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District Valuer Scotland South West

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Our Reference: 859015 [REDACTED]
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Date: 26 February 2007

Dear Sir

**GLASGOW CITY COUNCIL
DISPOSAL OF VARIOUS INTERESTS TO CELTIC PLC**

I refer to your email of 07 February 2007 in response to my email of 05 February 2007.

I note with some disappointment the terms that have now been agreed with Celtic. These do not reflect my own views, or the views previously held by you when we last discussed the matter. I can only assume that Glasgow City Council (GCC) has elected to adopt a proactive approach to the discussions with Celtic in view of the importance of the Commonwealth Games bid to the City.

I am, however, concerned that some of the terms agreed are not commercial and some potentially represent a windfall to Celtic. Any terms that do not reflect market value could be criticised, particularly in the event that the Commonwealth Games bid is unsuccessful.

It is fair to say that both you and I have known for some time that Celtic only ever had a certain amount of money available (£675,000), which is not really a realistic basis upon which to carry out negotiations, if the Council was genuinely expecting to secure settlements reflecting market valuations on a commercial basis.

I note that the terms agreed effectively give Celtic what they always wanted – the lands are secured for £675,000. However, at least additional sums should be paid to the Council whenever the valuation of Westhorn is determined by arbitration.

You have forwarded a copy of [REDACTED] report to Glasgow City Council Executive Committee of 05 January 2007, upon which I have a number of comments.

- 1.1. The report states, "Although several of the Council owned sites in and around Celtic Park have a particular value to Celtic, the development of these sites for non football related uses would be difficult".

I consider that at least two of the five sites could easily be developed for non football related uses, for example, as a hotel and would point out that even if the sites were difficult to develop for non football related uses, this does not mean that they are less valuable. In fact, the opposite could apply, due to the special suitability of the sites for purchase by Celtic, particularly one of the sites that may be suitable for retail related use.

- 2.1 I note that the missives for Westhorn makes provisions for the appointment of an independent arbiter in the event that GCC and Celtic cannot agree the market value.

I feel that Celtic made no real attempt to try and agree a valuation with this office and have used other means to ensure that agreement was reached without the involvement of the District Valuer.

- 2.3 Again, I would emphasize that Celtic made no real attempt to agree matters with this office. The Council has now decided to have the valuation of Westhorn decided by arbitration, which it is entitled to do. To ensure that the Council receives a realistic and fair price for the site, I would advise you to obtain as soon as possible, as much information on the prevailing ground conditions for the former hospital site adjacent to Westhorn, including a copy of the Site Investigation Report.

I understand the former hospital site was purchased in April 2006 and the marketing of the site would therefore have been in the summer, or autumn of 2005 at the latest. The hospital site is therefore a very good comparison upon which to base any valuation of Westhorn and I consider when valuing Westhorn, the arbiter will acknowledge the fact that the adjacent site has been sold for residential development, which can only increase the market value. Hopefully, you will therefore be able to give information to the arbiter to justify a price in excess of that paid for the former hospital site (per unit), or at least a price equal to the price per unit paid for the former hospital site.

I note that Celtic will retain an option to purchase Westhorn at the price determined by the Arbiter, which will be upgraded annually by the change in the RPI until 12 November 2009.

- 2.3 I am concerned that this condition is not to the advantage of the Council. Condition 6 of the missives dated 20 June 2000 between Glasgow City Council and Celtic relating to the Westhorn site states "in the event of the said price or any part thereof remaining outstanding as at the sale date of entry, notwithstanding consignment or the fact that entry has not been taken by the purchasers, interest will accrue thereon from the date of entry at the rate of 4% above the Royal Bank of Scotland Plc base lending rate from time to time in force until either full payment of the price and all interest accrued thereon is made or, in the event of the Council exercising their option to rescind the bargain". If there is to be an option, I presume Celtic will pay for it, which is not specifically mentioned in the report to the Committee. However, as the Westhorn missives allow for 4% above the base rate, which surely this would be more advantageous to the Council rather than the new proposal linking the market valuation of the site annually by reference to the RPI, until 12 November 2009.

I would therefore strongly recommend that the Council reverts to the terms agreed in the missives and that the purchase price is increased at a rate of 4% above the Royal Bank of Scotland Plc lending rate or, if higher, the market valuation of the site as at the date of payment.

As you are aware, land valuations in the area are increasing dramatically as investors speculate on the back of the Commonwealth Games bid. With the Belvedere Hospital site being re-developed and bearing in mind all the other proposals under the Clyde Gateway Project, I would not be surprised if residential land valuations in the area increased quite dramatically over the next few years. It is therefore not in the Council's interest to restrict any agreement in the purchase price by reference to the RPI.

I note that Celtic will pay the Council an annual rental of £30,000 for the Westhorn site for the period covered by the option. I would suggest that this rental should reflect 10% of the market value of the site, particularly if no payment is made for the option and consider £30,000 to significantly under-value the rental of the site to the advantage to Celtic.

I note that Celtic have agreed to pay the Council 50% of any uplift in the value of Westhorn if the site is sold within five years of the date on which it is acquired from the Council. Due to the back lying nature of the Westhorn site, in the event that the combined sites are sold (Westhorn and the residual area of lands currently owned or controlled by Celtic) it might be difficult to apportion the valuation between the two sites and to agree any uplift in value. An agreement based on an agreed land ownership or net developable area of land ownership might be more appropriate and you may wish to investigate this further.

I note that the Council will agree to pay either £250,000 or the value determined by the Arbitrator (whichever is the greater) for the site at Strathy Park. Celtic would have no entitlement to any uplift in value if the Council subsequently sells the site on to another party. I would strongly advise you to ensure that any increase in value of the site if the pylons are removed is ignored for the purposes of the valuation.

- 2.5 Presumably this is based on a valuation of £100,00 per acre for land within the Celtic 'Triangle'. As you are aware, I consider that this should have been based on £125,000 per acre, so there is therefore a loss of £150,000 plus to the Council by this agreement. Of course, Celtic has continued to pay no rental for the site in the interim as well.

I note that Celtic will be given an option for three years to acquire the former London Road Primary School at a price of £300,000. The Council may be exposed in the event that Celtic does not take up the option. I would therefore suggest that this building is rented at 10% of its capital value, or £30,000 per annum on full repairing and insuring terms for the period of the option.

- 2.7. I note that Celtic will be given the right to utilise the proposed NISA Coach Park on match days only for 99 years at an annual rental of £32,000. I presume that Celtic will share some responsibility for repairs and maintenance of the Coach Park and trust that the lease agreement has a mechanism to increase the rental over the period of the lease.

As the District Valuer has no further involvement in this case, I will today therefore close my file for this property and an invoice will be raised for our outstanding fee.

Should you have any questions about the points raised in this letter, please do not hesitate to contact me.

Yours faithfully

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[redacted]

District Valuer Services

