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Sandwell Metropolitan Borough Council

Land and Asset Management Committee

26 January 2017

Acquisition of Land and Premises at Woods Lane, Cradley Heath to enable residential redevelopment (Key Decision Ref. No. SMBC1659)

1.0 Summary Statement

1.1 The purpose of this report is to seek authority to:-

- (a) acquire land and premises at Woods Lane, Cradley Heath as part of enabling the proposed residential redevelopment of the Woods Lane Industrial Estate;
- (b) utilise Local Growth Funding to complete acquisition of the land and premises;
- (c) that following completion of the acquisition to use council funds to secure the site, cover business rates, undertake any necessary surveys including an asbestos survey and any subsequent removal of any asbestos identified in the premises.

1.2 Woods Lane Industrial Estate, Cradley Heath, is allocated in the Sandwell Site Allocations and Delivery Development Plan (SADD) 2012, for a change of use from industrial to residential.

1.3 To this end the Council has been awarded £5.14m of Local Growth Funding from the Black Country Local Enterprise Partnership to enable residential redevelopment and deliver circa 350 new homes across the entire Woods Lane site by 2021.

- 1.4 An opportunity has arisen to enable the Council to acquire land and premises required for inclusion in the proposed residential redevelopment of the Woods Lane Industrial Estate.
- 1.5 The nature of the business operations undertaken at the premises presents a risk to the Woods Lane Industrial site coming forward for residential redevelopment due to the level of noise generated. A residential development may not obtain full planning consent with this particular use remaining in situ. The premises are therefore identified for potential acquisition as part of the Woods Lane project.
- 1.6 The occupier and owner of the premises will begin measures to relocate their operations to an identified alternative location upon confirmation of the Council's agreement to acquire.
- 1.7 Negotiations with the owner commenced in August 2016, after they notified the Council that they had identified a suitable site for their operations to relocate to. An independent Chartered Surveyor was appointed to undertake informal negotiations to determine the sum required by the owner and whether it was feasible for the Council to acquire, by agreement.
- 1.8 A potential purchase price and a further maximum sum for disbursements have been agreed subject to any necessary member approval.
- 1.9 The purchase cost and disbursements are being funded by the capital grant provided by the Local Growth Fund. However, the provisions of the Grant funding agreement state that if the site is later disposed of, the proceeds of the disposal have to be held in trust for the benefit of the Accountable Body (Walsall Council, administrators of the grant).
- 1.10 Following completion of the purchase the Council will assume responsibility for management of the site and in these circumstances funding will need to be set aside for on-going management and business rates costs. This includes works to secure the site and to address any issues relating to the presence of asbestos.
- 1.11 The asbestos survey and asbestos removal works will need to be undertaken as soon as the premises become vacant to minimise the health and safety risk to the public and also to enable the removal of asbestos prior to any further contamination.

Further details are attached for your information

2.0 Recommendations

That Cabinet be recommended to authorise the Council to:

- 2.1 in consultation with the Interim Director – Resources, to acquire the freehold interest in land and premises at Woods Lane, Cradley Heath, to enable the residential redevelopment of the Woods Lane Industrial Estate on terms and conditions to be agreed by the Director – Regeneration and Economy.
- 2.2 utilise Local Growth Funding to complete the acquisition of land and premises referred to in 2.1 above.
- 2.3 following acquisition, the Director – Regeneration and Economy assumes management responsibility for the premises pending subsequent sale on the open market and additionally identifies suitable funding to meet any security/on-going maintenance costs, undertake surveys and if required removal of asbestos.

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3.0 Strategic Resource Implications

- 3.1 An independent Chartered Surveyor has been appointed to undertake a valuation of the land and premises, and open informal negotiations with the owner of the property. A purchase price of £XXXXXX together with an additional maximum sum of £XXXXXX for disbursements has been agreed subject to member approval.

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- 3.2 The purchase cost and disbursements costs are being funded by the capital grant provided by the Local Growth Fund. However, the provisions of the Grant funding agreement state that where disposal is not with the prior consent (with or without conditions) of the grant Accountable Body (Walsall Council) then the proceeds of disposal have to be held in trust for the benefit of the Accountable Body.
- 3.3 Following completion of the purchase the Council will assume responsibility for management of the site and in these circumstances funding will need to be set aside for on-going management and business rates costs.
- 3.4 The cost for securing the premises is estimated to be in the order of £XXXX and the business rates cost over a 3 year period are in the order of £XXXXXX.
- 3.5 The asbestos survey and asbestos removal works will need to be undertaken as soon as the premises become vacant to minimise the health and safety risk to the public and also to enable the removal of asbestos prior to any further contamination.
- 3.6 The owner of the premises has provided an Asbestos Report which it had undertaken and this indicates the cost of removing asbestos will be in the region of £71,500. The Council will however commission its own surveys and it is this survey that will be relied upon.
- 3.7 Should the asbestos contamination become widespread the costs of the asbestos surveying and removal will increase to the order of £120,000. It is therefore considered prudent to undertake the works at the point in which the premises becomes vacant to remove the risks posed to the public and at a lower cost.
- 3.8 Total cost to the council for securing the premises, business rates, and works relating to the removal of asbestos are in the order of £104,388 and subject to member approval will be funded from the Regeneration Directorate revenue resources.
- 3.9 Should it prove possible to demolish or dispose of the premises earlier than the 3 year grant agreement target, the costs associated with the asbestos works, securing the premises and business rates would be eliminated or reduce.
- 3.10 A risk analysis has been undertaken for this project and is appended to this report.

4.0 **Legal and Statutory Implications**

- 4.1 The Council has powers to acquire land for development, redevelopment, improvement and planning purposes under section 227 of the Town and Country Planning Act 1990. It also has power under section 226 of the same Act to acquire land for these purposes compulsorily.
- 4.2 The Council is intending to acquire by agreement under Compensation Code principles and as such will pay compensation as if it had been compulsorily purchased in addition to the market value of the land, as referred to in 3.1.
- 4.3 As the land is intended to be purchased under the Compensation Code principles there is no issue of State Aid.
- 4.4 The Grant funding to the Council in respect of the Woods Lane Project contains provision both for the acquisition of land and for relocation.
- 4.5 To achieve the project aims and a comprehensive development of the site it is therefore likely that the land, once acquired, would ultimately be disposed of to a developer. The disposal of land, for both the purposes of State Aid compliance and compliance with s123 Local Government Act 1972, disposal will have to be at market value supported by proper valuations.
- 4.6 The provisions of the Grant funding agreement state that where disposal is not with the prior consent (with or without conditions) of the Accountable Body (Walsall Council) then the proceeds of disposal have to be held in trust for the benefit of the Accountable Body. This however is likely to produce a broadly neutral position as the land would only have been made safe in the interim.
- 4.7 The process leading to disposal will be the subject of a further report therefore at this stage approval is sought for the land to be held for the purposes as set out above, and to be applied for the purpose of the grant funded project, but excluding disposal.

5.0 **Implications for the Council's Scorecard Priorities**

- 5.1 Great Place - The acquisition of the land and premises will remove a risk to the residential redevelopment of the Woods Lane site which stands to provide much needed housing and will improve the local built environment, thereby working towards the attainment of the council's priority to create a great place to live.

5.2 Great Performance - This proposal will enable new investment to come forward in this key location. In the longer term the development will contribute to the council's Facing the Future agenda by increasing income from the business rates generated from low value, under-utilised employment land to the council tax generated from high quality new homes. This is combined with the potential capital receipt that the Council may receive.

6.0 Background Details

- 6.1 Feasibility work undertaken for the project to bring the Woods Lane site forward for residential redevelopment, identified a viability gap. To this end, an application was submitted to the Black Country Local Enterprise Partnership for £5.14m of Local Growth Funding which was approved in July 2015.
- 6.2 The funding is to enable the residential redevelopment of the Woods Lane site, with a target to provide circa 350 residential units by 2021. The funding was awarded to demolish the Cradley Factory Centre and to construct a new access road. These demolition and road construction works have commenced and will complete by March 2017.
- 6.3 The entire Woods Lane site has obtained outline planning consent for residential development, and the former Cradley Factory Centre site has developer interest for a phase I residential scheme. A full planning application (reserved matters) for this phase is expected during 2017.
- 6.4 In addition, the funding was awarded to acquire the land and premises referred to in 2.1 as the nature of the industrial activities undertaken there generate negative noise impact levels and poses a risk that a residential development would not be granted planning consent.
- 6.5 Once the land and premises referred to in 2.1 is acquired the council will seek external funding to undertake demolition with a view to disposing of a cleared site for residential redevelopment. This action would make the site more attractive to a housing developer and is a continuation towards bringing the entire Woods Lane site forward for residential development.
- 6.6 The business rates annual cost for the premises is £XXXXX but a 6 month exemption would apply from the date of purchasing the premises.
- 6.7 The target set by the Grant funding agreement is to achieve residential redevelopment at the site by 2021. It is therefore anticipated that the site will be disposed of or demolished by 2020, if not sooner. This target equates to an estimated business rates cost of £XXXXX from 2017-2020 (6 month exemption applied).

6.8 Should the site be demolished or disposed ahead of the 3 year target the costs associated with asbestos removal, securing the premises and business rates would either be eliminated or reduced.

Source Documents

Sandwell Site Allocation Delivery and Development Plan (SADD) 2012 p.106

Cabinet 21 January 2015 Black Country Local Growth Fund for the Regeneration of Woods Lane, Cradley Heath - Appraisal of Application (Key Decision Ref. No. SR255) Minute 17/15.

Acquisition Site Plan