

**Report of the Assistant Director of Economy and Asset Management**

**Kent Street Site - Disposal**

Summary

1. This report seeks approval to sell the former Kent Street coach park site (the Site) to the North Yorkshire Fire and Rescue Service (NYF&RS).

Background

- 2 Coach parking facilities are now available at St George's Place and Clarence Street car parks and consequently the Site is surplus to the council's service requirements. The location of the 0.36 hectares (0.9 acres) site is shown verged black on the attached plan as **Annex 1**.
- 3 The council exchanged contracts to sell the Site to a property company Indomito Properties in 2007, and the developer subsequently obtained planning permission to construct a 108 bedroom hotel with bar and restaurant facilities. However, the developer was unable to secure funding to buy the Site, so the council terminated the contract in April 2009.
- 4 In September 2009, following advice received from consultant surveyors, the Site was offered as an optional bid in connection with the leasehold disposal of the Barbican Auditorium. The final tender accepted from the preferred bidder SMG UK Limited in September 2010 however, did not include an offer to purchase the Site.

5 Information

In September 2010, NYF&RS wrote to the council to register their interest in acquiring the Site and requested negotiations in order to reach a 'subject to contract' heads of terms agreement. The request was based on NYF&RS's view that the Clifford Street fire station is situated in an outdated building, is too small, has inadequate training facilities and is subject to flooding, consequently the building hinders the provision of a modern and efficient service. It believes the Site will provide a better option than Clifford Street, giving quicker access to both city centre and the south east of York and will provide a project cost saving of approximately a £1m. The new fire station could be operational by March 2013.

6. NYF&RS has undertaken a consultation exercise and a report including the public's and interested bodies responses were considered by the North Yorkshire Fire & Rescue Authority at their meeting on 9<sup>th</sup> February. The Authority decided that a fire station at Kent Street should be the new location for the inner city fire station and the Site should be acquired on the provisional terms agreed with the Corporate Landlord. Details of the heads of terms agreement are included as **Confidential Annex 2**.
7. NYF&RS's architect and planning consultant have discussed the new fire station at the Site at pre-planning meetings with the council's development management group, and planning officers have indicated, that a fire station at this location is being looked at positively and the planning issues were of detail rather than principle and these relate to highways, local amenity and archaeology. NYF&RS intend to submit an outline planning application to build a new fire station and carry out a local planning consultation exercise on their proposal.
8. Since April 2009, two developers and Indomito Properties have expressed interest in acquiring the Site if it became available; attracted by fact the Site has a hotel planning permission. Indomito Properties is a local property company and from the media publicity is aware of NYFR&S intentions to acquire site and consequently, it has made a formal offer to purchase the site. Details of the offer are included as **Confidential Annex 3**.
9. If a sale to NYF&RS was approved this would be categorised as an off-market sale and to comply with the statutory 'best consideration' rules a valuation report was commissioned from King Sturge to in order provide a current market value of the site. Details of the valuation are included as **Confidential Annex 2**.

### Consultation

9. There has been no consultation with any members on the negotiations with the NYF&RS. As reported above NYF&RS have carried a 12 week citywide consultation exercise and there have been a number of reports on the project in the local media.

### Options

11. The options available to the Cabinet are:
  - a) Sell the Site to NYF&RS for a proposed fire station.
  - b) Put the Site on the open market for sale by informal tender.
  - c) Do nothing and wait for an improvement in property values before putting the site on the market for sale.

### Analysis of Options

12. Option a) – The Site is vacant and is surplus to the council's requirements and therefore is under-utilised for a well located off-centre site, in that it is

not creating employment opportunities or adding to the economy of the city. If the Site was sold it would realise a significant capital sum, thus maximising the potential of the property asset, and the receipt would be used to support the capital programme. There is a general understanding that assets and/or assistance should be provided between public bodies in order to promote better public services.

Option b) – If the Site was placed on the open market it would attract bids, it is almost certain that Indomito Properties would repeat their bid included at Annex 2. Otherwise, the same advantages would be created as in Option a), although arguably, a hotel development would create more employment opportunities and be a greater income generator for other parts of the city's economy.

Option c) – The price offered by the NYF&RS is above the King Sturge current market valuation of the Site and matches the figure the council intended to sell the Site in 2007, this at a time before the country's economy went into recession. There have been very few hotel transactions in the North of England over the past year due to lack of debt finance being available to the property development market. Should the debt finance market improve and banks become more willing to lend at higher loan to value levels, the values per bedroom for hotel sites might improve to 2007 levels, but most property experts believe it will some considerable time before residual bedroom values increase beyond that point.

### **Corporate Priorities**

13. The Healthy City theme of the Council's Corporate Strategy supports improvement to the wellbeing of York's residents; a new fire station with improved facilities should improve the efficiency of the service and this should be advantageous to York's residents.

### **Implications**

#### **Finance**

14. The sale of the former Kent Street coach park site will realise the value of the capital receipt as previously reported to Members. It exceeds the current market valuation for the site provided by King Sturge and matches the valuation estimated in 2007 prior to the property market falling, in the time of economic recession.
15. The capital receipt will be used to support the capital programme in 2011/12 which has already been included in the 5 year forecast approved by Council as part of the Capital Programme 2011/12 to 2015/16.

#### **Legal**

16. Legal implications are as set out in the report.

### **Property**

17. Property implications are as set out in the report

### **Human Resources**

18. There are no Human Resources, Crime and Disorder, or Information Technology implications.

### **Risk Management**

19. Following an exchange of contracts with NYF&RS, completion will be subject to the Buyer obtaining a satisfactory planning permission. The main risk in not achieving a sale and the council receiving the proposed capital receipt would be the failure by NYF&RS to obtain planning permission for the new fire station.
20. Measured in terms of impact and likelihood, the risk score has been assessed at less than 16, this means that the risk need only to be monitored.

### **Next Step**

21. If the recommendation is approved the next step is to exchange contracts. Cabinet is asked to delegate authority to the Director of City Strategy in consultation with Head of Legal Service to conclude the contract. The aim will be to complete the exchange by the end of August.

### **Recommendation**

22. Members are asked to consider the following:

Approve Option a), that the freehold interest in the Kent Street site be sold to North Yorkshire Fire and Rescue Service based on the terms and conditions that are contained in the report, and to delegate authority to the Director of City Strategy in consultation with Head of Legal Service to conclude the sale.

Reason: To ensure the development potential of the site is utilised, that a satisfactory capital receipt is obtained to support the capital programme and to assist another local public authority to achieve its service objectives.

## Contact Details

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**Assistant Director of Economy and Asset  
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**Report Approved**



**Date 26/5/11**

**Specialist Implications Officer(s)** Louise Branford-White -Technical Finance Manager

**Wards Affected:**

**All**

**For further information please contact the author of the report**

**Background Papers:** None

### **Annexes:**

Annex 1 - A plan showing the location of the site.

Annex 2 - Confidential - A summary of the Heads of Terms agreement with NYF&RS and the market valuation of the Site provided by King Sturge.

Annex 3 - Confidential - A summary of an offer received from Indominito Properties.

