

**Agenda Item No:** 9.7 **Report No:** 58/17  
**Report Title:** Acquisition of Retail Property in Lewes  
**Report To:** Cabinet **Date:** 20<sup>th</sup> March 2017  
**Cabinet Member:** Cllr Bill Giles  
**Ward(s) Affected:** Lewes Bridge  
**Report By:** Nazeya Hussain, Director of Regeneration and Planning

**Contact Officer(s)-**

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**Purpose of Report:**

This report seeks consent to complete the purchase of a land interest known as 215-218 The High Street, Lewes. The property also comprises of number 14 Eastgate Street.

**Officers Recommendation(s):**

- 1 To delegate authority to the Director of Regeneration and Planning, in consultation with the Deputy Chief Executive and the Assistant Director of Legal and Democratic Services to purchase the freehold interest of 215-218 the High Street and 14, Eastgate Street, Lewes.

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**Reasons for Recommendations**

- 1 To invest in land within Lewes District that will improve the revenue return for the Council and to improve the value of the Council's asset base.
- 2 **Information**
  - 2.1 The freehold of a retail site located in Friar's Precinct, Lewes has come to the market. The landholding comprises of five retail units with very strong rental

covenants in a good position within the town. The current rental income to the freeholder is around £280,000 pa. The Council is in a strong position with the vendor who has closely followed the successful purchase of another block at Friar's Precinct. No formal offers have been made yet, but to be successful, the Council would need to be in a position to exchange contracts by mid-April 2017.

- 2.2 The decision whether or not to purchase is urgent as the Council must confirm immediately whether it is in a position to proceed with the sale.
- 2.3 The sale would be conditional based on a number of factors including legal and technical due diligence.
- 2.4 The buildings are constructed to a high standard and appear sound and the Council has carried out a visual inspection of the premises. All maintenance and repair liabilities can be recharged to the tenants via a service charge, including officer time to manage the properties. The offer has been made subject to satisfactory surveys.

### **3 Financial Appraisal**

- 3.1 Under the local authority 'prudential borrowing' framework, the Council is able to borrow to fund the purchase of property to be held by the General Fund, on the condition that the borrowing is affordable in terms of its impact on the budget and council tax.
- 3.2 Financial modelling indicates that this commercial property will generate an average annual net return of 4% after allowing for interest costs at current rates associated with a 50 year loan, repaid in full at the end of the period. A range of scenarios has been tested against this base scenario, including variations in inflation, units becoming vacant for a period of time and exceptional management or maintenance costs arising for which the Council may become liable. Each scenario generated a positive annual long-term return and the acquisition of the property is considered to satisfy the 'affordability' test.
- 3.3 A further factor which mitigates against financial risk is that the acquisition will be of a freehold property in close proximity to a site already owned by the Council.

### **4 Legal Implications**

- 4.1 Lawyers will be instructed to produce the following:
  - A headline issues summary of each of the 5 leases focusing on any potential issues from a legal point of view that could have an impact on the value of the investment.
  - A brief overview of the freehold title focusing on any major issues which could impact on value.

- Assistance to enable the Council to put forward an initial bid.

Legal work will be undertaken now that the bidding process has concluded. The search documents will have to be checked to ensure that they do not show any unacceptable risks.

### **Risk Management Implications**

**5** The key risks have been identified within the body of the report. See Legal and Finance comments for risks and mitigation.

**5.1** The land is within Flood Zone 3 and was subject to flooding in 2000, along with many other properties in Lewes. However, Lewes is largely protected from fluvial flood and the North Street development will complete a defence protection return to 100 year levels.

### **Equality Screening**

**6** There are no equality impacts as a result of the recommendations in this report.

### **Background Papers**

**7** None

### **Appendices**

Appendix A Commercial terms (exempt)

Appendix B Location plan