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MJN/jkw
27th April 2014

Mr R Barnsley
Asset Management Surveyor
Ryedale District Council
Ryedale House
Old Malton Road
Malton
North Yorkshire
YO17 7HH

Dear Roger

Re: **Ryedale Community and Leisure Centre**

I refer to our recent telephone conversation and my marketing update presented to you on the 17 February and our subsequent meetings and discussions. As you will be aware, my practice has been marketing the above premises for several months now and has advertised the premises locally and nationally. In the national sense, the property has now been advertised in the Estates Gazette on two separate occasions. In addition we have circulated particulars to parties, who we consider may be interested in the property, also a "for sale" board was on the premises (which has subsequently been removed).

After our efforts started, we did initially get a reasonable level of enquiry, but over the later part of 2013 these enquiries, whilst serviced, did not proceed further. The majority of parties who showed initial interest in this property, were developers wanting to completely demolish the existing building and develop the land. You will, of course, be aware that the property is situated adjacent to a recognised flood plain and therefore it was always seen as difficult to get planning.

You and I are, of course, aware that there has been a level of interest from the Norton Bowls Club who from the time of my initial inspection, now approaching twelve months ago, have always made it quite clear that they want to stay there and continue to operate from the venue themselves. It is now my clear understanding that the resulting Community Group have made an offer for the property which I will discuss later. In addition I am also in receipt of an offer, subject to contract and planning, from a Mr Christopher Fox who works for Mark Brearley, a firm of Chartered Surveyors in Leeds and who has made an offer for the property in the sum of Three hundred and sixty thousand pounds (£360,000). Their intended use for the site is 35 to 37 affordable homes. This offer, of course, would be subject to planning and as already stated the planning department of Ryedale Council ideally do not want to see

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housing on this site due to the proximity of the adjacent flood plain. Therefore, if this offer was to proceed and depending on the particular merits of the application, it may be that the Council would have to be prepared for the matter to be taken to appeal. I have already mentioned that the majority of interest we have obtained for the site was from people wanting to use the land, rather than the existing buildings. Invariably, all these parties would have wanted the land for residential use.

I believe that accepting this offer from Mr Fox would be one solution to our problem, but I do foresee the matter 'rolling on' for a considerable length of time and I could see it taking in excess of twelve months to reach a conclusion. I reiterate once again, that the planners have been opposed to residential usage on this site, but with the exception of the existing or similar use, then my personal opinion is that such a use is a satisfactory use for this land; on the basis that proper planning was put in place to alleviate any potential flooding issues.

Moving on now to the offer that has been received from the Ryedale Community and Leisure Centre (RCLC), and my understanding of this is that the agreed price will be similar - three hundred and fifty thousands pounds (£350,000) and the basis of the deal is as follows:

Upon completion a payment of £100,000 is made, a second payment is made shortly thereafter, envisaged July to September 2014. This second tranche instalment of £130,000, once made would give a total of £230,000 down at the start or close to the start of the deal proceeding. Then, the outstanding £120,000, would be paid by instalments over a ten year period, with an interest rate of 2% being applied to this figure.

The RCLC will then manage the property and secure local tenants themselves, to assist in providing a community facility, used by as much as the local community as possible. It is planned that RCLC will then have within the building the following tenants;

- Dance Expression who will pay £16,000 per annum
- Brooklyn Nursery who will pay £10,000 per annum
- The Function Suite who will pay £10,000 per annum which I understand will rise to £12,000 per annum after one year.
- Ryedale Bowling Club and its membership who will pay £12,000 per annum;

and therefore initially the rental income will be £48,000.

Clearly, there would have to be further clarification sought with regard to the offer from RCLC before acceptance was given but in principal I cannot see any reason why a go ahead could not be given. I have now spoken to the main people involved in the Bid from RCLC and had a meeting at the Council offices with them on the 23rd April. I understand from Mr John



Harrison that funding is in place subject to a valuation and further understand that such a valuation is now commissioned. I do not anticipate any issues with the valuation .

I therefore recommend a sale to RCLC and I will explain my reasoning further.

Therefore, at this point in time we have offers from two different parties where the bids are very similar. Christopher Fox of Mark Brearley on behalf of his clients have made an offer £360,000 and RCLC have made a bid of £350,000. It is true to say that both these bids have issues attached to them, which could prolong the deal completing and obviously with RCLC there would be, to all intents and purposes, a 'vendor loan' in place for the next ten years. However, getting the Christopher Fox offer through to drawings being prepared and submitted and then planning and possibly then onto appeal could take at least 12 months and perhaps as long as 24 months. The offer from Christopher Fox does not include any payments or deposit being given to the Council until planning is secured.

By contrast the offer from RCLC includes a substantial sum of money put down immediately and again a substantial second tranche of money becoming available within a few short weeks thereafter, once all the tenants are in occupation and paying rent. Therefore, it strikes me as being perfectly sensible to anticipate that from the date of this letter perhaps within a three month period i.e. say by September 2014, Ryedale Council could have received in total £230,000 paid down by RCLC, which to my mind makes complete sense to do. It would be nice to have a party who could put down the purchase price monies immediately, but as stated, with the exception of the RCLC other parties will want planning and planning will take many months and possibly years to achieve, if achieved at all.

In this very poor market place which is likely to remain "sluggish" for the next two to three years, the deal with RCLC seems sensible to me for a variety of reasons;

- a. Ryedale Council will in a few short months receive a significant down payment of £230,000 and then the remainder of the money will be paid "on the drip" over the next years, but interest will be levied onto the outstanding debt, which will self finance it to a certain degree and I as a result of the meeting have negotiated via a flexible interest rate a 'Hedge' against inflation. It is perfectly normal for vendors to offer what I call colloquially a "vendor loan" whereby the selling party retains part ownership due to the lack of banking finance. In this instance Ryedale Council on a purchase price of £350,000 would get £230,000 within a relatively short period of time, leaving £120,000, by way of a second charge, which would be paid by instalments over ten years plus interest. This makes sense to me and replicates what is happening in the true market place at this time.



- b. The deal to RCLC would be concluded within an estimated three month period from the date of this letter, whereas the sale to the developer would take many months. It should be firmly noted that this should play out well with the Council, with the members of RCLC and local politicians as it is, as far as I can see, a win : win scenario i.e. (1) the Council lose the responsibility of the property, (2) the Council lose the potential security costs over a fairly long period of time should we decide to go the development route, (3) the Council receive a substantial tranche of money within a twelve week period, (4) politics are easier because, in my opinion, there would be an issue if the Council decided to go with a developer rather than their own local residents and constituents who form the RCLC.

- c. If the group do not perform then we can always revert back to the developer, as I say a win: win all round.

Therefore, I would recommend that we pursue the interest from the Ryedale Community and Leisure Centre group with immediate effect and look to draw up agreements and effect the sale in early course. We need to make further checks that the money is there in principal after the valuation exercise and that the parties who are going to lease are there in principal too, but as soon as it looks likely that we can have the surety of receiving £100,000 and then £130,000 shortly thereafter, I think we can proceed and effect a sale.

For extra security I have negotiated and agreed with the trustees of RCLC that (i) the council will retain a levy on the trade fittings and fittings, (ii) the Solar panels on the roof of this building and the modest income derived from the panels stays with Ryedale Council, until the final payment is received which may be in ten years time, (iii) the interest rate on the outstanding loan will be at 1.5% above the Bank of England's base rate, and (iv) the sale will provide for a restriction on a sale for alternative uses.

I have mentioned it above, but if the RCLC do not proceed and therefore we look to sell the property to the clients that Christopher Fox represents then we would have security costs, rates etc for a good length of time until planning was achieved.



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I therefore, without hesitation I recommend that Ryedale District Council accept the negotiated offer on the table from RCLC subject to them performing to a strict timetable.

Yours sincerely
BROWNILL VICKERS

Martin J Nicholson, MRICS