

ABERDEEN CITY COUNCIL

COMMITTEE	Finance and Resources
DATE	17 th May 2023
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Commercial Property Auctions – Pilot Project
REPORT NUMBER	RES/23/161
DIRECTOR	Resources
CHIEF OFFICER	Corporate Landlord
REPORT AUTHOR	Stephen Booth
TERMS OF REFERENCE	4.1 and 4.4

1. PURPOSE OF REPORT

- 1.1 The report highlights an opportunity for the council to consider an alternative way to dispose of council properties and seeks consent to trial this with assets that have proven difficult to dispose of on the open market and report back to committee on the outcome.

2. RECOMMENDATION(S)

That the Committee:-

- 2.1 Instruct the Chief Officer - Corporate Landlord to carry out a pilot project to dispose of the asset noted within the report through a commercial property auction route and report the outcome to a future committee.

3. CURRENT SITUATION

- 3.1 The Council currently have a number of surplus and vacant assets which are either being marketed or are about to come to the market. In line with current disposal procedure these are marketed through traditional property channels by either the council directly or through third party agents.
- 3.2 Whilst this process guarantees maximum market exposure some properties can be difficult to sell due to their location, previous use, condition or limited activity within the market at any particular time. Offers to purchase properties are generally received on a conditional basis, often subject to planning or satisfactory ground condition investigations. While this can maximise capital receipt potential the result of this is that many sales can be protracted over a long period (sometimes years) whilst legal missive are agreed, site investigations are undertaken and planning applications are granted.
- 3.3 Sales can fall through due to purchasers not securing the planning consent they based their offer on, being unable to get the support of funders once they have consent or simply not performing.

- 3.4 During the time the property is under offer the council have to continue to maintain the property, including regular inspections, meet NDR cost, utilities securities etc.
- 3.5 There is significant staff time in undertaking these works and in the general sales process at a time where there is an acute shortage of suitably qualified commercial surveyors within the market.
- 3.6 The Corporate Landlord proposes that a pilot project is undertaken to dispose of 2 assets through a commercial auction process which have been openly marketed for a considerable period of time and currently have no interest. In this instance the staff time is invested in preparing an information and legal pack on the property. Potential bidders are then asked to bid for the property in competition at auction. The winning bidder has to pay a non-returnable deposit on the day and conclude the transaction with a 4 week period.
- 3.7 The benefit of this process should be:-
- a. the sales process should be much shorter with a quick conclusion.
 - b. lower holding costs
 - c. greater certainty over sales
 - d. lower staff time
- 3.8 The disbenefits of this would be
- a. the property may not get full market exposure
 - b. there is an upfront investment with legal packs etc.
 - c. the capital receipt may not be as high if it was sold subject to planning (reserve pricing would be agreed)
 - d. the asset still may not be sold.
- 3.9 it is proposed that an initial trial is undertaken with a local chartered surveying practice who have established a commercial property auction option to clients in recent years. It is further proposed that the following properties are withdrawn from the market and disposed of in this manner:-
- Former St Peters Nursery, 137 Spital, Aberdeen, AB24 3HX
 - The Hollies, 43 King's Gate
- 3.10 The former St Peters Nursery located on the Spital consists of the nursery building and outdoor space. The building is in a poor state of repair and would require considerable investment to make it habitable. The site has been marketed for several years and while it has been under offer on two separate occasions neither of these sales concluded. Since being placed back on the market in 2021 no formal offers have been received.
- 3.11 The Hollies, 43 Kings Gate is a three-storey detached house of traditional granite construction with garden. Similarly, it requires extensive works to make it habitable, but it is considered to have development potential for flats subject to planning. Similarly, since being placed on the market in 2022 no offers have been received.

4. FINANCIAL IMPLICATIONS

- 4.1 The proposal would hopefully lead to receipts being identified in a shorter timescale for assets that have been marketed for some time meaning a reduction in holding costs.

5. LEGAL IMPLICATIONS

- 5.1 The proposal would require greater upfront legal input than a traditional sale process as well as a priority to conclude the sale within the deadline of the auction process.

6. ENVIRONMENTAL IMPLICATIONS

- 6.1 The proposal may allow properties to come back into economic use in a shorter period.

7. RISK

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
Strategic Risk	None			
Compliance	Requirement to meet best value	A reserve price would be placed on each property representing what the council consider to be a best value threshold.	L	Yes
Operational	None			Yes
Financial	Best value	As noted above. Proposal would also reduce revenue/ holding costs.	L	Yes
Reputational	Council may be criticised for being seen to be disposing of assets at a reduced price.	As above, a minimum reserve price would safeguard against low bids.	M	Yes
Environment / Climate	Council may lose control	None – however this is similar to a general	L	Yes

	over next development.	sales process. There are the usual local authority statutory controls		
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8. OUTCOMES

- 8.1 The report relates to a new avenue of disposing of property assets on the basis of a pilot project. The project will result in income from capital receipts and hopefully a reduction on revenue spend which will in turn impact on the council delivery plan.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Integrated Impact Assessment	Full impact assessment not required – all assets have been closed for some time.
Data Protection Impact Assessment	Not Required
Other	None.

10. BACKGROUND PAPERS

- 10.1 None

11. APPENDICES

- 11.1 None.

12. REPORT AUTHOR CONTACT DETAILS

Name	Stephen Booth
Title	Chief Officer Corporate landlord
Email Address	stbooth@aberdeencity.gov.uk
Tel	01225 522675