

**Report to:** EXECUTIVE CABINET

**Date:** 23 March 2022

**Executive Member:** Councillor Oliver Ryan, Executive Member (Finance and Economic Growth).

**Reporting Officer:** Ian Saxon, Director of Place.

**Subject:** FUTURE DEVELOPMENT OF UNION STREET SITE, HYDE.

**Report Summary:** It is understood that Hyde Library was opened on the Union Street site in February 1899. In an effort to reduce costs and protect the library service, in September 2014, the Council announced plans to relocate the library function into Hyde Town Hall. The library service successfully transferred into the refurbished space in Hyde Town Hall in February 2015.

Despite the fact that the building closed a number of years ago - and has suffered as a result of substantial amounts of theft and vandalism since this time - the former library remains an important structure which both the residents and Council are keen to protect.

Given the condition, the viability of refurbishing and converting the former library building in its entirety could be marginal. Due to its significance and in an attempt to ensure that a scheme remains financially viable, rather than advertising the former Library building in isolation, the Council are looking to include the adjoining land - including Union Street car park - into the opportunity for potential redevelopment.

In addition to this, whilst exploring a range of disposal options, officers will continue to monitor the availability and use of grant funding, via the Evergreen and Brownfield Homes Funds which potentially, would allow any future scheme to maximise the benefit and positive impact on the Borough.

**Recommendations:** That Executive Cabinet be recommended to agree that that the Council proceed to market the subject site immediately via informal tender, using the services of Knight Frank as specialist agent. The basis of the tender is set out in section 5 of the report.

**Corporate Plan:** It is thought that the proposals could have the potential to increase the number of net additional dwellings, increase the number of affordable homes, improve satisfaction within the local community and reduce levels of anti-social behaviour, which are all priorities within the Corporate Plan.

**Policy Implications:** The Council are seeking to comply with the Disposal Policy approved by Executive Cabinet in September 2020 by acting in a fair and transparent manner, with additional consultation carried out at a local level.

In addition, in support of the Homes, Buildings & Workplaces Action plan – which forms an Appendix to the Council's Climate Change & Environment Strategy 2021-26, the Authority would;

1. seek to prioritise development which aspires to deliver low

or no carbon homes – with an eye on the coming requirements of the future homes standard.

2. like to see development which adapts to the effects of climate change needs.
3. promote schemes where environmental net gain needs are embedded as appropriate, so any development has a positive impact on the environment in which it is located.
4. favour design where active and low carbon lifestyles are promoted through the development proposal.
5. like to see that innovation in green building technology is encouraged and depend where practicable on a local supply chain and work-force.

**Financial Implications:**

**(Authorised by the statutory  
Section 151 Officer & Chief  
Finance Officer)**

The report sets out the marketing proposals for the future development of the former Hyde Library and adjoining car park at Union Street site in Hyde. The disposal of this Council asset was approved by the Executive Cabinet on 29 November 2021 within the report 'Proposal To Declare Assets Surplus To Requirements – Batch 2'.

The report notes that officers will continue to monitor the availability and use of grant funding via the Evergreen and Brownfield Homes Funds (via GMCA) which potentially would allow any future scheme (following disposal) to maximise the benefit and positive impact on the Borough.

The value of a capital receipt received in any financial year if less than £10,000 per asset will be allocated to the Council's revenue budget. Any capital receipt that exceeds this de-minimus value will be a corporate receipt to support the funding of the Council's capital programme.

Incidental revenue costs of asset disposals (such as marketing and legal costs) can be offset against the capital receipt up to a maximum limit of 4% of the gross capital receipt (on an asset by asset basis). This will include the agents fees as referenced in section 3.2.

Any significant additional costs that are anticipated or required (such as demolition and site clearance costs) will need to be met from either existing revenue budgets or additional budget approvals, which will result in additional financial pressures in the short to medium term. If site preparation activity is deemed to enhance the future value of the site, then such additional costs may be financed from capital resources. This will minimise the short term revenue budget pressures but places further demands on the financing requirements of the Capital Programme.

The annual net revenue budget for the Union Street site (including the car park) that will be saved via a subsequent disposal is £63,650 (pro-rata to the timing of the disposal). The net budget sum is predominantly business rates and utility costs together with car parking income.

Members are reminded that the Council has limited resources available to fund Capital Expenditure. On 29 September 2021, Executive Cabinet approved the allocation of the remaining

capital reserves to immediate priorities. No new capital investment will be agreed until the revenue budget position for 2022/23 is clearer and the Council has a sustainable medium term financial plan. A further review of Capital Priorities and the affordability of future borrowing to fund Capital Expenditure will be undertaken following conclusion of the 2022/23 budget setting process. No further capital projects will be approved in the short term unless the schemes are fully funded from external sources.

**Legal Implications:**  
(Authorised by the Borough Solicitor)

This report is intended to provide Members with an update on the progress made with this site to the point of bringing it to market.

The project officers have identified that informal tender as the best marketing approach.

The sale will not be agreed without the matter returning back to Members so as to ensure that the requirements of Section 123 of the Local Government Act 1972 are complied with and to provide Members with the assurance that terms of the sale are appropriate. This means that a red book valuation is obtained from an independent valuer setting out what best value price would be and any variation and justification from that. Such valuation must be less than 3 months old when members consider.

**Risk Management:**

The Council are looking to progress the future redevelopment of the Union Street site in accordance with its approved Disposal Policy. In proceeding in accordance with its approved policy, the Council are looking to ensure that the Authority disposes of surplus assets in a consistent, structured and transparent manner, mitigating risks where possible.

The subject report looks at a number of different disposal techniques, setting out the advantages and disadvantages of the various approaches. The recommended way forward – to advertise the site by way of an informal tender and conditional exchange – seeks to maximise value, thus complying with obligations under s.123 of the Local Government Act 1972, provide price certainty and reduce the risk of a developer either reducing the price after tender submission or failing to complete the development proposals in a timely manner.

**Access to Information:**

**CONFIDENTIAL**

Not for Publication: This report contains exempt information relating to paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended) in that it relates to information relating to the financial or business affairs of a particular person (including the authority holding that information).

**Background Information:**

The background papers relating to this report can be inspected by contacting



Telephone: 0161 342 3420.



e-mail: [mark.prestwich@tameside.gov.uk](mailto:mark.prestwich@tameside.gov.uk).

## 1. INTRODUCTION

- 1.1 A revised policy for the disposal of Council owned land was approved by Cabinet in September 2020, along with an initial list of properties which were formally declared surplus. Following on from this, in September 2021, Cabinet declared a second 'batch' of assets surplus to its requirements and therefore available for sale. This list included the Union Street site (see **Appendix One**) which extends to approximately 1.764 acres (0.714ha).
- 1.2 It is understood that Hyde Library was opened on the Union Street site in February 1899. In an effort to reduce costs and protect the service, in September 2014, the Council announced plans to relocate the library function into Hyde Town Hall. The library service successfully transferred into the refurbished space in Hyde Town Hall in February 2015.
- 1.3 Despite the fact that the building closed a number of years ago - and has suffered as a result of a significant amount of theft and vandalism since this time - the former library remains an important structure which the Council and residents are keen to protect. Given the issues and obsolescence, the financial viability of refurbishing and converting the former library building in its entirety could prove to be marginal. Therefore, in order to help ensure that a scheme can go ahead, rather than advertising the former Library building in isolation, the Council are looking to include the adjoining land - including Union Street car park and the land to the rear of the former Library (where the technical workshops were previously situated) – into the opportunity for potential redevelopment. In addition to this, whilst exploring a range of disposal options, officers will continue to monitor the availability and use of granting funding, via Evergreen and Brownfield Homes funds which potentially, would allow any future scheme to maximise the benefit and positive impact on the Borough.
- 1.4 Alongside options around retention of the building, the Council would also need to explore the uses that it would like to see carried out in the property. To explain, whilst the former Library building previously provided a community use, the Authority have received several unsolicited expressions of interest since it was closed, with parties looking to use the building for continued community use, education, religious purposes and residential development.
- 1.5 In addition to this, as explained in a report presented to Cabinet in September 2021, the Council have secured monies from the Greater Manchester Combined Authority Evergreen fund. Using some of this funding, the Council can explore the option of re-purposing the former Library for a scheme delivering an 80-90 x 1 and 2 bed Extra Care apartment complex with associated facilities including a café/bistro and day care / community provision. Further details regarding the possible provision of an extra care scheme on the site are outlined in **Appendix Two**.

## 2. HYDE TOWN CENTRE – THE WIDER STRATEGY

- 2.1 In developing a masterplan for the town centre, there is an opportunity to deliver real change in the town centre, to regenerate Hyde and make it a thriving town centre with a high quality offer that meet the needs of the local population as well give people a reason to visit Hyde. The opportunity to redevelop the former library and adjoining land is just a single proposal that is part of this much wider town centre proposition to regenerate the area.
- 2.2 Hyde was recently designated as part of the governments High Street Task Force areas. The HSTF brings together a range of expert organisations on reinventing and restructuring places to build long-term capacity for local transformation. Funded by government, this support includes expert advice, training, and data delivered directly to local stakeholders in towns and cities, and a range of resources online that are available to all.
- 2.3 Hyde Triangle is identified as an area for growth within the Tameside Inclusive Growth Strategy and is one of the Greater Manchester Growth Locations. Hyde Triangle which includes Godley

Green, Hattersley and Hyde Town Centre will ensure that these major drivers for change support the wider regeneration of the town centre.

- 2.4 As a consequence of this planned growth there will be an increased demand for retail, leisure and services supporting the regeneration of Hyde Town Centre, and acting as a catalyst for further growth and investment.

### 3. OPTIONS CONSIDERED

- 3.1 Given the need for the Council to work flexibility in order to achieve the best delivery outputs - which would safeguard the property in the long-term - there are a number of options that would need to be considered by the Authority. These options can be summarised as follows;

**Look for offers on the basis that the Council would support (a) complete demolition (b) partial demolition (c) retention of the full building only.**

- 3.2 In terms of these options, whilst the property is not listed, it is likely to be considered as a non-designated heritage asset by the Planning Authority – that being a building identified as having a degree of significance, meriting consideration in planning decisions because of its heritage interest. Given this status, it is likely that the Planning Authority would resist any proposals to significantly alter the building, with a full heritage survey being required as part of any future planning application. Given its significance and importance locally, it is similarly likely that Ward Councillors and members of the public would look to object to any proposal, which included substantial elements of demolition or remodeling, with a preference for building retention.
- 3.3 That said, the Planning Authority, Ward Councillors and members of the public would ultimately wish to see a sustainable use introduced into the property – which would safeguard the building for future generations. Given the general overall condition of the structure, the varying room sizes and high ceilings, a sizeable amount of remodeling (and therefore expenditure) is inevitable, irrespective of the scheme being proposed.
- 3.4 The level of expenditure could influence the viability of a scheme and in some circumstances, underpin or dictate the redevelopment approach being proposed. To explain, if the Council were to market the property, with offers being sought from interested parties who were obliged to either retain the whole, or a substantial part of the building then, if no offers were to come forward on this basis (or the market suggested that a reverse premium and/or grant funding was required in order to bring forward a commercial scheme) then, this *could* result in the Authority having to consider more drastic options, i.e. complete demolition or retention of limited elements of the property only. As such, in order to robustly demonstrate that the Council have explored all options aimed at protecting the building, at this stage, it is proposed that the Authority seek to market the building based on options which look at full building retention or, preservation of a substantial part of the building only.
- 3.5 To help ensure that all interested parties appreciate the level of work that would be needed to support a future planning application – particularly if any partial demolition or remodeling is proposed – it is also suggested that the marketing literature includes advice from the Planning Authority. Any planning statement prepared by the Planning Authority would help to confirm what surveys and reports might be required as part of any future planning application.

#### **Building Uses**

- 3.6 During the period of void, the Council have received several expressions of interest from parties looking at a number of different uses for the building. By virtue of a Cabinet report approved in September 2021, the Council already appear to have expressed a preference for exploring the creation of an extra care scheme. However, if the Authority were to seek offers on this restricted basis only (as opposed to an unfettered sale) then, this could potentially result

in the Council receiving an undervalue for the site, thus failing to satisfy its obligations under s.123 of the Local Government Act 1972.

- 3.7 As such, in order to ensure that the Council make an informed decision moving forwards, it is proposed that the marketing particulars highlight the various uses that could be accommodated on the site and make it clear that, the Authority is happy to explore all options for the building which ultimately, will safeguard it in the long-term. The marketing details can stress how, in accepting any offer for a particular use – whether that be for a community, extra care or residential purpose - the Council would look to include a restriction in the title, protected by s.33 of the Local Government (Miscellaneous Provisions) Act 1982 if necessary, limiting the use of the site to the use proposed as part of any tender submission. This approach would help ensure that, the Council do not accept an offer for a lower value use (in order deliver wider benefits in accordance with General Disposal Consents 2003), which then change and provides a greater return for the developer.

### **Marketing**

- 3.8 In terms of how the property is marketed, the Council could explore a variety of options, aimed at ensuring that the Union Street site is positively developed, namely;

- Private treaty, where the Authority stipulate an asking price and seek to obtain offers from interested parties at this level. In proceeding on this basis and providing an asking price, the Council may inadvertently ‘undersell’ the asset, with the possibility that the Authority could have achieved a higher value if another method of sale was chosen. Equally, in stating a ‘commercial’ asking price, adoption of this approach could exclude a section of the market, i.e. people who are looking to utilise the building for community or education uses for example, who might not be able to pay the highest premium but would be well placed to provide a number of services to residents, perhaps resulting in future revenue savings for the Authority.
- Auction, where interested parties bid in a public forum. Whilst this approach can often ‘drive up’ the price of an asset, particularly if two or more parties are competing against each other, it is rare that a substantial building and connected building plot would be sold using this method. Interested parties are expected to exchange contracts on the day of the auction and complete the acquisition 28 days later. Given the potential risks in refurbishing a dated building of this scale, together with the development of a vacant parcel of land, developers are likely to prefer a period of time in which to carry out detailed due diligence and achieve some planning certainty. Given the risks to the buyer in this instance, it is unlikely that an auction would result in the Council maximizing the value of the asset as, any developer is likely to generously ‘price the risk’ of any unknowns. Similarly, from the Council’s point of view, there would be no control over the identity of the buyer, how they would choose to develop the site and even whether they would develop the site at all.
- Market by way of Informal Tender. Given the level of control that the Council would want to retain in respect to the high profile and sensitive asset, it is proposed that the opportunity is marketed by way of an informal tender, with detailed offers submitted to the Authority by a closing date. This approach would provide time for the Council to assess the offers received and judge a developers’ ability and experience of delivering similar projects in relation to historic buildings of interest. An informal tender would also allow the Council to look at a conditional exchange of contracts, providing the developer with an agreed period of time in which to finalise their proposals for the site, carry out any additional due diligence and secure an acceptable planning permission.

### **Survey Work.**

- 3.9 It would be ideal if, prior to marketing the property, the Council had a full suite of survey work, including a building condition survey, asbestos survey, topographical survey and site investigations. Having this information available would provide interested parties with the ability to more accurately cost their proposals and provide the Authority with greater price certainty.

- 3.10 Given the fact that the car park element of the opportunity previously comprised a swimming pool demolished in 1984 – where slabs and pools walls *may* have been retained as part of any demolition, in failing to provide this information, there is a risk that, at a later date, a developer would either look to ‘chip’ the price offered to the Council for the opportunity or, withdraw from the purchase completely (if any unaccounted costs increase dramatically and render a proposal unviable).
- 3.11 Whilst procuring this information does come at some cost (and time), it would represent one of the best options for securing price certainly. However, given the range of interest that the Council is likely to receive - with some developers exploring different uses and potentially retaining different parts of the building - there is a strong likelihood that some of the information procured by the Council could be fairly meaningless to a section of the interested parties.
- 3.12 In order to avoid wasted time, money and effort, it is therefore proposed that the Council look to procure survey information that would be benefit all parties only. Whilst this approach could result in the increased risk of future price reductions, it is near impossible at this stage to predict the type of interest that would be received as part of any future marketing. The Council have the comfort that, any risks or conditions attached to the offers received by the Council could be reported at a later date and properly considered.

#### **4 FINANCE**

- 4.1 In looking to market the subject property for sale, the Council would be procuring some supporting survey work which would assist interested parties and allow them to submit an offer with a reduced number of caveats and conditions.
- 4.2 Given the limited value of the asset, the cost of the survey work could potentially exceed 4% of the capital receipt. Similarly, whilst agents Knight Frank are happy to work from a commission of 0.65% of the sales value, the minimum agent’s fee of £2,500 could apply in this instance dependent on the values received.

#### **5 RISKS**

- 5.1 As with any proposed land sale, there are a number of risks. Given the importance of the Union Street site and need to ensure that the opportunity is developed in a positive manner - which contributes to Hyde and the wider area - officers would seek to mitigate any risks where possible. The main risks can be summarised as follows;

##### **The Council receives no developer interest in purchasing the site.**

- 5.2 In terms of this, whilst the property market will inevitably need to ‘re-adjust’ as a result of the Covid-19 pandemic, there continues to be a lack of ‘housing land’ throughout Greater Manchester. Developers are keen to maintain land banks and deliver the housing numbers required to keep companies profitable.
- 5.3 Given the lack of housing land supply, demand for opportunities remains high and as a consequence, it is thought that the Council should receive some interest in the property, despite the difficulties that would need to be overcome in order to deliver a viable scheme. In order to mitigate against the risk of receiving no interest, the Council have included the existing Union Street car park, together with the land to the rear of the former Library in an attempt to ensure that a viable scheme can come forward. It is also proposed that the Council would source the services of an external agent who would promote the land to all active local and regional developers.

**The offers received by the Council contain a number of caveats.**

- 5.4 In supplying copies of any survey work to interested parties, it is hoped that the Council can obtain positive offers which include few conditions and caveats. Subject to offers being received on this basis, this would allow the Council to fairly assess the offers received on a consistent basis.
- 5.5 In addition, if the Council seek to obtain offers which are subject to planning only then, this would reduce the opportunity for developers to 'chip' the proposed purchase price at a later date. Needless to say, given a substantial element of the work would be based on a conversion – which is notoriously difficult to price – the likelihood of the Council securing offers on a subject to planning basis only is limited and it is thought that some conditionality will exist.

**The developer does not secure planning permission.**

- 5.6 Another risk would be that, having secured and accepted an offer, the developer fails to obtain planning permission for a specific use or specific works on the site. Whilst this would fundamentally affect the value and future plans for the site, the Council would seek to mitigate this risk by engaging with the Planning Authority and sharing details with interested parties as part of the marketing literature.

**The developer secures planning permission, completes the acquisition and then does nothing.**

- 5.7 The final risk for the Council would be that, having secured planning permission, the developer completes the purchase of the site then chooses to do nothing, effectively land banking the site or, seeks to 'flip' the opportunity onto another developer at a higher price. In this situation, the community would fail to receive the benefits of any plans for the site, together with any improvements in the appearance of the building that would be generated from a completed scheme. The Council would also fail to receive the revenue income generated from increased Council Tax and new homes bonus (or Business Rates dependent on the use being proposed). The regeneration and housing benefits would also not be realised, with the added benefit to the economy and construction jobs.
- 5.8 The only way to mitigate around this would be for the Council to look at a Development Agreement or similar which, obliges the developer to complete the scheme as proposed. Unfortunately, there is increasing case law and procurement rules (particularly as a result of the 'Faraday case') which seeks to expand the definition of a 'works contract' and as a consequence, the obligations which the Council can look to include within a standard Development Agreement. This can result in increased procurement costs, reduced attractiveness of the asset in the market place and a delay in progressing development. As such, instead of progressing the disposal on the basis of a development agreement, the Council could instead rely on the fact that, as the developer has 'sunk' a significant sum into the development prior to completing the purchase (in terms of updating the survey work and obtaining planning permission etc.), they would be keen to see a return on their investment and start onsite construction works in a timely manner. The inclusion of a buy back clause, would also help to ensure development outputs are achieved.

## **6. WAY FORWARD**

- 6.1 Based on the above, it is proposed that the Authority seek to market the building based on the following criteria;
- The Council look to market the site by way of informal tender, using the services of a specialist agent in order to maximise the interest.
  - The marketing will include a host of information, including some survey work and a planning statement.
  - Given the significance of the opportunity and importance within the Borough, the marketing literature will make it clear that the Council would only explore options which look at full building retention or preservation of a substantial part of the building at this time.



- The marketing will seek offers for any uses which the market think is viable (i.e. the Council will not exclude certain uses from taking place, which would allow the Authority to properly consider any credible proposals which come forward for the Union Street redevelopment). In completing a sale however, the transfer will restrict the use of the property to that included in the tender submission. The restriction will be provided using s.33 of the Local Government (Miscellaneous Provisions) Act 1982 if necessary.
- The sale would be completed by way of a conditional exchange of contracts, with the developer exchanging contracts and then having a maximum 12 month period in which complete due diligence and obtain planning permission prior to completion.
- Following completion, the Council would provide the developer with 36 months in which to complete the development. If the scheme is not completed in accordance with the approved planning permission, the Council would have the right to re-acquire the property at the original purchase price.

## **7 RECOMMENDATIONS**

- 7.1 As stated on the report cover.