
A separate report is submitted in the private part of the agenda in respect of this item, as it contains information required to be kept private in accordance with Schedule 12A of the Local Government Act 1972 as amended. The grounds for privacy are that it contains information relating to the financial and business affairs of any particular person (including the authority holding that information). The public interest in maintaining the exemption under Schedule 12A outweighs the public interest in disclosing the information

Cabinet Member for Jobs, Regeneration and Climate Change

18 December 2025

Name of Cabinet Member:

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

Director Approving Submission of the report:

Director of Property Services and Development

Ward(s) affected:

Westwood

Title:

Mercia Business Centre, Westwood Way Westwood Business Park, Coventry – Lease Regear. (Surrender and Re-grant)

Executive Summary:

This report brings commercial terms to the Cabinet Member for consideration, requesting approval to the surrender of the current leases on Mercia Business Centre and to the simultaneous regrant of a new long lease. This would facilitate the demolition of the existing buildings to be replaced with purpose-built student accommodation and ancillary commercial accommodation. The student accommodation scheme was approved at Planning Committee on 31 July 2025 and is subject to completion of a Section 106 agreement.

Westwood Business Park is evolving into a student accommodation hub on the north side of Westwood Way, where Mercia Business Centre is located, bringing economic opportunities for the City and delivering financial returns to help support the delivery of services to Coventry residents.

Purpose-built student accommodation supports the University of Warwick as a leading place of learning and research in the UK, providing businesses an opportunity to recruit their future skilled workforce and help strengthen the economy of the city.

The proposed scheme for Mercia Business Centre involves the Council and the developer entering into an Agreement for Lease which will be conditional on the developer 1) securing an acceptable planning permission for the proposed development, 2) entering into a building contract and 3) acquiring the interests of the existing occupational leasehold interests.

This report sets out the options considered by the Council and the proposed recommendations needed to facilitate the delivery of the new student accommodation and ancillary ground floor commercial development.

Recommendations:

The Cabinet Member for Jobs, Regeneration and Climate Change is recommended, subject to the consideration of the additional confidential information contained in the corresponding private report to:

1. Approve the surrender of the existing leases across the former Mercia Business Centre site at Westwood Business Park.
2. Approve the simultaneous grant of new 153-year lease(s) to Skybridge Property Limited or their nominated investment fund or investor, to facilitate the development of up to 1,006 bed Purpose-built student accommodation scheme with a new ground rent.
3. Delegate authority to the Director of Property Services and Development, following consultation with the Director of Finance and Resources, the Director of Law and Governance and the Cabinet Member for Jobs, Regeneration and Climate Change, to negotiate and finalise the terms of the grant of the new lease(s), to undertake the necessary due diligence, complete all necessary legal documentation to facilitate the completion of the transaction and to take all necessary, incidental or ancillary steps for the carrying into effect any of the recommendations set out in this report.

List of Appendices included:

Appendix 1 - Proposed Site plan

Other useful background papers:

[Planning Documents and Committee Report of 31 July 2025](#)

[Planning Committee Minutes of 31 July 2025](#)

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

1. Context (or background)

- 1.1 The subject property is a collection of two-storey office buildings comprising 23 units with associated parking built in the late 1980/early 1990's, located on Torwood Close on the northern side of Westwood Way. It has been occupied by a variety of businesses and has been let on mainly short term occupational tenancies, three of which are partially occupied and nine vacant units (approx. 40% of the property).
- 1.2 The site, which extends to approximately 2.89 acres (1.17 Ha) is subject to seven headleases granted for a term of 125 years from 22 November 1988 expiring on the 21 November 2113. A capital premium payment was received by the Council when granting the original leases hence the current rent passing is a peppercorn. The leases currently restrict the use of each demise to offices. The developer, Skybridge Property Mercia Limited (SPML) is acquiring the headleases from the long leaseholders.
- 1.3 SPML are proposing to construct a purpose-built student housing development of up to 1,006 beds with ground floor commercial. They have agreed to acquire the headleases from Mercia Business Village (Coventry Ltd), which have an unexpired term of 88 years.
- 1.4 SPML are seeking a new 153-year lease (which allows the proposed development on the land outlined in red in Appendix 1). The new lease is to include of a piece of amenity land currently accommodating trees and shrubs on the corner of Westwood Way and Torwood Close (shown hatched red on the plan). The amenity land is owned by the Council and is also part of the adopted highway.
- 1.5 SPML intend to forward sell the completed development to an investor or investment fund. As such the Council may be asked to grant the lease in the name of the fund or investor. If the funder requires the demise to be split across two separate leases rather than a single lease, officers will review the arrangement to ensure it continues to meet the Council's requirements, and its position remains fully protected.
- 1.6 The Council has been professionally advised by independent property consultants Avison Young in the commercial negotiations around the terms of the new lease to ensure 'best consideration' is obtained.
- 1.7 The Business Park has already seen other sites on the estate redeveloped for high quality student housing and the advice provided by Avison Young is that due to the changing nature of the way offices are occupied, the demand for older second-hand office space, such as that at Westwood Business Park, is low and does not show signs of improvement. Therefore, finding suitable alternative uses for the land which can support the continued growth and improved experience of students attending the University of Warwick, is important for effective land use and economic growth for the city.

A resolution to grant planning permission is in place under application no. PL/2025/0000722/FULM.

2. Options considered and Recommended Proposal

Option 1 – Proceed with the grant of a new lease (Recommended)

- 2.1 To accept the surrender of the existing leases with Mercia Business Village (Coventry) Ltd (current leaseholder) and grant a new 153-year lease to Skybridge Property Ltd or their nominated investment fund or investor (new leaseholder).
- 2.2 To include in the demise the amenity land on the corner of Westwood Way and Torwood Close.
- 2.3 The new lease is to be granted on the basis of a new annual ground rent. The new annual ground rent and terms of the lease including rent review are outlined in the private version of this report.

Option - 2 Not to proceed with the redevelopment (Not recommended)

- 2.4 To not accept the surrender and regrant of a new lease will mean that the current property owners will have to continue to try and let the vacant offices.
- 2.5 The Council would not benefit from any income from the site until the lease ends in 2113.
- 2.6 It is anticipated that the current occupational tenants that have already made plans to move will be disrupted further. With the limited demand for offices in the area, it is expected the leaseholder would seek to renegotiate the existing lease terms with the Council to allow alternative uses.
- 2.7 Accordingly, it is recommended that the property transactions outlined in Option 1 are approved.

3. Results of consultation undertaken

Public consultation was undertaken on the Planning Application ([ref: PL/2025/0000722/FULM](#)).

4. Timetable for implementing this decision

- 4.1 Subject to the approval of the recommendations contained in this report, it is advised that the lease agreements are in a form which can be completed and are ready for signature. The agreement for lease would be conditional on 1) the developer securing planning consent and 2) entering into the building contract for the delivery of the works, and 3) securing vacant possession of the premises.
- 4.2 Having secured a resolution to grant planning permission at Planning Committee on 31 July 2025, the developer is seeking to commence development as soon as possible to try and deliver the development to be ready for students to occupy the building at the start of the 2029 academic year or latest by 2030. To achieve this, the developer is looking to complete agreements as soon as possible. If this timescale is not achieved, then a delay of a further 12 months would be incurred which will mean that the improved income for the Council is also delayed by a year.

5. Comments from the Director of Finance and Resources and the Director of Law and Governance

5.1 Financial implications

- 5.1.1 The Commercial Property Team will ensure that the correct income will be received from the developer to the Council in line with agreed timescale at various stages.
- 5.1.2 The rent deposit held by the Council as security can only be released when the Commercial Property Team are satisfied that agreed financial measures are met by the tenant.
- 5.1.3 The Commercial Property Team will ensure that a rent review is carried out in line with the agreement.

5.2 Legal implications

- 5.2.1 The Council is under an obligation to obtain the best consideration reasonably obtainable in accordance with section 123 of the Local Government Act 1972 in respect of disposals of interest of land/property.
- 5.2.2 Officers have sought independent valuation advice to ensure this transaction meets the Council's statutory duty referred to in 5.2.1.
- 5.2.3 Officers within the Legal Services will complete the necessary legal documentation effecting the surrender of the existing leasehold interest and the simultaneous grant of a long leasehold interest and will collect the agreed payments upon completion.

6. Other implications

6.1 How will this contribute to achievement of the One Coventry Plan?

Facilitating the redevelopment of the property will support the economic development of the City delivering and enabling the One Coventry Plan priorities of 'Improving the economic prosperity of the city and regions and 'Continued financial sustainability of the Council' creating additional long term revenue which can be allocated to support the delivery of Council services into the future.

6.2 How is risk being managed?

- 6.2.1 The risks around the delivery of the development are mitigated with the developer already having secured a resolution to grant planning consent for the scheme.
- 6.2.2 The Council having secured three years rent in advance provides income at the start of the lease as detailed in the private version of the report.
- 6.2.3 A rent deposit following completion of the development and to be topped up if ever drawn down, will provide another layer of protection to the Council and released upon the Tenant satisfying agreed financial criteria. This will be monitored by the Property Team.

6.2.4 The long stop date is a deadline for the developer to complete the project in time.

6.2.5 The tenant is also asked to keep the Council informed of the project milestones so that risks can be identified early and managed in time.

6.3 What is the impact on the organisation?

6.3.1 The impact to the organisation will include increased commercial income generated by the land.

6.3.2 Work will be required by both the Property and Development Team in negotiating the detail of the disposal with the purchaser and officers within Legal Services who will prepare and complete the necessary legal documentation and collect the payment of the agreed up-front monies.

6.4 Equality Impact Assessment (EIA)

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

6.5 Implications for (or impact on) climate change and the environment

The newly completed development will deliver an environmentally more efficient building helping the city de-carbonise by reducing its energy consumption.

6.6 Implications for partner organisations?

There are no implications for any partner organisations.

Report author(s):

Name and job title:
Manjit Gahir, Principal Development Surveyor

Directorate:
Place Directorate

Tel and email contact:
024 7697 2575 manjit.gahir @coventry.gov.uk

Enquiries should be directed to the above person(s).

| Contributor/approver name | Title | Service Area | Date doc sent out | Date response received or approved |
|---|--|-----------------------------------|--------------------------|---|
| Contributors: | | | | |
| Julie Sprayson | Commercial Property Lawyer | Legal | 22 October 2025 | 23 October 2025 |
| Helen Williamson | Finance Manager | Finance and Resources | 27 November 2025 | 28 November 2025 |
| Adam Hunt | Strategic Lead Property & Development | Property and Development Services | 28 November 2025 | 1 December 2025 |
| Suzanne Bennett | Governance Services Co-ordinator | Law and Governance | 3 December 2025 | 3 December, 2025 |
| Names of approvers for submission: (officers and members) | | | | |
| Richard Moon | Director of Property Services and Development | Property and Development Services | 28 November | 3 December 2025 |
| Cllr J O'Boyle | Cabinet Member for Jobs, Regeneration and Climate Change | | 3 December 2025 | 8 December 2025 |

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