

Council – 11th July 2017
Agenda Item 8
Recommendation from Cabinet
13th June 2017

Coventry City Council
Minutes of the Meeting of Cabinet held at 2.00 pm on Tuesday, 13 June 2017

Present:

Members: Councillor Duggins (Chair)
Councillor L Bigham
Councillor K Caan
Councillor J Innes
Councillor A Khan
Councillor J Mutton
Councillor J O'Boyle
Councillor Ruane

Deputy Cabinet Members Councillor P Akhtar
Councillor R Ali
Councillor B Kaur
Councillor R Lakha
Councillor C Thomas

Non-Voting Opposition Councillor A Andrews
Members: Councillor G Ridley

Employees (by Directorate):

Apologies: Councillor F Abbott

RECOMMENDATION

5. Unit 1 Dutton Road, Aldermans Green Industrial Estate, Coventry - Investment Acquisition

The Cabinet considered a report of the Deputy Chief Executive (Place) which set out proposals for the acquisition of an income producing industrial property investment.

A corresponding private report detailing confidential aspects of the proposals was also submitted to the meeting for consideration.

The Council was currently looking at ways of increasing revenue to support the provision of services it seeks to deliver.

An opportunity had been presented to the Council to acquire an income producing investment within one of the City's established industrial estates. The investment currently produced an income, the level of which was considered commercially sensitive and was therefore outlined in the corresponding private report.

Personal Hygiene Services Limited ("PHS"), who occupies the premises and pays the rent, was part of a national company with a turnover of £280M in 2015/16. They had approximately 7 years left on their current lease.

The Council already owned the land upon which the building was constructed but granted a lease dated 13th September 1989 for a term of 99 years with effect from 20th May 1989 in respect of the industrial site at Dutton Road, Aldermans Green Industrial Estate, Coventry. The long leasehold interest, which received the rent from PHS, was currently owned by Real Estate Investors PLC (REI). REI currently paid the Council an annual ground rent for the land.

Real Estate Investors had indicated a willingness to sell its leasehold interest to the Council, subject to the existing lease to PHS and therefore the right to receive the annual rent for a negotiated price. Stamp Duty Land Tax would be payable by the Council in addition to the purchase price.

The initial net return on the investment was assessed at circa 8.8% after assumed purchasing costs. This would be reduced to a return of 8.0% based on the net rental increase for the Council as it already received a ground rent from the property.

The level of return generated was based on the level of risk associated with the length of lease and the security of the income. The negotiated price had been validated by external property experts as providing 'best value' for the Council.

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

RESOLVED that the Cabinet:-

- 1. Approve the terms for the acquisition of the leasehold interest in 1 Dutton Road, subject to the current tenancy for the price outlined in the corresponding report plus Stamp Duty Land Tax.**
- 2. Delegate authority to the Deputy Chief Executive (Place) (Legal Services) to complete the necessary legal documentation.**
- 3. Delegate authority to the Deputy Chief Executive (Place) in consultation with the Cabinet Member for Jobs and Regeneration, for any subsequent variation in terms.**
- 4. Recommends that the Council approve the adjustment of the Capital Programme to reflect the capital expenditure incurred in the acquisition of the long leasehold interest in Unit 1, Dutton Road.**