

CITY OF PLYMOUTH

Subject:	Acquisition of Derriford Business Park
Committee:	Cabinet
Date:	7 June 2011
Cabinet Member:	Councillor Fry
CMT Member:	Director for Development & Regeneration
Author:	David Draffan Assistant Director, Economic Development
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Ref:	Plymouth Asset Transfer
Key Decision:	Yes
Part:	Part I

Executive Summary:

This paper deals with the purchase of a new property investment (Derriford Business Park) by Plymouth City Council. This purchase can be partly seen as re-stocking the City Council's property portfolio after a number of recent sales and also as sound long term financial investment with a good yield. It is however the role of Derriford Business Park (DBP) as a strategic site both contributing and enabling Council to deliver against its objectives of creating up to 6000 new jobs in the North of the City along with major infrastructure improvements that this investment needs to be considered

The closure of the South West Regional Development Agency by March 2012 has led to a number of its property assets now being offered for sale. Those that still require new investment are being included in certain asset transfers to Local Authorities, which is the case in Plymouth and covers for example Royal William Yard and Plymouth International Medical & Technology Park – the transfer of this asset package is the subject of a separate Cabinet report.

Property investments that are let, however, are being offered for sale at market value, with a limited opportunity for the Local Authority to agree purchase terms.

DBP is located off Brest Road, Derriford and has a site area of c. 2.5 ha (6.18 acres) and contains 7 buildings, some of which are subdivided into individual letting units, with a total floor area of 4,016 sq m (43,227 sq ft).

This acquisition is not only an investment in commercial property that produces an income, but also in potential new job creation in the Derriford area as clearly stated in the Local Economic Strategy and Local Development Framework. Derriford is a strongly-growing economic hub for the City and a major node of future employment and economic

growth. DBP is also a possible future key site for part of the proposed Derriford District Centre, a major retail-led commercial scheme to create a new heart for northern Plymouth.

The proposed purchase price for the freehold interest of DBP is at current open market value which has been agreed following advice from independent valuers. The Council will also be liable to pay its own legal and professional costs and Stamp Duty Land Tax.

It is recommended that the Council purchases DBP as an investment in enabling future growth and jobs within the City.

Corporate Plan 2011-2014

Value for Communities:

The acquisition of this property can achieve a higher level of annual return than could be received from investing the purchase price on the money markets, however also at a higher level of risk of future occupation voids, which will require active management.

Delivering Growth:

Any surplus rental not required to cover the cost of financing the acquisition or fund property liabilities, could be invested in economic development initiatives such as City marketing, or support for small businesses that create new jobs in Plymouth's priority sectors. The possible future redevelopment potential of the site for retail-led mixed use development could also provide new enterprise and jobs in a new commercial heart for northern Plymouth, which itself could support the provision of new infrastructure that will enable the area's future economic growth.

Implications for Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land

The property acquisition will be at open market value with each side to bear their own fees and costs.

Other Implications: e.g. Section 17 Community Safety, Health and Safety, Risk Management, Equalities Impact Assessment, etc.

If the Council acquires the property it will need to maintain the common areas of the estate and provide public liability insurance, however, these costs can be re-charged to the service charge account that is funded by the property occupiers.

Recommendations & Reasons for recommended action:

It is recommended that:

1. the Cabinet agree to acquire the freehold interest of Derriford Business Park with each side to bear their own fees and costs, subject to the inclusion of the scheme in the capital Programme.
2. the Cabinet recommend to Council the necessary amendment to the Capital Programme

Alternative options considered and reasons for recommended action:

If the Council does not acquire the property it is understood that SWRDA will offer the freehold interest for sale on the open market.

Background papers:

File in Economic Development Service

Sign off:

Fin	MC11 12.002	Leg	11809 /RW	HR		Corp Prop		IT		Strat Proc	
Originating SMT Member											