

REPORT OF THE STRATEGIC DIRECTOR PLACE

TO
PROPERTY AND REGENERATION BRIEFING
ON

22nd February 2021

**TITLE: Land Disposal - The City of Salford Community Stadium site,
Barton**

RECOMMENDATIONS:

The City Mayor is recommended to

Note the proposals detailed below on the terms as set out in the body of this report and on the detailed terms set out in an accompanying Part 2 report for approval elsewhere on the agenda.

1. Give consent in the City Council's capacity as chargee, to The City of Salford Community Stadium Limited's freehold disposal of land forming plots 5A, 5B and 9 at the stadium site, with the receipt from the sale (net of costs and allowances for abnormals) paid to the Council.
 2. Give consent to the Council (1) releasing (in part) the restrictive covenant restricting the stadium land use and (2) removing the restriction on the title protecting that restrictive covenant for the above plots, to allow for the change of use to logistics thereby permitting the plot sales to complete.
 3. Give consent to the Council releasing the charge in part on the above plots after receipt of the proceeds of sale, and
 4. Authorise that the Shared Legal Service is instructed to conclude all documentation necessary to give effect to the consent in 1, the release of covenant and removal of the restriction on title in 2, and the release of charge in part in 3.
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EXECUTIVE SUMMARY:

The City Council has the benefit of a charge over land owned by The City of Salford Community Stadium Limited (CoSCoS) which was put in place as security against a loan granted by the Council to CoSCoS in 2010. The loan is paid back from capital receipts generated from sales of development plots of the charged land.

CoSCoS has now approached the Council with details of terms which have been agreed with a purchaser for 14.6 acres of land.

BACKGROUND DOCUMENTS: Plan showing the area to be sold edged red, with the covenant to be released edged blue

KEY DECISION: NO

DETAILS:

1.0 Background

The City Council has the benefit of a charge over land owned by The City of Salford Community Stadium Limited (CoSCoS) which was put in place as security against a loan granted by the Council to CoSCoS in 2010. The loan is paid back from capital receipts generated from sales of development plots of the charged land. The first sale in 2015 was the site of the Barley Farm public house and more recently the grant of a long lease at a premium to Aldi. Following these disposals, CoSCoS has a remaining landholding subject to the Council's charge of 37.47 acres.

2.0 Details of the Proposed Disposal

2.1 Following extensive marketing of the development plots around the stadium, an offer has been accepted by CoSCoS for plots 5A, 5B and 9 for an employment led use, the three plots together comprising 14.6 acres. The intended purchaser has submitted proposals for the speculative construction of industrial/distribution units. The Council has been provided with copies of the offer and plans from the intended purchaser to ensure transparency.

2.2 The accepted offer for the purchase of the freehold interest of 14.6 acres has been received for the development of 4 warehouse/distribution units providing 275,000sq ft of accommodation including up to 10% ancillary office space. The offer submitted is subject to a capped allowance for

abnormals. The receipt to the Council to pay off a portion of the loan to CoSCoS is made up of a minimum contracted payment plus any remainder of the abnormals allowance. Evidence of the actual spend on site abnormal costs will be provided and any savings made will be paid in addition to the fixed receipt. The structure of the agreement and particularly the capped allowance for abnormals follows the same format as adopted for the two previous disposals to Greene King and Aldi.

3.0 Restrictions on CoSCoS title

3.1 In 2010 the Council transferred to CoSCoS part of the land forming the stadium and the wider stadium site. The 2010 transfer included a restriction that the land was not to be used for any other purpose than as a stadium primarily for sports purposes with ancillary retail and leisure uses. A further restriction was that any further disposals required the incoming party to covenant to use the land for that same restrictive use. The intent behind the inclusion of this restriction was to ensure that the stadium was built, and the stadium was subsequently delivered. However, the development will be inconsistent with this restriction.

3.2 As the proposed disposal is of the freehold interest in the land at market value, to enable development to take place, it is recommended that the Council consent to the change of use by granting a release of the restrictive covenant on use on the affected plots.

3.3 The restriction on the Council's title flowed through from the original grant funding agreement between the former North West Development Agency and CoSCoS which provided funding for remediation of the stadium site and stadium construction. As a result of the Council granting a release of the restrictive covenant to allow the sale, the consent of the Department for Business, Energy and Industrial Strategy (BEIS), as successor body to the NWDA, will also need to be obtained by CoSCoS to avoid grant clawback. This was applied for and secured previously for the Aldi disposal. CoSCoS will need to provide evidence to the Council that BEIS consent has been secured for the removal of the restriction on use prior to the Council releasing its restriction to negate any risk.

4.0 Risk/Security

4.1 Since the advance of the original Council loan to CoSCoS in 2010, there have been further amounts loaned but only sporadic repayments due to the slow pace of disposals of development plots. Of importance is the value of the remaining CoSCoS landholding which provides the security for the loan, ensuring that the Council will be repaid.

5.0 Conclusion

The marketing exercise undertaken for these 3 plots demonstrated strong market interest in the site and provides confidence that other remaining development plots will attract similar interest when they are brought to the market. The rates per acre generated provide comfort that if such rates are achieved on the remaining development plots it will have a significant positive impact on the Council's outstanding loans to CoScOS when all receipts have been received. The development proposals will further support the delivery of employment opportunities in the West of the City and the new warehousing /distribution units will create significant Business Rates.

KEY COUNCIL POLICIES:

Salford 2025 Regeneration
Creating prosperity in Salford

EQUALITY IMPACT ASSESSMENT AND IMPLICATIONS:

N/A

ASSESSMENT OF RISK:

Low

LEGAL IMPLICATIONS Supplied by: Michelle Brice Shared Legal Service (Property)

The Council has a legal charge dated 7th June 2010 over the land comprising the City of Salford stadium land. The Council's legal charge over the land is security for the loan from the Council to the Stadium Company in 2010.

Details of the original loan, the balance of the loan and valuation of the stadium land are explored in this report.

The City of Salford Stadium Limited is required to obtain consent from the Council to the disposal of any land comprising the stadium land. The decision to consent to the disposal is in the Council's capacity as chargee and is a commercial decision, informed by the Council's valuation of the balance of secured land and requirement for the premium received for the disposal to Cole Waterhouse to be paid to the Council.

The Council has a fiduciary duty and should protect its security against the stadium land. The financial position in explored in the body of the report.

The commercial concern being that there is enough security for the balance of the Council's loan should the Council need to exercise that security. As such beyond the issuing of consent and release as detailed in the report there are no legal implications, only commercial and due diligence implications arising from the proposals in this report.

FINANCIAL IMPLICATIONS Supplied by: Chris Hesketh – Head of Financial Management

Referred to in Part 2 Report

PROCUREMENT IMPLICATIONS Supplied by:

There are no procurement implications arising from this proposal.

HR IMPLICATIONS Supplied by:

N/A.

CLIMATE CHANGE IMPLICATIONS Supplied by:

There are no climate change implications arising from the proposed transaction.

OTHER DIRECTORATES CONSULTED:

Finance

CONTACT OFFICER: James Kington TEL NO: 07306 332 335

WARDS TO WHICH REPORT RELATES: Eccles/Irlam