
A separate report is submitted in the private part of the agenda in respect of this item, as it contains details of financial information required to be kept private in accordance with Schedule 12A of the Local Government Act 1972. The grounds for privacy are that it refers to the identity, financial and business affairs of an organisation and the amount of expenditure proposed to be incurred by the Council under a particular contract for the supply of goods or services.

Cabinet Member for Jobs and Regeneration

12 July 2017

Name of Cabinet Member:

Cabinet Member for Jobs and Regeneration - Councillor J O'Boyle

Director Approving Submission of the report:

Deputy Chief Executive (Place)

Ward(s) affected:

St Michaels

Title:

Whitefriars Lane / Whitefriars Street - Lease Surrender and Regrant

Is this a key decision?

No – Individual site proceeds will be below the threshold for reporting to Cabinet

Executive Summary:

The Coventry Boys and Girls Club, located in Whitefriars Lane for over 50 years, have been looking at how to secure the renewal of its currently aging premises and the future of its work in the city centre. Newark Developments Ltd on behalf of Watkin Jones PLC, have been working with them since September 2014 to try and achieve the redevelopment of their site and a further two adjacent property interests.

The Council has been approached with an opportunity to not only assist with retaining the valuable work of the Coventry Boys and Girls Club in the city centre by securing their future property needs but also to increase its own rental income received from the land it owns.

This would be achievable by allowing the redevelopment of the Council owned site. The site is currently subject to two long ground leases, one of which is to the Coventry Boys and Girls Club . Watkin Jones have secured conditional contracts with both parties to acquire the leasehold interests

To create a comprehensive redevelopment which includes the provision of a new building for the Coventry Boys and Girls Club and a student housing scheme, it also requires the incorporation of additional adjacent land. Watkin Jones PLC has also secured a conditional contract to acquire this freehold interest.

In order to facilitate the development the Council is being asked to accept a surrender of two existing leases and the regrant two new long leases.

The adjoining privately owned parcel of land currently comprises a multi occupied terraced block of student housing fronting Whitefriars Street and shown edged green on the plan Appendix 1. This site will be where the main proportion of the new Coventry Boys and Girls Club will be constructed. The proposal being that the freehold interest in this land will be transferred to the Council at nil consideration, in order that the Council can grant two new leases across the whole combined site, one to the Coventry Boys and Girls Club and the other to Watkin Jones PLC for the development of the student housing.

This new leases would be for a period of 154 years.

The level of the new rent, which is commercially sensitive, is outlined in the private version of this report. The rent will then be upward only reviewed every 5 years.

To ensure the delivery of the new facility for the Coventry Boys and Girls Club the lease will provide that the student housing cannot be built until this new facility has been constructed and the club have relocated to this new property.

Recommendations:

The Cabinet Member for Jobs and Regeneration is recommended to:

1. Subject to securing planning consent and agreement with the Coventry Boys & Girls Club for the provision of their new building approve the surrender of the two existing leases and the granting of a new 154 year lease on the terms outlined in this report.
2. Delegate authority to the Director of Finance and Corporate Services to complete the necessary documentation.
3. Delegate authority to the Deputy Chief Executive (Place), following consultation with the Cabinet Member for Jobs and Regeneration, for any subsequent variation in terms.

List of Appendices included:

Site plan

Other useful background papers:

N/A

Has it been or will it be considered by Scrutiny?

No

Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?

No

Will this report go to Council?

No

Report title: Whitefriars Lane Whitefriars Street – Lease Surrender and Regrant

1. Context (or background)

- 1.1 Watkin Jones PLC is a development and construction company who has specialised in the development of student housing across the Country. They have delivered schemes in Newcastle, Sheffield, Cambridge, Birmingham, Bournemouth Glasgow and Cardiff. Over the last three years they have been looking to deliver a development in Coventry and specifically on a site in Whitefriars Lane. As well as building student accommodation they manage and run student housing under their brand, Fresh Student Living.
- 1.2 The sites lies within the main Coventry University Campus area of the City Centre
- 1.3 Information provided by property consultants advises that of the 42,750 students in both Coventry and Warwick Universities, approximately 70 % of the students are unable to access University or private sector student accommodation. Even if all current pipeline and under construction schemes of 6,779 bedrooms are delivered would still see 54% of students needing to rely on other forms of housing including houses of multiple occupation (HMO). These figures don't consider any assumed growth in current student numbers.
- 1.4 The site identified for potential development (as shown in Appendix 1 attached to this report) is within the ring road, close to Coventry University's campus and the new Life Sciences building which is due to open later this year. The site is currently home to the Coventry Boys and Girls club and the SQ Club and extends to approximately 0.9 acres.
- 1.5 These existing buildings were constructed in the late 1950's / early 1960's are currently held on separate leases from the Council with approximately 50 years of the term unexpired. The use of these buildings is restricted by the leases to their current uses.
- 1.6 The SQ. Club is run as a private club and function room hire business. The Boys and Girls Club works with the young people of Coventry providing a range of sports and leisure facilities but has been looking for many years to find an alternative building to operate from as their existing facilities are limited and will require significant updating, both buildings are rapidly becoming outdated and unfit for their current uses.
- 1.7 The current ground rent paid to the Council under the two existing leases is outlined in the private version of the report.
- 1.8 Watkin Jones PLC have presented development proposals for the construction of a new purpose built Coventry Boys and Girls Club facility plus a 730 bed student housing scheme.
- 1.9 The development proposed requires additional land to that of the Council's. The acquisition of an adjoining site of circa 0.2 acres has also been secured by Watkin Jones under an option agreement. The site currently comprises a terrace of residential property, let to students, which would be demolished as part of any redevelopment.
- 1.10 Watkin Jones PLC and the Coventry Boys and Girls Club have an agreement in place which provides an agreed design for the size and facilities to be incorporated in their new property. The new club will sit mainly within the current terraced house site.

2. Options and recommended proposal

- 2.1 With only 50 years left on the existing leases, securing funding for the development would not be possible. As such the developer has requested that the Council accepts a surrender of both

existing leases and to grant a new 154 year leasehold interest to also include the site acquired by Watkin Jones PLC as detailed in paragraph 1.9 of this report.

- 2.2 The additional 4 years added to the standard 150 year lease the Council grants is to aid the financing of the scheme. Due to the requirement to build the new Coventry Boys and Girls Club first and only thereafter the student housing, this means that the investment created will have a lease of 150 years once completed.
- 2.3 Under the proposed agreement with the Council, Watkin Jones PLC would purchase the freehold of the terraced houses site edged green in appendix 1. This will be the site where the new Boys and Girls club would be built. Watkin Jones PLC would transfer the freehold of this land to the Council subject to the agreement to deliver the Coventry Boys and Girls Club a new facility. The Council would then simultaneously grant a new 154 year ground lease across this and existing Council land to Watkin Jones PLC with a user clause which facilitates the development of the student accommodation on the remaining part of the site.
- 2.4 Constructing the new Coventry Boys and Girls Club premises first, enables them to continue to operate from their existing facility until their new building was ready for them to occupy.
- 2.5 Following the relocation of the Coventry Boys and Girls Club into their new building their existing property would be demolished to make way for the construction of the student housing development on the remainder of the combined site.
- 2.6 The development would be secured under an agreement for lease, mitigating the risk that the developer builds the valuable student housing and never completes the new Coventry Boys and Girls Club.
- 2.7 The sequencing of the proposed development also means that the Coventry Boys and Girls Club don't have to move to temporary premises during the construction phase, reducing costs and enabling a better continuity in providing their work with young people.
- 2.8 Instead of taking a premium payment from the developer for granting a new lease, it is proposed that the Council receives a significantly increased annual ground rent which the Council can then use on supporting services. The details of the financial implications are outlined in the private version of this report.
- 2.9 This new ground rent will be subject to upward only rent reviews every five years based on a proportion of the gross income generated from the development. The agreement protects the Councils income position by setting a minimum level of rent. The details of the financial implications are outlined in the private version of this report.
- 2.10 The timetable to the implementation of the complete development is outline in section 4 of this report.
- 2.11 **Alternative options**
 - 2.11.1 Reject the proposal and not grant a new lease. This would maintain the existing income currently produced. However it would frustrate the Coventry Boys and Girls Clubs aspirations for serving the children of Coventry and increase the demand on their finances maintaining an ever ageing building. In addition an alternative site would be sort by Watkin Jones PLC to deliver their proposed student housing scheme.
- 2.12 **Recommendation** – To agree the surrender of the two existing leases and regrant of a new lease to include the 0.2 acres detailed in paragraph 1.9 of this report, to facilitate the proposed development. This protects and enhances the Coventry Boys and Girls Club city centre facility,

substantially increasing the Council's income and providing purpose built accommodation for the students of Coventry University.

3. Results of consultation undertaken

Formal public consultation of the development proposals will be undertaken as part of the formal planning application process.

4. Timetable for implementing this decision

- 4.1 Subject to Cabinet Member approval Watkin Jones PLC will submit a planning application within six months from the date of the agreement for lease.
- 4.2 Assuming planning permission is obtained then work on site that is anticipated to commence within three months after the judicial review period.
- 4.3 The demolition of the existing residential houses and construction of the new Coventry Boys and Girls Club would take approximately 9 months.
- 4.4 The remaining student accommodation would take approximately 16 months to complete.

5. Comments from the Director of Finance and Corporate Services

5.1 Financial implications

The details of the financial implications are outlined in the private version of this report.

5.2 Legal implications

The Council is under a legal obligation to ensure that any consideration will represent "Best Value" in accordance with the Council's requirements to obtain the best consideration reasonably obtainable pursuant to the provisions of Section 123 of the Local Government Act 1972.

The Council has obtained external verification that the terms set out in this report represent best value and satisfy the provisions of section 123 of the said 1972 Act.

The timing of the development and restrictions being placed in the documentation will secure the delivery of the new Coventry Boys and Girls Club prior to the delivery of the student accommodation scheme.

A restriction will be imposed in the lease to restrict the residential use of the property to students letting mitigating the risk in the future where the Council may be required to sell its freehold interest to the residential tenants under what is known as leasehold enfranchisement under the Leasehold Reform Act 1967.

6. Other implications

6.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / Local Area Agreement (or Coventry Sustainable Community Strategy)

The delivery of student accommodation within the city centre helps to deliver a more vibrant and economically prosperous and sustainable city centre and support the continuing growth of Coventry University.

6.2 How is risk being managed?

The risks have been identified as ensuring that the proposed benefits of the development scheme are realised. These are being managed through the legal obligations within the agreement for lease and will be maintained through the restrictions imposed in terms of the lease.

6.3 What is the impact on the organisation?

The impact to the organisation will be minimal as it doesn't affect any service which the Council provides. It will generate work for officers within Place Directorate (Legal Services and Property Development , Disposal and Acquisitions) in concluding the negotiations and processing the lease documentation as part of the surrender and re-grant of the leasehold interest.

6.4 Equalities / EIA

An Equality Impact Assessment has not been undertaken as the proposal concerns the disposal of an interest in land and no Council service or group will be impacted.

6.5 Implications for (or impact on) the environment

The demolition of the existing structures and redevelopment of the existing buildings would provide for the new residential and community space which from an environmental perspective will require the new premises to a higher thermal standards.

6.6 Implications for partner organisations?

There are no implications for any partner organisations.

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This report is published on the council's website:

www.coventry.gov.uk/meetings

Appendix 1

Location Plan

