

Agenda Item No:

Report No:

Report Title: Property Report – Part 1

Report To: Cabinet

Date: 20th November 2014

Cabinet Member: Councillor Andy Smith

Ward(s) Affected: Peacehaven East; Lewes Bridge

Report By: Alan Osborne, Director of Corporate Services

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Purpose of Report:

To set out the terms of proposed property transactions at the locations listed below:

- 6-12 Ashington Stores, Peacehaven (lease surrender and re-grant)
- 22 Harvard Close (disposal of garden land)

Officers Recommendation(s):

- 1 To delegate authority to the Director of Corporate Services to grant a lease or to dispose of land in respect of the properties outlined above based on the attached heads of terms together with any terms required by the Director of Finance and the Assistant Director, Corporate Services.

Reasons for Recommendations

- 2 This report deals with an outstanding rent review in the form of a surrender and re-grant of the lease and a garden land disposal requiring approval by Cabinet under the scheme of delegation.

Information

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6-12 Ashington Gardens, Peacehaven

- 3.1 6-12, Ashington Gardens comprises of 2 retail units, (numbers 6 and 10) which are knocked through to form one larger unit, operating as a newsagents, general store and off-license. There are also 2 self-contained flats (numbers 8 and 12). Use of the flats is limited to the lessee or a person employed by the lessee in connection with the shop. The property is within the Housing Revenue Account.
- 3.2 The lease commenced in May 2003 and will expire of 24th May 2018. The tenant is protected under the Landlord and Tenants Act (1954) and has a right to a new lease under the existing terms. The current rent is £16,150 per annum.
- 3.3 Negotiations on the rent review due in 2013 have not yet been concluded. An independent valuation was completed by Fludes and the valuation of £18,700 represents an open market valuation in line with Council policy and the terms of the existing lease.
- 3.4 However, the tenant has written to the Council to advise that the proposed increase is not affordable and would cause hardship. At the same time, the tenant has indicated that she wishes to retire, but that there is insufficient time left on the lease to make it attractive to a purchaser.
- 3.5 It is recommended that the tenant is allowed to surrender the existing lease and for a new lease to be granted on the basis that only one flat is included in the new lease, but that the new lease term is extended to 25 years instead of 15 to make it more attractive to the market.
- 3.6 The remaining flat would then be available to let to a Housing tenant and the income generated from the lease would offset the loss of income from the lease of the flat and shop. It is likely that the net position would result in a small surplus.
- 3.7 The proposed Heads of Terms are attached at Appendix A1 and the plan at Appendix A2.

22, Harvard Close, Lewes

- 3.8 22, Harvard Close, Lewes is a former Council house located on the Malling Estate in Lewes. The property backs onto a piece of District Council owned amenity land, and the current owner occupier has moved their boundary fence beyond the official boundary line, to increase the size of their garden.

- 3.9** As of September 2014, the owner of 22, Harvard Close has been attempting to sell the freehold of the property, and a prospective purchaser has approached the District Council to request purchasing the additional land, not currently registered on the deeds.
- 3.10** The future development potential of the District Council's adjoining amenity land has been informally assessed and there is no evidence that the loss of the requested land would have any impact in the deliverability of any future scheme.
- 3.11** It is recommended that the land be disposed of in accordance with the Heads of Terms attached at Appendix B1 and the plan at Appendix B2.

Financial Appraisal

- 4** If the proposals are approved as set out in the attached heads of terms, the financial implications will be as follows:
- (a) 6-12, Ashington Gardens -- reduced rental income of £1,150 pa compared with the current budget. The second flat will generate income for the Council which will benefit the Housing Revenue Account, but there may be a shortfall of up to £2,250 between the income received and the Fludes valuation.
 - (b) 22, Harvard Close – a capital receipt of £1,500 plus the Council's legal fees which will benefit the Housing Revenue Account.

Legal Implications

The Legal Services Department has made the following comments:

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- 5.1** As a matter of law, where the Council disposes of land, it is required to secure 'best consideration' for the disposal.
- (a) In the case of Harvard Close, the consideration issue is straight-forward in that the Council is securing market value for the sale.
 - (b) In the case of Ashington Gardens, an independent valuation of the flats and shop has been obtained on the basis of an open market rent. This rent would be beyond the tenant's means. The solution proposed here is to lease the shop and just one flat to the tenant (which the tenant can afford) and to take the remaining flat into the Council's immediately available housing stock which will help to meet the local house need.

It is possible that this arrangement may constitute a disposal at a slight undervalue (albeit that the Council would still recoup rental from the single flat), but this is permitted via the Secretary of State's General

Consent which specifically permits disposal where the Council considers the disposal will secure the promotion or improvement of the economic, social or environmental well-being of its area.

In this case, the well-being is the provision of additional housing for social rent in Peacehaven.

Sustainability Implications

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I have completed the Sustainability Implications Questionnaire and there are no significant effects as a result of these recommendations.

Risk Management Implications

7 There are no risk management implications arising from this report.

Equality Screening

8 The recommendation has only positive or zero impact on equalities within the community.

Background Papers

9 None

Appendices - EXEMPT

10 Appendix A1: .Heads of Terms for 6-12, Ashington Gardens

Appendix A2: Plan of 6-12, Ashington Gardens

Appendix B1: Heads of Terms for 22, Harvard Close

Appendix B2: Plan of 22, Harvard Close