



CABINET 12TH FEBRUARY 2020

SUBJECT: SALE OF LAND ADJACENT TY DYFFRYN, YSTRAD MYNACH

REPORT BY: DIRECTOR OF COMMUNITIES

1. PURPOSE OF REPORT

- 1.1 The report outlines an opportunity to sell surplus land to a rapidly growing business and the associated benefits to the Authority and to the county borough. It seeks Cabinet approval to sell the land for the market value.

2. SUMMARY

- 2.1 Transcend Packaging (TP) currently lease Ty Dyffryn from the Authority. The TP business appears to be flourishing and TP would like to expand onto land adjacent to the building which is also owned by the Authority.
- 2.2 The land is currently vacant and unused. The construction of industrial units on the land was previously considered but the payback period was commercially unattractive.
- 2.3 The District Valuer has assessed the land value to be £168,000 if sold to a special purchaser such as TP. TP have indicated that are willing to purchase the land for £168,000. The sale of the land to TP would potentially lead to increased employment and help anchor TP within the county borough. Conversely if TP do not expand onto the land in question the business may expand elsewhere and possibly outside of the county borough.

3. RECOMMENDATIONS

- 3.1 That Cabinet approves the sale of the land to Transcend Packaging, or an associated company, for the sum of £168,000, (and otherwise on terms to be agreed) to facilitate expansion of the existing Transcend Packaging business.
- 3.2 Cabinet is also asked to approve that the negotiation of acceptable terms of the sale is delegated to the Interim Head of Property Services and the Cabinet Member for Homes, Places and Tourism. If the sale cannot be concluded on acceptable terms further recommendations for the utilisation of the land will be presented to Cabinet at a future date.

4. REASONS FOR THE RECOMMENDATIONS

- 4.1 The sale of the land to Transcend Packaging would potentially lead to increased employment within the borough and provide a significant capital receipt to the Authority.

- 4.2 Under the Disposal Protocol in the Constitution, in those cases where it is possible to market a property but the Head of Property is of the opinion that this course of action may not be in the best financial or service interests of the Authority, Cabinet approval will be obtained before direct negotiations are opened with a single party, and the views of ward members will be taken into consideration

5. THE REPORT

- 5.1 The Authority purchased Ty Dyffryn on the Dyffryn Industrial Estate, Ystrad Mynach in 2005 and the acquisition included a parcel of vacant land immediately to the north of the building. The land is level and has good access and occupies around 1.5 acres. A site plan is included below.
- 5.2 The Ty Dyffryn building and adjoining hardstandings were initially used by the Authority but were vacated and declared surplus in January 2016 when members approved a sale to Barola Properties/Curzon Real Estate with a collateral approval to take the property to the market should that sale not progress; it did not and the building and adjoining yard were marketed for disposal in January 2018 and a start-up business, Transcend Packaging (TP), signed a 10 year lease in July 2018 at an annual rent of £392,000 per annum.
- 5.3 The land to the north of Ty Dyffryn has never been put to use or formally marketed for sale but in 2017 a tenant on the industrial estate informally offered to buy the land for £250,000 to provide additional parking for goods vehicles. This option wasn't pursued largely because the sale would not directly lead to increased local employment.
- 5.4 The option for CCBC to construct starter industrial units on the land has been previously explored. There is strong demand for small units (up to 80 sqm) but lower demand and lower rental for larger units. Construction cost for small to medium sized units was estimated to be circa £1,265 psqm with rental income in the range in the range £37-£64 psqm per annum (£3.50-6.00 psqft). Assuming continuous full occupancy the projected simple payback was a lengthy at 19 – 34 years and this option was not progressed. The Authority owns other land that would support an industrial unit development.
- 5.5 Although the TP business is still fairly new it appears to be flourishing and already employs more than 100 people. There are two main strands to their current business, namely paper straws and packaging. TP forecasts continuing growth and expects to outgrow the existing building in the short to medium term. Consequently TP would like to expand onto the adjacent land which we own.
- 5.6 Ideally TP would like to purchase the land from the Authority. TP are not interested in leasing the land from the Authority as borrowing money to build on land they don't own would be difficult. TP would consider leasing a building built to their specification on the land from the Authority but the payback period for the Authority would be excessive and inferior to the payback period for industrial starter units. Furthermore, the risks are greater. This option would therefore be a poor investment for the Authority.
- 5.7 TP have expressed urgency in an email dated 22nd November 2019 stating '*We need to start progressing this if we intend to continue to expand at the Ty Dyffryn site. We will*

potentially need extra space in 12 to 14 months and that would mean the purchase would need to be completed in the next 2 to 3 months time maximum.'

- 5.8 The District Valuer has valued the land and reports a market value of £140,000 but if one or more special purchaser was interested the value could increase by 20% to £168,000.
- 5.9 TP have intimated that they could be willing to purchase the land at the DV valuation of £168,000. TP would then build on it and physically link the new building to Ty Dyffryn.
- 5.10 The sale of the land to TP would potentially lead to increased employment and help anchor TP within the county borough. Conversely if TP do not expand onto the land in question the business may expand elsewhere and possibly outside of the county borough
- 5.11 The sale would require the approval of Cabinet and if Cabinet were minded to approve the transaction it is proposed that the sale is time limited with completion of required within 12 months of the decision to sell. The sale contract would also ensure the land would be used for the purpose outlined above within 10 years of sale unless the Authority approves a change of use. Furthermore the sale contract would ensure the link structure would be removed if TP vacated Ty Dyffryn at some point in the future.

6. ASSUMPTIONS

- 6.1 This simple payback periods quoted are based on current rents and costs and make no allowance for future inflation.

7. LINKS TO RELEVANT COUNCIL POLICIES

- 7.1 The recommendation contributes towards or impacts the Corporate Plan 2018-2023 Well-being Objectives as follows:
- Objective 2 - Enabling employment.
The land sale would facilitate an expansion of the existing business and potentially increased employment
 - Objective 5 - Creating a county borough that supports a healthy lifestyle in accordance with the sustainable Development Principle within the Wellbeing of Future Generations (Wales) Act 2015.
The business manufactures biodegradable containers and straws as alternatives to plastic.

8. WELL-BEING OF FUTURE GENERATIONS

- 8.1 This recommendation contributes to the Well-being Goals as follows:
- A prosperous Wales
The land sale will lead to increased employment opportunities
 - A resilient Wales
The land sale will lead to increased employment opportunities
 - A Wales of cohesive communities

The land sale will lead to increased employment opportunities

- A globally responsible Wales
The business manufactures biodegradable containers and straws as alternatives to plastic.

8.2 The recommendation is consistent with the five ways of working and the Well-being of Future Generations (Wales) Act as follows:

- Long Term – The importance of balancing short-term needs with the need to safeguard the ability of future generations to meet their long-term needs
The land sale to Transcend Packaging is expected to facilitate expansion of an existing business and additional employment within the borough. The justification of the sale is the creation of sustainable employment opportunities within the county borough and enhancement of the well-being of current and future employees.

9. EQUALITIES IMPLICATIONS

9.1 There are no equalities implications associated with the suggested land sale.

10. FINANCIAL IMPLICATIONS

10.1 Whilst not the main reason for the recommendation the sale would realise a capital receipt of £168,000.

11. PERSONNEL IMPLICATIONS

11.1 There are none.

12. CONSULTATIONS

12.1 The report reflects the views of the consultees. .

13. STATUTORY POWER

13.1 Local Government Act 1972; this is a Cabinet function

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Site Location Plan

