

Report title: Potential purchase of the Citypoint building – a long leasehold commercial property Investment within the Temple Quarter Enterprise Zone

Wards affected: Lawrence Hill

Strategic Director: Barra Mac Ruairí / Strategic Director: Place
Report Author: Robert Orrett / Service Director - Property
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RECOMMENDATION for the Mayor's approval:

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- 1. To agree the provision of additional capital to be available for the purchase of Citypoint, a long-leasehold commercial property investment located within the BTQEZ.**
- 2. To authorise the Strategic Director: Place to approve the purchase of the Citypoint interest, even where the purchase price is in excess of £500,000 subject to the final total cost of purchase being within the overall amount approved and subject to:**
 - a) Briefing of the Mayor or Assistant Mayor for Place on the rationale for the proposed purchase including the relevance of control through ownership by the Council to contribute to the overall improvement, regeneration and economic growth within the City.**
 - b) Advice from the Service Director: Property recommending the terms proposed for any purchase.**

Key background / detail:

a. Purpose of the report:

To obtain Cabinet approval for additional capital funding to be available for the purchase of Citypoint - a long-leasehold commercial property investment - for two main purposes: to improve Council revenue income return and to improve strategic influence and help to bring forward regeneration in the Bristol Temple Quarter Enterprise Zone (BTQEZ).

b. The proposal:

1. To purchase Citypoint - a long-leasehold property investment* situated in the BTQEZ in order to achieve two main objectives:
 - a. To enhance the Council's current revenue income through the purchase

of a long-leasehold property investment that provides a net annual return of 7% rather than the 0.6% currently obtained by holding cash on short-term deposit.

- b. To acquire an interest that provides the Council with increased strategic influence over a key redevelopment site within the BTQEZ - since the Council assumes direct managerial control of the building and sub tenancies.

*The Council already owns the freehold interest in Citypoint, having let the building in 1971 on a long ground lease for a period of 125 years, at a ground rent of £3,500 per annum. The current long leasehold owner is not in occupation of the building, but receives rents from managing the sub tenants who currently occupy the building. The current annual rental income is £735,000 per annum net; the landlord's costs of running the building are recoverable through the building service charge provisions contained in the sub tenancies.

The price negotiations to purchase the property interest are commercially sensitive and are exempt from publication as they relate to the financial business affairs of the authority. The best interests of the Council concerning these negotiations would be harmed by making public, information concerning the amount of capital being requested to buy this property interest. Exempt Appendix 1 provides confidential information for Cabinet to consider in this regard.

**BRISTOL CITY COUNCIL
CABINET
24th November 2015**

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Strategic Director: Barra Mac Ruairí / **Strategic Director: Place Report author:** Robert Orrett / **Service Director - Property**

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Consultation and scrutiny input:

Internal consultation:

2. The Strategic Director for Place is the Senior Responsible Officer for BTQEZ Programme, and chairs the BTQEZ Strategic Directors Board. There are regular briefings with the Mayor and cabinet portfolio Assistant Mayors, and also a reporting line into the BTQEZ governance structure.
3. The Service Director of Finance is the Senior Responsible Officer for Treasury Management and Investment within the Council.

External consultation:

4. Not applicable.

Other options considered:

5. Option 1 - Do Nothing

6. Option 2 – Establish the means and authority to purchase property where control through ownership by the Council will improve the Council's income and where possible improve the Council's ability to bring forward key regeneration projects in the BTQEZ.
7. Option 1 – would result in the property interest remaining in third party ownership. This would entail a lost income opportunity and reduced the level of strategic regeneration influence within the BTQEZ.
8. Option 2 – Preferred option. The recommended approach will enable the Council to bid competitively in the commercial property investment market, i.e. with the necessary commercial speed and confidentiality to buy the property interest at best market price, to ensure the best possible income return.

Risk management / assessment:

FIGURE 1							
The risks associated with the implementation of the (subject) decision :							
No.	RISK	INHERENT RISK		RISK CONTROL MEASURES	CURRENT RISK		RISK OWNER
		(Before controls)			(After controls)		
	Threat to achievement of the key objectives of the report	Impact	Probability	Mitigation (ie controls) and Evaluation (ie effectiveness of mitigation).	Impact	Probability	
1	Capital investment is committed without Cabinet approval	Med	High	Strategic Director responsible for decision making following briefing of Mayor or Assistant Mayor and advice on terms of purchase.	Low	Med	Strategic Director: Place
2	Ownership by a third party will reduce the Council's ability to exert strategic influence in the City.	High	Med	Purchase of property will provide control through the Council.	Low	Med	Strategic Director: Place

FIGURE 2							
The risks associated with <u>not</u> implementing the (subject) decision:							
No.	RISK	INHERENT RISK		RISK CONTROL MEASURES	CURRENT RISK		RISK OWNER
		(Before controls)			(After controls)		
	Threat to achievement of the key objectives of the report	Impact	Probability	Mitigation (ie controls) and Evaluation (ie effectiveness of mitigation).	Impact	Probability	
1	Timing and scope of redevelopment proposals by a third party owner may undermine the success of key redevelopment projects.	High	Med	CPO and Development Control through the Planning process.	High	Med	Strategic Director: Place
2	An opportunity to improve medium term Council income will be lost.	Med	High	Purchase of other investment assets to provide additional medium term income.	Low	Med	Strategic Director: Place

Public sector equality duties:

1. An Equality Impact Relevance Check for the purchase of the land is attached as Appendix 1. The purchase of commercial property on the enterprise zone has low relevance for equalities communities.

2. However decisions about the subsequent usage of the property interest could have relevance. Therefore any proposals to change usage or refurbish the building should involve a separate Equality Impact assessment relevance check and comply with best practice access guidance such as the Environmental Access Standard.

Advice given by: Anne James, Equalities and Communities Cohesion Team Leader
Date: 13 October 2015

Eco impact assessment

The significant impacts of this proposal are...

There are no direct significant impacts generated by the purchase of properties as outlined in this proposal. Indirectly, highly significant impacts will be generated through demolition and redevelopment, including waste, energy consumption, transport and use of resources

The proposals include the following measures to mitigate the impacts...

- *All development is subject statutory planning requirements, including the Central Area Plan which applies to Temple Quarter. The Central Area Plan specifies a range of environmental criteria such as BREEAM "Excellent" for new development.*
- *Any council-led development would be subject to a new cabinet report and eco-impact assessment. Previous examples include the Engine Shed and the Arena.*
- *Any demolition shall include controls to manage statutory nuisances, transport, and re-use, recycling and disposal of waste*

The net effects of the proposals are...

Net direct impacts of this proposal are not significant. Indirect negative impacts are highly significant, but effectively mitigated through planning policy and control of demolition.

Advice given by Steve Ransom, Environmental Performance Programme Co-ordinator
Date 13 October 2015

Resource and legal implications:

Finance

a. Financial (revenue) implications:

This funding will be provided from prudential borrowing and will form part of the council's overall cost of treasury management. The current cost of borrowing from the PWLB is at a rate of 3.13% for loans offered over 25 years, a cost to the council of approximately £60,000 per year per £1m borrowed.

Advice given by Mike Allen - Finance Business Partner
Date 13 October 2015

b. Financial (capital) implications:

As noted above, this level of provision will require prudential borrowing and will form part of the overall council borrowing and approval by the s151 officer. The cost of any such purchase will need to be justified within the development strategy for the Enterprise Zone.

Advice given by Mike Allen - Finance Business Partner
Date 13 October 2015

Comments from the Corporate Capital Programme Board:

Not applicable

c. Legal implications:

The proposal raises no particular legal issues at this time, but particular site acquisitions will need to comply with the Councils normal requirements.

Advice given by Eric Andrews, Solicitor, Corporate Legal Team
Date 13 October 2015

d. Land / property implications:

The approval of this funding will enable the Council to secure improved outcomes for the BTQEZ by exercising control through property ownership as well as securing a medium term income return which is favourable in relation to current rates of return.

Advice given by Robert Orrett / Service Director - Property
Date 13 October 2015

e. Human resources implications:

There are no HR implications for existing employees of the council. However, the approval of funding will support the delivery of 17,000 new jobs.

Advice given by Mark Williams, HR People Business Partner, Neighbourhoods Directorate
Date 13 October 2015

Appendices:

1: Commercial proposal – **EXEMPT Pursuant to Schedule 12A Local Government Act 1972, information relating to the financial or business affairs of any particular person (including the authority holding that information)**

2: Equality Impact Relevance Check

Bristol City Council Equality Impact Relevance Check

What is the proposal?	
Name of proposal	BTQEZ Programme Delivery Team
Please outline the proposal.	This Relevance Check is to accompany the Nov 2015 Cabinet Paper
What will this proposal achieve?	To obtain Cabinet approval for additional capital funding to be available for the purchase of a commercial investment property for two main purposes: firstly to improve Council income return; secondly, to improve strategic influence and bring forward regeneration in the Enterprise Zone.
Name of Lead Officer	The Senior Responsible Owner is Barra Mac Ruairí

Could your proposal impact citizens with protected characteristics? (This includes service users and the wider community)	
Please outline where there may be significant opportunities or positive impacts, and for whom.	
<p>The LEP have a number of priorities which dovetail well with the public sector equality duty to advance equality of opportunity:</p> <ul style="list-style-type: none"> • Shape the local workforce to provide people with skills that businesses need to succeed and that will provide them with job opportunities • Ensure all our communities share in the prosperity, health and well-being and reduce the inequality gap. • Closing the gap between disadvantaged and other communities 	
Please outline where there may be significant negative impacts, and for whom.	
<p>This proposal to purchase properties in the enterprise zone has low relevance for the public sector equality duty. The local population in Lawrence Hill has the highest BME population in Bristol, therefore purchasing any residential space around the Enterprise Zone could impact on the homes of BME people. A high number of commercial properties on Old Market are LGBT businesses and the</p>	

area is known as Bristol's Gay Village.
 Therefore the purchase of commercial property in the Enterprise Quarter has low equalities relevance. However the purchase of any residential properties in the area or any commercial properties in or near the old Market Area would have equalities relevance – the impact could be positive or negative and any impact on local residents could be justified by the greater benefit to the economy of the area.
 Therefore any purchase to residential properties or LGB run commercial property should be considered on individual merit and an individual EQIA done on the impact.
 General purchases of commercial properties do not need to have an EqIA as there is no equalities relevance.

**Could your proposal impact staff with protected characteristics?
 (i.e. reduction in posts, changes to working hours or locations, changes in pay)**

There is no impact on BCC staff

Is a full Equality Impact Assessment required?	
<p>Does the proposal have the potential to impact on people with protected characteristics in the following ways:</p> <ul style="list-style-type: none"> • access to or participation in a service, • levels of representation in our workforce, or • reducing quality of life (i.e. health, education, standard of living)? 	
<p>Please indicate yes or no. If the answer is yes then a full impact assessment must be carried out. If the answer is no, please provide a justification.</p>	<p>A full equality impact assessment does not need to be undertaken on the purchase of the property for the Cabinet Report November 2015, because it has low equalities relevance.</p>
<p>Service Director sign-off and date:</p> <p>Robert Orrett 13/11/2015</p>	<p>Equalities Officer sign-off and date:</p> <p>Anne James Equality and Community Cohesion Team Leader 13/11/2015</p>