
Decision maker:	Chief finance officer
Decision date:	1 August 2017
Title of report:	Grant of long lease of land adjacent to the enterprise zone at Holme Lacy Road to an existing council tenant at Netherwood Road, Rotherwas
Report by:	Estate management officer

Classification

Open

Key decision

This is not a key decision.

Wards affected

Dinedor Hill

Purpose

To seek approval to the grant of a long lease in a small plot of land at Holme Lacy Road, Rotherwas adjacent to the enterprise zone (EZ) to an existing council tenant to allow them to expand their business and remain in their existing premises on the estate.

Recommendation

THAT:

- (a) a lease of approximately 0.09ha/0.24 acre at Holme Lacy Road, Rotherwas (as outlined at appendix 1) be granted to TRP Polymer Solutions Ltd for a period of approximately 116 years to 6 April 2133 in consideration of a payment of £45,000; and**
- (b) the freehold ground lease of the plot referenced above be included in the planned sale of the council's freehold ground leases authorised in decision reference: 2016-17.4553.**

Alternative options

- 1 Not proceeding with the lease on the terms outlined below.

Advantages

None

Disadvantages

Would prevent the expansion of an existing business and an opportunity to realise a “windfall” capital receipt would be lost. It would also adversely impact the council’s ability to achieve the outcomes expected of the enterprise zone (EZ).

Reasons for recommendations

- 2 The land is located between the main Holme Lacy Road and the existing premises of the tenant and is of no use or value to any other potential purchaser.
- 3 The tenant requires additional factory space and car parking as their business is growing and the existing premises is no longer sufficient for their needs. Enlarging their current premises will anchor them on the estate, safeguard current jobs and enhance further employment opportunities. The existing tenant is thus a “special purchaser” by virtue of being the only significant party having an interest in this land which forms part of the highway verge sandwiched between his boundary and the main Holme Lacy Road. Acquiring this land enables him to save all the costs and disruption of acquiring and moving to other larger premises and as such he is prepared to pay a premium of £45,000 which is far in excess of its value to anyone else. It thus represents a “windfall” receipt which is very unlikely to be achieved from any other purchaser as in isolation the land is not capable of development.
- 4 In line with EZ objectives the granting of a lease will deliver private sector investment and job creation which will boost confidence and interest from others and help generate further private sector investment and job creation.
- 5 A premium of £45,000 has been agreed which is supported by disposal prices achieved through the sale of freehold developable land in the EZ. By way of comparison freehold sale values of £200 - £225,000 per acre have been achieved which is in line with district valuer’s valuations. Other than selling to the existing tenant the land will remain undeveloped as part of the highway verge which will form part of a landscaping belt in the EZ i.e. it will be left green open space and mown periodically.
- 6 Other terms and conditions of the proposed lease will match those of the existing lease which is for a term of 125 years from 7 April 2008 expiring on 6 April 2133.

Key considerations

- 7 The plot of land is located on the edge of the EZ and the grant of the proposed lease is fully supported by the EZ board as it will allow an existing well respected business to expand through investment in their existing premises and create additional employment in line with EZ objectives. It also helps to demonstrate to the existing businesses that they too can benefit from the presence of the EZ as the whole area enjoys a much higher regional and national profile, increased business activity and enhanced access to broadband etc.

- 8 Planning consent for a factory extension and additional car parking on the land was granted on 1 March 2017.
- 9 The disposal of the land is on a leasehold basis to match the tenant's existing interest in the land they currently occupy. A ground rent of £25.00 per annum doubling every 25 years will be payable and the tenant will be responsible for all other outgoings, maintenance etc in respect of the land.
- 10 The premium of £45,000 agreed is supported by the prices achieved for freehold developable land within the EZ which is being actively marketed and sold according to district valuer valuations and the EZ Land Disposal Policy which was approved by cabinet member on 7 January 2016.
- 11 The lease will contain covenants to ensure that screening and landscaping is carried out to complement the EZ's landscaping proposals along the Holme Lacy Road.
- 12 The plot is shown on the plan at appendix 1.
- 13 The land is of no use or value to any other prospective purchaser and not capable of development other than as part of the purchasers adjoining site.
- 14 The sale is to an expanding local business whose current premises are no longer sufficient for their needs. They now wish to build their own premises to enable their expansion into growing new markets and if the council does not proceed with the disposal the business's expansion plans will be delayed or abandoned or they will move elsewhere.
- 15 The site is development ready, and no other activity is anticipated to be required by the EZ to fulfil the grant of the lease.
- 16 On 7 April 2017 the cabinet member contracts and assets agreed to the sale of the council's freehold ground leases at Rotherwas - to maintain the integrity of the landholding it is recommended that the freehold of the plot at appendix 1 be included in that disposal

Community impact

- 17 There is no adverse impact on the community in approving the grant of a long leasehold interest in this land on the terms outlined. The tenant has obtained planning permission for the proposed factory extension and additional car parking they intend to erect on their existing premises and this site and thus their proposals have been subjected to public consultation.
- 18 Failure to proceed with the grant of the long lease will mean a local business is frustrated in their attempts to expand and may lead to the loss of new job opportunities and put at risk existing jobs should the company relocate outside of the city/county. The proposal will thus contribute directly to the corporate plan's key objective of supporting the growth of the local economy and support the delivery of the corporate property strategy by releasing capital for the benefit of local communities and stimulating local regeneration.

Equality duty

- 19 Section 149 of the Equality Act 2010 imposed a duty on the local authority to have due regard to the need to;
- a) eliminate discrimination,
 - b) advance equality of opportunity
 - c) foster good relations
- 20 The development of the EZ and the existing employment area adjacent to it will support the council's commitment to equality by advancing equality of opportunity, with the potential of increased job opportunities.

Financial implications

- 21 The total plot area to be sold is 0.24 acre and the agreed premium is £45,000, a price equivalent to £187,500 per acre in respect of land which has no value to any other purchaser and which compares favourably with prices achieved for freehold development land within the EZ which has been achieving prices in the open market of £200,000 to £225,000 per acre in 2016/17.
- 22 The capital receipt will form part of the council's capital receipt's target in 2017/18.
- 23 There will be legal costs and other administrative costs in relation to the preparation and completion of the lease which will be deducted from the overall receipt cost, up to a maximum of 4%. If disposal costs exceed this value they will need to be met from existing EZ revenue budgets.

Legal implications

- 24 A principal council cannot dispose of its land for a consideration less than the best that can be reasonably obtained in the market, except with the express consent of the Secretary of State (section 123(1), Local Government Act 1972 (LGA 1972)). The council needs to be able to evidence that the best price has been obtained for the site and it will only be able to demonstrate that it achieved the best consideration possible by:
- marketing the property;
 - obtaining an appropriate independent valuation; or
 - both of the above.

The EZ plots of developable land are being actively and comprehensively marketed and are subject to district valuer valuations so the council can demonstrate that best consideration is being achieved for both freehold or leasehold disposals. The value of the premium for this plot was obtained by giving consideration to the valuations of and sale prices achieved on the adjoining EZ land

- 25 The council's legal team will deal with the transaction.

- 26 Consideration will be given to the reservation of rights in the lease documentation for running of services etc. for the benefit of remaining land in council ownership. The lessee will also be required to indemnify the council against future breach of any existing covenants affecting the plot, as contained in the relevant registered title with the imposition of site specific further obligations and covenants as appropriate.

Risk management

- 27 There are no significant risks associated with this transaction. However if the lease is not approved then there will be a negative impact on both the council and the EZ in terms of limiting the ability of an existing local company to expand. Furthermore the ability for the council to deliver the projected jobs, investment etc. stated in the EZ bid document will be hampered, and at best delayed.

Consultees

- 28 EZ stakeholder group which includes local member Councillor Summers are supportive of the proposal.
- 29 Cabinet member for contracts and assets Councillor Bramer is supportive of the proposal.

Appendices

Appendix 1 - Map showing the plot

Background papers

- None identified.