

# CABINET

## Appendix C

### Agenda Item 172

Brighton & Hove City Council

<b>Subject:</b>	<b>Ice Rink, Queen Square - Update on Disposal</b>	
<b>Date of Meeting:</b>	<b>12 February 2009</b>	
<b>Report of:</b>	<b>Director of Finance &amp; Resources</b>	
<b>Contact Officer:</b>	<b>Name:</b>	<b>Angela Dymott</b>
		<b>Ralph Long: 291442</b>
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<b>Key Decision:</b>	<b>Yes</b>	<b>CAB 7173</b>
<b>Wards Affected:</b>	<b>St Peters &amp; North Laine</b>	

#### FOR GENERAL RELEASE

#### 1. SUMMARY AND POLICY CONTEXT:

- 1.1 To advise Cabinet on the present position and seek approval for the disposal of the Ice Rink Site and the adjoining office building at 11 Queen Square, Brighton. The site has remained vacant and derelict for some years and this proposal will regenerate a critical City centre site encouraging ways through to the North of the site and affording substantial opportunities for environmental improvements to this south facing square. The report is complemented by a report in Part Two of the Agenda.

#### 2. RECOMMENDATION:

- 2.1 That Cabinet approve and authorise
- a) the disposal of the Ice Rink site and 11 Queen Square on a 150 year lease to the successful bidder for a premium and a peppercorn rent, following the full evaluation of informal bids and recommendations by the council's appointed agents, Oakelys, as outlined in item 3.9 of this Agenda and detailed in the part two report.
  - b) the detailed terms to be settled by the Director of Finance & Resources, Assistant Director Property & Design and the Solicitor to the Council provided the terms are certified by the valuer to be the best consideration reasonably obtainable.
- 2.2 Should the disposal to the preferred party not be completed, to approve and authorise the disposal to either of the short listed parties, or other bidders on similar terms with an agreed target premium.

### **3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:**

**3.1** The site of 0.2 acres (0.08 Ha) is located at the end of Queen's Square in the City Centre, immediately to the north of Western Road and Churchill Square. The site is shown by bold outline on the attached plan. The Ice Rink has been vacant since 2003 and was marketed for disposal on a long lease in 2004. The previous planning requirement for the ground floor limited to D2 purposes (Assembly and Leisure) has imposed constraints on developers. Consequently previous attempts at disposal of the site in 2004 -2006 ended in developers being unable to secure a D2 use on the ground floor and withdrawing from the deal, thus leaving the ice rink site vacant and derelict.

#### **Planning**

**3.2** The established land use of the former ice rink site is D2 (Assembly and Leisure). The adjoining building at 11 Queen Square is occupied as offices within Use Class B1. For planning purposes the ice rink would be affected by Local Plan policy SR21 which limits the loss of indoor recreation facilities. To the west of the site are Grade II listed buildings on Wykeham Terrace. To the north of the site is the historic Churchyard of St Nicholas within the Clifton Hill Conservation Area and the Church itself is Grade II Listed. Other tombs and the flint boundary walls are Listed by virtue of being pre-1947 structures within the curtilage of the listed church.

**3.3** Since the previous unsuccessful marketing, Property & Design have been working with the Planning team exploring a definitive use for the site. The council owns the adjoining office building at 11 Queen Square and following an asset management review it was decided to include this building in the marketing package thus affording a mixed use redevelopment of the site and further increasing the possible options for the site.

**3.4** An updated informal planning brief has been developed with the planning team to support the re-marketing of the site. In this, the planning team have indicated improvements to the environment to offset the loss of leisure use of the ice rink. These include a scheme to help redefine St Nicholas Churchyard as a safe, accessible and well used public open space for the City centre and local residents which could be achieved by incorporating a pedestrian/cycle route through the Ice Rink site linking the churchyard and Queen Square.

**3.5** The brief has been further broadened to include retail or café/food and drink type uses on the ground floor that could act as a magnet for pedestrian flow through Queen Square and provide passive surveillance for users of the Churchyard. The upper floors could be developed for hotel, residential or office use and again this could provide passive surveillance of the Churchyard.

## **Marketing**

- 3.6** In April 2008 local and London agents were approached for their interest in acting for the Council in marketing the site and local agents Oakleys were appointed. Following a period of conducting surveys and assembling information the marketing campaign was launched on the open market in September 2008. The property was offered for sale by way of an informal tender and interested parties were requested to put forward their financial and development proposals by 7<sup>th</sup> November 2008.
- 3.7** A total of 10 submissions were made and the majority of the bids and the 5 highest were for hotel schemes. Other uses included residential office and medical clinic all of which were in the bottom half of the bids.
- 3.8** From the 10 submissions a short list of 3 were identified by an assessment of the merits of the proposals and the price offered against the evaluation model. The short-listed bidders were invited for interview on 8<sup>th</sup> December 2008 with a panel comprising Council officers and the agents Oakleys. The interview process involved a question and answer session using the criteria of the evaluation model with a matrix of scoring based on the 8 criteria weighted as follows :track record 10% ; deliverability 15% ; price 15% ; funding 15% ; planning 15% ; quality 10% ; added value 10% ; timing 10%.
- 3.9** Following evaluation of the bids and interviews the council's agent's recommendation is to proceed with highest scored developer as the preferred purchaser for the site with the bid being subject to planning, contract and a preliminary timetable. The timetable has ambitious milestones for exchange of contract - March 2009, submission of Planning application - May 2009 with completion of sale to take place on receipt of planning permission within 2009/10. A separate Section 106 contribution will be paid by the developer.
- 3.10** The proposal is for a high quality hotel scheme of approximately 85 rooms arranged over 5/6 floors with restaurant facilities/bar/café on the part lower ground and ground floors. A walkway is proposed providing pedestrian and cycle access to St Nicholas Churchyard and providing a link through to Queen Square converting it from a cul de sac into a thoroughfare. The architects for the scheme are an international firm of architects who have a local office in the City. They are considering both a pre-let to a high quality restaurant operator or running the restaurant as part of their business.
- 11 Queen Square, Brighton**
- 3.11** 11 Queen Square is currently occupied as offices by Youth Advocacy and Participation (YAP) a CYPT/ Council service who provide advice and support to young people. The premises are let to YAP on a full repairing lease and have recently had structural and heating problems with the building which also does not have suitable access requirements. CYPT and Property & Design have been working together to relocate this function to more suitable premises and a letting has been agreed on the first floor of Ovest House, West Street with an anticipated relocation date of February 2009.

## **4 CONSULTATION**

- 4.1** Consultations have been held with our appointed agent Oakley, the potential bidders, the planning team, economic development and CYPT and local Ward Councillors.

## **5. FINANCIAL & OTHER IMPLICATIONS:**

### Financial Implications:

- 5.1** The disposal on long leasehold will generate a significant capital receipt, less associated fees, in connection with the disposal of the site. The council currently receives rent for the offices at 11 Queens Square, part of the capital receipt will be used to repay debt or generate interest to offset the loss of rent. The remaining net capital receipt will be needed to support the corporate Strategic Investment Fund for future years.

Finance Officer consulted: James Hengeveld Date: 15<sup>th</sup> January 2009

### Legal Implications:

- 5.2** S 123 of the Local Government Act 1972 enables the Council to sell this property provided it achieves the best consideration reasonably obtainable. It is not considered that any individual's Human Rights Act rights will be adversely affected by the recommendation in this report.

Lawyer consulted: Anna Mackenzie Date: 15<sup>th</sup> January 2009

### Equalities Implications:

- 5.3** The planners would require any development to incorporate improved access for all to include disabled access requirements, level and ramped access and cycle access.

### Sustainability Implications

- 5.4** The site is in a sensitive location, within the City centre being close to St. Nicholas churchyard within the Clifton Hill Conservation Area and listed buildings in Wykeham Terrace.

### Crime & Disorder Implications:

- 5.5** The site is vacant (apart from 11 Queen Sq) and there will be continuing issues of security and dereliction whilst the site remains undeveloped. The lack of public presence in St Nicholas churchyard will continue to be a problem and pose a risk to those who do use it.

### Risk & Opportunity Management Implications:

- 5.6** The risks are dependant on the wider economic climate, property market conditions, the timing of the disposal, not achieving 'best consideration', obtaining planning consent, withdrawal of the developer selected and the site remaining vacant.

### Corporate / Citywide Implications:

**5.7** The disposal of properties is part of the corporate asset management process to ensure efficient and effective use of assets. This contributes to the regeneration of the City, the Council's strategic priorities and the increased opportunities for employment.

### **6. EVALUATION OF ANY ALTERNATIVE OPTION(S):**

**6.1** The bids that have been submitted have been encouraging despite the impact of the credit crunch and the poor economic background. Due to the uncertain current property market the council asked its agents to carry out thorough due diligence before making their recommendations.

**6.2** With the backdrop of the 'credit crunch' market conditions have been extremely difficult during 2008 and have resulted in a whole sale withdrawal from the development market in most property sectors, perhaps with exception in the hotel, restaurant and entertainment sectors. This is a reflection of the fall in the demand for both residential property and the lack of confidence in the business sector, whether this be commerce or retail, resulting in significant falls in value through 2008.

**6.3** If the disposal falls through the alternative options available to the Council are :-

- a) *Negotiate with short listed parties* : Re-visit the other short listed parties bids and explore the possibilities of negotiating acceptable terms with other bidders with a target premium over a similar range.
- b) *Submit a Planning Application for the site*: this would remove some uncertainty for the successful developer but would not be appropriate for every party. There is the likelihood that a further planning application would be made varying the planning permission negating the time saved. The estimated cost for a full planning application with an Environmental Assessment is £100,000 which may not be fully recovered by any increase in the price.
- c) *Set up Joint Venture to deliver planning permission and potentially develop*: this would be undertaken by approaching selected parties of sufficient standing. It would involve a more complicated legal structure and documentation. There would be a share in the potential upside to compensate for a lower current price but the Council would not receive 100% of the uplift in land values if market conditions improve.
- d) *Wait until the economy improves before going back to the market*: This may not be until late 2009 /2010 and this option remains open if the current disposal does not proceed. There is no guarantee that a higher price would be achieved nor that market conditions will improve in the near future. In the meantime the property would remain vacant and vulnerable to vandalism and security problems.

## **7. REASONS FOR REPORT RECOMMENDATIONS**

- 7.1** To regenerate this area of the City, opening up the site to the north allowing more permeability to the site and enabling environmental improvements to create a lively south facing square.
- 7.2** To make best use of an existing asset and provide employment opportunities for the City encouraging local small businesses and apprenticeship training opportunities in construction.
- 7.3** The level of interest in the site has been good and the offers encouraging in the present economic climate. By initiating the development process now there is potential for the scheme to take advantage of an improving market when it comes. There is unlikely to be any higher price to be achieved in the near future from residential or office developers as these markets have some way to go before recovering.
- 7.4** Delay in disposing of the site will leave the Council with on going security and safety problems with the buildings and postpone the opportunity to improve safety and the general environment of the Square and Church yard.

### **SUPPORTING DOCUMENTATION**

#### **Appendices:**

1. Plan of site

#### **Documents In Members' Rooms**

1. None

#### **Background Documents**

1. None