

| | | | |
|-------------------------|--|---|-------------------|
| Subject: | Patcham Court Farm - Update on Disposal | | |
| Date of Meeting: | 16th October 2008 | | |
| Report of: | Interim Director, Finance & Resources | | |
| Contact Officer: | Name: | Angela Dymott, | Tel 291450 |
| | | Assistant Director, | |
| | | Property & Design | |
| | E-mail: | angela.dymott@brighton-hove.gov.uk | |
| Key Decision: | Yes | CAB 2195 | |
| Wards Affected: | Patcham | | |

FOR GENERAL RELEASE**1. SUMMARY AND POLICY CONTEXT:**

- 1.1 To advise Cabinet on the present position regarding the disposal of Patcham Court Farm Site and seek affirmation of the marketing approach in the current property market. November Policy & Resources Committee 2007 gave approval to the re-marketing of the site if negotiations with the recommended purchaser did not proceed. Negotiations broke down earlier this year following the emergence of the credit crunch and the Council, in discussion with its appointed Agents DTZ, Debenham Tie Leung Limited, has been considering options on the way forward.

2. RECOMMENDATION:

- 2.1 That the Cabinet approve the re-marketing of the site with a broadened planning brief through the council's agents DTZ, by contacting potential interested parties to test the market now and following re-assessment of the market to re-launch the site in Spring 2009. This course is not to preclude consideration of disposal in the event that an appropriate prior bid emerges in line with the current planning criteria.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

- 3.1 The site of 3.6 acres (1.4Ha) is located on the northern fringe of the City, just south of the A27 bypass and adjacent to the interchange of the A27 and A23. The site was previously part of the wider landholding Patcham Court Farm. The now derelict farm buildings were severed from the associated agricultural land when the bypass was constructed a decade and a half ago. The site falls within the southern fringe of the Sussex Downs Area of Outstanding Natural Beauty and adjoins Patcham Conservation Area. For avoidance of doubt the site does not include the adjoining allotments or houses and is shown by bold outline in the attached plan.

Planning

- 3.2 Planning policy EM2 in the Brighton & Hove Local Plan adopted in July 2005 identifies the site for high- tech business uses or general office uses within classes B1(a) and (b). An updated informal planning brief was developed for the marketing of the site by the Council's appointed Agents DTZ in November 2006 that confirmed the main office use identified in the Local Plan and other possible employment generating uses that complied with relevant planning policies. The site would not therefore be considered for housing by the planners as this would be contrary to the Local Plan and the emphasis on providing employment on this site.
- 3.3 The emerging Local Development Framework - Core Strategy - Revised Preferred Options identifies Patcham Court Farm as a Strategic Employment Site to be safeguarded and promoted for office and high-tech business use. The suggestion of possible Community Land Trust involvement could run counter to the established employment use and planning policy for the site. Generally Community Land Trusts engage in developing affordable housing, providing community facilities, managing green spaces and developing land for workspace/retail use. With the exception of workspace which is consistent with a major office scheme, these activities would not fit with the strong employment theme identified for this high profile site. In addition, retail facilities have in the past been identified as inappropriate for this site.

Recent planning consultations

- 3.4 Property & Design and DTZ have been working with the planning team since May 2008 on widening the planning brief to help broaden the potential market interest. The planners original brief assumed a development of 70,000 sq.ft. for B1 (a) offices and B1 (b) research & development and have been consulted on opening out the range of possible uses on the site. Potential additional or alternative uses which were discussed include care home /medical, trade counter and small industrial, hotel/ancillary (e.g. restaurant) and an Ambulance "Make Ready" station. The planning team would be flexible with regard to a mixed use development but are constrained by the Local Plan and employment requirements so any departure from these would have to be justified.

- 3.5 Since November 2007 and more recently during June to September 2008 Property & Design have had discussions with the South East Coast Ambulance Service (SECAM). They have been looking for possible sites for one of their "Make Ready" stations which would include offices and associated facilities where proximity to the main A27 is essential. However after looking into their precise requirements more deeply their proposed main planning use is of an industrial nature which would not be supported on this particular site and so they are exploring other more suitable locations within the City.

Progress

- 3.6 In March 2007 Policy & Resources Committee approved the sale of the site to Akeler with Lloyds TSB as occupiers. Lease terms were agreed and documents ready to be signed but Lloyds TSB pulled out over concerns about meeting a very tight timetable for the occupation of the new building as their existing Landlord would not extend their tenancy. Our Agents DTZ approached the under bidders for revised bids and in Nov 2007 Policy & Resources Committee agreed to dispose of the Patcham Court Farm to the highest under bidder Rok.
- 3.7 Following the emergence of the credit crunch ROK approached the Council in Feb 08 explaining that they would be withdrawing from the development market but would be prepared to continue with Patcham Court Farm as their last project and reduced their financial bid by almost half. Following consultations with our Agents Debenham Tie Lung, DTZ, in March it was felt that this figure did not represent value for money and the Council asked DTZ for an options report on the way forward. This was reviewed in April 2008 and although DTZ advised that the property market would continue to be difficult they confirmed that the preferred course of action would still be to re-market the site to test its current value. In May discussions and consultations began with the planning team to broaden the brief as outlined at paragraph 3.4 and 3.5.
- 3.8 In June 2008 one of the original short listed parties, submitted an offer for the whole site and the Council asked its Agents to try and improve on the offer. During this period the property market deteriorated further and this party decided not to proceed having re-evaluated their business model and figures in the declining market.
- 3.9 From June to September DTZ has been looking at further options and the Council has been in discussions with the South East Coast Ambulance Service (SECAM) regarding their potential interest in the site. DTZ advise that the re-marketing of the site with a potential pre-let would be beneficial in the current unstable property market. Following more in depth discussions with SECAM and the planning and property teams it became clear that this site would not be suitable for SECAM's main operational requirements and that a split site solution where some of their requirements may be accommodated partially on site would not fit their overall purposes. SECAM are therefore exploring alternative sites.

- 3.10 The primary market for the site remains the office sector despite its current difficulties as the fundamentals of a lack of large, quality, modern office buildings in the City remain. However the widened planning brief does present potential for a mixed use development based on employment generating uses. Our Agents DTZ have advised that the autumn market is slack and that the next window of opportunity to re-market the site is in the Spring of 2009. DTZ's overview is that 2008 will continue to be a tough year for the property sector and this will continue well into 2009, but that it would be advisable to test the market next Spring with the widened planning brief.

4 CONSULTATION

- 4.1 Consultations have been held with our appointed agent DTZ, the potential bidders, the planning team, SECAM and associated interested parties as outlined in Section 3.

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 net capital receipt will be needed to support the corporate Strategic Investment Fund for future years. The value of the receipt will be dependant on the planning process with further negotiations yet to be undertaken. A S.106 and /or S.278 payment(s) are likely to be included within the agreement and this will be netted off from the gross receipt. There are no further direct revenue consequences associated with the site to be considered.

Finance Officer consulted : Mark Ireland

Date: 7/8/2008

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: 6/8/08

Equalities Implications:

- 5.3 The planners would require any development to incorporate improve 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 AONB and Patcham Village Conservation Area and is opposite 3 Listed Buildings, Patcham Court Farmhouse, The Village Barn and All Saints Church. The site is identified as being in a Green Corridor and is on a Greenway in the Local Plan, a green travel plan would be an essential part of the proposed scheme. The site is located above chalk aquifers and any developer would have to consult with Southern Water and the Environment Agency on the drainage proposals. This could be addressed by the implementation of a “Sustainable Urban Drainage System” (SUDS) which would slow down the release of rainwater into the drainage network or the ground

Crime & Disorder Implications:

- 5.5 The site is occupied on a Tenancy at Will at a peppercorn to prevent unauthorised access and to maintain security. These will be continuing issues of concern whilst the site remains undeveloped.

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 An option analysis of alternatives was undertaken by our agents DTZ at the Council’s request. Six main options have been explored :
- a) *Sale to original bidders*: these options have been pursued by DTZ but the Developers are now unwilling to proceed.
 - b) *Encourage approaches from other parties for office development and other appropriate uses*: DTZ could contact the parties who did not make the short list and others who the agents consider might be interested. This approach may miss potential bidders and may not maximise value in current market conditions. Other uses such as an hotel would produce a lower price and again selected approaches to a limited number of parties would miss out other potential bidders.
 - c) *Re-market site*: This option would ensure that all potential bidders are made aware of the availability of the site and that a disposal achieves best consideration to comply with our legal obligations. The best time for marketing would be either Autumn or Spring. The Autumn market is

predicted to be slack and the timing may not be best before the Christmas break. Spring marketing will enable ample preparation and should be better in market terms.

- d) *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.
- e) *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.
- f) *Wait until the economy improves before going to the market*: This may not be until 2009 /2010 and this option remains open if acceptable offers are not forthcoming in the Spring.

6.2 Our agents DTZ therefore recommend option 6.1 c) to re-market the site and test the market in Spring 2009.

7. REASONS FOR REPORT RECOMMENDATIONS

- 7.1 To test the market in accordance with option 6.1 c) and establish a value for the site in difficult economic conditions and obtain funds to meet the Council's objectives in the rest of the City. This approach will also enable us to test the market now and re-launch the property on the market in Spring 2009 in time for the anticipated market upturn. Subsequent evaluation of offers and negotiation will provide an opportunity to reappraise as (and if) the market improves, but this course does not preclude consideration of disposal in the event that an appropriate prior bid emerges in line with the current planning criteria.
- 7.2 To make best use of an existing asset and provide employment opportunities for the City.

SUPPORTING DOCUMENTATION

Appendices:

- 1. Plan of site

Documents In Members' Rooms

- 1. None

Background Documents

1. None

