

Cabinet  
Council

12th June 2018  
10<sup>th</sup> July 2018

**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:**

Foleshill and Cheylesmore

**Title:**

Edgwick Point and Wheler Road Seven Stars, Coventry – Property Acquisitions

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**Is this a key decision?**

Yes

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**Executive Summary:**

This report is seeking approval for the acquisition of commercial properties which the Council will then let to generate new income.

Edgwick Point is the purchase of a freehold site of 3 acres, with planning consent to create nine industrial / warehouse units, totalling 65,000sqft.

Wheler Road, Seven Stars Industrial Estate, two adjacent industrial properties totalling 6,200 sqft can be acquired.

The financial details of the proposal are contained within the private part of your report.

It is intended that the property would be held by the Council as an investment asset and managed by the Council's Commercial Property Management.

**Recommendations:**

Cabinet is recommended to:

1. Approve in principle the acquisition of the freehold interest in land at Edgwick Point, Coventry as shown on the attached plan 1 and to fund the buildings to be constructed. The financial implications are outlined in the private report.
2. Authorise the acquisition of the long leasehold interest in the properties on Wheler Road Coventry as shown on the attached plan 2. The financial implications are outlined in the private report.
3. Delegate authority to the Deputy Chief Executive (Place) in consultation with the Director of Finance and Corporate Services and the City Solicitor to undertake the necessary due diligence, negotiate and finalise the terms of the acquisition of the properties and to complete all necessary legal documentation to facilitate the completion of the purchases.
4. Delegate authority to the Deputy Chief Executive (Place) in consultation with the Cabinet Member for Jobs and Regeneration, for any subsequent variation in terms.

Cabinet is asked to recommends to Council:

1. To approve the necessary adjustment of the Capital programme to reflect the capital expenditure incurred in the acquisition of the Edgwick Point and Wheler Road interests.

Council is recommended to:

1. Approve the necessary adjustment of the Capital Programme to reflect the capital expenditure incurred in the acquisitions of Edgwick Point and Wheler Road interests

**List of Appendices included:**

Plan 1: Site plan for the acquisition of the freehold interest in land known as Edgwick Point, Coventry.

Plan 2: Site plan for the acquisition of the long leasehold interest in land and buildings on Wheler Road, Coventry.

**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?**

Yes – 10<sup>th</sup> July 2018

Report title: Edgwick Point and Wheler Road Severn Stars, Coventry – Property Acquisitions.

## **1. Context (or background)**

- 1.1 The Council is committed to investing capital receipts in order increase revenue income, supporting services it seeks to deliver.
- 1.2 Two opportunities have been presented to the Council to acquire property, which once let, will create income producing investments.
- 1.3 Edgwick Point is currently owned by The Wigley Group. They have secured a planning consent enabling the demolition of the existing buildings and the construction of 65,000sqft of buildings for industrial and warehousing use. A review of the existing consent in order to optimise the efficiency of the scheme is underway.
- 1.4 Due to a current lack of supply of new industrial accommodation in the City, demand for space remains strong. Our property agent, Drake Howard, is confident that the units will let well. This is also supported by the success of the extension to Lythalls lane Industrial Estate the Council undertook in the last couple of years.
- 1.5 The location of Edgwick Point, just off the A444 and Foleshill Road, affords easy accesses to the motorway and key atrial routes in the north of the city. The site forms part of the larger Edgwick Park, which includes occupiers such as Lidl, Royal Mail and a Mercedes Benz car showroom.
- 1.6 The second option, Wheler Road, comprises the purchase of two modern, detached, office and workshop premises.
- 1.7 The total area for both properties extends to 6,200 sqft. benefiting from a total of 28 car parking spaces..
- 1.8 Wheler Road forms part of the Seven Stars Industrial Estate. This is an established and well located, commercial business estate. The estate is accessed off the Humber Road which affords easy access to the main atrial routes across the city and beyond to the motorway network.
- 1.9 Both properties are currently vacant. It is considered that to assist with the re-letting of the property there is a need to undertake some refurbishment work. These costs have been assessed and factored into the financial assessment of the investment.

## **2. Options and recommended proposal**

### **Option 1 – Proceed with Acquisitions**

- 2.1 Edgwick Point would complement other industrial units the Council owns in the immediate area, namely Little Heath and Lythalls Lane. The sizes of the proposed units are generally larger than those the Council currently owns. This therefore provides the opportunity for business to continue to grow and expand from within the Councils portfolio.
- 2.2 The estimated income from the fully let Edgwick Point scheme has been independently assessed by property argents Drake Howard on behalf of the Council and informed the business case.
- 2.3 Wheler Road is the acquisition of the current 125 year leasehold interest from 14 November 1988 (95 years unexpired) pursuant to a lease dated 7 June 1991. The Council currently owns the freehold interest in the land but the headleasee only pays a peppercorn rent to the Council. The purchase not only provides an increased annual income but also in the future provides a strategic possibility to combine adjoining land holdings for expansion or redevelopment.

- 2.4 The estimated income from the fully let Wheler Road properties scheme has been independently assessed by property agents Drake Howard on behalf of the Council and forms part of the business case.
- 2.5 To ensure that the income levels proposed can be achieved, refurbishment of the properties is required. This work would be undertaken once the properties had been acquired and ahead of re-letting. The cost estimate is within the private part of your report.
- 2.6 The return expected to be made from the investment is outlined in your private report.
- 2.7 The purchase prices proposed for the freehold and leasehold interest and the level of return anticipated has been considered and evaluated by the Council's independent property agents, Drake Howard. They have confirmed that the price represents open market value for the acquisitions.
- 2.8 Acquiring vacant units rather than tenanted premises adds an element of risk around the ability to secure tenants. In both property cases these have been mitigated by selecting good quality accommodation located on well connected and established business locations. The accommodation is flexible in terms of the size of accommodation and what each property can be used for, increasing the target market as wide as possible. In addition, independent property advice has been taken which supports the view that the units will attract tenants based on assumed rental levels.
- 2.9 These risks are reflected in the investment yield / return on the capital employed to purchase the property and due to the scarcity of property available are typical of those currently available in the investment market.
- 2.10 Based on experience it is believed that the proposed layout can be improved upon, increasing the potential lettings and therefore will be explored.
- 2.11 The anticipated return is substantially higher than that which placing the money on deposit because there is a pricing of the risk factored in.

### **Option 2 - Not to Proceed with Acquisitions**

**Recommendation** – Proceed with the purchase of the two investments.

### **3. Results of consultation undertaken**

No public consultation has been undertaken

### **4. Timetable for implementing this decision**

- 4.1 Subject to Cabinet and Councils approval it is anticipated that the Council will secure the acquisition of the leasehold interest within 28 days of the decision.

## **5. Comments from the Director of Finance and Corporate Resources**

### **5.1 Financial implications**

Members have already approved a financial target from 2017/18 for officers to identify new income streams resulting from the acquisition of investment assets in order to help support the Medium Term Financial Strategy and support the wider delivery of Council services.

Each proposed acquisition has been considered on a commercial business case taking into account the cost of financing the one off investment costs, the income to be generated from rent, and any net landlord liabilities. The business case for each of the proposed acquisitions is summarised below:

The details of the financial business cases can be found in the private report.

### **5.2 Legal implications**

Local authorities have broad powers allowing it to invest and to borrow, either for purposes relevant to the performance of any of their functions or generally for the prudent management of their financial affairs (s1 and s12 of the Local Government Act 2003). The Council may also acquire property by agreement located either inside or outside of their administrative boundary for the purposes of any of their functions, including their investment functions, or otherwise for the benefit, improvement or development of their area (s120 of the Local Government Act 1972).

Lastly, they may also take any action (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions, which would again include their investment functions (s111 of the Local Government Act 1972).

The Council will ensure that in exercising its investment functions to expand its property portfolio that any actions are reasonable and proportionate and for proper purposes consistent with the Council's prudential regime and its investment strategy.

The Council's external agents, Drake Howard have verified that the terms of the acquisition specified in this report represent market value for the best value and in turn satisfy the requirements under Section 123 Local Government Act 1972

All acquisitions are subject to the vendors being able to show good title and the undertaking of the normal due diligence and finalising the terms of acquisition with regards to the acquisition of land and buildings.

Officers within Legal Service (Place Directorate) have been consulted with regards to the preparation of this report and will agree and complete the legal documentation effecting the acquisition of the freehold and leasehold interests ensuring that the Council's interests are properly protected.

## **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 purchase of the leasehold interest and the net financial income benefits that flows from it will contribute to the Council Plan of making the most of our assets to deliver priorities with fewer resources.

## **6.2 How is risk being managed?**

The risks have been identified as ensuring that the proposed benefits of the development scheme are realised.

## **6.3 What is the impact on the organisation?**

The impact to the organisation will be minimal but will generate additional work for officers within Place Directorate in dealing with the acquisition of the two property interests.

The acquisitions of the freehold at Edgwick Park and the long leasehold interest merger with the Council's existing freehold interest at Wheler Road will constitute income producing commercial investments.

## **6.4 Equalities / EIA**

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

An equality impact assessment is a process designed to ensure that a policy project or service does not discriminate against any disadvantaged or vulnerable people. Section 149 of the Equality Act 2010 imposes an obligation on Local Authorities to carry out an equality impact assessment when the local authority is exercising a public function.

An equality impact assessment has not been undertaken by officers as the proposal set out in this report relates to the acquisition of a legal interest in the land and does not constitute a change in service delivery policy or the exercise of a public function.

## **6.5 Implications for (or impact on) the environment**

The Council's acquisition of the commercial industrial property proposed will have no additional implication or impact on the environment.

## **6.6 Implications for partner organisations?**

There are no implications for any partner organisations.

**Report author(s):****Name and job title:**

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**Directorate:**

Place

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## Plan 1 – Edgwick Point



PLACE DIRECTORATE  
PROPERTY  
ONE FRIARGATE  
COVENTRY CV1 2GN  
02476 833384



### Edgwick Point, Coventry

Scale NTS    Drawn by AW    Date 18.05.2018

Martin Yanley - Director of Place  
Richard Moon - Director Property Management & Property Services

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## Plan 2 - Wheler Road



PLACE DIRECTORATE  
PROPERTY  
ONE FRIARGATE  
COVENTRY CV1 2SN  
02476 833384



Martin Yardley - Director of Place  
Richard Moon - Director Property Management & Property Services

**Wheler Road - 0.607 Acres**

Scale NTS    Drawn by *AW*    Date 18.05.2018

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