

Report to the Cabinet

Report reference: C-085-2009/10
Date of meeting: 1 February 2010



Portfolio: Legal and Estates

Subject: Proposed Purchase of long leasehold interest in 148 Brooker Road, Waltham Abbey

Responsible Officer: Chris Pasterfield (01992 564124).

Democratic Services Officer: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

- (1) To purchase the long leasehold interest in 148 Brooker Road for a sum not exceeding £220,000 from capital as an investment and an addition the Council's property portfolio; and**
- (2) To let the property to the Council's Museum Service for storage the Museum Collection and ancillary services which would include office accommodation for Country Care and storage for Community and Culture Services.**

Executive Summary:

This report asks for funds to purchase from the receivers, KPMG LLP, the long leasehold interest of 148 Brooker Road which will be added to the Council's existing freehold interest. The property will then be available to let on the open market at a full rack rent estimated at £34,000 per annum providing a rate of return estimated to be in the region of 8-10%.

It also provides the opportunity to let the property to existing Council services such as the Museum which will provide efficient accommodation, additional services such as a research area and more display area in the museum and would achieve strategic property aims in vacating space in the Langston Road and Town Mead depots which are potential redevelopment sites.

Reasons for Proposed Decision:

To achieve a high rate of return for Council capital funds, to acquire an interest in property that is complimentary to the Council's existing portfolio and to provide accommodation for Council services that are currently located elsewhere and are paying rent to third parties or are sites that when vacated will have redevelopment potential.

Other Options for Action:

Not to purchase the property and for the relocation of existing Council services to be delayed until other suitable sites can be identified.

Report:

1. The Council are the freehold owners of 148 Brooker Road, Waltham Abbey and there is currently a lease for 80 years from 1 January 1974 at a passing rent of £6,600 per annum to

PNG Enfield Ltd who are currently in receivership as notified to the Council by KPMG LLP in a letter dated 20 July 2009. The lease provides for 7 year rent reviews with the current review on 1 January 2010 outstanding.

2. The receivers have been marketing the long leasehold interest and an offer by the Council subject to contract and Cabinet approval of £210,000 was rejected in favour of another bid in October 2009. It seems that this proposed purchaser has not proceeded quickly enough and the receiver has offered the property to the Council for £210,000 plus waiving the arrears of rent which total £6,600 to 31 December 2009 (£8,250 to 31 March 2010). This is subject to contract, subject to Cabinet approval and subject to a satisfactory structural report which is being provided through the Council's Facilities Management Section.

3. The property has a floor area of 4,577 sq ft and it is estimated would have a current rental value in the region of £34,000 per annum (£7.50 per sq ft). Adjoining rents have been in the region of £9.03 per sq ft but it is thought that this would not be attainable in the current market. A recent letting of Unit 5 at 90 Brooker Road which is modern space had a stepped rent over the first five years equating to an average of £6.70 per sq ft as an incentive to a new letting. The rent in years 4 and 5 equated to £7.74 per sq ft.

4. It is felt that the existing building could be split in two which would provide a wider market more suitable to small businesses for letting. A freehold building(s) in this area would also be a lot more attractive to investors or owner occupiers than the existing long leasehold interest.

5. It is estimated that the current value of the long leasehold interest is £225,000 at a yield of 10% over 44 years assuming a rent of £7.50 per sq ft.

6. The Museum Service have indicated that 148 Brooker Road would provide efficient accommodation for consolidation of the storage of the Museum Collection which is currently stored at Langston Road Depot, Gun Powder Mills and at the Museum itself. This would provide additional temporary exhibition display space at the Museum and the potential for an on site education room. The accommodation at 148 Brooker Road, would also provide a research space where interested members of the public would be able to book an appointment to inspect/research items that are held in the Collection, but are not currently accessible.

7. In addition 148 Brooker Road would realise the opportunity to relocate the Council's Country Care Team and respective equipment/storage from Town Mead Depot along with Community Services equipment currently stored at Town Mead.

8. The Museum currently has the following storage areas with real and notional rents:

- Langston Road – 3 separate units totalling £26,250 per annum; and
- Gunpowder Mills – storage and workshop space totalling £6,000 per annum.

9. Countrycare currently rent office and storage space at Town Mead Depot totalling £8,100 per annum.

10. At the present time units 141-144 Brooker Road are vacant having had their leases surrendered by the receiver. The units are not currently being marketed as they are viewed as a potential relocation building for the Museum and other services currently occupying space elsewhere but mainly at Langston Road. The units could be split into two single and a double unit but currently total 4,098 sq ft which it is estimated could be let for £30-32,000 per annum.

Resource Implications:

The estimated cost of acquiring the long leasehold interest in 148 Brooker Road is £220,000.

The property would be managed by in house resources for estates, financial and maintenance purposes.

If the property is used for Museum and associated purposes then this would be managed by existing in house resources as part of Community and Customer Relations.

Legal and Governance Implications:

Section 123 Local Government Act 1972 – best consideration for the land and property assets.

Safer, Cleaner and Greener Implications:

The current Museum store at Langston Road depot is far from ideal for a number of Health and Safety reasons, including unsafe access to the store due to parking of waste vehicles on the site, lone worker issues for the Collections Manager and general large vehicle movements on the site.

Consultation Undertaken:

Museum Services and Finance and ICT Directorate.

Background Papers:

Please see attached plan.

Impact Assessments:

Risk Management

Under Risk 9 on the Corporate Risk Register the Council are obliged to provide adequate depot accommodation for all contracted users and this property would satisfy this aim in respect of the Museum Services as existing accommodation is under pressure as mentioned in Safer, Cleaner Greener Implications above.

Equalities & Diversity

Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications? No

Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken? N/A

What equality implications were identified through the Equality Impact Assessment process? N/A.

How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group? N/A.