

**CITY OF CARDIFF COUNCIL
CYNGOR DINAS CAERDYDD**

CABINET MEETING:

**PURCHASE OF BIFFA WASTE RECYCLING CENTRE,
BESSERMER CLOSE AND DISPOSAL OF 3-4 WHARTON
STREET, CARDIFF.**

ECONOMIC DEVELOPMENT (CLLR GOODWAY)

AGENDA ITEM:

PORTFOLIO: BUSINESS & INVESTMENT

Appendices 2, 3 and 5 of this report are not for publication as they contain exempt information of the description contained in paragraphs 14 of part 4 and paragraph 21 of part 5 of Schedule 12A of the Local Government Act 1972.

Reason for this Report

1. To seek Cabinet authority to acquire the Biffa Waste Recycling Centre, Bessemer Close, Cardiff for the Council's Investment Estate portfolio and dispose of 3-4 Wharton Street, Cardiff.

Background

2. An Investment Estate Strategy was agreed by Cabinet on 21st November 2016 to implement a proactive approach to allow the Council to manage assets more effectively with the aim to improve the overall performance of the Estate.
3. Capital receipts generated from the sale of Investment Estate properties can be reinvested in existing assets or can be used to purchase new investment properties.
4. The key objective of the Investment Estate Strategy is to deliver an improvement in the performance of the estate over the next 5 years
5. An opportunity has been identified to acquire the Biffa Waste Recycling Centre for investment purposes.
6. Cardiff Council currently holds the freehold interest in the Bessemer Road site (Appendix 1 identifies the site).The Council's Tenant is disposing of the long lease which is currently sub-let to Biffa which provides the Council with an opportunity to acquire a rental income of

£80,000 per annum. A report from an independent valuer supporting the Council's acquisition of the site is attached as Confidential Appendix 2.

7. The site extends to 0.78 hectares (1.93 acres) and is located immediately adjoining the Council's existing Household Waste Recycling Centre. The site currently comprises a detached recycling unit, weighbridges and ancillary offices totalling some 1,328 sq m (14,294 sq ft).
8. In conjunction with this acquisition it is also recommended the Council dispose of 3-4 Wharton Street (Appendix 4 identifies the site and a Confidential Appendix 5 provides an independent valuation).
9. Wharton Street is a four storey Grade II listed building located between The Hayes and St Mary's Street. Constructed in the late Nineteenth Century, current tenants comprise a retail unit, public house with living accommodation above and private members club.

Issues

10. The acquisition of the Bessemer Road site represents an opportunity to acquire an asset let to a single occupier until 2032 with guaranteed uplifts in the rental income and benefits from a marriage value from the merging of the interests. The site adjoins existing Council facilities and land ownership and the proposed acquisition fulfils the Investment Estate parameters.
11. The disposal of Wharton Street aligns with the investment estate strategy. The asset currently generates an income into the Investment Estate but the longevity of the income is not secure and coupled with the maintenance responsibility, the asset does not fit the criteria of the Investment Estate. Given the location, indications are that this presents a city centre opportunity for regeneration, the council will dispose of the long leasehold and retain a freehold interest.
12. Both transactions will be subject to further due diligence before completion.

Reason for Recommendations

13. (i) To sanction the acquisition of a strategic income producing asset for the Council's Investment portfolio
- (ii) To sanction the disposal of long leasehold of 3-4 Wharton Street.

Financial Implications

14. The Council's Investment Property Strategy approved in 2016 aims to improve the performance of the estate by undertaking acquisitions where paid for from disposals of sites no longer deemed suitable for long term retention in the estate.

The report proposes the acquisition of a site at Bessemer Close, which will generate income for the estate and also consolidate the Council's interest in the site and neighbouring sites used for operational purposes. The total cost of acquisition is shown in the Appendices and is supported by an external valuation. In terms of income certainty, a financial appraisal has been undertaken of the tenant and this is shown to represent a good covenant. Any acquisition is subject to receipt of satisfactory surveys.

Based on realised income from site disposals and existing commitments from the investment property fund, there is insufficient income to cover the costs of the purchase. However the report identifies the leasehold disposal of a site at Wharton street as an income source that will be pursued in the short term, to cover the costs of any acquisitions to be undertaken. Whilst any disposal will result in loss of rental income, disposal would support the removal of a maintenance obligation, support wider economic regeneration and allow re-investment in an asset to secure a longer term equivalent income stream. The disposal process adopted should aim to secure best value for the site as recommended by valuation advice.

Requiring disposal proceeds to be in place before acquisitions mitigates the risk of having to borrow. In this case, there is likely to be a difference between the timing of investment and the timing of any disposal of the site mentioned in the report or other sites in the investment estate. The estimated timing of the acquisition is February 2019, whilst subject to ensuring a robust disposal process, the timing of disposal is forecast to be May 2019. This results in risks to affordability, however the view is that the receipt is realisable. In this one off case, the short term cash flow impact of timing would be managed by retaining all income receivable from the BIFFA site following acquisition, until proceeds from disposals are realised.

Any revenue implications will need to be managed within the investment estate revenue budget.

Legal Implications

15. The Council's Procedure Guide for the Acquisition and Disposal of Land requires the purchase price to be based on price alone and to be no more than market value as certified by a qualified Valuer in addition, The Council is obliged to obtain the best consideration reasonably obtainable from its property disposals in accordance with section 123 of the Local Government Act 1972.

RECOMMENDATIONS

16. The Cabinet is recommended to agree to the purchase of Biffa Waste Recycling centre for investment purposes.

NEIL HANRATTY
DIRECTOR OF ECONOMIC DEVELOPMENT
23rd November 2018

The following appendices are attached of which Appendix 2, 3 and 5 are CONFIDENTIAL:

Appendix 1 – Site Plan – Bessemer Close, Waste Recycling Centre

Appendix 2 – Independent Valuation Report Bessemer Road - **Confidential not for publication**

Appendix 3 – Total Acquisition costs - **Confidential not for publication**

Appendix 4 – Site Plan – 3-4 Wharton Street

Appendix 5 – Independent Valuation Report Wharton Street - **Confidential not for publication**