

Communities Housing and Environment Committee

17th January 2017

Is the final decision on the recommendations in this exempt report to be made at this meeting?

Yes

Exempt Report - Property Acquisitions – Brunswick Street Redevelopment

Final Decision-Maker	Communities, Housing and Environment Committee
Lead Head of Service	Head of Regeneration and Economic Development
Lead Officer and Report Author	Andrew Connors – Housing Delivery Manager
Classification	Exempt – Paragraph 3 = Information relating to the financial or business affairs of any particular person (including the authority holding that information).
Wards affected	High Street

Exempt Category

The information contained within the report has been considered exempt under the following paragraph of part I of schedule 12A to the Local Government Act 1972:-

3 = Information relating to the financial or business affairs of any particular person (including the authority holding that information)

Public Interest Test

It is in the public interest that this report be taken in private because it discloses commercially sensitive information regarding negotiations that have taken place and are continuing with the property owners, including the value of the property. Keeping this information private at this time will enable the Council to conclude negotiations and secure the best purchase price possible.

This report makes the following recommendations to the final decision maker:

1. That the draft Heads of Terms set out in Appendix 2 for the freehold acquisition of the Jubilee Church and Pipers site are agreed.
2. That the Director of Finance and Business Improvement is granted delegated authority to conclude negotiations with the owners regarding acquisition of both sites.
3. That the Director of Finance and Business Improvement is granted delegated authority to commence and conclude negotiations with the tenants regarding the early surrender of the lease.
4. That the Head of Mid Kent Legal Services is authorised to complete the documentation required for the purchases and early surrender of the lease as agreed by the Director of Finance and Business Improvement.
5. That the acquisition costs related to the development of the Brunswick Street car park site, are funded from approved resources within the Housing Investments Capital Programme.

This report relates to the following corporate priorities:

- Keeping Maidstone Borough an attractive place for all - Delivering a mix of homes of different types, tenure and size, via direct provision and in partnership with private developers, housing associations and other key partners, which meet the needs of the local population. Regenerating and enhancing the immediate and surrounding area.
- Securing a successful economy for Maidstone Borough - By enabling and supporting the delivery of quality homes across the housing market to develop sustainable communities. Contributing to economic prosperity by increasing footfall in the town centre, strengthening the leisure and retail offer.

Timetable	
<i>Meeting</i>	<i>Date</i>
Communities, Housing and Environment Committee	17 th January 2017

Exempt Report – Property Acquisitions - Brunswick Street Redevelopment

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 To seek approval for the freehold acquisition of the Jubilee Church Community Centre, George Street Maidstone and Pipers, 32-34 Upper Stone Street, Maidstone sites. This is needed to support the Council's ambition for a comprehensive redevelopment of the Brunswick Street, car park site.
 - 1.2 To seek approval that the acquisition costs related to the scheme be funded from approved resources within the Housing Investments Capital Programme.
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2. INTRODUCTION AND BACKGROUND

- 2.1 A previous report was presented to Committee on the 21st June 2016 seeking approval for the freehold acquisition of the Jubilee Church Community Centre, George Street Maidstone and Pipers, 32-34 Upper Stone Street, Maidstone sites.
- 2.2 The Jubilee Community Centre is situated along the boundary of Brunswick Street car park, and adjoins the Pipers site which fronts the main road (Upper Stone Street). The Jubilee Community Centre and Pipers sites are as shown in Appendix 1, the former outlined in red, and the latter in blue.
- 2.3 As set out in the report, the Council have been in negotiations with Pipers and Jubilee Church regarding the acquisition of their land to enable a comprehensive redevelopment of the Brunswick Street car park site. The Council's offer of £240,000 for the freehold of the Jubilee Community Centre site has been accepted (subject to contract). The offer of £500,000 for the Pipers site was however rejected just prior to Committee by the current owners.
- 2.4 It was agreed that a follow up report would be presented to the Committee upon conclusion of the negotiations with the owners seeking approval for the purchase of the sites on the terms as agreed by the Director of Finance and Business Improvement, or setting out alternative means of acquiring the sites should terms not be able to be agreed.
- 2.5 Further negotiations have taken place with the owners of the Pipers site and the Council's increased offer of £600,000 for the Pipers site has now been formally accepted subject to contract. The increased offer is considered to be a fair market value and the financial appraisal for the scheme has been updated to reflect the additional sum of £100,000 for the site, and is shown to still be financially viable.

- 2.6 Pipers lease their site to S & B vehicle car hire which means the Council would effectively become their landlord upon the completion of the purchase and would be required to honour the terms of the lease, which expires in 2020. Officers intend to negotiate with the tenant to seek an early surrender of the lease making the site available for redevelopment in accordance with the developer's programme. Officers will also consider what assistance can be provided to the tenant in seeking alternative premises.
- 2.7 If it proves not possible to agree an early surrender of the lease, the lease will expire in 2020 with no rights of renewal for the tenant. The final scheme design will take into account whether redevelopment of this part of the site needs to be delayed until 2020 when the current lease expires. The final scheme will be designed to enable the site to be built in two phases, should it not be possible to get vacant possession prior to commencement of development.
- 2.8 It is proposed that the costs related to the acquisition of both sites are funded from approved resources within the Housing Investments Capital Programme. A summary of the costs associated with the purchase of both sites are given in the table below.

Acquisition Costs	Total
Jubilee Church	
Purchase price	£240,000
Stamp Duty Land Tax	£1,800
Legal Fees	£1,200
Total	£243,000
Pipers	
Purchase Price	£600,000
Stamp Duty Land Tax	£19,500
Legal Fees	£3,000
Total	£609,000
Combined Total	£852,000

- 2.9 There may be a further cost associated with the acquisition of the Pipers site should the Council be successful in negotiating an early surrender of the aforementioned lease with the tenant. The Council may need to consider paying the tenant a premium if the terms of the lease are particularly favourable to the tenant, and they are unwilling to surrender the property early without some sort of incentive.

3. AVAILABLE OPTIONS

- 3.1 Do nothing option: The Council could choose not to purchase the immediately adjacent sites and just develop the existing car park area. The Council would however lose an excellent opportunity to enable a comprehensive redevelopment of the entire site. The loss of either site would mean the scope of the redevelopment will need to be reduced, which would limit what could be achieved on site, as well as affecting the viability of the overall scheme.

- 3.2 The Council could choose not to develop the existing Brunswick Street car park site at all and leave it as it is. The car park is however viewed as an asset which is not being used to full capacity and the Council would lose an excellent opportunity to achieve a rental income stream, provide much needed affordable housing and regenerate and enhance the immediate surrounding area.
- 3.3 The Council can acquire both additional sites to enable a comprehensive redevelopment of the entire site.
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4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 The acquisition of both sites (as set out at 3.3 above), is considered fundamental to the overall redevelopment proposals for the Brunswick Street car park site. The loss of either site would reduce the developable area and therefore result in a smaller development on a lesser site, which in turn would impact upon the overall viability of the development.
- 4.2 There is a total budget within the Housing Investments Capital Programme for 2016/17 of £2,000,000. Approximately £953,000 is currently committed to the purchase and cost of works to various properties, leaving sufficient resources of £1,047,000 to fund the acquisition costs related to the purchase of the two additional sites in Brunswick Street.
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5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 5.1 There have been no public consultations due to the commercially sensitive nature of the proposals.
- 5.2 Previous discussions and consultation regarding redevelopment options for the site have taken place with ward members of which will continue as part of the vision for the wider regeneration and enhancement of the site and surrounding area.
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6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 6.1 The decision will lead to the Director of Finance and Business Improvement concluding negotiations for the purchase of the sites and the early surrender of the lease. Mid Kent Legal Services being authorised to negotiate the contract of sale, exchange of contracts and completion of the transfer documents for the acquisition of the two additional sites. Also as a result of effective negotiations, the completion of the documentation required with the tenant for the early surrender of the lease.

7. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	<p>The proposal impacts on the corporate priorities in four ways:</p> <ol style="list-style-type: none"> 1. Enhancing the town centre 2. Providing housing 3. Promoting employment 4. Encouraging good health and well being 	Head of Regeneration and Economic Development
Risk Management	<p>The key risks of the recommended proposal are associated with site purchase. These will be managed by due diligence before exchange of contracts.</p>	Head of Regeneration and Economic Development.
Financial	<p>The financial implications are set out in the report and the proposals meet the criteria of the medium term financial strategy.</p>	Senior Finance Manager
Staffing	<p>An officer led project team has been established using existing staff resources. The Council have also appointed an Employers Agent to act as Project Managers and oversee the development process for the site.</p>	Head of Regeneration and Economic Development
Legal	<p>MKLS will need to be authorised to deal with the Procurement, Planning and Property aspects of the purchase and the development in due course.</p>	Mid Kent Legal Services
Equality Impact Needs Assessment	<p>There is no specific impact of the acquisition but a needs assessment will be completed as part of the longer term regeneration planning.</p>	Policy & Information Manager.
Environmental/Sustainable Development	<p>The acquisition of the sites will be developed in accordance with the council's sustainable</p>	Head of Regeneration and Economic

	development requirements.	Development
Community Safety	Secure by Design considerations will be applied in the future design for the redevelopment of the sites.	Head of Regeneration and Economic Development
Human Rights Act	N/A	N/A
Procurement	The acquisition of the site and its subsequent development will comply with the council's procurement procedures.	Property & Procurement Manager
Asset Management	The site will be managed initially by the Council. Longer term plans will be determined in due course once the final scheme is known.	Property & Procurement Manager.

8. REPORT APPENDICES

The following documents are to be published with this report and form part of the report:

- Appendix 1: Site Plan
- Appendix 2: Heads of Terms

9. BACKGROUND PAPERS

9.1 None