

EXECUTIVE COUNCIL

RESTRICTED

Title of Report: Disposal of 3 residential building plots at Leading Lights
Paper No: 20/09
Date: 29 January 2009
Report of: Senior Crown Counsel

1.0 Purpose

To consider the outcome of the tender process for the sale of 5 residential building plots at the Leading Lights area, and to recommend how to deal with the 3 plots not successfully disposed of by the first tender round.

2.0 Recommendations

- 2.1 The Tender Board recommend that the 3 individual building plots on the southern edge of the Leading Lights area, known as 13, 15 and 17 Sullivan Street, be offered for sale by tender to the 10 unsuccessful bidders in the first tender round, each of whom bid a price below the (secret) reserve price, with the bidders being given 3 weeks to submit their revised bids after being notified of the reserve prices set for each plot and the number of prospective bidders remaining in the tender process.
- 2.2 The Tender Board further recommend that any plots which have not been disposed of by the end of this second private tender round be publicly advertised for sale by tender, this time with the reserve price disclosed in the adverts.

3.0 Summary of Financial Implications

None

4.0 Background

- 4.1 In September 2008 (paper 173/08) Executive Council approved the sale by tender of 5 individual building plots at the northern and southern edges of the Leading Lights area, known as 28 and 30 Hansen Hill and 13, 15 and 17 Sullivan Street.

- 4.2 Executive Council approved a reserve price for each plot, based on a rate of £100,000 per acre and ranging between £20,979 and £30,591, but instructed that the reserve prices should not be made public.
- 4.3 The plots were advertised for sale in early November, and the closing date for bids was early January. Tenderers were invited to submit bids for as many plots as they wanted, ranking them in order of preference and indicating the price they were prepared to pay for each plot.
- 4.4 12 tenders were received, all from local residents, 8 of whom are believed to be first-time buyers. No tenders were received from local builders. The tender documents did say that preference would be given to owner-occupiers, but this also reflects the fact that three local builders together with another local company already hold FIG land on building licence and so were not allowed to bid.
- 4.5 Only 2 tenderers bid above the reserve prices, with each successfully bidding for their first choice plot (28 and 30 Hansen Hill respectively). About half the remaining bids were within £10,000 of the reserve prices.
- 4.6 The Tender Board are concerned that keeping the reserve prices confidential has artificially distorted the bidding process. Some tenders received were unrealistic, being below the £5,150 to £7,350 price range of the original heavily subsidised East Stanley plots. Other tenders were very close to the reserve prices, and the individuals concerned might have offered significantly higher bids in excess of the reserve prices had they been aware of them. Anecdotally, some members of the public have commented to officers that they did not bid because they did not believe they could afford a plot, but without knowing what the reserve price was they were not able to accurately gauge whether this was correct.
- 4.7 The Tender Board consider that, to be fair to the original bidders, those persons who were unsuccessful in the tender round should be notified of the reserve prices and of the number of other bidders involved, and given a period of three weeks in which to submit a revised bid. If any plots remain unsold after this second private bidding round, they should then be advertised publicly for sale by tender, but this time with the reserve prices stated in the adverts.

5.0 Financial Implications

Selling the plots at or above the reserve prices secures the best possible price for Government. The rate of £100,000 per acre is in line with the two most recent sales of residential development land approved by Executive Council (106/08 and 172/08).

6.0 Legal Implications

The first tender round was conducted in accordance with Financial Instructions and two building plots have been successfully allocated to local residents offering above the reserve prices set by Executive Council. Financial Instructions empower the

Financial Secretary to waive compliance with the tender process where there is good reason to do so (para. 1002.1). In the interests of fairness and transparency it is recommended that the tender process be waived to the extent necessary to allow a second private bidding round among the 10 unsuccessful bidders.

7.0 Human Resources Implications

There are no Human Resource implications.