

BOROUGH OF KETTERING

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Report Originator	Mark Dickenson Head of Resources	<i>Fwd Plan Ref:</i> A16/031	
Wards Affected	William Knibb	18th January 2017	
Title	REDEVELOPMENT OF THE HOGS HEAD SITE AND DISPOSAL OF THE QUEEN STREET CAR PARK		

Portfolio Holder: Councillor Lesley Thurland

1. PURPOSE OF REPORT

To seek approval to dispose of the freehold interest in Queen Street Car Park, Kettering to Green Print Homes to facilitate the development of the former Hogs Head site.

2. BACKGROUND

- 2.1 The Council owns the freehold of a 32-space car park adjoining Queen Street, Kettering as shown on the attached plan (Plan 1). The site is approximately 0.2 acres in area and adjoins the former Hogs Head public house site.
- 2.2 The Council currently receives a net income of approximately £20,000 per annum from the Queen Street car park.
- 2.3 The Hogs Head pub stood on the currently derelict site until it was abandoned some twenty years ago. The Hogs Head site was acquired by Tykes Developments Ltd in 2008 on the granting of planning permission for a 45 bed hotel.
- 2.4 The old buildings opposite the Hogs Head site, on the northern side of Queen Street, were demolished in 2008 and in 2011 the buildings on the Hogs Head site were demolished due to the buildings becoming unsafe.
- 2.5 The current owners of the Hogs Head site, Kettering Cultural Quarter Limited (KCQL), formerly known as Tykes Developments Ltd, originally planned to increase the size of the hotel by an additional 21 rooms. To allow this the Executive previously agreed terms to grant a long lease of 125 years over the site. An 'agreement to lease' is currently in place with KCQL. The agreement allows KCQL time to seek planning permission for the extended hotel development. The actual lease would be triggered by commencement of work on the site. There is a 'long stop' date whereby the Agreement is terminated if the development is not commenced by 27 March 2018.
- 2.6 To date KCQL has not progressed the scheme and has indicated a wish to sell the Hogs Head site and assign the existing agreement to lease for the Queen Street car park to a third party developer.

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3. CURRENT SITUATION

- 3.1 KCQL has received a proposal from Green Print Homes Ltd to acquire the Hogs Head site. They specialise in residential development and are proposing to build an 'over 55's' residential accommodation comprising of 50 apartments over five floors with some retail use on the ground floor. This would still require the same footprint and car parking as the previously proposed hotel but would include an additional floor. Such a scheme would be subject to the normal planning process.
- 3.2 Green Print Homes Ltd has made it clear that it is not prepared to take a lease for the car park and would only be interested in acquiring the Council's freehold in the car park site. Negotiations have taken place with the company resulting in an offer of £300,000 being made and accepted, subject to approval by the Executive. The sale will be subject to an option agreement which will contain the following terms:
- i) Freehold sale price of £300,000.
 - ii) 5% deposit payable on completion of an option agreement
 - iii) The balance of 95% of the sale price to be paid within 28 days of the granting of satisfactory planning permission for the proposed scheme.
 - iv) Long stop date of two years from the completion of the option whereby the option will be terminated if planning permission has not been granted.
 - v) Termination of agreement with KCQL (already agreed)
- 3.3 The Council is under a statutory duty to obtain best consideration for the land. To satisfy this duty the Council obtained a freehold valuation for the car park from Budworth Hardcastle. Two valuation figures were provided:
- i) Investment value as an income producing car park = £270,000
 - ii) Development site with planning permission for town houses = £300,000
- 3.5 As Green Print Homes Ltd require the freehold the existing agreement to lease would need to be surrendered. KCQL has confirmed in writing that it would be willing to surrender the existing agreement to lease (which currently runs to 27th March 2018) if it was agreed that the freehold could be sold to Green Print Homes Ltd which would then enable the development to proceed.

4. PRIORITISATION 'GOLDEN RULES'

The budget report elsewhere on this agenda highlights the fact that in the medium term the Council will need to consider schemes that can contribute to it being more financially independent. Such considerations include looking at how the Council can maximise the income generation opportunities of its assets – both existing and potential – this includes reinvesting proceeds from the sale of existing assets.

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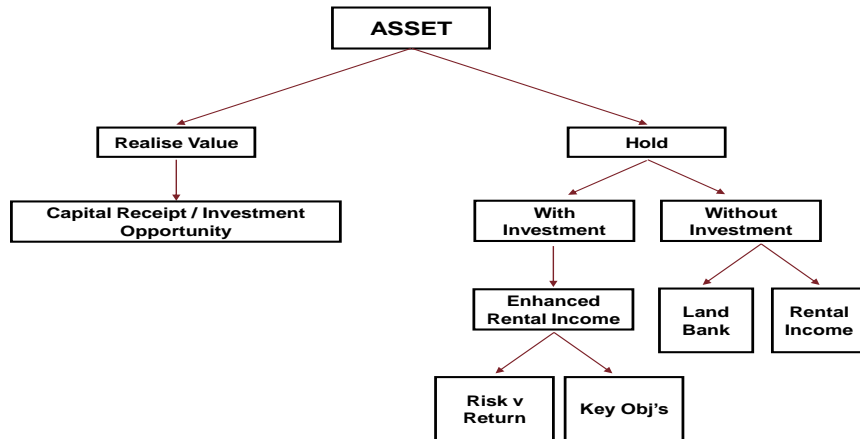
4.1 Following the resolution made at Executive Committee on 16th July 2014, the Council now have a high level strategy to assist in the prioritisation for capital investments. These are known as the 'Golden Rules' and when considering the realisation of value by way of a freehold sale the Executive needs to consider these golden rules as part of the Council's optimisation strategy.

Prioritisation 'Golden Rules'			
Golden Rule		Description	Proposed sale of car park
1	Revenue Impact	The item should have a positive impact on the Council's revenue budget over the medium term. The impact should be material in nature.	Yes – when all factors considered, provided 1. Displacement 2. NHB 3. De-investment
2	Fit with Key Priorities	There should be a direct and causal impact upon the achievement of the Council key priorities of; <ul style="list-style-type: none"> • Better Town Centres • Better Jobs • Better Educational Offer 	Yes
3	Risk and Return Profile	The item / project should fit the Council's risk and return appetite and also complement the overall portfolio of investment / assets.	N/A
4	Investment Leverage	The item / project should ideally act as either an 'invest to save' type project or one that 'pump primes' other significant investment into the borough.	Yes
5	Self Sufficiency	Given the continuing trend of reduction in central government grants, priority will be given to projects that assist in the Council moving further towards financial self-sufficiency.	Partly
6	Strategic Partnerships	The item should generally have a positive impact on the Council's strategic partnerships and the Council's long term strategic ambitions for the borough – eg, town centre development. In particular – items that support and help develop 'scope' rather than 'scale' will be prioritised.	N/A

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4.2 The following Decision Tree (also reproduced from the July 2014 report) highlights a number of options available to the Council in considering the future use of the property. The proposed plan will be to realise value.



5. CONSULTATION AND CUSTOMER IMPACT

5.1 Any subsequent Planning Application will be subject to the normal consultation requirements.

6. POLICY IMPLICATIONS

6.1 Should this proposed scheme proceed, a site that has been derelict for some considerable time will be redeveloped into over 55's residential accommodation. This fits the Council policies of better town centre and having more housing in the town centre. The Hogs Head site was originally one of the "suite 16" schemes for improvements to the town centre, together with the land on the other side of Queen Street which is partially derelict. It is hoped that the development of the Hogs Head site will provide a spur to the site on the other side of the road being revived.

6.2 The Kettering Town Centre Area Action Plan (AAP) provides planning policies for this site which supports the proposed development.

7. USE OF RESOURCES

7.1 The offer that has been agreed, subject to the approval of the Executive, to purchase the freehold of the car park is £300,000. This is in line with the independent valuation received from Budworth Hardcastle.

7.2 The current net annual income from the car park equates to around £20,000 per annum.

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7.3 If the Council sold the car park to facilitate the proposed development it is anticipated that parking usage would shift to other car parks in the town centre and that the apparent revenue loss would be significantly offset through relocation to other council owned car parks – notably School Lane and London Road.

7.4 The offer of £300,000 is in line with the independent valuation, and can be considered to fulfil the Council's duty to obtain best consideration. The sale also provides the following benefits:-

- Re-investment opportunities for the £300,000 to generate other revenue generating opportunities;
- New Homes Bonus receipts on the proposed new housing units. Redevelopment of a key site in the town centre (that has stood derelict for some considerable time);
- New housing units being delivered in the town centre;
- Helping improve the town centre;

7.5 When all of the above are taken together, it would not be unreasonable for members to conclude that the sale of the car part or the proposed scheme stacks up financially and in overall policy objective terms.

8. LEGAL IMPLICATIONS

8.1 S123 of the Local Government Act 1972 provides that Local Authorities have a duty to dispose of land at the best price reasonably obtainable.

8.2 When disposing of land the Council should ensure that it complies with the usual commercial best practice. The Council is not bound by a particular process in deciding what is best consideration. The usual practice is to market the land or obtain an independent valuation or both. An independent valuation has been obtained and it is considered that this is sufficient to meet the duty under S123 due the particular circumstances of the site.

8.3 It should be noted that there has been historic interest in acquiring the car park by another party, but that party has not been able to secure the Hogs Head site, and in any event, their proposed use of the Queen Street car park was not one which would have been beneficial to the regeneration of this part of town. The marriage value of the Hogs Head site and the Queen Street car park far exceeds any alternative option both in regeneration terms and likely financial terms. The other party has been consistently advised that the Council would not wish to sell the car park to them solely for their proposed use and because it would make the redevelopment of the Hogs Head site much more difficult. As the use of the site for a hotel development has already been established by the granting of the "agreement for lease", for that purpose. It is not, therefore, considered necessary to place the site on the open market

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8.3 The transaction will require the preparation of the appropriate legal documentation to reflect the agreement for sale and subsequent transfer of the land.

8.4 Green Print Homes Ltd has indicated that it intends to enter into the option agreement and purchase the site through a subsidiary company, GPH RL HORSE MARKET KETTERING LIMITED.

9. RECOMMENDATIONS

That the Executive Committee;

- a) Note the contents of the report;
- b) Approve the disposal of the Queen Street Car Park as set out in the report; and
- c) Delegate authority to the Head of Democratic and Legal Services to agree the final terms of the option agreement sale and transfer of Queen Street car park to Green Print Homes Ltd through its subsidiary company, as set out in the report and to accept the surrender of the existing agreement to lease.

Background Papers:

Title of Document:

Date:

Contact Officer:

Previous Reports/Minutes:

Ref:

Date: