

**PERTH AND KINROSS COUNCIL****1 July 2015****PERTH CITY HALL****Report by Executive Director (Environment)**

This report contains an analysis of the offers received for the City Hall, following a further marketing exercise. The report asks the Council to consider a recommendation to accord preferred bidder status to one of the bidders.

**1. BACKGROUND / MAIN ISSUES**

- 1.1 There have been a number of reports to Council in recent years in relation to the City Hall and these are briefly summarised below.
- 1.2 In November 2011, the Development Control Committee approved an application for planning consent for the creation of a new City Square (report no. 11/562 refers). This also recommended approval of an application for listed building consent for the demolition of the City Hall, which was referred to Historic Scotland and Scottish Ministers.
- 1.3 In May 2012, Historic Scotland refused listed building consent on behalf of the Scottish Ministers as they had concluded the Council had not yet explored all options that could allow for the re-use of the building, or the preservation of elements of special interest. Historic Scotland also stated that not enough evidence had been provided to prove the demolition of Perth City Hall was essential to deliver the significant benefits predicted.
- 1.4 This Historic Scotland decision could not be appealed, and the Council, at its meeting on 27 June 2012, agreed to remarket the building to demonstrate the viability and wider economic benefits of any proposals, together with details of funding (report no. 12/263 refers). At that time, it was agreed that the building be marketed in a two stage process. This was to allow prospective developers to come forward with outline proposals in 3 months and thereafter allow a period of 9 months to demonstrate the commercial and structural viability, and sustainability, of any proposals through a robust and funded business model.
- 1.5 Jones Lang LaSalle (JLL) were appointed by the Council to market the building by seeking initial expressions of interest, preparing guidance for assessment of detailed proposals; and assessing any subsequent detailed offers received using the criteria for bids as follows to provide a score out of 100:

### **Proposed Heads of Term /10**

Detailed submissions should include Heads of Terms for a commercial lease of the property and should include details of any suspensive conditions (title, survey etc.) which will form part of the missives of lease.

### **Proposed Use and Design /25**

Detailed drawings should outline how the City Hall would be converted for the proposed use and demonstrate that account has been taken of the architectural and historic interest of the building. These should indicate the impact which the proposed use and conversion would have on the setting of St John's Kirk and the way in which the proposed use and conversion would relate to, and use, the surrounding public realm. It would be beneficial, given the public interest in the building, if there was evidence of community support for the proposal.

### **Commercial Viability /25**

A development appraisal would be required which should include key information to allow the commercial viability of the proposal to be assessed. This should include lease terms; redevelopment costs including contingency allowance; finance rates; professional fees; project redevelopment timescales and market evidence of interest in the proposed end use which could include expressions of interest or pre-lets.

### **Funding /20**

Details of how the project would be funded, and the availability of such funds.

### **Economic Benefit /20**

An economic viability statement would be required to demonstrate the benefits that the proposal will bring to the economy of Perth and Kinross in relation to resident and visitor expenditure, visitor numbers, and dwell time. Information should be provided to indicate the community support for the proposed use derived from it, where a community enterprise was proposed.

- 1.6 Bidders were given 15 months to research, prepare and submit commercially and structurally viable bids.
- 1.7 The outcome of this process was submitted to Council on 11 December 2013 (report no. 13/583 refers). At this meeting, the Council agreed to:
  - (i) Note the advice received by Jones Lang LaSalle in respect of the offer submitted by Perth City Market Trust.

- (ii) Reject the offer by Perth City Market Trust on the basis of the insufficient supporting information in respect of the Heads of Term, commercial viability, funding and economic benefits as required in relation to the submission criteria.
  - (iii) Instruct the Executive Director (Environment) to resubmit the application for demolition for the building for determination by Scottish Ministers.
- 1.8 At the same meeting, the Council rejected a deputation on behalf of a developer on the basis that the request did not relate specifically to the Perth City Market Trust's proposals, but rather to the potential demolition of the City Hall, which was not a matter before the Council and would be a matter for the Development Management Committee.
- 1.9 A revised application for listed building consent to demolish the City Hall was prepared on behalf of the Council which was due to be presented to Development Management Committee in July 2014. However, planning and listed building applications were submitted for conversion of the building to a hotel. Following legal advice, in relation to the Council's role as Planning Authority, the Development Management Committee approved the applications for planning and listed building consent on 14 May 2014 (report nos. 14/202 and 14/203 refer). As a result, Historic Scotland confirmed that because there was a potential re-use of the building, it would be very difficult for the agency to support demolition until the viability of the hotel proposal had been tested.
- 1.10 The report on 25 June 2014 (report no 14/301 refers) therefore recommended that the Council:
1. Agrees to re-market the City Hall for a period of six months and invite full offers to be submitted for the long lease of the building that would demonstrate financial viability and deliverability
  2. Agrees to sist the Council's own application for listed building consent for demolition until it had the opportunity to assess the viability of any new bids
  3. Instructs the Executive Director (Environment) to appoint marketing agents and any other specialist advisors
  4. Notes that a further report will be submitted to the Council on the conclusion of the re-marketing exercise to allow it to consider offers and decide on the future course of action.
- 1.11 These recommendations were accepted together with an additional one that the Executive Director (Environment) be instructed to engage with Historic Scotland and seek agreement that the marketing process would have reached a final conclusion should no compliant proposals come forward.

- 1.12 The City Hall re-marketing commenced in early July 2014 with a closing date of 16 January 2015. Property consultants Jones Lang LaSalle (JLL) were commissioned to undertake this on the Council's behalf on the basis of a long lease. JLL's role was also to assess the offers received for best value against the same criteria and weighting as used in the previous marketing exercise (paragraph 1.5 refers)
- 1.13 During the early stages of the re-marketing exercise, the Council's Legal Services undertook a further investigation into the legal status of the City Hall and in October 2014, decided that expert advice should be sought as to whether Perth City Hall forms part of the common good of the former Burgh of Perth. The advice received in December 2014 was that both the building and site of Perth City Hall should be treated as common good assets. However, the advice also noted that this would not prevent the Council from leasing the Hall if it wished to do so. Any income from a lease would accrue to the Perth Common Good Fund, which would also be responsible for funding any landlord's costs.
- 1.14 As a result, the Council has a statutory duty in terms of Section 15 of the Local Government etc. (Scotland) Act 1994 to have regard to the interests of the inhabitants of Perth when considering the offers received for the City Hall.
- 1.15 In line with the additional Council recommendation (outlined in paragraph 1.11), an early discussion with Historic Scotland took place. This ensured their participation in the assessment of bids submitted and secured an agreement that the agency would accept the marketing process had reached its conclusion should no viable bids be forthcoming. In a letter dated 10 July 2014, Historic Scotland agreed that a "perpetual cycle of re-marketing would not be desirable or reasonable."

## **2. SUMMARY OF OFFERS RECEIVED**

- 2.1 At the closing date, five offers were received. These were from:
- The Seventy Property Group
  - Perth Market Place Limited
  - James Keiller Estates Limited and Groupe Geraud
  - Centreglobal Limited
  - Andrew Dundas, Mary Dundas and Melford Developments

- 2.2 The offers from The Seventy Property Group and Perth Market Place Limited were both assessed as compliant and, as a result, were taken forward for further analysis by JLL. The other three offers were assessed as non-compliant as they did not provide all the information specifically required. This was confirmed by Legal Services, and therefore all three were rejected. JLL's initial analysis of both compliant offers was presented to the Executive Director (Environment), the Head of Planning & Development, the Council's Legal Manager and Historic Scotland's Director of Heritage Management on 25 February 2015. At that meeting, it was agreed that on the basis of the information provided both bids were compliant in the sense they fulfilled the assessment criteria and could, therefore, progress to detailed analysis and scoring.
- 2.3 However, as both offers contained some elements that required clarification, it was agreed that both bidders were to be requested to provide the additional information by 14 April 2015. This would allow a full comparative assessment and recommendation to be made. This additional information was duly provided. A summary of all five offers is provided below.
- 2.4 **The Seventy Property Group Limited**  
The Seventy Property Group's offer is to lease the City Hall for 125 years for an annual rent of £1 for the use of the building as a 32 bedroom suite hotel, with a roof top restaurant. This would require substantial alteration with a total development cost estimated at £4.8 million. Luxury Hotel Partners (owned by Small Luxury Hotels of the World) provided an expression of interest in running the completed development. The professional team advising the Seventy Group comprises architects Simpson & Brown, quantity surveyors Hardies and professional advisors TMS Planning.
- 2.5 In relation to funding, evidence of indicative lending support for 65% of the total development cost has been provided, together with confirmation from the Seventy Property Group's chartered accountant that the assets of the company are sufficient to fund the balance.
- 2.6 **Perth Market Place Limited**  
Perth Market Place Ltd's offer is to lease the City Hall for 125 years for an annual base rent of £20,000 and an additional 7.5% of the annual turnover above £20,000. They propose that the base rent would be reviewed every 5 years, which is normal for a commercial lease. The main hall would be used as a food market hall and the lesser hall as a community hall for hire with minimal alteration. The upper floor would not be used initially. The most significant alteration would be the removal of the stage/performance area of the main hall to provide a new kitchen area to serve the community hall. The offer also states that Market Place Europe, an established market operator, has confirmed that it would be interested in running both the food market and community hall. The total development cost is estimated at £2.7 million. The professional team advising Perth Market Place Ltd comprises architects Covell Mathews, quantity surveyors McLeod & Aitken and professional advisors Montagu Evans.

- 2.7 In relation to funding, Europe’s largest investor and operator of specialist markets (the Anglo-French Groupe Geraud) has confirmed it will fund the entire development costs and fees.
- 2.8 **James Keiller Estates and Groupe Geraud**  
This offer was considered by JLL, who advised that it was not sufficiently clear that it was an offer of lease and as a result, it should not be considered. Many clauses in the offer related to the purchase of the City Hall (for £100,000). The offer begins with unequivocal wording offering to purchase “the Property”, “Property” being defined as the City Halls themselves rather than a leasehold interest in them. It does not include two of the essential requirements of a lease in that neither the rent nor its duration was specified. In addition, the particulars of sale made it clear that offers must be “supported by a detailed business case” and none was submitted with this offer.
- 2.9 **Centreglobal Limited**  
This was an offer to purchase the property (for £50,000) and does not therefore comply with the basis of disposal on a long lease. The justification given for submitting an offer to purchase rather than lease was that the Council may be a hostile landlord.
- 2.10 **Andrew Dundas, Mary Dundas and Melford Developments**  
This was an offer to purchase the property for residential conversion (for £1,000) and does not therefore comply with the basis of disposal on a long lease and in Scots Law leasehold tenure precludes residential development. Additionally, there was minimal supporting documentation submitted with this offer and no detailed business case.

### 3. PROPOSAL

- 3.1 JLL has undertaken an analysis of both compliant offers and this is contained in their report in Appendix 1. As is the case with all commercial property transactions, more work will require to be undertaken by any preferred bidder to satisfy the Council as head landlord. Each proposal has its own strengths, weaknesses and risks. As such, it is difficult to make a **direct** comparison between them. Both proposals have outlined lease requirements for 125 years, which is the maximum allowable under Scots Law.
- 3.2 The two offers were assessed against the five criteria consistently used throughout the marketing process (paragraph 1.5 refers) and are summarised below:
- 3.3 **Commercial Terms**
- |                              |      |
|------------------------------|------|
| • Perth Market Place Ltd     | 7/10 |
| • The Seventy Property Group | 0/10 |
- 3.4 The Perth Market Place Ltd proposal scores much higher because it offers the Council an annual ground rent and, potentially, a top-up based on the share of the turnover.

3.5 The Seventy Property Group proposal offers a rental of £1 per annum. The latter may be acceptable where an asset is being used for a not-for-profit activity. However, it does not demonstrate achieving best consideration to the Council for a commercial venture and therefore scores zero.

3.6 **Proposed Design and Use**

- Perth Market Place Ltd 23/25
- Seventy Property Group 25/25

Both uses are acceptable and could make a contribution to the vitality of the city centre. The Seventy Property Group proposal scores higher because it has already secured planning and listed building consent.

The Perth Market Place Ltd proposal would, however, also be supported in planning policy terms.

3.7 **Commercial Viability**

- Perth Market Place Ltd 18/25
- Seventy Property Group 18/25

3.8 A detailed cost analysis has been provided to support the Perth Market Place Ltd bid, indicating that it would appear to be marginally profitable. However, because minimal alteration to the building is being proposed, in the event of the tenant defaulting, the building would remain substantially intact.

3.9 Conversely, the Seventy Property Group has a much higher risk attached to it in the event of default because of the significant alteration to the building. However, on the basis of figures submitted, the end value on completion of the development is higher than the costs incurred to convert it. Therefore, JLL has given an equal weight to each offer.

3.10 **Funding**

- Perth Market Place Ltd 15/20
- Seventy Property Group 10/20

3.11 Without the benefit of a signed lease, no funder of a commercial development is ever likely to guarantee to finance a project. However, the Perth Market Place Ltd offer contains a firm funding commitment from Geraud Markets (UK) Ltd, a subsidiary of the Anglo-French Groupe Geraud which is an established funder of European markets. The Perth Market Place would be managed on a day to day basis by Market Place Ltd.

3.12 The Seventy Property Group offer contains indicative funding from two potential funders equating to 65% of the capital cost. Their accountants have confirmed there is sufficient asset value in the company to cover debt finance for the remaining 35%. This is less certain than City Market Place Ltd offer and the scoring reflect this.

### 3.13 **Economic Benefit**

- Perth Market Place Ltd 12/20
- Seventy Property Group 18/20

3.14 It is critical that any new use for the City Hall makes a significant contribution to the vitality of the city centre. Both proposals can potentially achieve this but in different ways.

3.15 The Perth Market Place Ltd proposal could potentially deliver an increased footfall in the city centre and contribute to the area's growing reputation for food and drink. However, there would be some displacement from edge of centre supermarkets in particular.

3.16 The Seventy Property Group proposal for a 32 suite 5 star hotel with restaurant has the potential to encourage higher spending individuals into the city centre, but on a modest scale. The proposed rooftop restaurant could also be a draw, but there would be an element of displacement from other food and beverage establishments in the city centre.

3.17 Both proposals used external consultants to undertake an economic appraisal. Montagu Evans provided an analysis on behalf of Perth Market Place Ltd. The Seventy Property Group commissioned Biggar Economics to undertake a full economic appraisal.

3.18 The Perth Market Place Ltd offer provides an estimate of footfall on a weekly and annual basis, together with an estimate of the economic impact from the construction phase and the number of operational jobs. There are references to the impacts that markets have on additional expenditure in town centres (25-30%) together with case studies. However, this is not illustrated in further detail.

3.19 The Seventy Property Group's offer provides a detailed analysis of the potential impacts across the construction phase, operations and market segments, including an estimate of additional tourism expenditure. The potential Gross Value Added (GVA) increase and an estimate of the number of jobs supported are also detailed.

3.20 The analysis provided by Biggar Economics for the hotel proposal is a more conventional economic impact assessment citing clearer quantitative benefits. This is reflected in the scoring.

### 3.21 **Total Scores**

The total score assessed by JLL for each proposal is shown below:

- Perth Market Place Ltd 75/100
- The Seventy Property Group 71/100



- 3.22 Both proposals are deemed to be deliverable and on the basis of the information submitted, both could contribute to the revitalisation of this part of Perth city centre. However, on the basis of the analysis and scoring, the Perth Market Place Ltd proposal comes out marginally ahead. In addition, on the basis of the information provided, the Perth Market Place Ltd offer is more certain of successful delivery because funding has been committed by an established operator with a strong track record. This is considered to be of significant importance to the Council in mitigating the risk of any deal stalling.

#### **4. CONCLUSION AND RECOMMENDATIONS**

- 4.1 Property advisors JLL recommend that the Council identifies Perth Market Place Ltd as preferred bidder for the City Hall and enters into detailed negotiations to agree lease terms. During the initial marketing round in 2012, a broadly similar proposal was received from Perth Market Trust Ltd which was not significantly detailed and scored only 27/100 at that time. This new proposal is more modest in size and scale, and in the opinion of JLL, is a more deliverable and compliant option for the re-use of the building. In addition, the commercial terms offer a base rent to the Council with an uplift linked to the commercial success of the venture. JLL also believe that the proposed link-up with an established funder with specialist market knowledge and a reputable market operator is the significant strength of this offer, with no subsidy sought from the Council.
- 4.2 The Seventy Property Group has proposed a luxury hotel concept which would make a contribution to Perth's leisure and business tourism offer, and a strong business case supports it. However, there is less funding certainty and no confirmed operator. Luxury Hotel Partners have expressed an interest in potentially managing the facility for a fee, and have suggested the proposed hotel would benefit from becoming part of the Small Luxury Hotels of the World brand. However, there is only indicative funding for 65% of the proposed development costs and no clear statement of how the balance of 35% would be funded, other than confirmation that the assets of The Seventy Property Group could be used to raise private equity or debt finance. The inability to provide an offer of 100% funding from a lender, or lenders, at this stage is a significant weakness of the hotel bid.
- 4.3 In this respect, there remains a risk that these negotiations may fail and the transaction cannot be concluded; that funding ultimately is not forthcoming; or market conditions change. None of these can be fully mitigated and, as a result, an element of risk will require to be borne by the Council until a lease is signed.
- 4.4 Historic Scotland is aware of JLL's recommendation.
- 4.5 Taking all of the above into consideration, along with the advice of the Council's professional advisors and Historic Scotland, it is recommended that:
- a) The Council considers the recommendation from JLL that Perth Market Place Ltd should be considered as the preferred bidder;

- b) If recommendation (a) is accepted, the Council confirms Perth Market Place Ltd as the preferred bidder for Perth City Hall;
- c) If recommendation (a) is accepted, the Council instructs the Executive Director (Environment), in consultation with the Head of Legal Services, to negotiate the terms of a lease; and
- d) If recommendation (a) is accepted, the Council instructs the Executive Director (Environment) to report the agreed Heads of Terms to a future meeting of the Council and the Perth Common Good Committee for consideration.

**Author**

<b>Name</b>	<b>Designation</b>	<b>Contact Details</b>
David Littlejohn	Head of Planning and Development	01738 475303

**Approved**

<b>Name</b>	<b>Designation</b>	<b>Date</b>
Jim Valentine	Executive Director (Environment)	22 June 2015

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## 1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

<b>Strategic Implications</b>	<b>Yes / None</b>
Community Plan / Single Outcome Agreement	<b>Yes</b>
Corporate Plan	<b>Yes</b>
<b>Resource Implications</b>	
Financial	<b>Yes</b>
Workforce	<b>None</b>
Asset Management (land, property, IST)	<b>Yes</b>
<b>Assessments</b>	
Equality Impact Assessment	
Strategic Environmental Assessment	
Sustainability (community, economic, environmental)	
Legal and Governance	<b>Yes</b>
Risk	<b>Yes</b>
<b>Consultation</b>	
Internal	
External	<b>Yes</b>
<b>Communication</b>	
Communications Plan	<b>Yes</b>

### 1. Strategic Implications

#### Community Plan / Single Outcome Agreement

1.1 The proposals relate to the delivery of the Perth and Kinross Community Plan/Single Outcome Agreement in terms of the following priorities:

(iii) Promoting a prosperous, inclusive and sustainable economy

#### Corporate Plan

1.2 The proposals relate to the achievement of the Council's Corporate Plan Priorities:

(iii) Promoting a prosperous, inclusive and sustainable economy

### 2. Resource Implications

#### Financial

2.1 The recommended proposal will generate an annual base rent to the Perth Common Good Fund of £20,000 plus RPI increases at 5 yearly intervals and a potential additional rent representing 7.5% on turnover generated by the Market Hall above the base rent.

- 2.2 A financial assessment will be provided to support the recommendation emerging from the negotiation of the terms of lease for the City Hall.

#### Workforce

- 2.3 There are considered to be no workforce implications arising from the proposal.

#### Asset Management (land, property, IT)

- 2.4 The proposals will allow the Council to fully meet its duties in relation to securing best value in the management and potential disposal of its property assets.

### **3. Assessments**

#### Equality Impact Assessment

- 3.1 Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties.
- 3.2 This section should reflect that the proposals have been considered under the Corporate Equalities Impact Assessment process (EqIA) with the following outcome:
- (i) Assessed as **not relevant** for the purposes of EqIA

#### Strategic Environmental Assessment

- 3.3 The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals.
- 3.4 No further action is required as it does not qualify as a PPS as defined by the Act and is therefore exempt.

#### Sustainability

- 3.5 Under the provisions of the Local Government in Scotland Act 2003 the Council has to discharge its duties in a way which contributes to the achievement of sustainable development. In terms of the Climate Change Act, the Council has a general duty to demonstrate its commitment to sustainability and the community, environmental and economic impacts of its actions.
- 3.6 This section should reflect the steps that have been taken to assess the proposals.

### Legal and Governance

- 3.7 The Head of Legal Services, the Head of Finance and the Head of Democratic Services have been consulted and confirmed the proposals are compliant with Council's scheme of Administration and duties in relation to the disposal of property.

### Risk

- 3.8 The key risks associated with the proposals relate to the potential disposal of the property by way of lease where appropriate terms are recommended to mitigate risk in relation to the delivery of any development.

## **4. Consultation**

### External

- 4.1 Historic Scotland have confirmed that both the proposed uses were appropriate. It is worth noting that the hotel proposal has already secured listed building consent.

## **5. Communication**

- 5.1 A draft communications plan using all forms of communications media has been developed outlining the next steps in the process.

## **2. BACKGROUND PAPERS**

The following background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (and not containing confidential or exempt information) were relied on to a material extent in preparing the above Report

- Report to Development Control Committee 16 November 2011 : Report 11/562
- Report to Council 27 June 2012 : Report 12/263
- Report to Council 11 December 2013 : Report 13/583
- Report to Development Management Committee 14 May 2014: Report 14/00297/FLL (14/202)
- Report to Development Management Committee 14 May 2014: Report 14/00298/LBC (14/203)
- Report to Council 25 June 2014: Report 14/301

## **3. APPENDICES**

Appendix 1: Jones Lang LaSalle Overview of Marketing and Recommendations





# Perth City Hall – Overview of Marketing and JLL Recommendations

Perth and Kinross Council  
April 2015



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# 1 Introduction

JLL was instructed by Perth and Kinross Council (PKC) to re-market Perth City Hall in July 2014 having previously marketed the property in August 2012.

The purpose of this Report is to provide details of:-

- The marketing initiative undertaken;
- Offers received at closing date – compliant and non-compliant;
- Analysis of compliant offers received;
- JLL recommendation on preferred purchaser.

JLL has assessed each compliant offer in the context of the criteria which interested parties were advised of prior to submitting an offer. The criteria was agreed jointly between JLL, PKC and Historic Scotland.

This analysis has enabled JLL to make a recommendation to PKC on which party we believe should be identified as a preferred bidder / tenant of Perth City Hall.

## 2 Marketing Process

Our overarching approach to the marketing of Perth City Hall was to ensure that the details of this development opportunity were distributed to as wide a group of developers, investors, community groups and any other interested parties as possible. This was achieved by marketing the site through the following outlets:-

- On site marketing banners;
- Preparation and distribution of updated marketing details (Appendix 1) to our database of 890 contacts;
- Press advertising in The Herald, The Scotsman and The Courier.

During the first marketing process, JLL held a 2 stage process, with stage 1 for expressions of interest and Stage 2 for detailed bids. Prior to the commencement of marketing this time around we advised that a single market process was more appropriate.

Given the nature of the property and the context of the situation we considered that it was important for PKC to retain some control / ownership of this important building. In this regard we recommended that the re-development of City Hall should be on a long leasehold basis. This would allow, subject to negotiation, with a preferred tenant the right to step-in or regain control should, for example, the developer fail to complete the development within a reasonable timescale. All parties were advised of this issue and that PKC were inviting offers on a long leasehold basis and not outright sale.

Marketing commenced on 14 July 2014 and we received a variety of calls and enquiries from commercial and residential developers for a variety of uses. A copy of our schedule of interest table which we maintained throughout the marketing period is appended to this Report in Appendix 2.

A letter confirming details of the closing date arrangements was issued to all parties who had expressed an interest in the property confirming that compliant offers should be submitted to JLL's office in Glasgow by 12 Noon on Friday 16<sup>th</sup> January 2015. A copy of the closing date letter is appended to this Report in Appendix 3. Within the closing date letter parties were informed of PKC's legal requirements and confirmation of the criteria by which any offer would be assessed. The criteria is identified below:-

Criteria	Score out of 100
Commercial Terms	/10
Proposed Use and Design	/25
Commercial Viability	/25
Funding	/20
Economic Benefit	/20

At the closing date we received 5 offers from the following parties:-

1. Seventy Property Group Ltd;
2. James Keiller Estates Ltd and Groupe Gerard;
3. Centreglobal Ltd;
4. Perth Market Place Ltd;
5. Mr and Mrs Dundas and Melford Developments Ltd.

Please refer to Appendix 4 for a detailed summary of the offers received from these 5 parties.

Following an initial assessment 3 of the 5 offers were deemed to be non-compliant with the specific requirements set out in the closing date. As noted we specifically advised that the Council were inviting parties to submit offers on a long leasehold basis. Each of the non-compliant bids offered an outright purchase, and this was confirmed by PKC Legal Services.

In consultation with Officials we wrote to the 3 affected parties and advised them that their offer was deemed to be non-compliant with what had been requested and advised that their offer would not progress towards any further assessment. Following the submission of this letter to these parties on 23 January 2015, JLL has had no further communication with any of the affected parties on this matter.

The following section will provide details of proposals by the 2 compliant bids from the Seventy Property Group Ltd and Perth Market Place Ltd who have proposed two different concepts for Perth City Hall.

## 3 Details of Proposed Developments

### 3.1 Overview

The 2 compliant bids were submitted by:-

- Perth Market Place Limited – Food Market / Community Hall;
- Seventy Property Group Limited – Hotel.

Both parties submitted supporting information with their bid.

#### Perth Market Place Limited

- Legal Offer;
- Floor plans and design statement by Covell Matthews Architects;
- Letter of Support from Prince's Foundation;
- Proof of Funding;
- Development Appraisal;
- Refurbishment cost by McLeod & Aitken QS;
- Business Case by Montagu Evans.

#### Seventy Property Group Limited

- Legal offer;
- Planning Statement by TMS Planning and Development Services Ltd;
- Structural Statement by McGregor McMahan & Associates;
- Statement from Luxury Hotel Partners;
- Funding Statement;
- Economic Impact Assessment by Biggar Economics;
- Feasibility study by Hardies Property & Construction Consultant.

### 3.2 Commercial Terms

	Perth Market Place Limited	The Seventy Property Group Limited
Tenant	Perth Market Place Ltd (guaranteed by the Geraud Group)	The Seventy Property Group Ltd
Duration	125 years	125 years
Rent	1. Base Rent - £20,000 2. 7.5% of the annual turnover (above £20,000)	£1
Rent Review	Base Rent to be reviewed every 5 years on the basis of RPI	n/a
Repairing Obligation	FRI	FRI
Insurance	Tenants responsibility	Tenants responsibility
Alienation	Tenant entitled to grant subleases, rights of occupation, licences without landlord's notification	Not specified under proposed terms of the lease
Use	Market and Community Hall	Hotel
Rent Free Period	2 years from date of entry	n/a

	Perth Market Place Limited	The Seventy Property Group Limited
JLL Notes	<ul style="list-style-type: none"> <li>No proposed step in rights if the development doesn't proceed or complete.</li> <li>Commercial rental basis</li> <li>Turnover projection based on £242,167 per annum – rent would need to exceed £267,000 per annum for uplift to apply</li> </ul>	<ul style="list-style-type: none"> <li>No proposed step in rights if the development doesn't proceed or complete.</li> <li>uncommercial rental basis</li> <li>No overage or top up based on success of development</li> </ul>

### 3.3 Proposed Use and Design

	Perth Market Place Limited	The Seventy Property Group Limited
Proposed Use	Market Hall	Hotel
Design	Redevelopment of the existing City Hall with relatively limited internal alterations involving removal of Performance Area	Redevelopment of the existing City Hall with substantial internal alterations to form 32 bedroom suites
Assessment	Use compliant with Perth & Kinross Council Local Development Plan. Limited alterations required to building (albeit Planning Consent and Listed Building Consent would be required)	Proposal already benefits from Planning Permission (Ref: 14/00297/FLL) and Listed Building Consent (Ref: 14/00298/LBC)
Operator	Expression of interest from Market Place Europe, an established market operator with experience of running markets throughout Scotland. Member of the National Association of British Market Authorities (NABMA), The Association of Town Centre Management (ATCM) and The World Union of Wholesale Markets Retail Group (WUWM).	Expression of interest in the running of a completed proposed hotel from Luxury Hotel Partners. Luxury Hotel Partners are hotel operators (owned by Small Luxury Hotels of the World) and are associated with hotels in Scotland; Cromlix, Nira Caledonia in Edinburgh and Marcliffe, Aberdeen.

### 3.4 Commercial Viability

	Perth Market Place Limited	The Seventy Property Group Limited
Total Development Costs (including Professional fees and Contingency)	£2,725,796	£4,784,102
Development Appraisal	Yes	No
JLL Appraisal Notes	<ul style="list-style-type: none"> <li>Assumes a rental of £242,167 capitalised at 8.25%</li> <li>Does not include an allowance for the Ground Lease unless it is factored into other costs?</li> <li>Finance Rate – 7% - no reference</li> </ul>	Projected Gross Development Value of the Hotel - £6,800,000

	Perth Market Place Limited	The Seventy Property Group Limited
	<p><i>in proposal to commercial funding</i></p> <ul style="list-style-type: none"> <li>• Profit on Cost – 0.88%</li> <li>• No cashflow but note costs have been S-lined.</li> <li>• Construction period 9 months</li> <li>• Costs provided by QS's</li> </ul>	
Advisory Team		
Architect	Covell Matthews (Edinburgh)	Simpson & Brown
QS	McLeod & Aitken	Hardies Property & Construction Consultants
Planning	Montagu Evans	TMS Planning and Development Services Ltd

### 3.5 Funding

	Perth Market Place Limited	The Seventy Property Group Limited
Funding	<ul style="list-style-type: none"> <li>• Groupe Geraud preferred funders of ground rent, construction costs, fees and running costs) – as confirmed in business case and letter from Montagu Evans (no correspondence direct from Groupe Geraud).</li> </ul>	<ul style="list-style-type: none"> <li>• Correspondence from SPF Private Clients advising that they have received indicative lending support from 2 potential funders at 65% of total development costs subject to valuation, due diligence and further equity</li> <li>• Correspondence from John Lynch and Co. Chartered Accountant, confirming that The Seventy Group Ltd have sufficient resources to fund the balance of the development costs</li> </ul>
JLL Notes	<ul style="list-style-type: none"> <li>• Established funder in the market industry. Strong track record and extensive experience in projects of this nature.</li> </ul>	<ul style="list-style-type: none"> <li>• Following the submission of this offer JLL requested further information from the Seventy Group on this matter. In response we received correspondence from Seventy Group's accountant, John Lynch &amp; Co dated 15<sup>th</sup> April advising that the observations and comments made in the bid submission in relation to private equity remain as stated.</li> </ul>

### 3.6 Economic Benefit

PKC providing assessment of Economic Benefit.

## 4 JLL Assessment and Recommendation

### 4.1 JLL Assessment

Following the submission of the two offers by Perth Market Place Ltd and the Seventy Property Group Ltd as summarised in Section 3.0, the following Section will assess each bid and highlight any relevant key issues which will influence the assessment process in the selection of a preferred bidder / tenant. We have assessed each bid under the criteria set out in the bid process.

#### Commercial Terms

As we have summarised in section 3.1 Perth Market Place Ltd are offering a commercial rent for the ground lease which is index linked and offers a top up linked to the commercial success of the Market Place. From our assessment the rental income from the sub-tenants within the Market Place would need to exceed £267,000 per annum. The current business plan as submitted by Perth Market Place Limited is based on an annual income of £242,000 per annum.

The ground rent being offered is £20,000 per annum. The lease is for 125 years which is normal for this type of ground lease. We note the right to grant sub-leases, rights of occupation and licences without landlords notification however PKC would have some protection over the type of occupier which would occupy the space through the proposed use which is noted as being restricted to market and community use only.

Whilst the tenant would be Perth Market Place Ltd we note that rent would be guaranteed by the Geraud Group.

The value of such a ground lease in today's market could achieve a yield of circa 3% – 4% which would suggest a capital value for a redeveloped City Hall of circa of £570,000 if PKC were to sell on their interest in the ground lease which is created.

In comparison to the commercial terms being offered by Perth Market Place Ltd, the Seventy Group is only offering £1.

Neither party has introduced the concept of step-in rights within their terms. As noted in the introduction we believe this is an important consideration and should cover any potential scenario whereby a party did not complete the proposed development. If the building was sold at this stage it would be outwith the council's control and similarly if PKC sign a 125 year lease without step-in rights then you would be powerless to influence such a scenario.

As part of our overall recommendation we would propose that such proposals are negotiated into the terms of any lease structure. This would require further negotiation with either party.

#### Proposed Use and Design

The assessment of the Seventy Property Group Limited's proposal in terms of use and design has already been undertaken through the determination of their detailed planning application which was approved – Reference 14/20297/FUL.

Perth Market Place Ltd are proposing a slightly more modest scheme in comparison to their previous proposals for a Market Hall. As part of their submission, they have included detailed floor plans and elevations of their proposal with existing and proposed layouts.

In summary, the proposed use is split into two parts; one, food market and the second is the community hall. It is noted within the proposed design that the ground floor of the main foyer and main hall is converted into a food market place with minimal alteration. The first floor and upper gallery do not form part of the market place and are not accessed by stallholders or the public. The stalls would be laid out within the main body of the main hall and foyer with services being provided via services created in the void under the main hall and the adjoining basement areas. It is noted that the food market place area where the stalls are to be contained would include the removal of the performance area which is the main and most significant alteration to the listed building as part of this proposal.

The lesser hall is to be converted into a community hall. The architect's brief for this space was to provide:

- Good public access;
- Provision of toilet and cloakroom facilities;
- Creation of public hall;
- Kitchen facilities;
- Ancillary meeting rooms;
- Adequate long term storage.

As part of this proposal, it is understood that the public entrance would change from South St John's Place to St John's Place and this would address changing levels between pavement level and the hall floor, thus minimising the length of ramp required for public access. In addition to this, the proposed development would include the removal of the stage area of the lesser hall which has been largely removed due to issues associated with dry rot.

Having reviewed the design statement and the scale of the alterations which we noted have been relatively minor with no material external alterations to the building, we would suggest that the proposed operations are acceptable (in the context of our assessments). The proposed use is principally retail which complies with the policy terms of the adopted Local Development Plan.

Neither proposal has provided details of how the properties would be serviced or managed and issues associated with both developments requires further consideration.

#### Commercial viability

Both parties have submitted information to assess the commercial viability of each proposal. Given the nature of the two proposed uses, it is unsurprising that the redevelopment costs are significantly different:

- Seventy Property Company Ltd - £4,784,000
- Perth Market Place Ltd - £2,329,000

Both costs are inclusive of contingencies.

The gross development values of both proposals are:

- Seventy Property Company Ltd - £6,800,000;
- Perth Market Place Ltd - £2,924,320;

There is a concern that the GDV of Perth Market Place Ltd is so close to the total development costs. As we have seen from the appraisal submitted by them, the development is barely profitable. It is noted that their appraisal has included a further layer of contingency on top of the 7½% which is already built in to their cost assessment. Furthermore, it is not entirely clear how they propose to manage the payment of the ground lease which is excluded from their appraisal - albeit, we note from correspondence submitted separately within their submission that Groupe Geraurd will cover this cost item.

The Seventy Property Group Ltd have not included a development appraisal within their submission but have contained details of their business case for the hotel. Having reviewed this, we find that the assumptions to be largely realistic and not overstated. Based on our experience, the difference between the GDV and costs will be taken up by the following cost items:

- Profit – assumed to be 15% of the total build costs (say £840,000);
- Finance – on build costs (say £750,000 based on 7% of total build cost over 2 years);
- Professional Fees – 12% (say £574,000);
- Contingency at 5% (say £239,000); and
- Land Value.



Having used these inputs in our appraisal we are unable to generate a land value and therefore understand why the Seventy Property Group Ltd have not proposed any ground rent in their offer for this use.

## Funding

Perth Market Place Ltd have confirmed that Geraud Markets (UK) Ltd will fund the proposed development subject to the terms of the lease with the council and the operation management agreement being acceptable. It is noted that they are providing funding to finance the ground rent, refurbishment costs, fees and running costs on behalf of Perth Market Place. This will be in conjunction with having Market Place Europe being the proposed operator of the Market Place. Geraud Markets (UK) Ltd have submitted a letter of support confirming this position within Perth Market Place Ltd Submission.

Geraud Markets (UK) Ltd is a wholly owned subsidiary of Geraud (UK) Ltd. Groupe Geraud is the largest operator of local authority markets in Europe operating more than 13,000 market days each week and is currently the largest French private operator of retail markets, produce markets, capital markets and fairs of all kinds. (source: Groupe Geraud website). It claims to have more than 300 contracts associated with some 600 markets with towns and cities of all sizes throughout Europe. Within the UK Groupe Geraud UK Ltd was established in 1998 and is the British Arm of Groupe Geraud. The company currently manages 55 continental markets on behalf of 30 local authorities in United Kingdom including 3 in Scotland. These markets range from 2 to 9 days in duration and features as many as 80 stall holders from Germany, Holland, France, Belgium, Italy and Spain.

The Seventy Property Company Ltd have provided information within their submission from a company called SPF who have investigated potential funding sources to support the development of Perth City Hall. It is noted within this submission that funding support is to be restricted to 65% of total development costs with the required balance to be provided by further equity. The nature and details of who these proposed funders is unstated, however, they have received indicative lending support from 2 parties.

It is noted that any funding will remain subject to full valuation by a recognised valuer including full diligence and credit sanctions. This is a standard requirement for any leading proposal. In addition to this letter of debt funding The Seventy Property Group Ltd have contained information from John Lynch & Co Chartered Accountants who have advised that there is sufficient private equity available from assets within the related entities to fund the balance of the development costs

We made further contact with The Seventy Property Group Ltd to give them an opportunity to provide further information as to the nature and source of who might be behind the funding of the proposed development. In response to this invitation they have provided a letter from their accountants confirming that the information submitted in their original submission remains valid.

As noted it is not uncommon at this stage in the development process for letters of support to be submitted by third party funders subject to due diligence and funding however, all we have at this stage is confirmation from a third party debt provider that he has an indicative lending support coming from an unknown funder. No further information to verify the type and nature of who this funding source has been provided.

## Economic Benefit

JLL are not economic specialists and have requested that PKC investigate the economic benefits of each proposal as part of a separate assessment. This has been undertaken by PKC. In arriving at their conclusion they note that Perth Market Place Limited have provided information on estimated footfalls and the economic impact from the construction and operational phases of development. They have provided examples of other centres which show a positive impact on additional expenditure in town centres supported by various case studies.

The Seventy Property Group Limited have provided a detailed analysis of the economic benefits of the potential impacts across the construction phase and market segments including an estimate of additional tourism expenditure. Furthermore, they have also provided potential GVA and an estimate of the number of jobs within their analysis.

## Perth Market Place Limited

Criteria	Score	Notes
Commercial Terms	7/10	Modest base rent, index linked with turnover related top up to supplement base rent.
Proposed Use & Design	23/25	Relatively minor alterations required to listed building. Limited walls beyond removal of performance area. Proposed use confirms with the Perth & Kinross Local Development Plan. Change of Use and Listed Building consent would be required.
Commercial Viability	18/25	Detailed cost analysis of proposed development. Development costs reflect more modest alterations. Development appraisal inputs are reasonable. Scheme barely profitable at proposed rental levels.
Funding	15/20	Proposal contains commitment from established European market operator Garaud Markets (UK) Ltd
Economic Benefit	12/20	As scored by PKC.
Total	75/100	

## The Seventy Property Group Ltd

Criteria	Score	Notes
Commercial Terms	0/10	No rent or turn-over rent being proposed
Proposed Use and Design	25/25	Proposal for substantial internal alternative – has already secured consent from PKC and Historic Scotland
Commercial Viability	18/25	Projected value of hotel @ £6.8m, against total development costs of £4.784m. Viable business case supporting bid offer.
Funding	10/20	Debt funding required to support development subject to due diligence and valuation.
Economic Benefit	18/20	As scored by PKC.
Total	71/100	

## 4.2 JLL Recommendation

Based on the 2 compliant offers submitted and our assessment and analysis of these offers we would recommend that PKC identify Perth Market Place Ltd as preferred bidder / tenant for Perth City Hall. This is on the basis of the outcome of the criteria matrix scoring assessment. It is noted that the outcome is relatively marginal however; the commercial terms associated with Perth Market Place's limited proposal provides them with a higher overall score.

During the initial marketing round in 2012, a proposal was received which promoted a Market Hall and ancillary uses. JLL considers the Perth Market Place proposal is a significant improvement on the previous Perth City Market Trust Ltd proposal. It is more modest in size and scale and in our opinion a more deliverable and viable option for the reuse of Perth

City Hall. The commercial terms offer a base rent with an uplift linked to the commercial success of the hall once completed. Perth Market Place have linked up with an established funder with specialist market knowledge – Groupe Geraud, and an reputable market operator who have an extensive track record of operating similar sized market halls throughout Europe including Scotland - Market Place Europe.

The Seventy Group have proposed a luxury hotel concept which already has planning permission. We note the detailed business case which supports this proposal, however, Perth Market Place Ltd out scores the Seventy Group on commercial terms and there is greater funding certainty with the market hall proposal. In this regard we would therefore recommend that Perth and Kinross Council proceed into legal negotiations with Perth Market Place Ltd based on the terms submitted within their offer.

We have raised issues associated with step-in rights and property management which require further considerations.

Under the terms of the Local Government in Scotland Act 2003, Perth and Kinross Council has a statutory duty to secure Best Value. Furthermore, under the Local Government (Scotland) Act 1973, the Council will require to obtain the Best Consideration that can reasonably be obtained when it sells or leases its property. JLL considers the terms proposed by Perth Market Trust Limited allows the Council to demonstrate both Best Value and Best Consideration, with a commercial use offering commercial terms and an acceptable re-use for the building.

JLL believes the Perth Market Place proposal would provide a deliverable and viable re-use for Perth City Hall.

## 5 Appendix 1 – Marketing Details

# DEVELOPMENT OPPORTUNITY PERTH CITY HALL

KING EDWARD STREET, PERTH



- Development opportunity within the heart of Perth City Centre
- Situated directly opposite St John's Shopping Centre and located adjacent to Perth's vibrant café quarter
- Suitable for a range of uses including Retail, Commercial Leisure, Cultural use, Tourist use and Hotel (subject to necessary consents being obtained)



# DEVELOPMENT OPPORTUNITY

## PERTH CITY HALL

### KING EDWARD STREET, PERTH

Perth is a popular tourist destination and has access to a large local workforce with 140,000 people in the Perth Travel to Work Area. Located in the heart of Scotland, 90% of Scotland's population can be accessed within approximately a 90 minute drive time. Perth successfully gained city status in 2012, becoming Scotland's newest city.

The city of Perth benefits from excellent transport connections,

with close proximity to the dominant road arteries of Scotland's national road network, A9, M90 and A90. Perth is situated approximately 22 miles west of Dundee, 43 miles north of Edinburgh and 61 miles north-east of Glasgow. Regular scheduled flights to London City are available from Dundee Airport (30 minutes), and flights to a wider range of national and international destinations from Edinburgh and Glasgow Airports.

Perth City Hall is located in the centre of the city, fronting onto King Edward Street and the entrance to St John's Centre. St John's Kirk, is situated to the east at the rear of the property. Perth's café quarter is located to the north along St John's Place, providing a range of restaurants, bars and coffee shops with outdoor seating areas. A range of restaurants and retail units are located to the south of the City Hall on South St John's Place.



### DESCRIPTION

The City Hall is a prominent civic building dating back to 1909-14. The Edwardian ashlar stone built building is neo classical in design with a Roman Ionic portico and sculptural detailing at the main western entrance and more limited classical references on the remaining elevations. The building is a Category B listed building.

The footprint of the City Hall extends to approximately 1,675 sq m (18,030 sq ft). The building is mainly single storey with some basement areas, and seating and recreational areas at first and second floor level. Internally, the City Hall accommodation comprises the main City Hall; the lesser hall, a lounge bar and servery and associated amenities including toilets, catering kitchen, meeting rooms, storage and services. The principal access into the main hall is via steps at the west end of the building; there are several secondary accesses on the north and south sides of the building.

Floorplans of basement level, ground floor, first floor, second floor and the roof space area are available from JLL.

The building became surplus to Perth and Kinross Council's requirements and has lain vacant since 2005, following the opening of the Perth Concert Hall.



### PLANNING

The Perth and Kinross Council Local Development Plan is the adopted Local Development Plan (LDP). The LDP encourages the restoration and sympathetic conversion of Listed Buildings consistent with national guidance contained in Scottish Historic Environment Policy. The City Hall is located in the centre of Perth in the Town and Neighbourhood Centre (Prime Retail Core) whereby Policy RC1 is applicable.

The building is located in Perth Central Conservation Area and within the city centre character area, as defined in the Perth Central Conservation Area Appraisal. The property comprises a Category B Listed Building. Historic Scotland can be contacted at [hs.consultationsperthandkinross@scotland.gsi.gov.uk](mailto:hs.consultationsperthandkinross@scotland.gsi.gov.uk)

For further information on Planning matters, interested parties should make direct contact with the Development Management team at Perth and Kinross Council who can be contacted at:

Development Management, The Environment Service,  
Perth and Kinross Council, 35 Kinnoull Street, Perth, PH1 5GD  
Customer Service Centre: 01738 475 300  
Email: [developmentmanagement@pkc.gov.uk](mailto:developmentmanagement@pkc.gov.uk)

### TECHNICAL INFORMATION

A range of technical information is available upon request from the sole marketing agents, JLL:

- Floorplans
- Asbestos Survey
- Energy Performance Certificate
- Listing Description

This information is provided for reference only and cannot be warranted.

### BASIS OF DISPOSAL

Perth City Hall is to be offered on a long ground lease. The lease terms will be subject to negotiation between parties.

### OFFERS

Interested parties are requested to formally note interest to JLL.

Marketing will comprise a single stage process and a closing date for receipt of offers has been set for **Friday 16th January 2015 at 12 Noon.**

Interested parties are requested to submit offers in Scottish Legal Form, supported by a detailed business case (which will be reviewed on a confidential basis). Submissions will be assessed for best value against the following criteria:

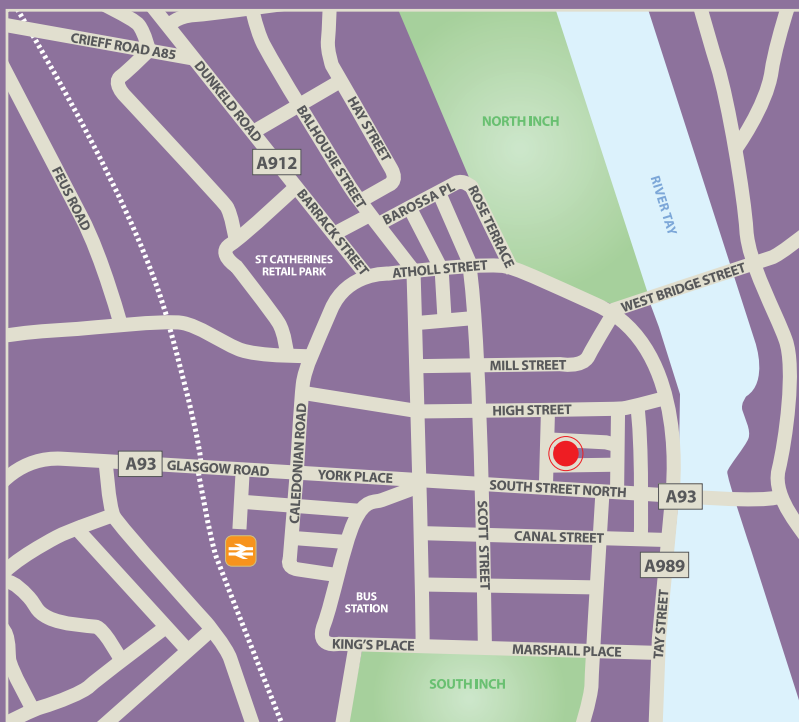
- Commercial Terms
- Proposed Use and Design
- Commercial Viability
- Funding
- Economic Benefit

Please note that specialist independent research may be commissioned by Perth and Kinross Council to further assess business cases.

All enquiries should be directed to JLL, the sole selling agents. Both JLL and Perth and Kinross Council will be available for dialogue up until Friday 9th January 2015. All requests for additional information should be made in writing.

Further information in relation to closing date requirements is available from JLL.

# DEVELOPMENT OPPORTUNITY PERTH CITY HALL KING EDWARD STREET, PERTH



## VIEWING AND FURTHER INFORMATION

Strictly by appointment through the sole selling agents.



Nina Stobie  
nina.stobie@eu.jll.com

Jason Hogg  
jason.hogg@eu.jll.com

## 6 Appendix 2 – Schedule of Interest Received



Interest Received From	Telephone No.	Email	Date of Enquiry	Details Sent	Notes	Viewing
Name/Address/Company						
Vivian Linacre Linacre Land Ltd 21 Marshall Place Perth PH2 8AG	01738 783936	<a href="mailto:vlinacre@gmail.com">vlinacre@gmail.com</a>			JLL issued full details due to previous expressed interest in City Hall.	
David MacLehose Heritage Solutions Beech Grove House Dundee Road Perth PH2 7AQ	07710 891301	<a href="mailto:david@heritagesolutions.co.uk">david@heritagesolutions.co.uk</a>			JLL issued full details due to previous expressed interest in City Hall.	
David Kilgour Whiteburn Projects Ltd 1 Jackson's Entry Edinburgh EH8 8PJ	0131 558 2710 07921 293091	<a href="mailto:davidk@whiteburn.co.uk">davidk@whiteburn.co.uk</a>			JLL issued full details due to previous expressed interest in City Hall.	

Interest Received From	Telephone No.	Email	Date of Enquiry	Details Sent	Notes	Viewing
Name/Address/Company						
James Comrie 4 Craiglea Road Perth PH1 1LA	01738 637207	<a href="mailto:Jim.comrie@blueyonder.co.uk">Jim.comrie@blueyonder.co.uk</a>			JLL issued full details due to previous expressed interest in City Hall.	06.01.15 at 10am
James Simpson & Brown St Ninian's Manse Quayside Street Edinburgh EH6 6EJ	0131 555 4678	<a href="mailto:jsimpson@simpsonandbrown.co.uk">jsimpson@simpsonandbrown.co.uk</a>			JLL issued full details due to previous expressed interest in City Hall.	
Sue Whittle & Brown St Ninian's Manse Quayside Street Edinburgh EH6 6EJ	0131 555 4678	<a href="mailto:swhittle@simpsonandbrown.co.uk">swhittle@simpsonandbrown.co.uk</a>			JLL issued full details due to previous expressed interest in City Hall.	

	Interest Received From	Telephone No.	Email	Date of Enquiry	Details Sent	Notes	Viewing
	Name/Address/Company						
	Niall McLean Whiteburn Developments	07853 978742	<a href="mailto:nialldr@yahoo.co.uk">nialldr@yahoo.co.uk</a>			JLL issued full details due to previous expressed interest in City Hall.	
	James Provan Perth City Centre Campaign Summerfield Glenfarg Perthshire PH2 9QD	01577 830714	<a href="mailto:jlcprovan@aol.com">jlcprovan@aol.com</a>			JLL issued full details due to previous expressed interest in City Hall.	
1	Simon Wilson The Seventy Group 6 Broom Road Kinross Kinross-shire KY13 8BU	07711 513942	<a href="mailto:simon@theseventygroup.com">simon@theseventygroup.com</a>			JLL issued full details due to previous expressed interest in City Hall. <b>NOTED INTEREST</b>	

	Interest Received From	Telephone No.	Email	Date of Enquiry	Details Sent	Notes	Viewing
	Name/Address/Company						
2	Richard Wilks	0191 279 7244	<a href="mailto:rwilks@argonproperties.com">rwilks@argonproperties.com</a>	30.07.14	30.07.14		
3	Abid Faqir Wonderworld Children's Soft Play Centre	07946 433838	<a href="mailto:abid@wonderworldsoftplay.co.uk">abid@wonderworldsoftplay.co.uk</a>	01.08.14	01.08.14		02.09.14
4	Bruce Linton James Keiller Investments  c/o John Meehan Harper MacLeod LLP The Ca' d'oro 45 Gordon Street Glasgow G1 3PE	0141 221 8888	<a href="mailto:Eileen@jameskeillerinvestments.co.uk">Eileen@jameskeillerinvestments.co.uk</a>  <a href="mailto:john.meehan@harpermacleod.co.uk">john.meehan@harpermacleod.co.uk</a>	14.08.14	14.08.15	<b>NOTED INTEREST</b>	09.09.14
5	Andrew Dundas 34 Ross Avenue Perth PH1 1GZ	01738 561 115 07748655453	<a href="mailto:a.dundas@blueyonder.co.uk">a.dundas@blueyonder.co.uk</a>	24.08.14	24.08.14	<b>NOTED INTEREST</b> 12.09.14 Plans on hold until referendum	

	Interest Received From	Telephone No.	Email	Date of Enquiry	Details Sent	Notes	Viewing
	Name/Address/Company						
	c/o Susan Leslie Morton Fraser LLP					outcome.	
6	Hugh Rutherford Montagu Evans 4th Floor Exchange Tower 19 Canning Street Edinburgh EH3 8EG	0131 229 3800	<a href="mailto:hugh.rutherford@montagu-evans.co.uk">hugh.rutherford@montagu-evans.co.uk</a>	17.10.14	17.10.14	<b>NOTED INTEREST</b> Acting on behalf of Vivian Linacre.	17.10.14 24.10.14
7	John G Bryden 5X Balmoral Court Gleneagles PH3 1SH	01738 560585	<a href="mailto:John.bryden@centreglobal.co.uk">John.bryden@centreglobal.co.uk</a>	08.10.14	08.10.14	<b>NOTED INTEREST</b>	31.10.14

	Interest Received From	Telephone No.	Email	Date of Enquiry	Details Sent	Notes	Viewing
	Name/Address/Company						
	Centreglobal Ltd. 153 South St. Perth, PH2 8NY All correspondence to be issued to home address.						
8.	Allan Orr		<a href="mailto:Allan_orr@hotmail.com">Allan_orr@hotmail.com</a>	16.10.14	16.10.14	No reply to any follow up calls	
9.	Mark Webster Perth and Kinross Heritage Trust		<a href="mailto:mark@clackbeag.eclipse.co.uk">mark@clackbeag.eclipse.co.uk</a>	02.12.14	02.12.14		03.12.14



## 7 Appendix 3 – Closing Date Letter



Jones Lang LaSalle Ltd  
150 St Vincent Street Glasgow G2 5ND  
+44 (0)141 248 6040

jll.co.uk

Your ref  
Our ref NS/dw  
Direct line 0141 567 6622  
Direct fax 0141 221 9032  
nina.stobie@eu.jll.com

30 December 2014

Dear Sirs

**Lease of Perth City Hall  
Closing Date Requirements: Friday 16 January 2015 at 12 Noon**

I refer to your recent interest in the conversion of Perth City Hall and I am pleased to provide you with further detail on the Closing Date requirements. The information requirements outlined within this letter and the assessment process have been agreed by Perth and Kinross Council in conjunction with Historic Scotland.

The marketing process is intended to establish whether or not there is any viable re-use for the City Hall. Proposals for demolition (complete or substantive) will therefore not be considered.

**Legislative Context - Best Value and Best Consideration**

The Council has an over-arching statutory duty in terms of the Local Government in Scotland Act 2003 to secure Best Value in all its activities and must therefore consider whether and how each proposal will achieve this. In particular, the Council must discharge its duty to secure Best Value in a way which contributes to the achievement of sustainable development.

The Council also has a statutory duty in terms of the Local Government (Scotland) Act 1973 to obtain the best consideration that can reasonably be obtained when it sells or leases its property. There is scope for the Council to accept less than the best reasonable consideration in terms of the Disposal of Land by Local Authorities (Scotland) Regulations 2010 and, if it wishes to do this, the Council must meet the requirements of these Regulations in appraising the advantages and disadvantages of the proposal and assessing whether such a disposal meets the criteria set out in the Regulations.

The search for a new use for Perth City Hall will clearly be based on a range of factors of which financial return to the Council is only one. The criteria set out below represent the Council's view of how it can achieve best value and best consideration (or appropriately accept a bid which is less than best consideration) in respect of the assessment of the Detailed Submissions.





### **Closing Date Requirements**

The Council is offering a long lease of the City Hall. Proposals involving the purchase of part or the whole of the property will not be considered.

Interested parties are requested to submit offers in Scottish Legal Form, supported by a detailed business case (which will be reviewed on a confidential basis).

Proposals will be assessed against the following criteria:-

**Commercial Terms** – offers in Scottish Legal Form will be required for a commercial lease of the property.

**Proposed Use and Design** – In order to assess your proposal the Council will require detailed drawings which outline how the City Hall would be converted for the proposed use. Submissions must demonstrate that account has been taken of the architectural and historic interest of the building, the impact which the proposed use and conversion would have on the setting of St John’s Kirk and the way in which the proposed use and conversion would relate to and use the surrounding public realm. It would be beneficial, given the public interest in the building, if you were to provide evidence of community support for your proposal.

**Commercial Viability** - To enable the Council to assess the commercial viability of your proposal you should provide:

- Details of the assumptions used in your development appraisal. This should include key information which would allow Perth and Kinross Council or any specialist advice to compile a development appraisal to assess the commercial viability of your proposal.
- Lease terms to your proposed end user;
- Redevelopment costs including contingency allowance;
- Finance rates;
- Professional fees;
- Project redevelopment timescales.
- Market evidence for your proposed end use. This could include expressions of interest or pre-lets.

**Funding** – To enable the Council to assess your ability to finance your proposals you should provide details of how you would propose to fund this project and the availability of such funds.

**Economic Benefit** – To enable the Council to assess the economic benefits of the project you should provide an economic viability statement which demonstrates the benefits that your proposal will bring to the economy of Perth and Kinross in relation to resident and visitor expenditure, visitor numbers, and dwell time.



**Note** – where a community enterprise is proposed, you should provide information which will enable the Council to assess the community support for your proposed use derived from it. The Council will require to be satisfied that there is viable community support before considering the bid any further.

**Assessment Criteria**

The following matrix will be used to score your proposal:-

<b>Criteria</b>	<b>Score out of 100</b>
Commercial Terms	/10
Proposed Use and Design	/25
Commercial Viability	/25
Funding	/20
Economic Benefit	/20

A closing date for offers has been set. All submissions should be submitted no later than:

**FRIDAY 16 JANUARY 2015 AT 12 NOON**

Envelopes should be marked for the attention of Jason Hogg / Nina Stobie and submitted to:

JLL  
150 St Vincent Street  
Glasgow  
G2 5ND

Perth and Kinross Council reserve the right not to accept the highest or indeed any of the offers received.

If you require additional information, please do not hesitate to contact JLL.

Both JLL and Perth and Kinross Council will be available for dialogue up until Friday 9 January 2015. All requests for additional information should be made in writing.

All submission will be assessed utilising the above matrix. Please note that specialist independent research may be commissioned to further assess business cases.



However, please note that any decision on the appointment or otherwise of a preferred developer will be made by Perth and Kinross Council.

Kind regards.

Yours faithfully

A handwritten signature in black ink that reads "Nina Stobie".

**Nina Stobie**  
**Associate Director**

## 8 Appendix 4 – Summary of Offers Received

**SCHEDULE OF CLOSING DATE OFFERS (16 JANUARY 2015)  
LEASE OF PERTH CITY HALL  
ON BEHALF OF PERTH & KINROSS COUNCIL**

Bidder	Solicitor	Basis of offer	Proposal	Leasehold Terms	Funding Mechanism	Suspensive Conditions	DOE	Evidence of Due Diligence	JLL Comments	
1	The Seventy Property Group Ltd (Simon Wilson)	Rollos Solicitors 67 Crossgate Cupar Fife KY15 5AS	125 year lease	32 bed, 5* Hotel. Operator: Luxury Hotel Operators (operating agreement for 10 years)	Duration of Lease: 125 years. Rent: £1 per annum	Confirmation from Chartered Accountant that funding can be obtained for 65% of total development costs. Remainder will be covered with Private Equity.	Full Planning Permission and Listed Building Consent already granted.	DOE 12 months following conclusion of missives.  Hotel opening 12 months following DOE.	Full supporting documents provided <ul style="list-style-type: none"> <li>• Hardies LLP Feasibility Study</li> <li>• Supporting Planning Statement by TMS Development Services Ltd</li> <li>• McGregor McMahon &amp; Associates Consulting Engineers statement.</li> <li>• Business Case</li> <li>• Letter of support from Luxury Hotel Partners</li> <li>• SPF Private Clients Ltd and John Lunch CA confirmation of availability of funding.</li> <li>• BIGGAR Economics report on Economic Impact of hotel.</li> <li>• Development Timetable.</li> </ul>	Compliant bid
2	Joint Venture between James Keiller Estates Ltd and Groupe Geraud.	Harper Macleod LLP The Ca'd'oro 45 Gordon Street Glasgow G1 3PE	Offer is a proposal to purchase a lease.  Cover letter notes proposal is in similar terms to the one previously submitted to the Council, save for technical changes to take account of the new Land Registration regime and to take account of the grant of a Lease for Perth City Hall.	Proposed use of the ground floor as a market hall for the retail sale of goods and use of the upper floors for community purposes.	Length of Lease: Not stated.  Rent: Not stated.  Price: £100,000	No evidence of funding provided.	Full Planning Permission  Listed Building Consent	5 working days following purification of last suspensive condition.	No supporting documentation provided.  Note commentary in Solicitors cover letter that the bidders only formulated the basis of their joint bid within the week prior to closing date, therefore the full development and commercial appraisal and design drawings are not in a state of readiness for submission.  Further evaluation of offer required to establish whether offer in fact constitutes a lease.  Based on high level examination, this is not a fully compliant bid.  (Post-Closing Date update: PKC Legal examined offer and confirmed non-compliant).	



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Bidder	Solicitor	Basis of offer	Proposal	Leasehold Terms	Funding Mechanism	Suspensive Conditions	DOE	Evidence of Due Diligence	JLL Comments
3	Wyllie & Henderson Solicitors Market Chambers Caledonian Road Perth OH1 5NJ	Purchase Justification provided behind decision to submit offer to purchaser rather than lease.	Student accommodation scheme (26 bed sits) within lesser city hall, and proposed Hall for the Community within Main City Hall.  Hall for the Community to replicate old fruitmarket in Glasgow's Merchant City, offering flexible space to be utilised for variety of purposes, including: weddings, awards ceremonies, dinners, conferences, antique fairs, trade shows, and arts and musical performances.  Hall to be offered for free use by community groups one day per week.	N/A  Proposed Purchase price £50,000.	Purchase and development to be funded using cash funds (confirmation provided from RBS confirming availability of such funds).  Confirmation of additional funding from RBS, if necessary.	Full Planning Permission.  Building Warrant.	Not stated.	Range of supporting documentation, including: Proposal Document setting out intentions for the property. Business Plan package including financial projections, confirmation of the availability of funding, and supporting documents.	Non-compliant bid due to basis of offer.
4	Lindsays Caledonian Exchange 19A Canning Street Edinburgh EH3 8HE	125 year ground lease.	Market Hall and Community Hall.  Main City Hall to be utilised as Food Market Hall.  Lesser City Hall to be redeveloped as 'Perth Community Hall', offering public, civic functions and events.  During peak times, Lesser city hall will accommodate additional market floorspace.  Proposed Operators: Market Place Europe.	Duration of Lease: 125 years.  Base Rent: £20,000 per annum.  Top up of 7.5% of annual turnover received for the Market Hall, to the extent that this % sum exceeds the base rent.  Base rent to be reviewed every 5 years (RPI).  Rent Free Period: 2 years.  Full Repairing Obligation.	Conditional offer of funding from Geraud UK Ltd.  Subject to contract and lease.	Full Planning Permission  Listed Building Consent  Structural Survey  Lease	20 days following date of purification.  Potential DOE February 2016, with potential opening launch Christmas 2016.  [Note timescales have been based on April PKC Committee date, and therefore will require to be amended for July PKC Committee].	Extensive range of relevant supporting documents.  Detailed Business Case prepared by Montagu Evans.  Appendices include:  Floor Plans & Architects Description of the Scheme  Letter of Support from the Prince's Foundation for Building Community  Letter Confirming Funding for Project  Letter Confirmation Market Place as the Proposed Operator of the Halls.  Development Appraisal.  Refurbishment Costs.  Perth City Masterplan.	Compliant bid.



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Bidder	Solicitor	Basis of offer	Proposal	Leasehold Terms	Funding Mechanism	Suspensive Conditions	DOE	Evidence of Due Diligence	JLL Comments
Andrew Dundas, Mary Dundas and Melford Developments Ltd.	Morton Fraser Quartermile Two 2 Lister Square Edinburgh EH3 9GL	Purchase	Residential scheme of 30 apartments.	N/A  Proposed purchase price £1,000	Evidence of funding not provided.	Full Planning Permission, Building Warrant. Title Site Investigation.	To be agreed.	Minimal evidence of any due diligence undertaken. High level commentary provided within Solicitors cover letter. No supporting documentation provided.	Non-compliant bid due to basis of offer.

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**JLL offices**

**Jason Hogg**  
Director  
Development Land  
Edinburgh  
+44 (0) 131 301 6710  
Jason.hogg@jll.com

[www.jll.com](http://www.jll.com)

Jones Lang LaSalle

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