

Report to the Cabinet

Report reference: C-026-2018/19
Date of meeting: 10 December 2018



Portfolio: Commercial and Regulatory Services (Councillor A. Grigg)

Subject: Landmark Site, Loughton - Capital Costs

Responsible Officer: K. Pabani (01992 564321)

Democratic Services: A. Hendry (01992 564246)

Recommendations/Decisions Required:

That Cabinet seek a supplementary bid of an additional £140,000 of capital within the 2018/19 revised Capital Programme, from the Council.

Executive Summary:

This report seeks additional Capital to undertake necessary alterations and the letting of the Council's Units at the Landmark Building.

Reasons for Proposed Decision:

The Council has entered into a 153-year lease with local developer Higgins, to provide a mixed-use development on the site of the former Sir Winston Churchill Public House in Debden. The Council are incurring costs to facilitate occupation by tenants on the ground floor commercial units, for which additional expenditure is required.

Other Options for Action:

The alterations to the vacant ground floor units are necessary before they can be let. To leave the units unoccupied or to sell them to another commercial landlord, would not be in accordance with the Council's Policy of seeking to maximise its assets and generate revenue returns from capital investment.

Report:

1. In August 2008, the Council agreed a Design and Development Brief for The Broadway, Debden. The area covered by the Design Brief contains land owned both by the District Council and other parties. Since adoption, a number of key developments have come forward to include the refurbishment of the Sainsbury's Food Store in Torrington Drive, the construction of new affordable rented properties under the Council's Housebuilding Programme in Burton Road and the redevelopment of the former Sir Winston Churchill Public House by Higgins Homes PLC to provide 64 residential flats, with commercial retail outlets on the ground floor.
2. With respect to the redevelopment of the former Sir Winston Churchill PH, now renamed the Landmark Building, in September 2013 the Cabinet approved the Heads of Terms of a Development Agreement for the site. The developer's financial appraisal

for the development, which was verified by consultants appointed by the Council's Estates & Valuation Team, assessed that it would not be viable to provide any affordable housing as part of the scheme. However, the agreement allowed for the Council to retain both the freehold of the site and any income derived from the commercial units provided by the developer on the ground floor. This was in accordance with the planning permission granted by the Council and was considered to be financially advantageous for the Council.

3. In advance of the anticipated handover date for the ground floor units from the developer, the Council appointed external lettings agents to market the units. Initial interest was strong and potential tenants were lined up for all the units, which advanced to negotiations on Heads of Terms.
4. However, as handover approached, it was apparent that two significant issues needed to be resolved. Firstly, the units themselves were only constructed to a basic shell specification and work was required to split the units and provide services. In addition, the complexity of the legal arrangement which required consent for under lettings and access/servicing and alterations agreements has led to delay and the potential loss of two of the original potential tenants. In hindsight, the Council should have been more specific in the original development agreement in 2013 to avoid these issues. This is a key consideration in future negotiations of this type.
5. To date, the Council has incurred £56,000 of unanticipated specialist legal and construction related costs on the project. However, in order to take the development through to completion and to be ready for occupation, a further £84,000 capital will be required. This includes work to undertake the physical separation of the units, installation of additional services and further legal, project management and letting agency fees. This would also include a contingency for minor works.

Resource Implications:

In order to cover the costs of the construction work necessary to bring the units up to a point where they can be let, and associated professional fees, additional capital of £140,000 is required within the Capital Programme for 2018/19.

Legal and Governance Implications:

Specialist external advice has been taken on the lease arrangements.

Safer, Cleaner and Greener Implications:

Units will meet building regulations requirements for energy efficiency.

Consultation Undertaken:

With development partner, Higgins Homes.

Background Papers:

Held within Estates Service. Cabinet Reports September 2015.

Risk Management:

To leave the units unoccupied would present a reputational and financial risk to the Council.