

Executive

8 February 2018

Report of the Corporate Director of Economy and Place
Portfolio of the Executive Leader (incorporating Finance and Performance)

DISPOSAL OF WILLOW HOUSE

Summary

1. This report seeks an Executive decision to dispose of the former Older Persons Home (OPH) at Willow House to the highest bidder.

Recommendations

2. The Executive is asked to
 - a) Approve the sale of Willow House to Cavendish and Gloucester Properties Ltd as the highest bidder for Willow House.
 - b) To retain Bidder 3 as a reserve bidder and should Cavendish and Gloucester Properties Ltd fail to complete the purchase of Willow House, to dispose of Willow House to Bidder 3.

Reason: To achieve the best consideration for the Willow House site, and facilitate investment in the Older Persons Accommodation Programme.

Background

3. On 19th October 2017 Executive decided to dispose of Willow House to Empiric PLC as the highest bidder, for a sum of £2.825m, in order to achieve the best consideration for the Willow House site, and facilitate investment in the Older Persons Accommodation Programme.
4. The Executive's decision was subsequently called in by Councillors Craghill, Flanders and Looker and referred to a meeting of the Corporate and Scrutiny Management and Policy and Scrutiny Committee (Calling-In) on 6th November 2017. The Committee referred the matter back to the Executive with a

recommendation that the sale be delayed to explore options to protect green space on the site.

5. The Executive (Calling-In) meeting on 23rd November resolved that the decision to sell the whole of the Willow House site, within the boundaries illustrated in the site plan considered at the Executive meeting on 28th November 2016, be reaffirmed, in order to generate a capital receipt to support the wider Older Persons Accommodation Programme. However in the meantime the highest bidder had withdrawn their bid and it was resolved that a further report be received to determine who the site should be sold to.
6. All of the parties who showed substantial interest in the property were contacted and asked to submit their best and final offers by 19th December 2017. The bids are set out in Annex 2 with a list of names of the bidders in confidential Annex 3.
7. Three bids have been excluded from the evaluation. The highest bid at £2.9m was excluded because it was predicated on a four storey student accommodation scheme which, following consultation with the Planning department regarding the maximum height of a potential structure on this sensitive site, was judged to carry a high risk of being undeliverable. Two unconditional bids were also excluded as they were for significantly less money and were not specific in their use, therefore it was impossible to assess the deliverability of the schemes.
8. The value of the 5 remaining offers ranges from £2,350,000 to £2,750,000. The highest of these bids is for £2,750,000 from Cavendish and Gloucester Ltd, who are proposing to redevelop the existing building to provide 36 residential apartments. The second, third and fourth highest bids are for student housing, with the fifth bid being for a care home. All bids are subject to obtaining planning permission for their development proposals.
9. Given the need for the council to achieve a significant capital receipt from the sale of Willow House to fund investment in the Older Persons Accommodation Programme, the highest and least caveated bid is most likely to achieve this objective.
10. The proposed scheme submitted by Cavendish and Gloucester will involve the conversion and extension of the existing two storey building to a three storey building. The existing single storey wing will be rebuilt as a three storey building. The new development will, therefore, not extend beyond the existing building footprint and retain the mature Corsican Pine tree.

11. Given the withdrawal of the previous highest bidder and the delay that has been caused by this and the call in process, it is proposed that an alternative bidder be retained as a reserve bidder in case Cavendish and Gloucester fail to complete the purchase of Willow House.
12. The second bid is for a 168 bed student accommodation scheme and is £50k lower than the highest bid but does require the felling of a Corsican Pine tree on the site to facilitate the development. This tree is not currently protected by a Tree Protection Order (TPO), but is the subject of a proposed Tree Preservation Order, which would create a planning risk and thus reduce the deliverability of the scheme. The third bid is for a smaller 128 bed student accommodation scheme and is £53k less than the highest bid, but will leave the tree in place. As this is only £3k less than the second bid, it is therefore proposed that Bidder 3 be retained as a reserve bidder, in case the first bid fails.

Consultation

13. This report has been written in consultation with the Council's Older People's Accommodation programme team and the Capital and Asset Board.

Council Plan

14. This proposal contributes towards the Council's priority of
 - a) a prosperous city for all.
 - b) a focus on frontline services - to ensure all residents, particularly the least advantaged, can access reliable services and community facilities.

Implications

15.
 - **Financial** The Older Persons Accommodation Programme anticipates capital receipts from the sale of redundant care homes, including the Willow House site. The disposal of the site to the highest bidder will ensure that the £4m of receipts required to fund current plans in the Programme will be achieved.
 - **Human Resources (HR)** – There are no human resources implications.
 - **Equalities** – The provision of additional residential accommodation would provide much needed residential accommodation in the city.
 - **Legal** - Section 123 of the Local Government Act 1972 authorises the Council to dispose of non-housing land without the consent of the Secretary of State (for Communities and Local Government) provided that the best consideration reasonably obtainable is being obtained. The Council can still

sell non-housing land without the Secretary of State's consent for less than best consideration/full open market value provided that:

- (i) the difference between the price obtained and full market value does not exceed £2 million and
 - (ii) the Council (acting reasonably and properly considers) that the disposal will facilitate the improvement of economic, environmental or social well-being of the area.
- All bids are subject to the respective bidders obtaining planning permission (on terms acceptable to them) for their respective proposed schemes. If that condition is not satisfied by a specified date (which date would need to be negotiated with the chosen bidder) then the sale contract would automatically terminate. (However the chosen bidder would have the right to waive that condition and proceed to complete the purchase of the property without having obtained planning permission).
 - Whichever bid is chosen, the sale contract between the Council and the chosen bidder would not impose a legal obligation on the purchaser to develop any particular scheme/facility on the site by any particular date – it would be the buyer's own choice whether they redevelop the Willow House site. If Executive want to ensure that a particular scheme is developed on the site, then the Council would instead need to select and appoint a developer/operator after following a procurement process that complies with the Public Contract Regulations and impose a covenant that the site could only be used for that purpose. If any bidder was going to be under a legal obligation to the Council to construct and operate a particular facility on the site then their current offer would be likely to reduce significantly.
 - **Crime and Disorder** – There are no crime and disorder implications.
 - **Information Technology (IT)** – There are no information technology implications.
 - **Property** – contained within this report.

Risk Management

16. Failure to secure a significant capital receipt may impact upon the business case for Older People's Accommodation project. The recommended bid will enable the achievement of the £4m of receipts required to fund current plans in the Programme so this risk is low. There is a risk of any scheme not getting planning consent.

Contact Details

Author:

Tracey Carter
Assistant Director
Regeneration and Asset
Management
Extn 3419

Tim Bradley
Asset Manager
Asset and Property
Management
Extn 3355

Chief Officer Responsible for the report:

Neil Ferris
Director of Economy and Place

Report **Date** 16 January 2018
Approved

Specialist Implications Officer(s) List information for all

Financial Debbie Mitchell
Head of Corporate Finance
Tel No. 554161

Legal – Gerry Allen
Senior Solicitor
Tel No. 552004

Wards Affected: Guildhall

All

For further information please contact the author of the report

Background Papers:

Report to Executive on 19th October 2017

Report to Corporate and Scrutiny Management Policy and Scrutiny Committee
(Calling-In) on 6th November 2017

Report to Executive (Calling-In) on 23rd November 2017

Annexes

Annex 1 – Site plan

Annex 2 – Summary of bids.

Confidential Annex 3 – List identifying the bidders.

Annex 4 – One Planet York decision making tool

Glossary

TPO - Tree Protection Order