

STRATEGIC PROPERTY REVIEW

Working Plymouth Scrutiny - 6 November 2013



PLYMOUTH
CITY COUNCIL

I. INTRODUCTION & CONTEXT

- 1.1. Plymouth City Council holds a substantial land and property portfolio comprising of the corporate estate (c700 assets) with a value in the region of £351 million and a commercial estate (c1770 interests) with a value in the region of £136 million. The Council provides many of its services through the corporate estate, and the commercial estate generates a valuable annual income stream of c£6.8 million per annum. This income stream is utilised to fund front line services in addition to supporting economic development across the city.
- 1.2. In 2009 the commercial estate was embedded in the Economic Development Service in order to drive economic growth and enable major development projects to be implemented. In March 2012 the estate management of the corporate estate also transferred to the service to align strategic decision making with the above objectives and to ensure that operational properties are fit for purpose to deliver first class services.
- 1.3. In May 2012, the new Labour administration emphasised the key role the Council's assets could play in delivering their agenda within a co-operative framework. A key requirement of the new administration was to undertake a strategic property review to ascertain how efficiently the Council was using its land and buildings.
- 1.4. The delivery of the strategic property review was greatly assisted by the Council's successful bid to join the Local Government Association Capital & Assets Pathfinder Programme 2012/13. A key aim of the Pathfinder Programme is to reduce expenditure and promote economic growth with the use of realised and retained assets.
- 1.5. To this end the City Council commissioned Jones Lang LaSalle to undertake the strategic property review and to provide a long term framework on which to base key portfolio decisions which address how it is managed and developed for the long term benefit of the City, the Council and its partners in accordance with both the Co-operative Council principles and more recently the Transformation Growth and Municipal Enterprise Work Stream.

2. RECENT ACHIEVEMENTS & VALIDATION OF CURRENT ASSET MANAGEMENT

2.1 The Strategic Property Review has confirmed the Council's current management of its property demonstrates a **significant number of strengths** and there is a definite commitment to adopt a strategic long-term approach. The Council is making good and on-going progress towards this by bringing property management into the corporate centre, identifying the extent and potential for rationalisation and savings, investigating opportunities for growth and income generation and for sharing assets and resources with public sector partners and articulating its approach and policy for community transfer of assets.

2.2 In particular, the Council has a pro-active asset management approach with existing estate management arrangements, priorities and outcomes clearly linked to the Corporate Plan, including:

- Commercial Estate occupancy level at 97%, supporting c.326 businesses and 2,670 jobs (FTE);
- adopting a Corporate Landlord model to ensure corporate parameters are adopted to control operational asset decisions;
- implementing an approved accommodation strategy in relation to the Council's operational offices to deliver efficiencies and flexibility, reconfiguring services and administration so they occupy less space, which has resulted in the exit from 12 properties, producing annual revenue savings in the order of £530k, generating surplus property for release and disposal;
- identifying and disposing of surplus and under-performing assets;
- sharing information with public sector partners to explore the potential for cross-sector, cross-agency and community-based management and use of property;
- leading the way in developing sustainable communities by establishing effective community economic development trusts and transferring assets to third sector organisations;
- implementing a 'land management review' of the Council's circa 5,000 acres of informal and formal open space, woodland, parks, playing fields, and development land to identify suitable sites for housing delivery, job creation, community use/transfer, to generate disposal capital receipts and reduce costs and liabilities.

2.3 The Land & Property and Strategic Development Teams have achieved many tangible results and successes since March 2012 which include the following:

Property	Action Taken	Outcomes
Langage Business Park, Plympton	Direct development employment accommodation scheme to commence early 2014	Construction of 30,000 sq. ft. industrial space facilitating and supporting circa 82 jobs
Civic Centre	Terms agreed for the redevelopment Civic Centre	Creation of up to 350 hotel, catering and service industry jobs, refurbishment of key city centre building
Higher Home Park / Home Park	Terms agreed for new development	The development of a new Main Stand in the football stadium, and a mixed-use scheme comprising ice rink, hotel, cinema, shops/restaurants, medical centre. Circa 400 jobs
Bell Close, Plympton	Sale of employment land for commercial development	20,000 sq. ft. of light industrial employment accommodation creating circa 50 jobs
Plymouth International Medical & Technology Park	Sale of employment land for commercial development	10,000 sq. ft. of new office accommodation to safeguard 30 local jobs and create 10 new jobs
Derriford Business Park fully let, Haxter Close fully let, East Street and George Place fully let, Porsham Close fully let, one vacant at Holly and Willow Court.	Commercial property lettings	Enabling SME expansion, supporting job creation and maximising income
Theatre Royal	Restructuring of lease arrangements and realignment of funding enabled £7 million regeneration scheme	Assisted facilitating major regeneration scheme in the west end of the city and secured the long term viability of the Theatre
Windsor House	Agreed co-location agreement of 190 staff from health into Windsor House	Delivers economies of scale and promotes more effective partnership working
Former Woolworths building	Deed completed on head lease to support proposed under lease to new retailer	Enabling bringing long term vacant unit back into beneficial use
2 Union St	Permitted use widened to enable conversion of 3rd floor to a gym and spa	Enabling delivery of sports facility
50-52 Cornwall St	Permitted use widened to permit student housing on upper storeys	Enabling development of student accommodation
170-174 Armada Way	Agreement to Lease completed facilitating a redevelopment into student accommodation & retail space on ground floor	Enabling development of student accommodation and new retail space

Plymouth Dome	Agreement to Lease dated 22/08/2011 amended in January to permit opening of upper floor of Dome as Gary Rhodes restaurant	£350,000 investment; 20 jobs and new signature restaurant for the city
El Café, The Hoe	Secured medium term extension to lease for El Café on a substantially increased rent	Promoting water front as visitor destination and maximising income
119 Cornwall Street / 109 Cornwall Street	Letting of 119 Cornwall Street to existing market trader. 109 Cornwall Street is also currently under offer to an existing market trader	Support growth and expansion of independent retailers through letting premises to existing market traders
Land Management Review	Phase 2 is complete with 39 sites having been identified for review by Planning. Phase 3 is underway, focussing on the geographical centre of Plymouth.	Identifying underutilised and surplus property to promote alternative uses including housing delivery and reduce long term management and holding costs.
Various former school and community centre site disposals	Terms agreed on 9 surplus sites to provide housing	544 new homes to be created with 49% affordable
Boat Storage Sheds on Commercial Wharf converted to alternative uses	Property Lettings	Circa 10 new jobs and increased tourism offer on waterfront
City Market	Trading stalls at 95% plus occupancy rates.	Promoting entrepreneurialism, business start-ups and income generation
Community Asset Transfer Policy	Adoption of Community Asset Transfer Policy.	Enables communities to lever in funding for investment in local facilities and generates a sense of ownership
Commercial estate occupancy level currently averaging 97% with 87 lettings of property interests completed in the last 10 months.	Property Lettings	Supporting c.326 businesses with 2,670 jobs along with valuable income generation in a difficult economic climate
Various land and property interests	Freehold disposals of surplus property generating circa £3.7 million	Reduction of property holding costs and receipts to support capital programme
PCC Land & Property Surveyors ISO 9001 Quality Assurance Accreditation.	Quality Assurance Accreditation	Independent validation of effective estate management practices

- 2.4 It is clear these results have materialised through a good awareness of property as a strategic resource within the authority and the Council's influence across the City. There also appears to be a very strong culture of senior management and members working together and thought sharing in respect of specific opportunities and strategic asset initiatives.
- 2.5 The Strategic Property Review has highlighted the importance and urgency of the Transformation Work Stream and Municipal Enterprise to increase the rate of progress, accelerate delivery of capital receipts, employment and homes as well as efficiency gains and savings from rationalisation, promote co-location and partnership working, and generally identify working practices that lead to better long term planning, management and use of assets.

3. EMERGING THEMES

- 3.1 A series of emerging themes have become apparent as a result of the Strategic Property Review. These themes are focusing on outcomes in terms of growth, development, jobs, housing, income, and capital and revenue savings and in the majority of cases are already being proactively progressed. Some of the key themes are as follows;

3.2 Delivering Employment

Unlocking the creation of new high quality jobs is a key Council priority.

Initial sites have been identified including land at Langage, Estover, Derriford and Ernesettle. These sites and others have the potential to support more than 1,000 jobs. The Council has already identified land for direct development of employment space at Langage Science Park located off Beechwood Way. In this case the Council is taking positive action to provide 30,000 sq ft of modern speculative employment space in a strong location where occupier interest is likely to be high. Future possible direct development schemes on other key sites are currently under active consideration.

3.3 Delivering Homes

Plymouth has an on-going requirement for new and appropriate housing. The Council owns a number of assets, currently not utilised or underutilised, which would make appropriate housing locations.

The Council is releasing sites in a controlled and phased approach. Phase I has seen the release of c.10 former school and community centre sites which will deliver c. 600 homes. Work is currently on-going on the second tranche of sites across the. There are likely to be additional sites within the Council's portfolio going forward which are suitable for housing delivery. As landowner the Council has the potential to influence the housing product delivered on each site if desired, particularly in relation to the level of affordable homes and sustainability.

3.4 Delivering Income

The Strategic Property Review has highlighted the potential for a number of specific opportunities for generating additional income from the commercial estate through proactive and specific asset management initiatives.

These include latent potential within the City Centre ground lease estate and the conversion of the remaining old 99 year leases into modern 125 year re-gearred leases to generate additional revenue. Not all of this is realisable in the short term and will require incentives to realise the opportunity.

The interim use of longer term land holdings for solar installations could also generate additional income if considered viable from a planning, grid and regulatory perspective. This would need to be explored with assistance of specialist advice.

3.5 Direct Intervention in Priority City Centre Projects

The Transformation Work Stream and Municipal Enterprise emphasises the importance of building a pipeline of development projects and programme of private sector stimulation that will deliver investment into the City. This will give a clear signal to the property market of the scale of opportunity and which projects will be prioritised. The Council has a number of current / proposed strategic projects in the City:

- Civic Centre tower and public car park (developer selected)
- Colin Campbell Court
- Bretonside Bus Station
- New History Centre
- Derriford District Centre
- North Cross/Plymouth Station
- Royal William Yard (underway)

It is the Council's view that the current focus should be on the new History Centre, Colin Campbell Court, Bretonside Bus Station and Derriford District Centre

There are a wide range of potential implementation approaches for these sites (either individually or combined) from direct development to preparation and sale. Each individual project will require its own detailed implementation strategy.

3.6 Interim Use of Long Term Holdings for Renewable Energy

Plymouth has an objective to become a low carbon area. There are multiple advantages of releasing such land for renewable energy generation. The initial sites identified for further investigation include land at Ernesettle, Langage and St Budeaux with a combined site area of circa 100 acres. These are typically challenged sites from a long term redevelopment perspective and their potential for interim use and development for ground-mounted solar energy installations should be fully explored on the basis they could:

- Secure interim capital and revenue.
- Generate discounted energy for the operational estate, local businesses and residents.
- Allow the Council to carefully plan long term development, resolve site-specific issues and optimise planning and land value.

3.7 Asset Categorisation & Property Rationalisation Audit

The Council's entire property portfolio needs to be separated into 5 categories clearly identifying the primary purpose for which assets are held and will determine the most appropriate strategic asset management. The 5 categories will be Operational, Strategic, Employment, Community and Commercial / Trading.

The Council is also currently assessing its assets within a particular locality to determine opportunities for rationalisation and potential release of land via a Land Management Review exercise.

The Strategic Property Review recommends this process is accelerated and rolled out across the City assessing assets that could provide opportunities for new housing (including self-build), new workspace, renewable energy projects and community asset transfer.

4. CONCLUSION

Local Government is going through unprecedented change giving rise to both major challenges and opportunities. Strategic asset management and the role of the Council's estate have a key role to play in supporting this change. The Strategic Property Review has produced a series of key initiatives and identified areas where the Council is doing well as well as future areas of opportunity. The Council will now take forward the emerging themes and initiatives prioritising those that will contribute to delivering the transformational growth and municipal enterprise agenda.