

REPORT TO CABINET

REPORT OF: Economic Development Portfolio Holder

REPORT NO: AFM214

DATE: 5 September 2011

TITLE:	Bourne Core Area Arrangements following award of contract	
KEY DECISION OR POLICY FRAMEWORK PROPOSAL:	Key Decision	
PORTFOLIO HOLDER: NAME AND DESIGNATION:	Cllr Frances Cartwright Economic Development Portfolio Holder	
CONTACT OFFICER:	Ian Yates Strategic Director Development and Growth 01476 406201 i.yates@southkesteven.gov.uk Paul Stokes Head of Assets 01476 406410 p.stokes@southkesteven.gov.uk	
INITIAL IMPACT ASSESSMENT:	Carried out and Referred to in paragraph (7) below	Full impact assessment Required:
Equality and Diversity	Not applicable	Not applicable
FREEDOM OF INFORMATION ACT:	This report is publicly available via the Your Council and Democracy link on the Council's website: www.southkesteven.gov.uk	
BACKGROUND PAPERS	Cabinet Report PLA869 Bourne Core Regeneration Proposal – 7 February 2011 AFM208 Non Key Decision – 8 August 2011	

1. RECOMMENDATIONS

That Cabinet authorises:

- (i) the allocation of 16 car parking spaces at the Burghley Street car park, Bourne to be used in the Council's Wherry's Lane

Development (the Development), withdrawal from public use and disposal in association with the disposal of residential accommodation to be provided at the Development. The approximate location of the spaces required is shown hatched red on the attached plan for identification purposes only.

(ii) the works required at the Burghley Street car park, Bourne to provide approximately 11 additional car parking spaces to be brought into use on the Burghley Street site.

(iii) the appointment of a suitably qualified and experienced agent to dispose of the Development (either by sale or rent) to ensure that the best price is achieved for individual units and/or the Development as a whole.

(iv) disposal of the Development and/or individual units in accordance with the following marketing proposals:

- 1) Freehold disposal of the Development as a whole; (or)
- 2) Leasehold disposal of the parts of the scheme being the collective upper residential floors and/or the ground floor retail/commercial parade; (and/or)
- 3) Disposal of individual apartments by sale on long lease; (and/or)
- 4) Disposal by way of market rent of the residential apartments on assured short hold tenancies; (and)
- 5) Disposal by way of commercial market rent of the ground floor rental/commercial units.

(v) appropriate marketing of the Development following the grant of satisfactory planning permission for the Development.

(vi) a review of marketing proposals within 12 months of the grant of planning permission for the Development.

(vii) in the event that the Council retains the freehold ownership of the Development, the management of the Development to be outsourced to an experienced agent.

2. PURPOSE OF THE REPORT

Following the decision to award the design and build contract to the selected contractor subject to planning approval, there are a number of management issues which need to be agreed before the Development commences. These are in respect of how the scheme will be managed in the short-term and how it can be disposed of either by way of freehold sale or lease at best price. In the current

market, an open and flexible approach is recommended. It is proposed a freehold sale is marketed in the first instance, but allowing for the preferred option as listed in order of preference at (iv) above. The development submitted by the selected contractor would be enhanced by a number of designated car parking spaces for the benefit of the residential development.

3. DETAILS OF REPORT

Tenure Issue

The new block of property will be multi-occupied with a mix of commercial occupiers at the ground floor and residential occupiers within the upper floors.

With the split use and occupation proposed, one party, initially the Council, will be required to retain the freehold of the whole block. The freeholder can then control through grant of leases, whether long or short, the ongoing management of the common parts of the building, the structure and the external areas.

The Apartments

There is a need to consider the current market conditions for the sale of the residential apartments. If good value long lease sales can be secured immediately, then they should be accepted. However, values at the current time are depressed, but in time will improve as the market picks up. The option to secure an income stream by letting the apartments on standard six-month assured shorthold tenancies would give tenants security of tenure for six months with a rolling 2 months term, but equally allow the Council, as landlord, to obtain vacant possession in a relatively short timescale. This would allow it the freedom to sell the apartments at full market value on a 125-year lease when market conditions improve. The long lease allows for the creation of a virtual freehold interest, but provides clear and binding obligations on both the freeholder and long leaseholder with regard to repair, decorations, insurance and cleaning.

Shop/Commercial Units

The same principles should apply to the shop units. They should be let on standard commercial leases of terms 5 or 10 years with rental reviews every 5 years.

Ownership of the shop/commercial unit should be collective rather than sold individually allowing for the potential sale of the whole parade to an investor. The commercial leases will include provisions

to contribute to the whole block of the property through a service charge.

Car Parking

The scheme becomes much more attractive to individuals with the inclusion of dedicated parking facilities, one for each apartment. To allow the remaining open space/serviced site available for further development, the proposal is to allocate 16 spaces within the Burghley Street public car park. A review of spaces has identified that by managing the area, another 11 spaces can be utilised. The net loss in spaces is therefore reduced from 16 to 5 in total. There are no parking orders in place so the request is for the land required to be incorporated into the Wherry Lane development.

4. OTHER OPTIONS CONSIDERED

The option still remains to allow for the immediate sale of the apartments however the opportunity to secure the sale of the whole development represents a more beneficial option in terms of realising the councils capital injection for future regeneration schemes. Advice has been taken in determining this position but should be carefully reviewed.

5. COMMENTS OF FINANCIAL SERVICES

The report proposes a number of proposals to be considered following the completion of the Bourne core area development. These proposals reflect the arrangements to ensure that the units (both commercial and residential) deliver a financial benefit to the Authority. It is recognised that the current financial climate may make it difficult to sell the residential apartments so the proposals include short term letting arrangements that offer the flexibility to review the situation once economic conditions improve. It is recognised that the management of the development is better placed with external agents given its specialist nature but there will be a financial consequence of this which will be reflected in the budgeted income.

6. COMMENTS OF LEGAL AND DEMOCRATIC SERVICES

There are various options for the disposal of the proposed development in part or as a whole. The actual method of disposal will depend on the prevailing market throughout the build period and thereafter. That market can be very fluid and a flexible marketing strategy will be required from the start of the development through to the point of disposal. It is essential that the flexibility to dispose of

the individual units or the site as a whole as detailed in the report is permitted to ensure officers can react to market changes and the advice of agents marketing the site.

Any disposal of land and property is required, by virtue of s.123 of the Local Government Act 1972, to be at best price in accordance with the General Disposal Consent 2003. Best price can be achieved by marketing the development on the open market.

The car parking spaces referred to are not designated car parking spaces controlled by a Parking Order. They are spaces which have historically been set out for use by members of the public as parking spaces. It is essential that appropriate, reasonable notice is given of the intention to remove the required spaces from public use. Any car parking spaces required for the benefit of the development will need to be barriered to ensure exclusive use for the residents of the development.