



POLICY AND RESOURCES COMMITTEE

18 DECEMBER 2020

REPORT TITLE:	ACQUISITION OF FORMER HOUSE OF FRASER BUILDING – 92 GRANGE ROAD, BIRKENHEAD
REPORT OF:	DIRECTOR OF REGENERATION AND PLACE

REPORT SUMMARY

The purpose of this report is to enable the Policy and Resources Committee to consider purchasing the House of Fraser Building (92 Grange Road), Birkenhead. The regeneration of the town centre is a long-standing priority for the Council and is reflected in Council Plan 2025 ambitions which include:

- A prosperous, inclusive economy where local people can get good jobs and achieve their aspirations;
- Brighter futures for our young people and families -regardless of their background or where they live
- Safe, vibrant communities where people want to live and raise their families

This matter affects the Birkenhead and Tranmere ward within the Borough.

This matter is a Key Decision.

EXEMPT INFORMATION

This report and its appendices contain exempt information as defined in Schedule 12A of the Local Government Act 1972. It is in the public interest to exclude the press and public under Paragraph 3 'Information relating to the financial or business affairs of any particular person (including the authority holding the information).

RECOMMENDATIONS

It is recommended that

- (1) the Director of Law and Governance be authorised to proceed to acquire on behalf of the Council, the site known as 92 Grange Road, Birkenhead at a price of £2,000,000; and
- (2) it be agreed that this decision is urgent and therefore not subject to review.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 92 Grange Road, Birkenhead (“the Property”) is situated at the heart of Birkenhead town centre and therefore forms a key site in respect of enabling any future redevelopment of the town centre to take place. The Property, shown edged red on the plan appended to this report as Appendix 1, includes a car park with 86 spaces and a rear service yard. This purchase is recommended as this Property is key to enabling the comprehensive regeneration of Birkenhead town centre which is a strategic priority for the Council.
- 1.2 The purchase of the Property will increase the Council’s holdings and influence over the town centre. The Property occupies a prime gateway site at the entrance to the planning central business district of Birkenhead, in close proximity to the proposed redevelopment of Milton Pavements and the residential proposals for Hind Street.
- 1.3 The acquisition of the Property will enhance the Council’s existing portfolio, giving it the ability to exercise control of the future use and development of the site which could influence the value of existing holdings and projected values of other Council properties in the area.
- 1.4 The Acquisition of the Property will defend against an alternative use which could have a negative impact on the development plans for the town. This is also a defensive acquisition to prevent an undesirable use or development which could detract from the Council’s plans to regenerate the area.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 The Committee could decide to not acquire the Property. The Property is currently vacant. Having regard to the lack of demand for retail property, the retraction of that market, the re-positioning of retail from the physical stores, the Property is unlikely to return to retail use. The vendor is keen to dispose of its interest and mitigate its losses having acquired the property in 2015. For these reasons, should the Council not acquire it, the Property is likely to be sold for non-retail use and it is likely to be developed for residential use. The Council will have little ability to control the future of the site. Permitted development rights could enable this retail property to be converted to residential use which would be liable to create high-density poor-quality development providing the highest immediate returns for developers.
- 2.2 The issues set out in paragraph 2.1 of this report are significant factors to support the recommendations within this report.

3.0 BACKGROUND INFORMATION

- 3.1 The Council has set out a compelling case for economic growth across Wirral through its Strategic Regeneration Framework (SRF). The SRF was approved by Council in

2017 and has an initial focus on Birkenhead Town Centre, Birkenhead Hinterland, Wirral Waters Enterprise Zone and the A41 corridor.

- 3.2 The ambition outlined in the SRF is that 'Birkenhead town centre will once again be a thriving town centre of choice, a destination in its own right as a result of the range and quality of its retail, food and leisure offer, and our civic hub'. The proposals within this report are in alignment with the principles behind the SRF.
- 3.3 House of Fraser vacated the building at the end of March 2020. Over the last two years the Council has acquired assets in the immediate area including the Market Hall, Milton Pavements and the leasehold interest in the former B&M stores. The acquisition of the Property will enhance the existing holdings, provide further control over the town centre and defence against a use which could be detrimental to the current proposals to regenerate the town centre. The recommendations within this report align with the longstanding priority for regeneration of the town centre which led to the formation of the Wirral Growth Company.
- 3.4 The decline of the retail property market over the last decade has been accelerated by the pandemic with the national vacancy rate now at 13.2% (source Local Data Company 05.12.20). The vacancy rate in Birkenhead was in excess of 28% in Q2 2020. Nationally, there are currently c 44,000 retail units vacant and global property advisers JLL estimate that figure will nearly double to 80,000 in the next few years. Accordingly, it is not anticipated that the Property will be utilised as a retail premises again.
- 3.5 The Property is currently held by Autumn Properties Ltd, a Jersey company. The current owner is keen to rationalise its UK portfolio and hedge against the sterling risk. For these reasons, the Council has an opportunity to acquire the property. The acquisition will further strengthen the Council's control over the traditional retail town centre and in particular start to enhance a key interface with the plans to develop the area referred to as Hind Street where significant investment is anticipated to take away the 'concrete collar' of flyovers and other barriers. This will ensure that future developments on Grange Road will have a positive impact in terms of place-making and broader regeneration within the area.
- 3.6 If the acquisition is completed as proposed, this will contribute significantly towards managing a void retail premises of significance importance to the centre of Birkenhead, while supporting and enhancing the ability of the Council to influence and shape the future of the town centre. The owner of the building has evaluated several options for the site including a residential development. The potential for the mothballing of the site is considerable.
- 3.7 The Property is in a strategic location within the town. It acts as a gateway to the town from the south which will be of increasing significance as the development of Hind Street into a substantial residential community comes forward. This is further supported by the support from the Liverpool City Region Combined Authority to the removal of the flyovers which currently act as a barrier between the Hind Street area and the town centre.
- 3.8 The Property is also in the vicinity of the sites being brought forward by the Wirral Growth Company and its development with appropriate uses, is calculated to bring increased

footfall into the town centre and support the Council's investment into the Birkenhead Commercial District and the re-provided Market.

- 3.9 The closure of the House of Fraser store follows on from the closure of a number of other key retailers including Marks and Spencer and WH Smith, the supply of retail space exceeds demand, and it is believed the retail footprint will reduce.
- 3.10 There is fundamental market failure within the property market which is impacting the sustainability of the centre and is manifesting in physical decline and lack of investment within the town centre by the private sector. The interventions by the Council are addressing this issue in order to re-establish the centre as a thriving town within which land values will increase and the private sector will once again be encouraged to invest.
- 3.11 The increasing number of empty units, including the Property, is also contributing to wider social issues including crime and public safety and the perception that spaces are unsafe.
- 3.12 The purchase of the Property will assist in bringing back in to use a site within the town centre that is currently vacant. It will therefore support the regeneration ambitions for the town and the investments being made by the Council into other town centre developments.
- 3.12 The purpose of the acquisition is not investment, it is a defensive and strategic acquisition. However, global property advisors and Chartered Surveyors Avison Young have (AY) carried out a desktop development appraisal is based upon the current modelling for the Strategic Regeneration Framework, an 84 unit apartment and townhouse development of the Property which adopted market rates and a blended sales values rate of £200 per square foot. This included demolition costs (£320k), external works and a substation with a developer's profit and is reflected at a standard 20% producing a profit of £2.65m and a land value of £475,000. This sum includes a contingency of 10% to allow for current market uncertainty. On undertaking sensitivity analysis highlighting the effect on land value resulting from changes in sales prices at £10 per sq. ft against build costs at £5 per sq. ft. This indicates how sensitive an appraisal is with a £5p per sq. ft reduction in costs together with a corresponding £10 per sq. ft increase in sales rates improving the land value to c. £1.5m, whereas a £5psq ft increase in costs and £10 per sq. ft reduction in sales rates resulting in a negative land value of approximately £650k.
- 3.13 AY consider it is not appropriate to consider the acquisition of House of Fraser in isolation from the wider regeneration taking place across Birkenhead. AY is of the opinion that an acquisition by the Council would deliver wider regeneration benefits that will contribute to the overall sense of place, whereby there is a value to the council acquiring the site over and above the development appraisal figures,
- 3.14 As such, there is an opportunity cost to the Council not acquiring the asset. A "do nothing" scenario is likely to see a continuing deterioration of the asset, or potentially worse, a poor quality residential conversion. The Central Birkenhead Delivery Action

Plan (DAP) identifies a new neighbourhood to the east of the Commercial District, 'St Werburghs' as a future residential neighbourhood. Control of the House of Fraser Building would unlock a critical interface between that development area and the Commercial District.

- 3.15 The Council has an Internal Change and Investment Board which is an officer group which consider significant investment proposals. The Summary for the Investment and Change Board, the Strategic Acquisitions Stage 2 Business Case and the Strategic Case are set out respectively as Appendices 2 and 3 and 5 of this report.

4.0 FINANCIAL IMPLICATIONS

- 4.1 In February 2018 Cabinet agreed a budget for the Capital Programme and Financing for 2018 - 2021. Within the programme there was £20 million allocated to deliver the Strategic Acquisition Programme. This Strategic Acquisition Programme supports the achievement of the key economic goals as set out in the Wirral Growth Plan and the Strategic Regeneration Framework. In addition, £10 million had been included with the 2017/18 programme for capital expenditure to allow for strategic land and site acquisition. This acquisition of the Property would align with the Strategic Acquisition programme.
- 4.2 Costs related to items such as acquisition, demolition, insurances, security, loss of business rate income, SDLT have been included in the Full Business Case. The proposed purchase price is £2m, Stamp Duty Land Tax is estimated at £ 109,500, The Rateable Value is £280,000 and the rates payable are projected at £144,000 per year but subject to deductions in 20/21 to £111,261. The property is currently occupied by residential caretakers, it is possible that the premises could be delisted from the non-domestic rating register to Council Tax only. This decision is outside of the Council's control and a matter for the Valuation Office Agency.
- 4.3 In its acquisition advice of 9th Dec 2020, AY states "The proposed acquisition price of £2,000,000 equates to c. £28.50 psf capital value. An acquisition at this level would fall within the range of recent town centre retail asset disposals included within the Briefing Paper. In light of the above we consider that the proposed acquisition at £2m is unlikely to be improved upon by further negotiation and that it is at a level of value that is not unreasonable, particularly given the wider benefits that this will help to deliver to the regeneration of Birkenhead Town Centre." (See appendix 4 to this report).
- 4.4 There are also secondary returns, being economic, environmental and social in supporting the regeneration of the town centre.
- 4.5 There are costs attaching to holding an empty property such as business rates, insurance etc.. It may be that the Council will seek to demolish the building which will need to be funded. Avison Young provided an estimate earlier in the year in the sum of £320,000. The Council would expect for that cost to be shared by a developer. Demolition costs could potentially be capitalised.

4.6 The acquisition fees and stamp duty costs are to be funded from borrowing within the capital programme. The cost of financing these costs would be in the region of £125,000 per annum dependent upon interest rate and asset assumptions. This would be a charge to the treasury management revenue budget. In addition, revenue budget would be charged for any on-going operational costs for the building such as rates, utilities and security.

5.0 LEGAL IMPLICATIONS

5.1 The Council has the power to buy land and assets to support regeneration pursuant to section 120 of the Local Government Act 1972

5.2 Further legal due diligence and input is ongoing to inform the purchase of the Property including title investigation and conveyancing.

5.3 Avison Young has carried out a valuation of the Property and confirms that the proposed purchase price represents market value.

5.4 The seller has stipulated that the terms for this sale are agreed on the basis that the matter shall complete prior to the end of 2020. If call in were to apply to the decision in this matter it would not be possible for the purchase of the Property to be completed within that deadline. The Chief Executive has been consulted and has agreed that the proposed decision is urgent.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 Internal officers to coordinate and manage all project related activities, undertake title investigation, conveyancing, financial modelling and monitoring, supplemented by an external surveying resource where necessary. These costs will be met from existing budgets.

7.0 RELEVANT RISKS

7.1 If the Property, given its strategic location, cannot be acquired on the terms reported it would limit the Councils ability to redevelop and regenerate this part of the town centre. The failure to acquire the Property could result in an inappropriate residential development proceeding or the Property being mothballed.

8.0 ENGAGEMENT/CONSULTATION

8.1 The Chair of the Committee and Party Spokespersons have been consulted on the proposals in this report.

9.0 EQUALITY IMPLICATIONS

9.1 Wirral Council has a legal requirement to make sure its policies, and the way it carries out its work, do not discriminate against anyone. There are no equality implications arising from the proposals within this report.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 The recommendations contained within this report are expected to have no impact on emissions of Greenhouse Gases.

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APPENDICES

Appendix 1- Site plan for the Property

Under section 100 (A) (4) of the Local Government Act 1972, paragraph 3 of Part I of Schedule 12A (as amended) to that Act. The Public Interest test has been applied and favours exclusion of publication of information contained in further appendices to this report.

BACKGROUND PAPERS

Not applicable.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

