



REPORT TO EXECUTIVE

PORTFOLIO AREA: ECONOMY AND ENTERPRISE, FINANCE AND PERFORMANCE MANAGEMENT

Date of Meeting: 24th September 2007

Public

Key Decision: Yes

Recorded in Forward Plan:

No

Inside Policy Framework

Title: CONCEPT BID TO NWDA

Report of: Director of Development Services, Director of Carlisle Renaissance

Report reference: DS.82/07

Summary:

As part of the ongoing work in relation to the potential redevelopment of the Carlisle Renaissance transformational areas the issue of site assembly needs to be addressed. The North West Development Agency has offered potential funding for the current financial year subject to the submission of a satisfactory Concept Proposal.

Recommendations:

It is recommended that:

1. A concept proposal is submitted to NWDA
2. Funds be used from the existing City Council £1m reserve for the procurement of advice and for the management and maintenance of the acquired properties and that £35,000 be released for an initial phase of work.

Contact Officer: Catherine Elliot

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Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers: None

1. BACKGROUND INFORMATION AND OPTIONS

- 1.1 As part of the ongoing work in relation to the potential redevelopment of the transformational areas of Rickergate and Caldew Riverside the issue of site assembly needs to be addressed.
- 1.2 Senior representatives of North West Development Agency's (NWDA) Development Team, the new Area Director of English Partnerships, and Chief of Executive of Cumbria Vision visited Carlisle recently and were given a tour around the City, with a specific focus on the development areas and opportunities.
- 1.3 As a result of this visit, both Cumbria Vision and NWDA are keen that the City Council now identifies potential property acquisitions that would assist in assembly of the transformational sites.
- 1.4 The NWDA has indicated a willingness to consider providing funds for the City Council to acquire a number of these properties within the current financial year. An indicative sum of £1.2 Million has been informally discussed with the NWDA, to be so utilised by 31st March 2008.
- 1.5 To achieve what is a very tight timetable, would mean an early Funding Concept bid to the NWDA followed up in due course by a more detailed submission.
- 1.6 Any such external funding scenario would need to be assessed alongside how the City Council utilises the existing £1 Million Renaissance Acquisition fund. The Council's agreed policy for using this existing fund is attached at Appendix 1.
- 1.7 The tasks that need to be carried out to support the bid to NWDA are:
 - Identification of potential properties to be acquired and the justification for such acquisitions. The initial work would be likely to be around the transformational sites identified within the Development Framework
 - Initial approaches to owners as to such acquisition potential
 - Formal valuations and condition surveys to utilise in negotiations with property owners
 - Detailed negotiations for property purchases with owners and their agents.

- Drawing up of legal contracts for such acquisitions leading to legal completion by end of March 2008.
- Determine and fully understand the investment criteria for purchasing vacant, residential and commercial properties including an appropriate exit strategy.
- Creation of a clear estate management strategy to deal with any properties so purchased pending redevelopment of the area; thus ensuring that such properties did not blight the locality. This includes:
 - How such acquired properties are managed – some properties may be subject to existing tenancy agreements, some properties may involve their current freehold owners remaining subject to new lease / licence arrangements
 - Investment criteria being fully understood – some residential properties may need further investment in improvements to give them the potential to create income. Other properties may have existing income streams that will provide investment returns

1.8 It is recommended that funds be used from the existing City Council £1m reserve for the procurement of advice and for the management and maintenance of the acquired properties. It is recommended that £35,000 is released to enable the first phase of this work to be carried out. Those properties to be brought into residential use may qualify for existing funding from within the Housing Strategy budget.

1.9 To enable a financial year-end timetable to be met for any purchases, immediate action is needed. A Concept Proposal to the NWDA is required as soon as possible, to be followed up by a more detailed bid. The Project Review Group Meetings of the NWDA that consider such bids meet on a fortnightly basis with papers required two weeks prior to the meeting.

- The target meeting date for a Concept Proposal is 8th October with papers required by 21st September
- The target meeting date for a Detailed Bid is 17th December with bid papers required by 30th November

- 1.10 This timescale would enable the process for acquisitions to start in the new calendar year. A concept Proposal is being prepared on the basis of the information in this report.
- 1.11 One critical issue to note is that the City Council would need to be actively pursuing the acquisition of properties before the outcome of the Local Plan Inquiry is known – probably some time in January 2008.
- 1.12 However, it is prudent to be pursuing potential opportunities, as this will maintain momentum for the delivery of the agreed Carlisle Renaissance Policy Framework. It will supplement the Council's existing resources enabling them to go further. It will accelerate the timescale, enabling earlier progress than previously envisaged. It will also send a strong positive message to external partners and the general public.

2. CONSULTATION

2.1 Consultation to Date.

Cross Party Working Group 6 September 2007

2.2 Consultation proposed.

Discussions would be needed with individual property owners as part of the acquisition process

3. RECOMMENDATIONS

It is recommended that:

1. A concept proposal is submitted to NWDA
2. Funds be used from the existing City Council £1m reserve for the procurement of advice and for the management and maintenance of the acquired properties and that £35,000 be released for an initial phase of work.

4. REASONS FOR RECOMMENDATIONS

To enable access to external resources to supplement the Council's resources and accelerate the timescale.

5. IMPLICATIONS

- **Staffing/Resources** – External valuation advice will be covered from the existing £1m reserve. There will also be a requirement for staff time, particularly from Property Services and Legal Services.
- **Financial** – It is stated in the report that if the proposed timetable is followed the acquisition of property will commence before the outcome of the Local Plan Inquiry is known. This presents a risk that some properties may be acquired that are not able to be utilised when the outcome of the Local Plan Inquiry is known. Any properties the Council could be left with due to this may suffer a deterioration in value and result in a loss to the Council.

The impact on the VAT partial exemption calculation and the amount of VAT the Council can claim back will need to be considered for each transaction proposed when more is known about the specific properties involved. The purchase will involve complex considerations and will require specialist external consultancy services to advise on this aspect (also to be funded from the £1m reserve.)

Further detail with regard to the way the £1m Reserve is to be expended should be set out and planned as more information becomes available so that the actual against this can be carefully managed, monitored and reported.

Once and/or if the funding is approved, the corporate External Funding and Grant Procedures will need to be followed to minimise the risk of clawback.

- **Legal** – The Council has power to acquire land and property for the purposes proposed under section 120 of the Local Government Act 1972 for the benefit or improvement of its area. Depending on the number of properties to be acquired, it may be necessary to consider outsourcing some of the legal work if the workload cannot all be resourced in house in order to make sure that the deadline for utilising the funding is met.
- **Corporate** – The proposals have been discussed by SMT.
- **Risk Management** – A risk assessment will be carried out for each property before any purchase takes place. If the offer from NWDA is not pursued then there is a risk that NWDA and other partners may question the Council's commitment to Carlisle Renaissance.

- **Equality and Disability** – This will be considered for each property as part of the estate management strategy.
- **Environmental** – The estate management strategy will ensure that properties are not left empty causing blight and environmental problems.
- **Crime and Disorder** – N/a
- **Impact on Customers** – The estate management strategy will ensure that properties are put to the best use to balance the interests of Council Tax Payers and property users.



A.4 APPENDIX
REPORT TO EXECUTIVE

PORTFOLIO AREA: FINANCE & RESOURCES

Date of Meeting: 24 April 2006

Public: Yes

Key Decision: No **Recorded in Forward Plan:** No

Inside Policy Framework

Title: ASSET INVESTMENT FUND: ACQUISITION CRITERIA FOR
CARLISLE RENAISSANCE

Report of: DIRECTOR OF DEVELOPMENT SERVICES

Report reference: DS 14/06

Summary:

This report outlines the rationale for the acquisition of property under the Asset Investment Fund and the criteria against which potential acquisitions will be brought forward in respect to Carlisle Renaissance for consideration by the Executive.

Recommendations:

Members are requested to: -

- a) Agree the acquisition criteria set out in this report.

Contact Officer: David Atkinson

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Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers: None

1. BACKGROUND

- 1.1 On the 19 December 2006 (FS 33/05) the Executive approved the use of capital resources from the Asset Investment Fund to support land and property acquisition in furtherance of the objectives of Carlisle Renaissance. This approval was made subject to the establishment of suitable criteria against which potential acquisitions would be brought forward for consideration by the Executive.
- 1.2 This report outlines the rationale for acquisition and the criteria against which potential acquisitions will be brought forward for consideration by the Executive.

2. RATIONALE

- 2.1 The revitalisation of the City Centre is one of the strategic objectives of Carlisle Renaissance. A City Centre Development Framework and City wide Movement Strategy was commissioned by English Partnerships in November 2005, with funding support from the City Council and other partners.
- 2.2 The City Council retains a number of operational and non-operational land and property assets within the City Centre area. It is recognised that control of these assets offers the City Council the opportunity to influence the regeneration process within the area. Further acquisitions by the City Council within this area, where appropriate, provide the opportunity to extend this influence
- 2.3 Acquisition by the City Council within this context is not necessarily for the purposes of generating investment income and is not intended to stifle investment by the private sector, particularly where it can be demonstrated that such investment can reasonably be expected to support the City Councils aspirations for the revitalisation of the City Centre.
- 2.4 It should be noted that in accordance with current best practice in regeneration and guidance from English Partnerships and others that the City Council will seek where appropriate to transfer the financial risk of acquisition for the assembly of sites for regeneration onto the private sector at the earliest opportunity.
- 2.5 Generally, the process for acquisition of properties with a view to assembling a site for long term regeneration is either:
 - Acquisition by a public authority in advance of developer selection/scheme commencement (either by agreement or compulsorily), or
 - Acquisition and funding by the selected development partner in advance of scheme commencement.

- 2.6 Acquisitions by the City Council may be by way of outright purchase or the negotiation of an option with a right to purchase on an agreed basis at some point in the future. The decision over which approach is most appropriate will be determined by the specific circumstances arising at the time.

3. CRITERIA

- 3.1 It is possible to apply a number of criteria when determining whether to acquire property through the Asset Investment Fund for Carlisle Renaissance. :-

- Is the property strategic in its importance?
- Is the property within the City Centre area (as defined in the emerging City Centre Development Framework)?
- Is the property adjacent to or in the immediate area of other City Council owned property?
- Is the property adjacent to or in the immediate area of historically sensitive sites and buildings?
- Is the property within or adjacent to an area of opportunity (as defined in the emerging City Centre Development Framework)?
- Is the property adjacent to or in the immediate area of existing or potential strategic City Centre transport infrastructure (as defined in the emerging City wide Movement Strategy)?

- 3.2 These criteria should be considered as a guide only since it is not possible to predict at this stage precisely which properties will come onto the market at any one time or the circumstances in which they may come to the market. A judgement will also need to be made based on the level of interest from other potential purchasers of the importance of the City Council acquiring the property. It should also be noted that any acquisition must be supported on an open market valuation by a suitably qualified Chartered Surveyor.

5. CONSULTATION

- 5.1 The following individuals and organisations have been consulted in preparing this report:-

- Director of Legal Services
- Director of Corporate Services
- Director of Carlisle Renaissance
- DTZ Debenhams Tie Leung

6. RECOMMENDATIONS

- 6.1 Members are requested to: -

- a) Agree the acquisition criteria set out in the report.

7. REASONS FOR RECOMMENDATIONS

- 7.1 To provide the Executive with criteria against which to determine property acquisitions using the Asset Investment Fund.

8. IMPLICATIONS

- Staffing/Resources – In some cases external professional surveyors may need to be appointed to assist, within existing resources.
- Financial – During the 2006/07 budget process, an additional £1m was transferred from capital receipts to the earmarked Asset Investment Reserve to provide for the purchase of strategic property for the Carlisle Renaissance project. The Asset Investment Reserve now stands at £2.1m, and to date £100,000 has been released to support additional work required to progress the Asset Review. Further allocation is subject to Members approving the criteria contained within this report.
- Legal – The Council has power under section 120 of the Local Government Act 1972 to purchase land for the benefit, improvement or development of its area and the proposals to acquire land in furtherance of the Carlisle Renaissance regeneration objectives are consistent with these powers. Under the current Leader's Scheme of Delegation, decisions to purchase land are not delegated to officers and so each proposal to acquire will need to be reported to the Executive for approval on a case by case basis supported by appropriate professional valuation advice
- Corporate – All property is a corporate resource.
- Risk Management – All acquisitions will be supported by an open market valuation by a suitably qualified Chartered Surveyor. The Council would also be obliged to maintain to an appropriate level any properties it acquires.
- Equality Issues – Carlisle Renaissance will aim to significantly improve access to services.
- Environmental – By the Council owning land and property it has more control over the quality of buildings to be developed.
- Crime and Disorder – Any new development scheme will aim to design out crime.
- Impact on Customers – Once property is acquired, the Council will need to take care to make sure that it is properly maintained because it is a demonstration to the general public.

24/4/06

EX.072/06 CARLISLE RENAISSANCE - CRITERIA FOR THE ACQUISITION OF ASSETS (Key Decision)

Portfolio Finance and Resources

Subject Matter

The Director of Development Services submitted Report DS.14/06 outlining the rationale for the acquisition of property under the Asset Investment Fund and the criteria against which potential acquisitions will be brought forward to the Executive in respect of Carlisle Renaissance.

The City Council held land and property assets within the City Centre area, control of which offered the City Council the opportunity to influence the regeneration process within the area. Further acquisitions by the City Council would provide the opportunity to extend this influence.

Acquisition by the City Council within this context was not necessarily for the purposes of generating investment income and was not intended to stifle investment by the private sector, particularly where it could be demonstrated that such investment could reasonably be expected to support the City Council's aspirations for the revitalisation of the City Centre.

In accordance with current best practice in regeneration, and guidance from English Partnerships and others, the City Council would seek, where appropriate, to transfer the financial risk of acquisition for the assembly of sites for regeneration onto the private sector at the earliest opportunity.

Generally, the process for acquisition of properties with a view to assembling a site for long term regeneration is either:

- Acquisition by a public authority in advance of developer selection/scheme commencement (either by agreement or compulsorily), or
- Acquisition and funding by the selected development partner in advance of scheme commencement.

Acquisitions by the City Council may be by way of outright purchase or the negotiation of an option with a right to purchase on an agreed basis at some point in the future. The decision over which approach was the most appropriate would be determined by the specific circumstances arising at the time.

The following criteria was recommended to use when determining whether to acquire property through the Asset Investment Fund for Carlisle Renaissance:-

- Is the property strategic in its importance?

- Is the property within the City Centre area (as defined in the emerging City Centre Development Framework)?
- Is the property adjacent to or in the immediate area of other City Council owned property?
- Is the property adjacent to or in the immediate area of historically sensitive sites and buildings?
- Is the property within or adjacent to an area of opportunity (as defined in the emerging City Centre Development Framework)?
- Is the property adjacent to or in the immediate area of existing or potential strategic City Centre transport infrastructure (as defined in the emerging City wide Movement Strategy)?

These criteria should be considered as a guide only since it is not possible to predict at this stage precisely which properties will come onto the market at any one time or the circumstances in which they may come to the market. A judgement would also need to be made based on the level of interest from other potential purchasers of the importance of the City Council acquiring the property. Any acquisition must be supported on an open market valuation by a suitably qualified Chartered Surveyor.

The final decision on whether to proceed with an acquisition would be taken by the Executive.

Summary of options rejected

None

DECISION

1. That the Executive approves the acquisition criteria as detailed in Report DS.14/06 and set out above.
2. That it is noted that the final decision on whether to proceed with an acquisition would be taken by the Executive.

Reasons for Decision

To approve the criteria against which property acquisitions using the Asset Investment Fund will be determined, subject to Executive approval.