

**AGENDA ITEM: 6**

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Meeting	Cabinet Resources Committee
Date	25 November 2004
<b>Subject</b>	<b>Sale of Park House, 16 High Road, N2</b>
Report of	Cabinet Member for Resources
Summary	To report the results of the marketing and informal tender process and to recommend the acceptance of one of the offers.

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Officer Contributors	Dave Stephens, Chief Valuer and Development Manager
Status (public or exempt)	Public – with a separate exempt report
Wards affected	East Finchley
Enclosures	None
For decision by	Committee
Function of	Executive
Reason for urgency / exemption from call-in (if appropriate)	N/A

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## **1. RECOMMENDATIONS**

- 1.1 That the unconditional offers from Sherm Properties Limited for the freehold acquisition of Park House subject to the existing temporary tenancy be accepted and the Borough Solicitor be instructed to complete the matter in a form to his approval.**
- 1.2 That an appropriate sum be vired from the fees element of the transaction to make up any short-fall in the funding of the Master Development Plan for the Hendon Town Hall environs project.**

## **2. RELEVANT PREVIOUS DECISIONS**

- 2.1 Cabinet 19 January 2004 – agreed that Park House should be offered for freehold sale on the open market and that agents be appointed to act on the Council's behalf.
- 2.2 Delegated powers report 18.2.04– appointment of CB Richard Ellis to act as the Council's marketing agent. Instructions were subsequently withdrawn for non-performance.
- 2.3 Delegated powers report 26.4.04 – Grant of a short-term lease of the premises to Hampstead Garden Suburb Institute
- 2.4 Delegated powers report 30.7.04 – appointment of FPD Savills to act as the Council's marketing agent in place of CB Richard Ellis
- 2.5 Cabinet 27 September 2004 – in connection with the preparation of a Master Development Plan for the lands around Hendon Town Hall agreed to the costs thereof being met from the rental income from the letting of Park House to the Hampstead Garden Suburb Institute.

## **3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS**

- 3.1 The Corporate Plan commits the Council to “plan and manage land use and development in Barnet to enhance the quality of life and provide tangible benefits for the community. The proposals in this report do this by achieving from the sale of land a capital receipt which can be used to assist in funding the capital programme.

## **4. RISK MANAGEMENT ISSUES**

- 4.1 Until contracts are exchanged Sherm Properties Limited could withdraw its offer. However, its offer is only marginally better than the next offer and therefore the Council has a fall-back option.

## **5. FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS**

- 5.1 There will be a receipt of the capital sum referred to in the exempt report together with the contribution towards fees and costs.
- 5.2 By accepting the Sherm Properties Limited offer the Council will be foregoing the balance of the rent being paid by the Hampstead Garden Suburb Institute as set out in the exempt report. As this rent was to be used to fund the cost of the preparation of a Master Development Plan for the Hendon Town Hall environs it will be necessary for any

short-fall in the rent arising from an early sale of Park House to be made up by a virement of an appropriate sum from the fees element of the transaction.

5.3 There are no staffing or ICT issues. The property issues are as set out below.

**6. COMMENTS, IF ANY, OF THE COUNCIL'S STATUTORY OFFICERS (HEAD OF PAID SERVICE, CHIEF FINANCE OFFICER, MONITORING OFFICER)**

6.1 None

**7. BACKGROUND INFORMATION**

7.1 The Council's agents, FPD Savills marketed the property widely and invited informal offers to be submitted by 1<sup>st</sup> October 2004. Offers were invited upon an unconditional basis or on a subject to planning basis. The former were asked to include overage provisions whereas the latter were asked to provide plans, drawings and a delivery programme. The successful purchaser is to pay a contribution towards the Council's fees and costs equivalent to 3% of the purchase price.

7.2 By the closing date 34 offers had been received from 30 tenderers (three tenderers putting in more than one offer) plus two late bids. Despite the bid being late the Council is obliged to give it consideration. 12 of the offers are unconditional and 24 are subject to the grant of planning permission. The offers are set out in the exempt report.

7.3 FPD Savills have carried out due diligence enquiries and provided a report on their findings. This report includes their recommendations. Extracts from that report are set out below and in the exempt report.

*Due to the importance of the building, and the requirement to achieve best consideration under Section 123 of the Local Government Act 1972, we have looked carefully at each submission in an attempt to identify the best overall proposals in terms of price, stewardship, track record and financial position. We [have therefore provided details and our recommendations on] the top bidders in terms of financial consideration for both the unconditional and subject to planning offers (NOTE: the detailed comments upon each of the top bidders are set out in the exempt report).*

**CONCLUSIONS**

*Having annotated the strongest financial offers on both an unconditional and subject to planning basis above, there is not a wide financial difference in the bids be it on an unconditional or conditional basis. Clearly the best two offers have been submitted on a conditional basis, but these are only marginally in excess of that of the top offer provided on an unconditional basis.*

*In light of the length of time that a planning application may take, and given the density of the schemes proposed by the highest conditional offers, we are of the opinion that it would be prudent for the Council to consider accepting the highest unconditional offer submitted by Sherm Properties Ltd in the sum [set out in the exempt report] on the basis of an immediate exchange of contracts and an early completion, with Sherm dealing with the existing lease.*

*As detailed, given the offer of immediate exchange of contracts by Sherm Properties, we will be able to quickly establish whether this purchaser is serious and will proceed to an exchange of contracts in order that time and impetus in the sale is not lost.*

*In the event that Sherm Properties do not perform, this leaves a somewhat bigger question for the Council to determine whether they would wish to enter into a subject to planning deal, or endeavour to pursue the faster route of an unconditional contract. Clearly, in the absence of comments from the Planning Department, FPD Savills are unable to make this decision for the Council. However, we would relish the opportunity of meeting with the Planners to establish the likelihood of obtaining consent on each of the five top offers submitted on a conditional basis, whereafter we can provide the Council with advice as to whether this is a route they should pursue.*

- 7.4 For the reasons set out in the exempt report, officers concur with the recommendation by FPD Savills that the unconditional offer from Sherm Properties Limited be accepted.
- 7.5 The Hampstead Garden Suburb Institute currently has a lease of Park House at the rent set out in the exempt report. The lease, which is excluded from the provisions of Sections 24 to 28 of the Landlord and Tenant Act 1954 (thus, the tenant has no right to the grant of a new tenancy) expires on 30<sup>th</sup> September 2005. The offer from Sherm Properties Limited is on the basis that the property will be acquired with the lease to the Institute still in place.

## **8. LIST OF BACKGROUND PAPERS**

- 8.1 None

MO: DP  
BT: CM