OPTIONS ANALYSIS FOR THE PROPOSED DISPOSAL OF THE FORMER TAFELBERG HIGH SCHOOL SITE, LOCATED AT 355 MAIN ROAD, SEA POINT

DEPARTMENT OF TRANSPORT AND PUBLIC WORKS

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EXECUTIVE SUMMARY

Over the past year, the Department of Transport and Public Works has investigated the development potential of the properties comprising the Main Road Precinct and it is at an advanced stage of preparing for their disposal to the market.

This paper presents an Options Appraisal for the disposal of a portfolio of surplus provincial properties located at 355 Main Road, Sea Point. Three alternative disposal options are evaluated against the following criteria: -

1. Retention of the properties to ensure maximum flexibility for future service delivery objectives; or
2. Maximising the commercial return from the disposal; and
3. Maximising the regenerative effect of the disposal on the local community.

The paper recommends a "hybrid-option" requiring the sub-division of the Main Road Precinct into a portfolio of smaller sites and offering them to the open market for disposal. Obligations would be placed on the successful bidder(s) to refurbish the heritage building and garden to bring them back into use.

The disposal would entail the sale of newly created freehold interests in vacant land (either separately or collectively) to the highest bidder(s) and retaining the option to dispose of leasehold interests in the heritage building and/ or garden.

The building could then either be leased on the open market to generate a revenue stream for the WCG or alternatively provide accommodation for some form of public use (e.g. library, other), whilst the garden could be transferred to the City of Cape Town or leased to a private operator for a community market space.

A range of options are available for the disposal, each offering different advantages and disadvantages. However the objective of the disposal, whether to retain the properties for future service delivery objectives **or** to maximise the receipt realisable from the disposal, will guide the eventual disposal strategy.

The disposal strategy should also be informed by market preference (i.e. a preference of the market to acquire freehold over the leasehold interests - particularly related to residential development) and legislative implications (i.e. the disposal may trigger a public private partnership procurement process).

It is impossible to anticipate the markets appetite to the disposal and consequently it is important to offer the greatest degree of flexibility and choice to test market preferences (e.g. the market may not be interested in acquiring the entire site or may seek to acquire portions differently to reduce risk).

The Options Analysis recommends a preferred disposal option that seeks to avoid the cumbersome and costly processes associated with public private partnership procurement processes whilst providing the Department of Transport and Public Works with the greatest flexibility to bring forward the properties for development.

The disposal strategy also seeks to substantially de-risk any development proposals from the private sectors' perspective and attract a greater number of interested parties, and therefore competition, to the tender process which it is anticipated will yield the highest returns to the Western Cape Government.

De-risking the properties is achieved by providing successful bidder organisation(s) unencumbered vacant possession of the properties. Further, the support of the City of Cape Town, Heritage Western Cape and the Department of Environmental Affairs and Development Planning of the Department of Transport and Public Work site analysis will provide the market with confidence regarding the deliverability of its proposals.

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INTRODUCTION

1. The purpose of this paper is to present an Options Analysis for the disposal of a portfolio of surplus provincial properties known as the Main Road Precinct (hereafter, the "MRP") located at 355 Main Road, Sea Point. Three alternative disposal options are considered, namely: -

   1.1. Leasing the properties "Voet-stoots"; or
   1.2. Leasing the properties with development obligations; or
   1.3. Selling the Western Cape Government's freehold interest in the properties.

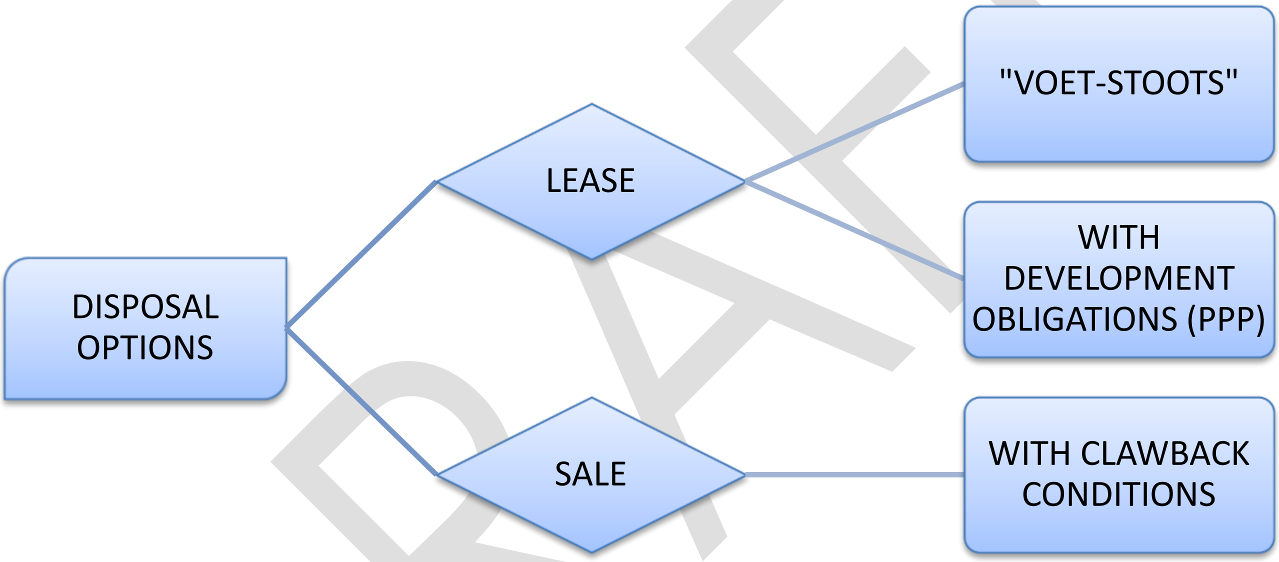

Figure 1: Options Analysis

2. The analysis applies the following criteria to the evaluation of each of the alternative options, namely: -

   2.1. Retention of the MRP, affording the DTPW the option to use the properties for future service delivery objectives; or
   2.2. To maximise the commercial return to the DTPW from the disposal; and
   2.3. To maximise the regenerative effect that disposal of the properties will have on the local neighbourhood and community.

3. Finally, the paper recommends a preferred disposal strategy that satisfies the above objectives, whilst meeting the Treasury's tests of affordability, value-for-money and risk transfer.

BACKGROUND

4. Due to financial constraints, most South African cities continue to find it difficult to attract investment to challenging sites, deliver essential infrastructure projects and create high quality business and community environments – all of which are fundamental to successful urban development.

5. Throughout the country provincial and local government authorities are responding to these financial challenges by scrutinising all services and ensuring there is a maximum utilisation of resources.

6. Accordingly, the Department of Transport and Public Works (hereafter, the "DTPW") as custodian of provincial state land is seeking to establish a more strategic approach to the management and ownership of its non-operational property portfolio.

7. The property portfolio is of significant importance to the Provincial Government of the Western Cape (hereafter, the "WCG") as it provides a potentially vital source of future revenue to the WCG to support front line services.

8. The portfolio includes a number of development sites whose disposal have the potential to maximise opportunities for the WCG to contribute toward future financial commitments, meet its broader socio-economic and physical development objectives.

9. The DTPW is therefore seeking to leverage the financial potential of its surplus land portfolio, as well as unlock its well-located land portfolio to deliver regeneration benefits to its communities.

OBJECTIVES OF THE DISPOSAL

10. The objectives of the *Cape Town – Central City Regeneration Programme*, include: -

    10.1. Maximising the financial return from the disposal of surplus public land;
    10.2. Activating development on surplus public land to catalyse urban regeneration with the aim of promoting investment in blighted parts of the city, creating employment opportunities and stimulating housing delivery in the inner city;
    10.3. Using its surplus property portfolio to leverage new investment in the central city, particularly from the private sector;
    10.4. Encouraging development which supports the expansion of mixed-use, mixed-income communities; and
    10.5. Developing affordable housing on suitable sites.

11. For the purpose of this Option Analysis, each disposal option was considered against the following specific objectives: -

    11.1. To **retain** the property for future service delivery objectives (i.e. the property is of strategic importance to the future operational needs of the WCG). This option generates annuity revenue to the WCG from the long-lease of the property; or

    11.2. To **maximise the commercial returns** from the disposal. This option seeks to generate the highest capital receipt from the disposal of the WCG's freehold interest in a property.

    11.3. To **maximise the "regenerative effect"** of the disposal.

THE SITE

12. The provincial properties making up the MRP are located on 355 Main Road, Sea Point. The MRP is located within the administrative boundary of Ward 54, which comprises Mouille Point, Three Anchor Bay, Sea Point, Fresnaye, Bantry Bay, Foreshore, Robben Island and Green Point.

13. Sea Point has excellent connectivity to the CBD with three routes running through it: Beach Road, Main Road and High Level Road. The Site is highly accessible to both public and private transport infrastructure and benefits from excellent physical and visual connections to the sea and Signal Hill.

14. Main Road is a major activity route and accommodates a diverse range of activities. The MRP is well located within the Main Road activity route with its frontage onto Main Road providing significant opportunities for a future mixed-use development.

Figure 2: Locality Map

15. Occupying almost an entire city block, the MRP is located approximately 3.5km from the CBD and is bounded by The Glen, Main, Milner, Herbert and Heathfield Roads respectively.

16. The MRP consists of two erven: Erf 1424 and Erf 1675, Sea Point and is approximately 17,054sqm in extent. Erf 1424 accommodated the former Tafelberg High School, whilst Erf 1675 houses the Wynyard Mansions, a residential apartment block housing social housing tenants and administered by the Department of Human Settlements.

Figure 3: Erf Details

17. The property falls within an Urban Conservation Area and itself contains a number of buildings of heritage and cultural significance. From 1899 buildings were added incrementally to accommodate the Ellerslie School and more recently Tafelberg High School, which vacated the properties in 2010. The Site has been vacant ever since.

18. Three separate zonings make-up the permitted land use including: Street Uses; General Business, sub-zone B3 and General Residential, sub-zone R4. The use of the Site for places of instruction may be permitted with consent.

19. The permitted floor factor of the GB3 portion is two and the permitted coverage is 100 per cent. The permitted floor factor of the GR4 portion is 1.5, with a permitted coverage of 50 per cent.

20. Topography is a particular feature of the properties, which accommodate a 12m fall from the top of the Site on Heathfield Road to its base on Main Road. The slope is incorporated into a number of terraces.

21. The following section presents three options available to the DTPW for the disposal of the MRP.

OPTION 1: LEASE "VOET-STOOTS"

22. Under this option, the DTPW would invite the market to submit offers to acquire a leasehold interest over the MRP in return for rental consideration. The successful bidder would enter into a long-lease of the properties for a period of up to 30 years.

23. The buildings are in a poor state of repair and a condition of the lease agreement would require the successful lessee(s) to refurbish the buildings and maintain them to an agreed specification. The buildings would be let on a full repair and insurance basis.

24. Demand for the heritage building is expected from educational institutions (e.g. private school operators and FET colleges), public institutions (e.g. NGO's and foreign embassies) or corporate entities.

25. Whereas, demand for the Wynyard Mansions is expected from Social Housing Institutions, property developers, NGO's or private investors.

STRENGTHS	WEAKNESSES
❖ DPTW retains freehold interest and therefore **ENSURES MAXIMUM FLEXIBILITY FOR FUTURE USE**; ❖ Demand likely from education sector particularly the FET colleges - strong demand expected based on Kings Road disposal; ❖ Limited private schools locally; ❖ Simple lease structure – one tenant, simple evaluation but covenant strength/ rating NB; ❖ High disposable income per capita locally supports demand for private school; ❖ Well established education use; ❖ Limited infrastructure implications – no change land use (No TIA, EIA likely); ❖ No HIA as no substantial redevelopment envisaged; ❖ FRI lease transfers responsibility for maintenance, insurance and security to tenant (Triple-net lease);	❖ **LOWEST POTENTIAL RETURN TO THE WCG OF ALL FOUR OPTIONS;** ❖ **DISPOSAL DELIVERS LIMITED OR NO REGENERATIVE EFFECT TO COMMUNITY;** ❖ Existing building and premises require substantial investment to bring back into use – will negatively impact income stream; ❖ Difficult to determine lease premium – a function of the operator NOI (influenced by condition of buildings/ estate); ❖ Impact on traffic flow, although site has historically been used as a school.
THREATS	**OPPORTUNITIES**
❖ Rezoning requirement (consent use), but LOW risk - school since 1930's; ❖ Default risk BUT low as population growth and demand for private tuition expected to support business model;	❖ By retaining freehold interest, offers DTPW greatest flexibility for future use; ❖ No substantial development anticipated. Proposal is more likely to be supported during community consultation process – less disruption

❖ Limited demand from educational institutions due to condition of building; ❖ Failure to negotiate acceptable lease terms with Preferred Bidder RE: the condition of the building and its refurbishment.	(construction traffic), environmental (dust and noise); ❖ Operator will invest in upgrading estate and is responsible for maintenance of the asset during lease period; ❖ Potential additional community benefits offered by the lessee to the local community – open library to public, share facilities, sponsor under-privileged children.

Table 1: SWOT Analysis Option 1

OPTION 2: LEASE WITH DEVELOPMENT OBLIGATIONS

26. Option Two proposes disposal of the MRP to a developer on a long-lease, for up to a maximum of thirty years. Development rights over the disposed properties would also be granted to the lessee. In order to achieve the WCG's objective of **maximising commercial returns** from the transaction, it is clear that the full development potential of the site (19,516sqm of mixed-use bulk) would need to be realised.

27. In return for acquiring the leasehold interest and development rights to the properties, the developer would be obliged to pay rental income to the WCG. The developer would also be required to refurbish various heritage buildings on the MRP. The developer may also be obliged to pay additional cash consideration for the leasehold and development rights.

28. The Urban Design Report (hereafter, the "UDR") proposes developing the MRP largely for residential use (62 per cent of the 19,516sqm of permissible bulk), but there will also be commercial office (26 per cent) and retail (12 per cent) components. The land use mix generates a parking demand of 435 parking bays, accommodated on site with the provision of 12,467sqm of basement and 577sqm of landscaped parking.

29. There is some uncertainty as to whether the proposed transaction would constitute a "**public private partnership**" (hereafter, "PPP") and therefore comply with regulation 16 of the regulations promulgated in terms of the Public Finance Management Act, 1999 (Act 1 of 1999) (hereafter, the "Treasury Regulations").

30. The salient provisions of the Treasury Regulations state that a PPP is a commercial transaction between an "institution" and a private party in terms of which the private party: –

    30.1. Acquires the use of state property for its own commercial purposes; and
    30.2. Assumes substantial financial, technical and operational risks in connection with the use of state property; and
    30.3. Receives a benefit from utilising the state property, by way of:

        30.3.1. Charges or fees to be collected by the private party from customers of a service provided to them.

31. The term "institution" is further defined as a provincial department or provincial government component listed in Schedule 2 to the Public Services Act, 1994 (Act 103 of 1994) as amended by the Public Service Amendment Act, 2007 (Act 30 of 2007).

32. The legislation therefore specifically allows for the creation of PPP's where a private party acquires the use of provincial property for its own commercial purposes. PPP's typically involve the private party raising both debt and equity to capitalise the project.

33. If Option Two is found to constitute a PPP the disposal of the properties will need to satisfy the regulatory tests of affordability, value-for-money and risk transfer. Under the terms of the Government Immovable Asset Management Act, 2007 (Act 19 of 2007), the DTPW is required to justify the value-for-money from its investments.

34. Therefore as part of its approval process, the DTPW is required to consider whether the costs it expects to incur as a result of the transaction can be justified by the benefits created. To inform that process, the DTPW will need to understand the potential costs of the proposed procurement process and will need to weigh these against the likely value from disposal.

35. Given the costs and lengthy pre-contract processes associated with the PPP regime, it is unlikely that the disposal will offer value-for-money to the WCG.

36. Before disposal via a PPP, , the accounting officer must undertake a feasibility study to determine whether the disposal is in the best interests of the WCG. The study should demonstrate the following: -

    36.1. The strategic and operational benefits of the proposed PPP for the institution in terms of its strategic objectives and government policy;
    36.2. Describe in specific terms the state property concerned, the uses, if any, to which such state property has been subject prior to registration of the proposed PPP and a description of the types of use that a private party may legally subject such state property to;
    36.3. Set-out the proposed allocation of financial, technical and operational risks between the institution and the private party;
    36.4. Demonstrate the anticipated value for money to be achieved by the PPP; and
    36.5. Explain the capacity of the institution to procure, implement, manage, enforce, monitor and report on the PPP.

STRENGTHS	WEAKNESSES
❖ WCG retains freehold and flexibility for future service delivery objectives but limited to the extent of development; ❖ **PROPOSALS ACHIEVES MAXIMUM REGENERATION EFFECT ON LOCAL COMMUNITY;** ❖ Generates long-term annuity income	❖ **Disposal fails to deliver value-for-money to the public purse due to prohibitive costs associated with PPP? (Costs > Revenues);** ❖ Poor market conditions result in low offers; ❖ Leasehold interest offered in land problematic and therefore no/

- assuming market appetite for leasehold interest; ❖ Reduces costs - removes estate management liability (maintenance, security, insurance, etc.); ❖ No rezoning requirement.	limited appetite from markets; ❖ Geology and topography constraints will impact viability; ❖ Heritage aspects negatively impact viability; ❖ Infrastructure capacity uncertainty for UDR proposals?
THREATS	**OPPORTUNITIES**
❖ **Procurement Risk: Characteristics of procurement process trigger PPP (private party assumes substantial financial, technical and operational risk in the design, financing, construction and operation of a project);** ❖ **Market Risk: Disposal via long-lease incompatible with common practice (sectional title);** ❖ Demand Risk: Leasehold tenure not common/ prevalent in South Africa – what happens at lease reversion where residential development is proposed? ❖ Market Risk: Residential market conditions very poor affects viability of scheme; ❖ Commercial Risk: Ability of developer to pay – where development funds sourced? Covenant strength/ rating; ❖ Political Risk: NIMBY'ism – public backlash based on environmental concerns, traffic congestion. ❖ Planning Risk: Change of Use and Intensity trigger EIA.	❖ Opportunity to create an affordable housing fund; ❖ Significant opportunity to attract institutional investment into the affordable housing for rent market – HIFSA, IHS, DBSA; ❖ Use site to develop affordable housing in well-located, urban location.

Table 2: SWOT Analysis Option 2

OPTION 3: SELL THE PROPERTIES TO THE HIGHEST BIDDER

37. Under this option, a preferred bidder(s) is selected on the basis of the highest compliant bid received in response to the DTPW's offering to sell its freehold interest in the MRP to the open market.

38. The DTPW may seek to attach conditions to the transaction, including but not limited to providing a proportion of accommodation for affordable housing. Any such obligations would be placed on the land and not the developer and must be enforceable, including a mechanism such that if the developer fails to deliver the obligations or seeks to have the obligations removed, they should be valued at the time of removal (like a restrictive covenant). Consequently, contracts should include clawback conditions to be imposed on the successful bidder.

39. A Preferred Bidder would be procured via a two-stage competitive bidding process.

    39.1. Stage 1 would seek Expressions of Interest (EOI) from interested parties wishing to acquire the freehold interest in the properties. The EOI would be advertised in accordance with the Western Cape Land Administration Act (1998). Bidders would be required to complete a Pre-Qualification Questionnaire (PQQ) to assist the DTPW shortlisting process.

    39.2. The criteria for qualification of interested parties to receive the Stage 2 Invitation to Tender (ITT) would be the evaluation of the PQQ provided at Stage 1 requiring submission of details under the following headings: -

        39.2.1. Financial status of the organisation;
        39.2.2. Technical information relating to the relevant experience, appropriate organisational and procedural structures; and,
        39.2.3. Legal and tax status of the bidding organisation.

40. Stage 2 would involve the issue of ITT to a selected shortlist of Bidder organisations' following the evaluation of the PQQ submissions. To maintain competitive tension during the bidding process, it is recommended that at least two organisations would be shortlisted.

41. Qualifying bidders shortlisted to receive the ITT documentation would be invited to submit formal proposals based upon further detailed information relating to the following core areas: -

41.1. A development brief for the site including the City Think Space Urban Design Report (UDR). The development brief would effectively form the base model for the site and would provide sufficient detailed information to enable Bidders to assess the development opportunities and provide for a common basis for assessment and evaluation by the DTPW;

41.2. A financial proposal based on the development brief (the Mandatory Bid);

41.3. Bidders may also submit a further financial proposal based on a Variant Bid (i.e. a variation on the details contained in the development brief for the sites. The Variant Bid is based on alternative proposals for the development of any of the sites and offers the Bidder the opportunity to illustrate the effectiveness of alternative proposals for each site);

41.4. Confirmation of agreement to the performance specification for building design, construction and management as specified by the DTPW in the ITT documentation;

41.5. The evaluation criteria for Stage 2 ITT.

42. Bidding organisations may also be encouraged to submit variant bids. A variant bid would be based on alternative proposals for the disposal of the properties and offers the bidder the opportunity to illustrate the effectiveness of alternative proposals to the compliant requirement.

43. Following the submission of responses to the ITT enquiry and a period of negotiation with shortlisted Bidders', the DTPW would select a successful Preferred Bidder.

STRENGTHS	**WEAKNESSES**
❖ Sale generates maximum capital receipt to the DTPW; ❖ Removes operational liabilities – maintenance, security and insurance. ❖ High regenerative impact.	❖ **NO FLEXIBILITY - LAND RELEASED FROM PGWC PORTFOLIO;** ❖ Expensive to replace in future if need arises; ❖ Alienation process identifies demand from other public bodies.
THREATS	**OPPORTUNITIES**
❖ Political risk - Public backlash due to loss of a school site; ❖ Receipt "lost" in PGWC melting pot – can we ring fence revenues for refurbishment of Block D? ❖ Weak market conditions translates into poor offers; ❖ Conditions attached to purchase –	❖ Not a strategic site of the PGWC portfolio but has a positive land value; ❖ Allows the limited human resources of the DTPW to focus on "core"/ strategic sites; ❖ Reinvest receipt in strategic projects; ❖ Dispose with Overage/ Claw-back

EIA, TIA, HIA, environmental, site, affordable housing, development contributions etc. reduce RLV.	conditions in deed of sale to allow DTPW participation in any super-profit; ❖ Impose obligations on the transaction to achieve service delivery objectives (e.g. provision of affordable housing).

Table 3: SWOT Analysis Option 3

CONCLUSION

44. Table four below summarises the findings of the Options Analysis: -

	Flexibility	Maximise Commercial Returns	Maximise Regenerative Effect
Option 1: Lease "Voet-stoots"	√√√	√	√
Option 2: Lease with Development Obligations	√√	√√	√√
Option 3: Outright Sale	√	√√√	√√√

Table 4: Summary of Options Analysis

45. In terms of flexibility, Option One offers the WCG the greatest potential to utilise the properties for any future service delivery objectives. Conversely, Option Three offers no flexibility to address requirements as the properties are sold.

46. In terms of maximising the commercial returns from the disposal of the properties, Option Three offers the WCG the greatest potential for realising the highest commercial consideration from the disposal. Conversely, Option One is considered to offer the WCG the least favourable return resulting from the lease of the properties.

47. In terms of the disposal's ability to offer regenerative benefits to the local community, Options Two and Three are equally considered to offer the best opportunity for leaving a regenerative legacy of investment.

RECOMMENDATION

48. A **hybrid option** is considered the optimal approach to the disposal of the properties, which would entail the following: -

49. Before advertising the properties for disposal, the DTPW consolidates Erf 1424 and Erf 1675, Sea Point. The newly created properties are then sub-divided into a portfolio of smaller sites which are disposed of either collectively or piece-meal for the highest consideration.

50. The sub-division strategy is informed by the UDR and could result in the creation of at least three but possibly a maximum of five new properties that would be integrated into the existing fine grained urban network of east Sea Point. Figure 4 illustrates one possible option for the subdivision creating five new sites.

Figure 4: Consolidation and Sub-Division of the properties

51. This option provides the DTPW with the most flexibility in bringing forward the properties for development, whilst substantially de-risking delivery of the transaction from the private sectors' perspective.

52. De-risking the transaction could be achieved by selling the freehold interest in at least three sub-divided land parcels with vacant possession to a successful Bidder(s). The transaction would facilitate the bulk of the new-build development (i.e. blocks A, B and C) envisaged by the UDR on these sites (see Figure 5 below).

Figure 5: UDR Massing Model

53. The rational for fragmenting the Site is to attract the largest possible pool of potential Bidders to the procurement process. The basis for this assumption is twofold: Firstly, scale (i.e. the lots sizes are smaller and therefore more affordable, and fundable, from a banking perspective). Secondly, the land uses identified by the UDR would support the speculative model of most developers (i.e. single use (e.g. office/ retail use Block A and residential use Block B and C) for sale).

54. Given the de-risking of the sites and the introduction of more potential Bidders to the procurement process, the DTPW could expect to attract a premium for the sale of the sites when compared with Option 1 (i.e. introducing greater competition to the disposal process) and therefore satisfy the objective of maximising the commercial return to the DTPW from the disposal.

55. Importantly, capital receipts generated from the sale of properties could be used to cross-subsidise the refurbishment of the listed old school building (i.e. Block D) and arguably the most risky element of the UDR. The refurbishment could be procured as part of the transaction or under a separate construction contract directly by the DTPW and may include the demolition of part of Block D as recommended by the Heritage Impact Assessment.

56. This option presumes Block D remaining under the direct ownership and management of the WCG. The refurbished building could then either be disposed of by lease on the open market or retained by the DTPW for a new multi-purpose civic facility that could accommodate a range of public uses (e.g. a library, healthcare clinic, nursery school, adult education facility, civic administration services, other).

57. An important outcome of this procurement process is securing the long-term financial sustainability of the new public park (Block 5) proposed by the UDR, whilst not burdening the public purse.

58. If the park was incorporated into the title of Block D, the future responsibility for the management and maintenance of the park would lie with the DTPW. This would ensure that the standard of the park would be maintained and that the park would remain open to the public with unfettered access – although the hours of access may be restricted.

59. It is recommended that a dowry fund be created for the management of the park. The DTPW would administer the fund and the developers of the sites would be required to capitalise the fund for this purpose. Contributions could take the form of either a capital contribution (i.e. a Community Infrastructure Levy) paid in advance at a point specified in the bid documentation (e.g. practical completion or occupation) or by way of a monthly/ quarterly or annual contribution. The mechanism for capturing the annuity contribution (e.g. a proportion of the service charge) would need to be sufficiently robust to ensure on-going revenue to the fund – particularly under circumstances where the development is sold on (e.g. sectional title residential units).

60. Alternatively, the ownership and management of the park could be transferred to the City of Cape Town who is responsible for managing all public parks in Cape Town.

61. It is recommended that responsibility for the park's construction is transferred to the successful Preferred Bidder(s). The construction of the park is procured under a development licence as a condition subsequent to the agreement for sale for Block A (or combination of plots).

STRENGTHS	WEAKNESSES
❖ Balances objectives by providing some flexibility (retention of the heritage building and garden) whilst maximising revenue potential of disposal transaction(s); ❖ Offers the most competitive tender environment – smaller lot sizes therefore more affordable and fundable; ❖ Reduces risk to the private sector and offers preferred tenure (freehold disposal) solution; ❖ Allows DTPW to test market appetite on a range of disposal options; ❖ Most likely to enjoy public support.	❖ Less flexibility in future as part of portfolio sold; ❖ More complicated tender to structure and evaluate; ❖ Co-ordination between different schemes may impact quality.
THREATS	**OPPORTUNITIES**
❖ Requires a legal and legislative town planning process to sub-divide the properties; ❖ May result in longer lead times.	❖ Soft market testing; ❖ Opportunity for "joined-up" thinking between PRP and PPP-unit (depending on option selected); ❖ Outcome not predetermined but guided by market preference – no attachment to outcome; ❖ **MAXIMISES THE REGENERATIVE IMPACT OF THE DISPOSAL;** ❖ May impose obligations on the transaction to achieve other service delivery objectives (e.g. provision of affordable housing on site); ❖ Architectural diversity of delivered scheme.

Table 5: SWOT Analysis Recommendation