation; they are therefore in a unique position

when it comes to delivering the medical centre element of the new development.

10. Competitive bids have also been received by the proposed purchaser from pharmacy operators and convenience store operators who have entered in to pre letting agreements. Detailed planning applications have also been prepared and submitted with the result that the current proposed purchasers have a full knowledge of the site and as such are in a position that is very unlikely to be rivalled by another interested party. If the site were to be remarketed it would be without the above mentioned pre-letting / forward sale arrangements and there is no certainty that any bids would be received at the current time on a purely speculative basis.

DETAIL

11. Following the decision that was made on 22nd December 2008 the proposed purchaser entered into a conditional contract with the Council and secured Planning Permission for a Medical Centre, Pharmacy, Convenience Store, two community type units (e.g. dentist) and 81 flats including a 13 storey high landmark element. However, the transaction has not been able to complete due to the banking crisis which has severely affected the property development sector. The proposed purchaser has made strenuous efforts in liaison with Council officers to formulate a viable development scheme retaining the original scheme but this has not proved to be possible. Instead, it is proposed to change the upper floors of the development from residential flats to student accommodation and the developer is in advanced negotiations with the University of Southampton for the pre-letting of this student accommodation. It is now proposed that there will be 376 student bed spaces arranged mainly in cluster and studio flats. Planning permission will be needed for this revised scheme. The sale contract therefore needs to be amended to take account of the scheme variations and once this has taken place the developer will be in a position to prepare and submit the required new planning application.
12. The main proposed changes to the existing contract resulting from the change in the nature of the development are as follows:
 - i) Change of name of the purchaser to B.Y Developments Ltd (a subsidiary of Bouygues Development). Patient First (CareCapital) the previous named purchaser have entered into a joint venture with Bouyges and are committed to purchasing the ground floor of the completed development.
 - ii) The upper floors of the development will be for student accommodation instead of residential flats, the current proposal is for 376 bed spaces arranged in cluster flats, studios and a small number of 1 and 2 bedroom flats. The proposed ground floor uses are unchanged and include medical centre, pharmacy, convenience store and two community type retail units.
 - iii) Extension of target land sale completion date to 12 months from date of signature of revised contract.
 - iv) The land sale price will no longer be adjusted based on the result of construction tender price as the build will be carried out by a

development company owned by the purchaser. This has the advantage of removing uncertainty over the outcome of the tendering process to the transaction.

- v) Adjacent (non Council owned) land will no longer be required; therefore land price will no longer vary in relation to the cost of another acquisition.
- vi) The Section 106 cost threshold at which the price of the site is to be varied will be reduced to £150,000. This anticipated cost saving helps to maintain the currently agreed land price. An increase in S106 costs above this level would result in a corresponding reduction in land value; a reduction would result in a corresponding land price increase.
- vii) The transaction will be subject to the University of Southampton entering in to a contractual commitment to enter into a lease of the entirety of the student accommodation.
- viii) The overage provision in the contract will be amended in order to reflect the change from residential flats to student accommodation.

FINANCIAL/RESOURCE IMPLICATIONS

Capital

- 13. A sale of the land will result in a substantial capital receipt as detailed in the confidential appendix to this report.

Revenue

- 14. Upon completion of a sale there will be reductions in Council service overheads currently incurred from the site as mentioned in this report.
- 15. There are no rental receipts from the site at present and therefore no loss of income.
- 16. The costs and savings that will result from the relocation of the Swaythling Local Housing Office will be met by the HRA. The costs and savings that will result from the relocation of the Youth Centre will depend upon the method chosen by Youth Services and were anticipated to, at worst, be cost neutral to the general fund at the time of the original sale decision. This will be the subject of further reports.
- 17. There will be savings on no longer needing to maintain the free public car park which also has business rates of approximately £2,200 pa.

Property

- 18. None other than detailed elsewhere in this report.

Other

- 19. Plans are in hand for the relocation of Local Housing Office debt collection staff to Maybush LHO, plans relating to alterations to the property to make it fit for purpose are at an advanced stage and the premises are expected to be available in February 2011. 3-4 other staff will be relocated to Central Housing Office at St Mary Street. Discussions are being held between Housing and Libraries regarding holding Housing Surgeries during selected

library opening hours at Swaythling (Burgess Road) library.

20. Children and Youth Support Services have indicated that there are insufficient numbers of local young people attending the Youth Club. The Club is operated for four sessions per week comprising three seniors sessions on Monday, Thursday and Friday evenings and one juniors session on a Monday afternoon. The senior's attendance averages about 12 people per session, no figures are to hand for the junior's session.
21. Alternative youth provision is being considered involving use of currently unutilised space at Woodmill Activity Centre at Woodmill Lane. There have been a number of issues including the question of whether young people can walk safely to the site due to the narrow pavement width leading to the old mill building. Also, in June, there was a consultation with local residents groups about the Daisy Dip area of Swaythling, which raised the idea of potentially improving a grass area, perhaps to include a multi use games area (MUGA). These suggestions are at an early stage and are subject to funding.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

22. The power of disposal is Section 123 Local Government Act 1972. In addition the "well being" powers pursuant to Section 2 of the Local Government Act 2000 are germane to this proposal in achieving the wider regeneration aims afforded by the development of this gateway site.

Other Legal Implications:

23. A road traffic regulation order has been obtained for the closure of the public car park without objection.

POLICY FRAMEWORK IMPLICATIONS

24. The Parkville Road development scheme, should it go ahead, will achieve the Council's aspiration for a landmark development on this 'Gateway' site as the 13 story high element of the proposed building will be retained.
25. The proposal is in accordance with the Council's policy framework in particular the Core Strategy / Local development framework, Medium Term Plan, Community Strategy and Local Area Agreement and the plans that support this.

SUPPORTING DOCUMENTATION

Appendices

1.	Confidential Appendix
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Documents In Members' Rooms

1.	None
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Background Documents

Title of Background Paper(s)

Relevant Paragraph of the
Access to Information
Procedure Rules / Schedule
12A allowing document to be
Exempt/Confidential (if
applicable)

1.	None	
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KEY DECISION? Yes

WARDS/COMMUNITIES AFFECTED:	Swaythling
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