

Nottingham City Council Delegated Decision



Nottingham
City Council

Reference Number:

4269

Author:

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Department:

Growth and City Development

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Subject:

Disposal of Crocus Place, Arkwright Street, Nottingham

Key Decision (decision valued at more than £1million):

Yes

Total Value:

See Exempt Appendix (Type: Capital)

Decision Being Taken:

- 1) To declare the Crocus Place, Arkwright Street, Nottingham site surplus to the trading account and make the freehold available for disposal;
- 2) To approve a sale at an under-value as defined in Section 123 of the Local Government Act 1972;
- 3) To delegate approval of any amendments to the agreed Heads of Terms and sale terms to the Corporate Director for Growth and City Development and the Director for Economic Development and Property, in consultation with the Leader of the Council;
- 4) To approve the Council entering into a 999-year lease at a peppercorn rent with the purchaser of the site, to ensure access to the tram infrastructure;
- 5) To delegate authority to the Corporate Director of Growth and City Development to grant any necessary rights, licences, easements and wayleaves as required over the site and adjacent land to facilitate the sale of the site;
- 6) To hold the receipt from the sale as a corporate capital receipt, to be used in accordance with the Capital Strategy.

Reasons for the Decision(s) Disposal of this site will facilitate the development of a high-quality Grade A office building on a key city centre gateway site by a public sector partner. The disposal will be at an under-value as defined by Section 123 of the Local Government Act 1972, but the sale will generate significant economic outputs, including construction employment, business development, training and education, spin-off conferencing outputs, a spin-off boost to the leisure economy and the generation of significant business rates income.

The disposal will generate a significant capital receipt for the 2020/21 financial year (originally forecast for 2021/22). The under-value has been justified using an abridged 5 Case Business Case Model, which is contained in the Exempt Appendix. The proposed end use will provide a number of benefits and fits within the existing business strategies of the Council and the Local Enterprise Partnership for Derby, Derbyshire, Nottingham and Nottinghamshire (D2N2). The scheme will be a beacon and showcase for Nottingham's growing knowledge-intensive services sector and will enhance Nottingham's image as a SMART City. It will improve access to specialist business support, including mentoring, coaching and counselling, workshops, and consultancy and business advice, alongside improving networking and engagement between knowledge-driven, innovation-led enterprises. The scheme will also enhance the image and vibrancy of Nottingham. Crocus Place was an office development project proposed by Property Services as part of the Investment Acquisition programme in 2016. The development comprised a Grade A office comprising 125,000 square feet over 7 floors and was developed to RIBA Stage 4. Planning consent was granted and the development ready to commence in late 2019. In early 2020, the project was put on hold by the Council and a Nottingham-based organisation approached the Council regarding purchasing the site with the intention of building out the consented scheme, and this decision now forms part of that proposal.

Other Options Considered:

- 1) **To do nothing:** this is not a viable option because the Council recognises the need to intervene in the market to secure the effective regeneration of the Southern Gateway, and to meet the aspirations of anticipated inward investment interest in being situated in this key new business district. The site also looks unsightly.
- 2) **To dispose of the site on the open market for commercial use:** this option is not considered viable. A speculative commercial office development is considered too high risk for developers and a pre-let of all would be required prior to any development taking place. Demand has shown that offices in the region of 50,000 square feet are more desirable to the market. An independent valuation shows that a speculative Crocus Place development would result in a negative land value.
- 3) **To dispose of the site on the open market for residential use:** this option would generate the highest capital receipt for the site and development would happen quickly, but it would deliver limited economic outputs to the city. For this reason, this option was rejected.

Background Papers: None

Published Works: None

Affected Wards: Meadows

Colleague / Councillor Interests: None

Any Information Exempt from publication:

Yes

Exempt Information:

Description of what is exempt:

The Heads of Terms for the agreed sale and the Council's business case.

An appendix (or appendices) to this decision is exempt from publication under the following paragraph(s) of Schedule 12A of the Local Government Act 1972

3 - Information relating to the financial or business affairs of any particular person (including the authority holding that information).

The public interest in maintaining the exemption outweighs the public interest in disclosing the information because the information in the decision is commercially sensitive and making it public at this stage would prejudice the Council's negotiating position.

Documents exempt from publication:

Exempt Appendix - Crocus Place 22.06.2021.docx

Consultations:

Date: 08/06/2021
Other City Council Bodies: Corporate Leadership Team and Asset Rationalisation Board
The disposal was presented to the Corporate Leadership Team on 8 June 2021, which approved the disposal of the site. The disposal was also reported at the Asset Rationalisation Board on 10 June 2021 and the disposal received support.

Those not consulted are not directly affected by the decision.

Crime and Disorder Implications:

The development will eliminate the risk of crime and disorder on the site. At present, the site is vacant and at risk of fly tipping and anti-social behaviours.

Equality:

EIA not required. Reasons: The decision does not represent proposals for a new or changing policy, service or function.

Relates to Council Property Assets:

Yes

Decision Type:

Leader's Key Decision

Subject to Call In:

Yes

Call In Expiry date:

13/07/2021

Advice Sought:

Legal, Finance

Legal Advice:

From the information provided by the author of the report in the Exempt Appendix, there appears to be no significant concerns on the proposed transaction. The sale will be subject to the usual due diligence, negotiation and completion of formal documentation between the parties.

Advice provided by Joanne Backhouse (Senior Solicitor - Conveyancing) on 23/06/2021.

Finance Advice:

The Council has incurred £2.1million of capital expenditure as part of the aborted Crocus Place office development as at 31 March 2021, with the associated funding applied as follows:

- 1) Prudential Borrowing £1.5million**
- 2) Capital Receipts £0.5million**
- 3) External Grant £0.1million**

Subject to the disposal arrangements with the proposed purchaser, the expenditure incurred to date will have to be analysed, identifying which element of the expenditure is intellectual property and what was an abortive activity for the Council.

The proceeds from the sale as identified in the Exempt Appendix will be required to repay all outstanding debt, plus any abortive costs identified during the disposal process (i.e., costs not directly attributable to the intellectual property).

Any surplus receipt from the site after offsetting, outstanding prudential borrowing, abortive costs and disposal costs will be a corporate capital receipt and applied in accordance with the capital strategy. Repaying the borrowing costs will remove current interest costs and the future MRP obligation.

The land proposed to be disposed of in this decision has not been opted to tax, so VAT will not have to be charged to the purchaser.

Advice provided by Tom Straw (Senior Accountant - Capital Programmes) on 23/06/2021.

Property Advice:

The sale is at an under-value as per Section 123 of the Local Government Act 1972, however, it will generate significant economic outputs as detailed in this decision. The site is currently vacant and occupies a prominent position on one of the key gateways into the city, the proposed development of a Grade A office building will improve and add to the regeneration of the area.

Advice provided by Pippa Hall (Portfolio and Investment Manager) on 23/06/2021.

Signatures:

David Mellen (Leader/ PH Strategic Regeneration Communications)

SIGNED and Dated: 05/07/2021

Michael Wayne Bexton (Interim CD for Growth & City Development)

SIGNED and Dated: 05/07/2021