Valuation Office Agency
District Valuer Services

15 AUG 2006
D.R.S.
Reply

[redacted]
District Valuer Scotland South West

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For the attention of [redacted]

Our Reference : 859015/[redacted]
Your Reference : [redacted]

Please ask for : [redacted]
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Date: 11 August 2006

Dear Sir

DISPOSAL OF VARIOUS INTERESTS TO CELTIC PLC

I refer to our meeting on 1 August 2006 and to previous correspondence in this connection, in particular to my letters of 16 March and 13 July 2006.

I understand that Celtic only has a total budget of £675,000 (to include the valuation of Strathy Park) to cover all the valuation issues; Westhorn, Strathy Park, the conjoined coach and car park and the land within the Celtic Triangle. In the light of sale of the former Belvedere Hospital site, it now appears that Celtic have insufficient funds to acquire all the sites in which they are interested.

Westhorn

In summary, the terms previously discussed for Westhorn effectively assumed a rate of £24,000 per unit (gross) and, whilst there were rumours (in March) that the price paid for the former Belvedere Hospital site may have been as much as [redacted] per unit gross of abnormal costs, I was prepared to ratify the terms agreed, as the Belvedere site price had not been confirmed.

I specifically stressed that it was therefore a high risk strategy if Celtic Plc were seeking to drag out negotiations relating to what is one of the smallest elements of the deal (the conjoined car park) as, if fresh information came to hand regarding the price paid by Kier Homes for the adjacent hospital site, I would need to reconsider my valuation for Westhorn.

During our previous discussions, Celtic must have been convinced that the site valuation paid for the former hospital site would have been substantially less than [redacted] per unit gross. This confidence was evidently misplaced in the light of the sale price, which was confirmed last month, as Kier Homes have paid a consideration of £7.5m for the former hospital site, which breaks down at [redacted] per unit net, making an allowance of circa [redacted] per unit towards abnormal site development costs.

Therefore the comparative figure of [redacted] per unit (gross) for the former hospital site is now sufficient evidence to warrant reconsideration of the deal for Westhorn, which is now based on historic information at only £24,000 per unit (gross).

Our previous valuation of Westhorn (@ £24,000 per unit gross) was based upon an assumed density of 160 units, which gave a gross site valuation of £3.84 million from which we deducted an allowance towards abnormal site development costs of £21,970 say £22,000 per unit or £3.5 million. On this basis the residual site valuation was £340,000 and you and I were prepared to accept Strathy Park in lieu of the balance (to which a notional valuation of £250,000 was given), forgoing the differential of £90,000 to acknowledge the benefit to the city of Glasgow as a result of having control over the Strathy Park site.

Celtic have made various arguments about the allegedly preferred position of the former hospital site compared with Westhorn and whilst I am not wholly convinced about this view, I would be prepared to make a 10% deduction between the former hospital site and Westhorn in order to move matters forward.

On this basis the gross site valuation for Westhorn increases to £4.64 million (160 units @ £29,000 per unit) from which I deduct abnormal costs of say £3.5 million (160 units @ £22,000 per unit) producing a residual site valuation of £1.14 million but say £1.1 million.

If Celtic only have a budget of £675,000 including the valuation of Strathy Park (£250,000) and the notional benefit to the city of Glasgow by the deal (£90,000) the outstanding balance of £760,000 significantly exceeds the residual budget that Celtic have for all the parcels of land.

Comment

I therefore consider that the Council should pull back from all the deals and concentrate on Westhorn only. As Celtic has expressed an interest in acquiring these pieces of land, it might provide some comfort if Celtic had an option to acquire these pieces of land, held open for a period of, say five years.

At the same time the Council needs to regulate the various pieces of land currently occupied by Celtic and for which no rent is currently paid. I would suggest that land within the Celtic triangle is leased at 10% of the capital valuations (£100,000 per acre capital value).

Celtic will obviously be unhappy as they will now be asked to pay a market rent for land that has been used rent free for so long. However, I presume your Council needs to lease these sites on a commercial basis in order to satisfy audit and, now that it has been brought to our attention, I would recommend that the occupancy of these pieces of land should be put on a commercial basis.

Legal issues

It might be worthwhile to seek advice from your Legal Services on a number of points:

1. The terms of the Westhorn sale agreement between Glasgow City Council and Celtic plc of 20 June 2003, page 3, condition 5 states that either party may refer the matter to arbitration. I wonder if your solicitor has yet advised, in event that negotiations do break down, when is the first day when either party is legally able to refer the matter to arbitration. What also happens in the interim? If Celtic plc were to refer the matter to arbitration tomorrow, can they still be asked to quit Westhorn? If so, can they be asked to quit Westhorn with immediate effect?

2. Can the Council serve notice to quit (removal) and still implement the sale agreement/valuation marketing clause?

3. Is the Council legally entitled to ask Celtic to demolish those buildings erected on land within the Celtic Triangle, which are constructed on land owned by your Council?

4. Have Celtic acquired any rights by prescription over the areas above, including the right to use the Council's land at Janefield Street/Holywell Street as a means of emergency access? I understand that without this access, it might be difficult for Celtic to obtain safety certificates for match days.

I would appreciate if you could keep me informed of Celtic's reaction of the suggestion that we concentrate on the sale of Westhorn only for the moment and look forward to receiving a response from your Legal Services on the above points.

Naturally, if you feel another meeting with you, Celtic or their agents would be useful, I would be more than happy to attend.

Should you have any questions, please do not hesitate to contact me.

Yours faithfully

[redacted]

[redacted]
District Valuer Services