

EXECUTIVE SUB-COMMITTEE FOR PROPERTY

A meeting of the Executive Sub-Committee for Property was held on 29 July 2013.

PRESENT: Councillors D Budd, M Carr, C M Rooney, J Rostron and N J Walker

PRESENT AS OBSERVERS: Councillor J Brunton, Councillor C Hobson, Councillor J Hobson, Councillor P Sanderson.

ALSO IN ATTENDANCE: Residents of Nunthorpe.

OFFICIALS: Andrew Cain, Paul Stephens, Tim Wake, David Velemir, Luke Henman and Sharron Brown.

APOLOGIES FOR ABSENCE: Councillor B Thompson

13/59 **MINUTES OF THE MEETING HELD ON 13 JUNE 2013**

That the minutes of the Executive Sub Committee for Property held on the 13 June 2013 were taken as read and signed by the Chair as a true record.

13/60 **MINUTES OF THE MEETING HELD ON 17 JUNE 2013**

That the minutes of the Executive Sub Committee for Property held on the 17 June 2013 were taken as read and signed by the Chair as a true record.

13/61 **BRINGING EMPTY PROPERTIES BACK INTO USE AS AFFORDABLE HOUSING**

The Executive Director of Neighbourhoods and Communities submitted a report that sought approval to lease four Council-owned properties in Gresham to the Middlesbrough Community Land Trust (CLT) for a five-year period at nil consideration.

Throughout Middlesbrough there are c. 750 residential properties that had been empty for more than six months. Any in-year increase in empty properties directly reduced the level of the New Homes Bonus (NHB) awarded. Conversely, a NHB payment was made for every empty property brought back into use. Consequently, tackling empties was now a strategic priority and the proposal set out within the report would have formed part of a wider approach that was being developed to tackle that issue.

In April 2012, the Council transferred three empty properties in Gresham to the Middlesbrough Community Land Trust (CLT), at nil consideration. The CLT was a company limited by guarantee, not-for-profit, constituted and made-up of local residents from Gresham. The CLT had subsequently refurbished those properties, using Round 1 Homes and Communities Agency (HCA) Empty Homes funding, and they had been let at an affordable rent to three local families in partnership with Endeavour Housing Association.

The CLT had secured a further grant of £160,650 from Round 2 of the HCA Empty Homes Fund and had made a request to the Council to transfer a further four properties (including two former shops with flats above) at nil consideration. The £160,650 would be used to refurbish the properties to a lettable standard.

The properties that the CLT had identified were acquired by the Council in the former Phase 3 Gresham clearance area. Those properties had been offered as home-swaps to the owners of properties in Phases 1 and 2a but the estimated cost of refurbishment had proved to be prohibitive.

The CLT had intend to engage with local contractors and volunteers to refurbish the dwellings and then let them with Endeavour Housing Association at an affordable rent. The CLT's bid proposed that the two former shop units would be converted into four single bedroom flats. The two residential units would have been retained as family homes, giving six units of accommodation in total.

Details of the properties, including market value and refurbishment costs, were outlined in Table 1 within the report.

The report outlined in further detail that there were four options available:

1. Option 1 - Permanent asset transfer to CLT at nil consideration (CLT initial request);
2. Option 2 - Sell properties on the open market in current condition;
3. Option 3 - Council refurbishment and rental by Endeavour Housing;
4. Option 4 - Lease properties to the CLT for five years then full return to the Council - Preferred Option.

Table 2 within the report provided a summary of the net capital/asset value and revenue income for the Council and the CLT under each option, over a five year period.

ORDERED

That the four properties, namely 132 Princes Road, 219 and 239 Union Street and 6 Enfield Street, are leased to the CLT for a period of five years at nil consideration be approved.

REASONS

The decision was supported by the following reasons:

- i) enable the properties to be brought back into use, subject to a successful funding bid;**
- ii) increase the supply of affordable housing in the town;**
- iii) make the best use of the housing stock;**
- iv) increase the Council's New Homes Bonus;**
- v) bring funding into the local economy; and,**
- vi) provide opportunities for local people to gain skills.**

13/62

REVIEW OF NON- STRATEGIC ASSETS - SECOND PHASE DISPOSAL - PART A

The Executive Director of Neighbourhoods and Communities submitted a report that proposed a second phase of asset disposals under the ongoing Review of Non-Strategic Assets.

On 4 April 2012, the Executive Property Sub-Committee for Property had considered and approved reports that outlined:

- the review of non-strategic assets that the Council is undertaking as part of its transformation programme; and,
- a small first phase of advantageous disposals under the first four (of ten) categories of asset: Agricultural Property, Residential Development Sites, Ground Leases and Industrial Sites.

It was agreed that capital monies accrued from this process would be used by the Council to repay or avoid capital borrowing and so would improve the Council's revenue position by avoiding interest payments. Accordingly a savings target was applied to this project in the Council's budget for 2013/14, and further targets would be applied for future years.

The report on first phase disposals had made clear that there were additional assets under some of the four categories reviewed at that point that could have been brought forward for sale if the first phase was successful. Progress to date on the first phase had suggested that there was indeed a market for those types of assets.

In addition, in late 2012 the Council had commissioned an overview of the remaining NSAR categories - Industrial Units, Business Centres, Shops and commercial properties, Car Parks, Wayleaves and easements and Miscellaneous Other - which had identified other advantageous disposals.

The report combined the findings from the analyses outlined above to propose a second phase of disposals for consideration.

As with the first phase disposals, the Sub-Committee was asked to approve the disposals and a reserve price for each. The reserve prices used average capital value as a starting point, with appropriate upward adjustments where relevant for lost income. In some cases the reserve was set by valuer's recommendation in light of the lease conditions and/or market circumstances. Reserves and the rationale for those were listed in the confidential Part B of the report.

It was proposed that the assets be disposed via the open market, unless best consideration could only be achieved through negotiation with the sitting tenant or other parties with an interest in the asset. Though disposals were proposed as it was considered likely that sales could be achieved at reserve, given market unpredictability it could be noted that there was no guarantee that all the assets would be disposed of, or the reserve prices met.

The report outlined in further detail information on:

- Proposed Disposals
 - Residential Development Sites;
 - Ground Leases
 - Industrial Properties
 - Shops / Commercial Units
 - Business Centres
 - Car Parks
 - Miscellaneous Other
- Consultation

The report outlined in further detail that there were three options available:

1. Option 1: Dispose of none of the sites - not recommended;
2. Option 2: Dispose of some of the sites - not recommended; and
3. Option 3: Dispose of all of the sites - recommended.

The next stage, if approval to proceed was received, would be that additional assets for sale would be identified on an ad hoc basis. It was recommended that these be progressed in line with existing delegated authorities and savings captured against targets for the NSAR project, with progress updates being provided to the Committee at appropriate intervals. This approach had already been taken with speculative offers received since the approval of Phase 1 in April 2012.

Moving forward, an Estates Strategy would be developed to identify how remaining assets could be best utilised in support of Middlesbrough 2020, in particular driving local growth. It was anticipated that this strategy may include further disposals more complex than those addressed to date, but also more innovative solutions for higher-quality assets. The Estates Strategy would be presented to the Committee for consideration in autumn 2013.

During the meeting Paul Stephens provided a presentation that summarised the contents of the report as well as hard copy maps of the relevant sites.

Councillor N Walker requested that on the Land at Ladgate Lane / Hemlington Lane / A174 Middlesbrough Map, the B1365 road was to be highlighted as 'Hemlington Lane'.

Councillor P Sanderson requested if the Ward Councillors could be kept updated.

It was stated in the meeting that this was the initial stage of a process which would lead to further information and consultation.

ORDERED

1. That the disposals outlined below are approved, and that, provided the recommended reserve price be achieved (listed in the confidential Part B of this report), sales be progressed through existing delegated authorities; and
2. That further reports detailing the business case for the transfer of Gainsborough Road / Lucerne Court and Barsford Road to partner RSLs be brought forward.

REASONS

The decisions were supported by the following reason:

To ensure that the Council drives the maximum value from its asset portfolio and that agreed sums for disposals are achieved as quickly as possible.

- 13/63 **TO CONSIDER PASSING A RESOLUTION EXCLUDING THE PRESS AND PUBLIC FROM THE MEETING DURING CONSIDERATION OF THE FOLLOWING ITEMS OF BUSINESS ON THE GROUNDS THAT, IF PRESENT, THERE WOULD BE A DISCLOSURE OF EXEMPT INFORMATION FALLING WITHIN PARAGRAPHS 1, 2 AND 3 OF SCHEDULE 12A OF THE LOCAL GOVERNMENT ACT 1972.**

That the decision to exclude all members of the press and public was agreed.

- 13/64 **REVIEW OF NON- STRATEGIC ASSETS - SECOND PHASE DISPOSAL - PART B**

The Executive Director of Neighbourhoods and Communities submitted a report which gave supplementary information relating to the financial aspects of proposed disposals and recommended reserve prices of assets recommended for disposal which was set out in Appendix 1 of the report.

Options were outlined in Part A of the report.

ORDERED

That the report be noted

REASON

The decision was supported by the following reason:

For reasons outlined within Part A of the report.

- 13/65 **46/48 ALBERT TERRACE, MIDDLESBROUGH TS1 3PB - PROPOSED FREEHOLD SALE**

The Executive Director of Neighbourhoods and Communities submitted a report on the tenders that had been received for the Council's freehold interest in 46/48 Albert Terrace and sought approval for the sale of the premises in accordance with the report's recommendations.

The property was situated between Linthorpe Road and Albert Park. The property comprised of two semi-detached three-storey houses and occupied a substantial walled corner plot at the end of Albert Terrace.

The property was no longer required for operational purposes by the Council and had stood vacant for a period in excess of 12 months. It was recently marketed in both local and digital media for a period of 6 weeks, from 22nd April to 31st May 2013.

Informal tenders were invited for the Council's freehold interest in the property as a single lot. The offers received by the closing date of 31st May 2013 were outlined in detail within the report.

The purchaser would be required to pay the Council's legal fees and surveyor's fees. The

purchaser would be required to pay non-refundable deposit equivalent to 10% of the purchase price within 4 weeks of being notified that they are the preferred bidder.

The Council had reserved the right to withdraw from the sale of the property if the purchaser did not complete the transfer within 12 weeks of being notified that they are the preferred bidder. There were no conditions attached to the three highest placed tender submissions. All three bidders had subsequently confirmed that they remained willing to acquire the property and would proceed unconditionally to exchange of contracts.

In principle, the uses that had been proposed by the various bidders were acceptable in planning terms. The Council's Planners had confirmed that planning permission would be required for any change from use as a Hostel. All prospective bidders were made aware of this issue during the marketing period and No other Council uses had been identified for the property.

The report outlined in further detail that there were three options available.

ORDERED

1. **That the sale of the property to the the preferred purchaser be approved; and**
2. **That if the sale of the premises did not proceed in accordance with the above recommendations, e.g. if the proposed purchaser either withdrew or significantly reduced the offer, the subsequent decision as to how to proceed with this disposal would be delegated to the Executive Director for Neighbourhoods and Communities following consultation with the Director of Resources and upon consideration of Officers' further recommendations be agreed.**

REASON

The decision was supported by the following reason:

This will result in the disposal of surplus property in return for a capital receipt to the Council and assist in the regeneration of the area.

13/66

SALE OF FORMER PRISSICK DEPOT, LADGATE LANE, MIDDLESBROUGH

The Executive Director of Neighbourhoods and Communities submitted a report that sought approval to the terms of sale of the former Depot site at Ladgate Lane.

The sale of the property was previously considered by the Sub Committee for Property on 14 November 2012 when a sale was approved. Unfortunately, following a change of Company policy, the preferred purchaser withdrew from the proposed purchase prior to exchange of contracts and the Council had had to re-tender the sale.

A new tender had been undertaken on a restricted basis with the three previous underbidders being invited to submit new bids on slightly revised terms. One of the 3 underbidders had declined to submit a bid and the two remaining bidders did proceed to submit new proposals by the closing date of 30 May 2013.

The tender sought bids based on a full payment on legal completion or a variant bid based on phased payment basis. Bidders were also required to outline what conditions their bids were subject to and also their development proposals for residential development in line with the previous development guidance which had been drawn up by the Council. They were also invited to submit proposals for overage payments which, whilst not guaranteed, would be payable to the Council in the event of additional floorspace or better financial return on the proposed scheme.

Details of the two bids submitted were outlined in further detail within the report.

The report outlined in further detail that there was two options available.

ORDERED

1. **That the sale of the Former Prissick Depot, Ladgate Lane, Middlesbrough to the preferred purchaser be approved; and**
2. **That in the event the purchase price needed to be amended due to any unknown abnormalities that came to light or that the sale again became abortive, the subsequent decision on how to proceed with the disposal would be delegated to the Executive Director for Neighbourhoods and Communities.**

REASON

The decision was supported by the following reason:

This will result in the Council receiving a substantial capital receipt and the provision of new family housing.

The decisions will come into force after five working days following the day the decisions was published unless the decision becomes subject to the call in procedures, except for agenda item 9 which will come into force with immediate effect and is not subject to scrutiny call-in procedures.