



Classification	Item No.
Open	

Meeting:	Cabinet
Meeting date:	30 June 2021
Title of report:	PROCUREMENT OF A DEVELOPMENT PARTNER FOR PHASE 2 OF CHAMBERHALL BUSINESS PARK, BURY
Report by:	Cllr Eammon O'Brien
Decision Type:	Key Decision
Ward(s) to which report relates	Moorside

Executive Summary:

Delegated authority is sought to undertake a procurement process to identify a suitable development partner to bring forward the development of phase 2 of Chamberhall Business Park.

The proposal is that the site, which is in the freehold ownership of the Council, will be disposed on a long lease to the selected developer partner. The developer will be contractually obliged to facilitate the construction of circa 70,000 sq ft of new light industrial floorspace. The exact quantum and type of floorspace will be confirmed following receipt of the bids from developers and will form part of the developer partner selection criteria.

The site forms part of Chamberhall business park. Phase 1 which consisted of 130,000 sq ft has been successfully developed by St Modwen's. The phase 2 land comprises of circa 7 acres of serviced employment land.

The procurement will ensure that a high-quality sustainable development is brought forward as well as ensuring best value is achieved for the site.

It is anticipated that details of the preferred developer will be submitted to cabinet for approval by December 2021.

The disposal of the land would therefore:

- Remove the risks and costs to the Council associated with holding a vacant asset.
- Produce a capital receipt for the Council.
- Provide a sustainable income flow through new business rate revenue.
- Enable the construction of new commercial floorspace which will accommodate growing indigenous businesses and / or secure new inward investment.
- Create new jobs and secure existing ones.

Recommendations

- That a procurement exercise is now undertaken on Chamberhall phase 2 in order for a private sector developer partner to be appointed.
- The disposal will be in the form of a Council standard long lease and subject to a bespoke development agreement to ensure that Bury achieves maximum benefits from the project.
- That the Director of Regeneration & Capital Growth be given delegated authority in consultation with the Monitoring, Section 151 Officer and the leader of the Council to consider all of the bids received and to approve the agreement of the terms of the most advantageous bid in accordance with the award criteria.
- That details of the preferred developer and the wider updated development proposals be submitted to cabinet not later than December 2021.

Key considerations

1. Background

- 1.1 Chamberhall business park is a key strategic employment site close to Bury town centre.
- 1.2 In 2015 the council undertook a procurement exercise and appointed St Modwen's to develop the site for light industrial units.
- 1.3 The masterplan that St Modwen's put forward saw the land being drawn down and developed in two phases. Phase 1 has now been constructed delivering 130,000 sq ft across 14 units.
- 1.4 Businesses in occupation of the units include Burgaflex U.K. Ltd, Capper Sharrock Ltd, Ability-Tec CIC, Bollin Valley Ltd and Youthstar Ltd.

- 1.5 St Modwen's have now advised the Council that they do not wish to take up their option of developing the phase 2 land. It should be noted that this is because of a review of internal company priorities rather than any structural issue with the market for industrial floorspace.
- 1.6 As such the business park is only partly developed and an opportunity has presented itself to the Council to secure a fresh approach to the phase 2 land, site plan attached - appendix 1.

2 Planning

- 2.1 The Chamberhall site is allocated as an Opportunity Site under Policies EC1/3 and RT4/3 of the adopted Bury Unitary Development Plan (UDP) and identified as being suitable for business (B1), offices and hotel/conference facilities. UDP Policy EC1/3 specifies that development for other business and industrial uses will only be permitted in exceptional circumstances and in accordance with other policies and proposals of the Plan.
- 2.2 However, the Council accepts that there is a limited market for speculative office development in Bury at the present time and this was a key consideration when approving St. Modwen's scheme that has now been completed on phase 1 of the site. Whilst this was not strictly in accordance with the site's allocation for offices, the Council were, nevertheless, keen to secure an employment-led development on the site.
- 2.3 The Council would maintain this approach for phase 2 of the site and would look favourably on an additional employment led-scheme consisting of predominantly high quality business, industrial and warehousing space of a similar standard to that developed under phase 1.

3. Disposal

- 3.1 The demand for new modern industrial units across the Northwest has increased considerably over recent years.
- 3.2 Market intelligences suggest that there is limited supply of available sites and Bury, in particular, is seen as an ideal location for this type of employment space. This is driven by its location and the healthy rents being achieved in the Manchester region. It is therefore recommended that the land be brought to the market for disposal as soon as possible.
- 3.3 It is proposed that the land disposal will follow the same process as phase 1. That would be a 250-year lease alongside a development agreement which will set out amongst other things the overage position.

- 3.4 It is recommended that the property would be offered via a formal tender on The Chest with a closing date for the submission of bids from potential purchasers.
- 3.5 Tender submissions will be assessed on best value, quantum of space, capacity/resource to carry out the proposed development and any conditions attached to their bid.
- 3.6 In terms of financial projections for the phase 2 land then it is expected that the site once developed will generate a significant land receipt, opportunities for future overage and a sustainable income flow through the retention of new business rates. Whilst actual 'financial returns' can only be evidenced once the bids are submitted, we can make some estimates. Based on a conservative rental level of say £8.50 per sq ft and the construction of 70,000 sq ft then this would generate circa £300k sustainable annual income flow to the Council through retained business rates. Furthermore, as there are no abnormal costs to be included in the development appraisals then even with a standard profit allowance of, say, 15% we would expect that significant land values would be generated. This will be confirmed through the assessments of the bids but it would be reasonable to expect the development appraisals to generate land values in excess of £1m. Once the preferred bid is selected, we will look to impose rigorous overage clauses if outturn generate super profits.
- 3.7 In terms of job creation, if we applied the government standard employment densities then a light industrial development of this nature should create 1 job per 36 sqm. As such once the phase 2 land is developed this could create circa 180 new jobs.

4.0 Other alternative options considered

4.1 Option 1 - Do Nothing

- In this scenario the site will be left vacant.
- This option has been dismissed as the Council is prioritising its redevelopment so as to bring forward new employment land to meet the needs of businesses.
- There is also an opportunity cost for not seeking new development in that the ability to secure a sustainable income flow through new business rates will be lost.

4.2 Option 2 - Direct Development by the Council

- Under this option the Council would undertake the development directly.
- The Council would masterplan the site, undertake all further due diligence work and secure the relevant planning permissions. The Council would then

tender the works contract and manage the construction of the new units. Once practically complete the Council would then take on full responsibility for the lettings.

- This option would mean that the Council would have to secure all of the funding for the scheme.
- This option has been dismissed as although a lot of this work could be done by external consultants it would still require significant internal resource from the Council. Furthermore, the Council would have to bear all the risk associated with funding a property development of this nature.

4.3 Option 3 - Straight land sale through private treaty

- The Council could simply market the site and dispose at best value.
- Whilst there is likely to be strong interest in the site, this approach does not allow the Council to have controls over the subsequent development. The risk here being that a purchaser could 'land bank' the site and / or undertake a sub optimal regeneration scheme.
- As such, this option has been discounted.

5.0 Assessment of Risk:

Risk / opportunity	Mitigation
Failure to achieve bids	Market intelligences suggest there is likely to be a very strong interest in bidding for this site. Rental growth in light industrial units in recent years has been significant due to a lack of supply of this type of floorspace.
Developer requires further grant support.	The site has previously benefitted from the provision of generic infrastructure. This alongside a buoyant demand for light industrial floorspace of this nature should mean that any speculative development will not demonstrate a viability gap.
Purchaser does not develop the property.	There will be a review of the bids to assess the 'deliverability' of the proposals. This will form part of the assessment. It is expected that the successful developer will be one of sufficient track record and sufficiently financed to deliver the scheme. In addition, undertaking a procurement allows the Council to place positive

Risk / opportunity	Mitigation
	obligations on the developer to ensure the units are constructed within a set timetable. Failure to achieve this will mean that the Council can take back control of the site.
Best value is not achieved	By undertaking a procurement this ensures a degree of competition in the bids. Development appraisals will be submitted which will set out the proposed land payments to Bury. These will be scrutinised by an industry specialist to ensure that the benefit to the Council is maximised.

6.0 Equality Impact and considerations:

This proposal does not adversely affect equality.

Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to -

- (a) *eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;*
- (b) *advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;*
- (c) *foster good relations between persons who share a relevant protected characteristic and persons who do not share it.*

The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services.

7.0 Consultation:

Consultation will be an integral part of any future planning application process when the selected developer brings their application forward.

8.0 Legal Implications:

This is phase two of the scheme, the Cabinet agreed the scheme in 2015. The it has been agreed earlier the usage of this land. In procuring a developer we will need to ensure

9.0 Financial Implications:

The Council is proposing to dispose of the land to generate a capital receipt. As part of the disposal a development agreement will be drawn up that will incorporate an overage clause should super profits be achieved by the developer. Costs of the disposal will be sought via a grant from the GM Combined Authority. However, should this not be successful they will be offset against the capital receipt.

This development will not only remove the risks and costs to the Council of holding vacant surplus undeveloped land but its future development will also generate jobs within the Borough which leads to future economic recovery and also additional business rates for the Council.

Further reports will be brought back to Cabinet once bids are received and all due diligence and evaluation of these bids has been undertaken later in the year.

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Background information:

Appendix 1 - Chamberhall Site Plan