

16 to 22 Burley Street, Woodhouse, Leeds, LS3 1LB

Date: 10 August 2021

Report of: Land and Property

Report to: Director of City Development

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

What is this report about?

Including how it contributes to the city's and council's ambitions

- This report is to seek approval to dispose of 16 to 22 Burley Street on the open market by way of inviting offers on the open market, bidders will be guided by information provided on the planning position. The property, which sits on a site of approximately 0.13 ha (0.32 ac), comprises a three-storey building which is split into three commercial units, all of which are currently let. All tenants are aware of the Council's intention to sell the site.
- The disposal will generate a capital receipt that will contribute to the Best Council Plan by supporting communities and promoting sustainable and inclusive economic growth.
- The disposal represents prudent and economic asset management, obviating any holding costs associated with managing the property and supporting the best value objectives of the Council. Relevant financial information is set out in the confidential appendix that accompanies this report.

Recommendations

It is recommended that 16 to 22 Burley Street is:

- a) Declared surplus to Council requirements;
- b) Advertised as for sale on the open market by way of inviting offers; a further approval will be sought to any provisionally agreed sales terms.

Why is the proposal being put forward?

- 1 The property, which was constructed in around 1910, is currently in a poor state of repair and its poor condition and tertiary location mean that the site is yielding a very low income for the Council. It is considered the site has more value as a redevelopment opportunity than its short-term rental income to the Council. Details of the existing rental income and development value of the site are given in the confidential appendix of this report.
- 2 The property comprises three retail units, each is occupied. The tenants are aware of the council's intentions to market and seek offers with the aim of securing a sale. The tenants are not being requested to vacate; the marketing and any subsequent sale is being promoted with them remaining in place.

What impact will this proposal have?

Wards Affected: Little London & Woodhouse

Have ward members been consulted? Yes No

What consultation and engagement has taken place?

- 3 The proposed disposal was considered by Executive Board on 7 January 2020 and 10 February 2021. Executive Board Members approved the disposal, and this was taken as a Key Decision.
- 4 Ward Members were consulted by Land and Property by e-mail on 14th May 2021. Cllr K Brooks replied on the same date, asking why the property was being disposed of when it was occupied by paying leaseholders. A response was sent to Cllr K Brooks on 18th May 2021 informing her of the reasons that the property had been identified for disposal; the building is in poor condition, the rents are low reflecting the site's location and the building's condition; consequently, the property is generating little income. The property has been identified for disposal for some time and, as such, two of the tenants are on lease arrangements that reflect the Council's intention to dispose. It was indicated that the property has greater value as a redevelopment opportunity. No subsequent reply was received, and no correspondence was received from the other Ward Members.

What are the resource implications?

- 5 The property is surplus to the Council's requirements and no operational reason has been identified to justify its retention. In these circumstances, its disposal represents prudent and economic assets management, obviating any holding costs associated with managing the property and therefore supports the best value objective of the Council
- 6 The sale of property will generate a capital receipt and contribute to the Council's capital receipt programme.
- 7 There is backlog of repairs and by disposing the property, the Council will avoid the costs as well as any future maintenance responsibility. The Council as landlord is responsible for repairing the fabric of the building under the IRI leases.

What are the legal implications?

- 8 Under Part 3, Section 3E (g) of the Council's Constitution (Officer Delegation Scheme (Executive Functions)) the Director of City Development has authority to discharge any function of the Executive in relation to Asset Management.
- 9 The Chief Officer Asset Management and Regeneration, Head of Asset Management and Deputy Head of Land and Property have authority to take decisions in relation to Asset Management as delegated in the Director of City Development's sub delegation scheme.
- 10 The proposal constitutes a Significant Operational Decision and is not subject to call in.
- 11 The Chief Officer Asset Management and Regeneration 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).

What are the key risks and how are they being managed?

- 12 Marketing and selling 16 – 22 Burley Street on the open market by way of inviting offers could take several months to conclude. There is also the added risk that any purchaser may withdraw part way through the disposal procedure. However, this is the recommended option as it will allow any purchaser the opportunity to secure funding and/or planning permission which should realise a higher receipt than if the site was sold at auction where those risks could not be managed, and the bidding is likely to reflect this. If a purchaser withdraws the site could be re-marketed.

Does this proposal support the council's 3 Key Pillars?

Inclusive Growth

Health and Wellbeing

Climate Emergency

- 13 The disposal will result in a capital receipt to the Council that will contribute to the Best Council Plan by supporting communities and promoting sustainable and inclusive economic growth by providing student housing and/or offices and jobs for the local community.
- 14 On the assumption that any new purchaser is likely to acquire for redevelopment (as this is the most likely outcome), the new purchaser will be bound by the planning regime and will have to build to current standards which will result in any new building being much more energy efficient than what's already in situ.

Options, timescales and measuring success

a) What other options were considered?

- 15 16-22 Burley Street could remain in Council ownership and the backlog of repairs carried out. The property could then be re-let as part of the Council's portfolio in an improved condition. However, this option was considered not to be viable, as the repair costs are substantial and any increase in likely rental income would be limited.
- 16 16-22 Burley Street could be sold via public auction. This would provide a swift sale, but this method of sale requires the successful bidder to exchange contracts at the auction and complete the transaction four weeks later. This method would not allow the opportunity for a purchaser to first secure funding and/or planning permission. This increased risk to any buyer would depress the value.
- 17 Appointing an external agent to manage the sale was considered but it's considered there's no reason to outsource this, as the progression won't be affected by any other casework. Additionally, progressing a disposal from inception to completion internally is a valuable training opportunity and staff in the Land and Property would benefit from the experience.
- 18 The Council have the capacity to deal with this sale internally and can ensure it is brought to the market in time to achieve a sale in the anticipated financial years 2022/23.

b) How will success be measured?

- 19 Success will be measured by the completion of the legal documents between the Council and the purchaser and completion of the payment to the Council.

c) What is the timetable for implementation?

- 20 The marketing and a potential purchaser/scheme having been identified and the sale is expected to complete by the end of the 2022/23 financial year.

Appendices

- 21 None

Background papers

- 22 None