Item 2

6th October 2022

Glasgow City Council

Contracts and Property Committee

Report by Executive Director of Neighbourhoods, Regeneration and Sustainability

Contact: George Gillespie Ext: 79106

PROPOSED OFF MARKET DISPOSAL OF BURNBANK HOUSE, 25 BURNBANK GARDENS, GLASGOW G20 6HD AT LESS THAN BEST CONSIDERATION TO QUEENS CROSS HOUSING ASSOCIATION LIMITED

Purpose of Report:

To seek authority on the terms and conditions for an off-market disposal of Burnbank House, 25 Burnbank Gardens, Glasgow G20 6HD at less than best consideration to Queens Cross Housing Association Limited

Recommendations:

That Committee

1. notes the content of this report;
2. approves the main terms and conditions outlined within this report; and
3. authorises the Director of Neighbourhoods, Regeneration and Sustainability in consultation with the Director of Legal and Administration to progress the sale to Queens Cross Housing Association Limited.

Ward No(s): 11 - Hillhead	Citywide:
Local member(s) advised: Yes ☐ No ☑	consulted: Yes ☐ No ☑

***PLEASE NOTE THE FOLLOWING**:*

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Report to: **Contract & Property Committee**

From: **Managing Director of City Property (Glasgow) LLP**

Date: **15 September 2022**

Subject: **Proposed Off Market Disposal of Burnbank House, 25 Burnbank Gardens, Glasgow G20 6HD at less than Best Consideration to Queens Cross Housing Association Limited**

1 Description

1.1 The property comprises a vacant, former care home, most recently used as a homeless hostel, together with adjacent land and part of a public gardens area to the north. The building is four storeys' in height and is currently boarded up at ground floor level due to it being earmarked for demolition for redevelopment purposes once the property is sold. The building adjoins two, five-storey sheltered accommodation blocks to the west and east owned by Queens Cross Housing Association Limited (QCHA).

1.2 The site proposed for disposal extends to 0.3433 Hectares (0.85 Acres) or thereby as shown edged in black and hatched on the attached plan.

2 Planning

2.1 Glasgow City Development Plan was adopted on 29 March 2017. The new local development plan replaces Glasgow City Plan 2 (2009) and sets out the Council's land use strategy providing the basis for assessing planning applications - see https://www.glasgow.gov.uk/index.aspx?articleid=16186. The City Development Plan does not identify land use zones to direct particular types of development. Instead, overarching policies CPD1 Placemaking and CDP 2 Sustainable Spatial Strategy encourage development to be informed by a placed base approach, which means new development should be responsive to its context.

2.2 Planning permission for demolition of the existing building and erection of flatted residential development (48 units) and associated works was granted approval to the Purchaser on 8 December 2021 subject to various conditions and a section 69 Agreement.

3 Background

3.1 The request to agree Heads of Terms for the disposal of the subject site to Queens Cross Housing Association (QCHA) was initiated by DRS Housing Services (now Neighbourhoods, Regeneration & Sustainability (NRS) – Housing & Regeneration Services) to City Property (Glasgow) LLP ('City Property') on 4 August 2016.

3.2 The subject shown edged in black and hatched on the attached plan was formally declared surplus to Glasgow City Council's (The Council) operational requirements on 8 September 2016 following the procedural non-operational process with no notes of interest being received and, accordingly, is now clear for disposal.

3.3 The City Administration Committee, at its meeting on 13 June 2019 Link to Report approved the nominated disposal of 23 sites to Registered Social Landlords (RSLs), funded through Glasgow's Affordable Housing Supply Programme (AHSP), with City Property negotiating the disposal of the sites. The subject site was included as one of the 23 sites to Registered Social Landlords and nominated specifically for disposal to QCHA.

3.4 The proposed disposal is compliant with the policy for off-market disposal approved by the City Administration Committee at its meeting of 10 October 2019 Link to Report. It is considered that the proposed disposal is compliant with 3.1.1 and 3.1.5 of the approved policy as QCHA are an adjoining proprietor and the proposed disposal is to a registered social landlord in support of the Council's strategic housing objectives. QCHA are an adjoining proprietor as they own the two adjoining five-storey sheltered accommodation blocks to the west and east of the subject property. The proposed disposal therefore allows for consolidation of their housing stock in the area.

3.5 The City Administration Committee, at its meeting on 22 June 2022 (Link to Report) approved the nominated disposal of the subjects at less than best consideration and in so doing, accepted that the Council would forgo an estimated capital receipt of £1.38M as a contribution towards the delivery of the project.

3.6 It was agreed at the meeting that the Managing Director of City Property (Glasgow) LLP would negotiate the final terms and conditions of the disposal and that approval of the agreed terms and conditions would be approved by the Contracts and Property Committee.

3.7 QCHA are looking to bring forward a residential scheme to create 48 flatted units for social rent for elderly people.

3.8 The subject property is not currently included in the Council's Log of Opted to Tax Property.

3.9 It is considered that the subjects do not form part of the Council's Common Good.

4 Current Position

4.1 Following the City Administration Committee meeting of 22 June 2022, City Property (Glasgow) LLP resumed negotiations with QCHA.

4.2 A gross purchase in the sum of £740,000 had provisionally been agreed with the Purchaser, however, following a review of the estimated abnormal costs associated with redevelopment of the site, the budget cost for abnormal costs had to be increased to £346,000 to cover increased tender costs around demolition of the building resulting in a revised net purchase price of £394,000.

4.3 Negotiations have concluded for the off market disposal and we are now in a position to report on the Heads of Terms agreed with QCHA.

5 Purchaser

5.1 Queens Cross Housing Association Limited (A Registered Social Landlord).

6 Terms and Conditions

6.1 The subject comprises the site shown edged and hatched in black on the enclosed plan, extending to 0.3433 hectares (0.85 acres) or thereby. The attached plan is for indicative purposes only.

6.2 The purchase price shall be SEVEN HUNDRED AND FORTY THOUSAND (£740,000) POUNDS STERLING, exclusive of Value Added Tax, if applicable. The purchase price is based on the current planning application for a 48 unit scheme. For the avoidance of doubt the new purchase price will only be reduced by sums agreed as Abnormal Costs.

6.3 The net purchase price shall be THREE HUNDRED AND NINETY FOUR THOUSAND (£394,000) POUNDS STERLING, exclusive of Value Added Tax, if applicable.

6.4 The Date of Entry is to be no later than the 31 March 2023 or such other date as shall be mutually agreed between the parties failing which either party can resile without penalty.

6.5 The subject, edged and hatched black on the enclosed plan, shall be used solely for accommodating a residential development of 48 units and for no other use whatsoever without the prior written consent from the Seller which shall be granted at their absolute discretion.

6.6 The Purchaser shall be responsible for the Seller's reasonable legal expenses in connection with this transaction, together with City Property's (Glasgow) LLP's fee of £1,500, plus Value Added Tax.

6.7 The Purchaser will not be entitled to assign in whole or in part its rights under the contract of sale without the Seller's consent which shall be granted at its absolute discretion.

6.8 All third party determination in the contract of sale shall be by an independent expert and not by way of arbitration.

6.9 In the event that the Purchaser instructs ground investigation works, site surveys, habitat surveys, EIA surveys or any other such survey or report, prior to the date of entry then the costs of such works/surveys shall be borne by the Purchaser. For the avoidance of doubt the seller shall not reimburse the purchaser for any such costs whatsoever whether the sale completes or not.

6.10 The Director of Neighbourhoods, Regeneration and Sustainability in consultation with the Director of Legal and Administration shall be authorised to conclude all other matters pertaining to the disposal of the subjects and to enter into the necessary legal agreements on terms which are in the best interest of the Council.

6.11 The Purchase Price will be paid by 2 instalments in exchange for title to the whole site, which will transfer from the Seller to the Purchaser on the Date of Entry.

6.12 The First Instalment is THREE HUNDRED AND NINETY FOUR THOUSAND POUNDS (£394,000) STERLING, exclusive of Value Added Tax, if applicable and is payable on the Date of Entry.

6.13 The Second Instalment is payable by the Purchaser to the Seller within 10 working days of agreement on Abnormal Costs failing which the Purchaser will pay on demand to the Seller interest at the rate of 3% per annum from the date when the amount became due until the actual date of payment. The Second Instalment will be calculated by the following formula:-

Second Instalment = (GP – NP – AC)

Where:

GP = Gross Purchase Price = £740,000

NP = Net Purchase Price = £394,000

AC = Abnormal Costs/ Works, all as detailed in the attached "Guidance on Abnormal Costs/ Works', that are more than reasonably anticipated to carry out the proposed development of 48 residential units.

Net Second Instalment Sum = (£740,000 - £394,000 – AC)

6.14 For the avoidance of doubt, no sum will be payable in the event that the formula produces a negative figure.

6.15 The Second Instalment shall be secured by economic development burdens enforceable by the Seller as local authority burdening the title of the whole subjects.

6.16 Abnormal Costs must be agreed, as being proper and reasonable on an open book basis with 3rd party expert determination, on referral by either party, of what is proper and reasonable in the event of dispute.

6.17 An itemised breakdown of Abnormal Costs must be submitted to the Seller on or before 30 September 2023. Costs will only be accepted as abnormal if they are provided for within the attached Guidance on Abnormal Works/Costs.

6.18 Abnormal Costs will be deductible from the Second Instalment as provided for at 6.13 and if they (taken together) exceed the Second Instalment, no sums will be payable by the Seller to the Purchaser.

6.19 In the event that the Purchaser dispones the subjects prior to the commencement of proposed development to the subjects then the Purchaser shall pay to the Seller 100% of all sales proceeds in excess of THREE HUNDRED AND NINETY FOUR THOUSAND POUNDS STERLING (£394,000) subject to all reasonable marketing costs incurred by the Purchaser during the sale process.

6.20 It is agreed that the Purchaser shall pay to the Seller 100% of any uplift in the market value of the subjects less any costs incurred in the event that planning consent for a more valuable land use is gained.

6.21 In the event that planning consent is obtained for a development of more than 48 units on the subjects, then the Purchaser will pay to the Seller a sum of £15,416 gross, for each and every additional unit constructed thereon, subject always, to the deduction of any Additional Abnormal Costs incurred as a direct result of an increase in unit numbers. For the avoidance of doubt, Additional Abnormal Costs will be limited to £7,208 per each additional unit and will be subject to verification as described at Condition 6.17.

6.22 The overage payment shall be payable by the Purchaser to the Seller within 6 months of the date of grant of such subsequent planning permission failing which the Purchaser will pay on demand to the Seller Interest from the date when the amount became due until the actual date of payment.

6.23 In advance of completion of the legal formalities for the sale, a licence for works will be granted to the Purchaser to allow them immediate access to the subject in order to commence demolition works of the buildings on the site. For the avoidance of doubt, the costs of such works/surveys shall be borne by the Purchaser at their sole expense. The Seller shall not reimburse the Purchaser for any such costs whatsoever in connection with the demolition works whether the sale completes or not.

7.0 Policy and Resource Implications

Resource Implications:

Financial:	*The capital receipt will be reduced to an estimated sum of £394,000 which is £1,416,000 lower than the estimated open market value.*
Legal:	*All transactions will be subject to review and conclusion by Glasgow City Council's Corporate and Property Law section.*
Personnel:	*There are no direct personnel implications.*
Procurement:	*There are no relevant procurement issues.*

Equality and Socio-Economic Impacts:

Does the proposal support the Council's Equality Outcomes 2021-25? Please specify.	*The Affordable Housing Supply Programme is part of Glasgow's Housing Strategy which was subject to an Equalities Impact Assessment. Glasgow's Housing Strategy Impact Assessments*
What are the potential equality impacts as a result of this report?	*The provision of this housing type in this location has significant, positive, equality benefits given the lack of alternative, suitable accessible housing in this location.*
Please highlight if the policy/proposal will help address socio-economic disadvantage.	*The AHSP will facilitate significant investment in the construction and associated industries, with additional community benefits in the form of jobs and training opportunities and benefits to SMEs via the supply chain.* *The new and improved housing delivered via the 2022/23 AHSP will contribute to the continuing regeneration of neighbourhoods within Glasgow. It will provide opportunities for people to access much needed high-quality homes including those for larger families and wheelchair accessible across a range of tenures. The AHSP will create new affordable housing for local communities and result in environmental improvements to local areas.*

Climate Impacts:

Does the proposal support any Climate Plan actions? Please specify:	*Homes delivered via the 2022/23 AHSP will have high energy efficiency resulting in low carbon emissions and low running costs for residents. This supports Glasgow's Climate Plan, Theme Five: Green Recovery.*
What are the potential climate impacts as a result of this proposal?	*The re-use of brownfield sites contributes positively to sustainability.*
Will the proposal contribute to Glasgow's net zero carbon target?	*Homes delivered via the 2022/23 AHSP will have high energy efficiency resulting in low carbon emissions and low running costs for residents. A Strategic Environmental Impact Assessment was carried out as part of the preparation of Glasgow's Housing Strategy.*
Common Good:	*It is considered that the subject does not form part of the Council's Common Good.* *The majority of the subjects were acquired by the Council's predecessors using statutory powers. The remainder of the subjects were acquired by the Council on 26 March 2021 by agreement and for value. The subjects are not on the list of common good assets. There are no conditions in the title that would suggest that the subjects were being acquired to be held as part of the common good. There are no other relevant factors to suggest that the subjects would form part of the common good of the Council.*
Privacy and Data Protection Impacts:	*No privacy or data protection impact identified.*

8.0 Recommendations

That Committee:

8.1 notes the content of this report;

8.2 approves the main terms and conditions outlined within this report; and

8.3 authorises the Director of Neighbourhoods, Regeneration and Sustainability in consultation with the Director of Legal and Administration to progress the sale to Queens Cross Housing Association Limited.