

<b>Subject:</b>	<b>Disposal of 18 Market Street</b>		
<b>Date of Meeting:</b>	<b>11 July 2014</b>		
<b>Report of:</b>	<b>Executive Director of Finance and Resources</b>		
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<b>Ward(s) affected:</b>	<b>Regency</b>		

**FOR GENERAL RELEASE**

**1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 To seek agreement for the disposal of 18 Market Street from the council's investment portfolio to provide either capital funding or additional revenue funding streams (or both) to support the council's Corporate Plan and Medium Term Financial Strategy.

**2. RECOMMENDATIONS**

- 2.1 That the Committee authorise the disposal of 18 Market Street to the purchaser identified at the sale price agreed.
- 2.2 That the Committee note that the capital receipt received may be used for reinvestment to provide an ongoing income stream to support the council's Corporate Plan and Medium Term Financial Strategy and this will be subject to a future report to this Committee.

**3. CONTEXT/BACKGROUND INFORMATION**

- 3.1 Brighton & Hove City Council has an investment portfolio made up of more than 600 tenancies producing a rental income in the region of £7.4m per annum, which helps fund the provision of services. However, a substantial part of the portfolio is secondary or poorer in terms of its quality which means that it exposes the council to risk in respect of costs and reduces the possibility of rental growth allowing the income stream to keep up with inflation.
- 3.2 The Council's external agents Cluttons who manage our urban portfolio has recommended a strategy to rebalance the portfolio to ensure costs can be minimised and rental growth maximised to ensure best value is achieved.
- 3.3 An unsolicited offer has been received from a special freehold purchaser for 18 Market Street. The offer reflects their special circumstances and is in excess of the open market valuation.

- 3.4 The property is situated in The Lanes, close to the junction of Market Street with Brighton Place. The Council's previous tenant Starbucks declined to renew their lease whereby this 5 storey period building is now vacant and non-income producing.
- 3.5 Whilst occupying a corner site, the property represents an isolated ownership within the Council's portfolio and does not hold any special strategic significance to be retained.
- 3.6 Leasehold demand currently exists from local and regional retail operators, but none approach Starbucks covenant status, nor is it considered the previous income stream can be matched.
- 3.7 Due to current regulations, the two upper floors are unusable in any form as no alternative fire escape route exists. If a secondary access was installed this would require expenditure or an extended rent free period and would substantially reduce the already limited usable floor space available within the building, resulting in a loss of value.
- 3.8 The council is currently updating its Asset Management Plan and as part of this, its strategic approach to the commercial and agricultural portfolio. Advice has been sought from the council's agents and consultation on a revised approach will commence shortly with members beginning with a tour of parts of the portfolio and a workshop to help inform the decision making. A potential change in strategy that will be considered as part of this process is to disinvest in some aspects of the commercial portfolio that have lower returns on investment and reinvest the proceeds in properties with better long term returns. However given this remains work in progress it is proposed not to make any decision about the potential use of the capital receipts generated from this disposal at this stage and leave that decision until after this committee has had the opportunity to consider an updated Asset Management Plan in October 2014.
- 3.9 The disposal of this property and capital receipt will not in isolation provide the council with an opportunity to purchase a property that represents a better strategic investment than the subject property. However by pooling this receipt with future receipts the council will have the potential to invest in properties which will provide improved long term returns for the council.

#### **4. ANALYSIS AND CONSIDERATION OF ANY ALTERNATIVE OPTIONS**

- 4.1 Retaining the property will continue to provide an income stream, albeit slightly lower than previously paid by Starbucks
- 4.2 Marketing this property on the open market may well garner interest and ensure a capital receipt representing market value but may also deter the party currently interested who, because of their special interest are willing to pay above market value as verified by the council's agents Cluttons.

#### **5. COMMUNITY ENGAGEMENT AND CONSULTATION**

- 5.1 There has been no community engagement. Consultations have been had with the interested party and relevant internal teams whilst negotiations continue.

## 6. CONCLUSION

- 6.1 The recommendation is to dispose of the freehold interest to the special interest purchasers identified.
- 6.2 The capital receipt of the disposal may be used for reinvestment to provide an ongoing income stream to support the council's Corporate Plan and Medium Term Financial Strategy and this will be subject to a future report to this Committee.

## 7. FINANCIAL & OTHER IMPLICATIONS

### Financial Implications:

- 7.1 18 Market Street is currently vacant and there is no income being generated from the site which will present a budget pressure in the current financial year. However, this will partly be offset with reduced costs associated with rent collection fees and lease renewal costs.

The disposal of this site will generate a capital receipt less any disposal costs. The net receipt is proposed to be reinvested back into the property portfolio pending the outcome of the property review being undertaken by the Council's external advisors and consultation with members and this will be subject to a further report to this Committee in due course.

The disposal of this site will result in reduced income for the Council's property portfolio this financial year and this will need to be reported within the Targeted Budget Management reports to this Committee. There may be continued budget pressure in future years until such time as a new income stream is generated from the reinvestment back into the property portfolio is complete.

*Finance Officer Consulted: Rob Allen*

*Date: 11/06/14*

### Legal Implications:

- 7.2 Section 123 of the Local Government Act 1972 enables a local authority to dispose of land held by them provided it achieves the best consideration reasonably obtainable. The disposal of 18 Market Street would represent best consideration. It is not considered that any individual Human Rights Act rights would be adversely affected by the recommendations in this report.

*Lawyer Consulted:*

*Joanne Dougnaglo*

*Date: 11/6/14*

### Equalities Implications:

- 7.3 There are none.

### Sustainability Implications:

- 7.4 There are none.

Any Other Significant Implications:

7.5 There are none.

**SUPPORTING DOCUMENTATION**

**Appendices:**

1. Location Plan for 18 Market Street.

**Documents in Members' Rooms**

None

**Background Documents**

None