

Agenda Item No:

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**Report of :** The Head of Land and Property Services

**Report to :** The Director of City Development

**Date:** 25 August 2015

**Subject:** 149 Town Street, Armley, Leeds LS12

Are specific electoral Wards affected?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, name(s) of Ward(s):	Armley	
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, Access to Information Procedure Rule number:		
Appendix number:		

### Summary of main issues

- 149 Town Street is a leased out retail shop located on a shopping parade in the suburb of Armley, approximately 3 miles from the City centre. It forms part of the Council's investment portfolio and has been identified for possible disposal as it is in a poor state of repair and the Council will incur increasing costs over the next few years under its external repairing liability. The anticipated expenditure and level of rental income being obtained (and future potential income) mean the property falls into the 'poor performing category' that officers feel would be uneconomic to retain. It is therefore proposed to declare the property surplus to requirements and sell it on the open market by way of public auction together with any necessary associated rights of way for access. If a sale by this method is unsuccessful then it is proposed that the Council endeavours to enter into one to one negotiations with the current tenant or any purchaser of their business.

### Recommendations

- It is recommended that the Director of City Development declares 149 Town Street, Armley surplus to the requirements of the Council and offers it for sale on the open market by way of public auction and, in the event that a sale by this method is not achieved, that one to one negotiations for a sale to the tenant or future purchaser of their business are entered into. The reserve price will be agreed by the Head of Land and Property prior to the auction in accordance with powers delegated by the Director

## **1 Purpose of this report**

- 1.1 The purpose of this report is to seek the approval of the Director of City Development to declare 149 Town Street, Armley (a let shop) surplus to the requirements of the Council and to offer it for sale on the open market by way of public auction and, in the event that a sale by this method is not successful, by a sale by one to one negotiations with the existing tenant / any proposed purchaser of their business.

## **2 Background information**

- 2.1 149 Town Street, Armley is a leased out shop unit vested in City Development and located in a shopping parade at the far end of Armley Town Street as shown edged black on the attached plan.
- 2.2 The premises extend to approximately 123 sq mtrs (1320 sq ft) over two floors.
- 2.3 The property is let on a 6 month rolling tenancy agreement which commenced in May 1994. The tenant is responsible for internal repairs and all outgoings. The Council is responsible for external repairs.

## **3 Main issues**

- 3.1 The property is leased out and therefore does not offer an option for the Council to utilise it itself, assuming that the Council had a need for property in the area.
- 3.2 The on-going review of the Council's investment portfolio has identified this as an underperforming property with high (uneconomic) repair costs likely to be incurred in the next few years.
- 3.3 It is therefore recommended that the property is declared surplus to the Council's requirements and sold by way of public auction, with the reserve price being agreed by the Head of Land and Property prior to the auction in accordance with powers delegated by the Director of City Development. If a sale by this method is not achieved then it is proposed that one to one negotiations are entered into with the current tenant or any future purchaser of their business.
- 3.4 Options relating to the proposal to dispose of this shop are considered below:-
- 3.5 Option 1 - Retain the property for Council use. No current requirement for this type of property in this area has been flagged up and, in any case, vacant possession is not available.
- 3.6 Option 2 - Dispose of the property by way of auction. This is the recommended option due to the limited income being generated, the likelihood of significant repair costs being incurred in the near future and the option to then reinvest any receipt into a better performing property or carry out outstanding repairs to maintain the existing stock of investment properties.

3.7 It is recommended that option 2) be pursued.

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

4.1.1 Ward Members were consulted on the proposal to sell the property by e-mail and letter on 13.7.15. No objections or comments have been received as at 6.8.15.

### **4.2 Equality and Diversity / Cohesion and Integration**

4.2.1 The proposal has no specific implications for equality, diversity, cohesion and integration.

### **4.3 Council Policies and City Priorities**

4.3.1 The sale of this property supports the best council objective and priority of becoming a more efficient and enterprising council by making the best use of our assets and generating income for the Council.

4.3.2 The property will be declared surplus to Council requirements as no operational reason has been identified to justify retention. In these circumstances disposal represents prudent and economic asset management, minimising holding costs associated with managing the property and therefore supports the best council objectives of the Council. The disposal of the property will generate a capital receipt and support both the Departmental objective of generating capital receipts and corporate objectives.

### **4.4 Resources and Value for Money**

4.4.1 If the property is sold the Council will cease to be responsible for its current and future maintenance liabilities under the terms of the lease.

4.4.2 A disposal will generate a capital receipt which will support the Capital Programme, give options to reinvest the money into a better performing investment property or help deal with the backlog of planned repair works on better performing properties being retained in the investment portfolio.

### **4.5 Legal Implications, Access to Information and Call In**

4.5.1 Under Part 3 Section 3E Paragraph 2(a) of the Council's Constitution (Officer Delegation Scheme (Executive Functions)) the Director of City Development has authority to discharge any function of Executive Board in relation to the management of land (including valuation, acquisition, appropriation, disposal and any other dealings with land or any interest in land) and Asset Management.

4.5.2 The proposal constitutes a significant operational decision and is not subject to call in.

4.5.3 The Head of Land and Property confirms that the proposed method of disposal set out above is the method most likely to result in the Council achieving the best consideration that can reasonably be obtained under Section 123 of the Local Government Act 1972 (or under the Housing Act 1985).

## **4.6 Risk Management**

- 4.6.1 Risks associated with the proposal to dispose of the property are considered below:
- 4.6.2 If the property is not sold, the maintenance responsibility will remain with the Council. The building may deteriorate further and additional costs may be added to those projected for external repairs in the next few years.
- 4.6.3 The property may not receive acceptable bids at auction or, failing this, a sale may not be agreed with the tenant or any purchaser of their business. It is hoped that one of these options will result in a sale, even if a 'deal' has to be struck with the tenant to reflect the future anticipated repair costs.

## **5 Conclusions**

- 5.1 It is concluded that the property should be declared surplus and the proposed sale should be progressed in order to generate a capital receipt in support of the Council's objectives and to divest the Council of a poorly performing investment property.

## **6 Recommendations**

- 6.1 It is recommended that the Director of City Development declares 149 Town Street, Armley surplus to the requirements of the Council and offers it for sale on the open market by way of public auction and, in the event that a sale by this method is not achieved, that one to one negotiations for a sale to the tenant or future purchaser of their business are entered into. The reserve price will be agreed by the Head of Land and Property prior to the auction in accordance with powers delegated by the Director of City Development.

## **7 Background documents<sup>1</sup>**

- 7.1 None.

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<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.

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### **Confidential Appendix**

- The current rent received is £4,500 pa.
- The tenant is Mr Crawford who trades under the name of Malcolm's Appliances and Furniture (sells second hand white goods and furniture).
- Mr Crawford has previously expressed interest in buying the property and, despite attempts by Council officers to negotiate this at the time, terms for a sale were not agreed. Should Mr Crawford decide to resurrect his interest he would of course be entitled to bid, in competition with others, should the property now be offered at auction.
- The property is currently in a poor state of repair and requires –
  - External / structural works (for which the Council is responsible)
    - Main supporting beam replacement
    - Roof repair work
  - Internal / frontage work (for which the tenant is responsible)
    - New w/c
    - Soil pipe replacement
    - Repairs to shop frontage
- It is likely that, if a sale by auction was approved, a capital receipt in the region of £30,000 - £40,000 + could be generated. This would contribute to the Council's capital receipts targets for 2015/16. Alternatively the funds could possibly be earmarked for reinvestment in a better performing property or be put towards planned maintenance for the remaining properties in the portfolio.