

WEST DUNBARTONSHIRE COUNCIL

Report by the Executive Director of Housing, Environmental and Economic Development

Housing, Environment and Economic Development Committee: 5 May 2010

Subject: Sale of Commercial Premises to Sitting Tenants within West Dunbartonshire

1. Purpose

- 1.1** This report seeks Committee approval for the disposal of 17 commercial properties to sitting tenants within West Dunbartonshire, as specified in Appendix 1 of this report.

2. Background

- 2.1** In October 2007 the Council agreed to carry out a review of its non operational property portfolio to determine which properties should be retained and which properties should be disposed of to generate capital receipts for reinvestment in the Council's general activities.
- 2.2** A Project Brief was produced by the Council and following an open market tendering process, Ryden, Chartered Surveyors, were instructed to carry out this independent review of the non-operational property portfolio and their report was produced in August 2008.
- 2.3** Ryden's report recommends the following disposal strategy:-
- Maintain a fit for purpose core economic development portfolio enabling the Council to offer a range of business premises of varying sizes;
 - Release a disposal portfolio to the market, the selection and timing of which is flexible responding to demand;
 - Dispose of secondary and tertiary shops;
 - Consider disposal of ground leases rather than actual buildings;
 - Reinvestment in the retained portfolio;
 - Enhance portfolio value via planned preventative maintenance, dilapidation claims, rent reviews, new lettings and upgrading; and
 - Acknowledge that there are constraints to asset disposal, these affected by ongoing regeneration projects and operational requirements of Council departments.

3. Main Issues

- 3.1** This report focuses on the disposal of secondary and tertiary shops leased by the Council and ground leases.

- 3.2** The majority of retail units within the non-operational property portfolio are located in poor secondary and tertiary locations. When existing tenants vacate these shops the Council may have difficulty re-letting these premises, which could result in vandalism, repair costs, higher insurance premiums and a 50% empty property rates burden.
- 3.3** The majority of shops are located on the ground floor of tenements and the general fabric of these buildings, especially the roofs, are in a poor state of repair. This could result in high common repair bills and the commercial tenants normally pay a higher proportionate share of the cost of these common repairs.
- 3.4** Sales to sitting tenants are subject to the following conditions:-
- a) The tenant shall be permitted to purchase their leased property provided rent, ground rent, rates and buildings insurance premiums are paid up to date;
 - b) The tenant shall pay the Council's Surveyor's Fees of £500+VAT at the commencement of negotiations irrespective of the outcome; and
 - c) The tenant shall pay the Council's Legal Fees, expenses, outlays, registration dues and stamp duty in connection with the sale of the property.

4. People Implications

- 4.1** There are no people implications.

5. Financial Implications

- 5.1** During 2010/11 and 2011/12, the General Services Account would lose a rental income of approximately £125,000 per annum but over the same period the estimated total level of capital receipts would be in the region of £1,330,000.

6. Risk Analysis

- 6.1** There is a risk that the sitting tenants may not wish to purchase their leased property or they are unable to obtain bank funding to purchase.
- 6.2** If the property becomes vacant, there is a risk of vandalism and repair costs.
- 6.3** In relation to properties such as Alexander Street, if the Housing Association decides to refurbish the tenement then a significant proportion of the cost of common repairs would be met by the tenant or Council, if vacant.

7. Equalities Impact

- 7.1** None.

8. Conclusions and Recommendations

8.1 In accordance with the review of the non operational property portfolio produced by Ryden, Chartered Surveyors in August 2008 the 17 identified commercial properties should be sold to the sitting tenants at the market value.

8.2 It is recommended that:

- (a) the Executive Director of Housing, Environmental and Economic Development be authorised to sell the commercial properties contained within Appendix 1 at the full market value subject to the lease agreements and conditions stated in paragraph 3 of this report; and
- (b) the Head of Legal, Administrative and Regulatory Services be authorised to conclude these transactions subject to the legal conditions as are considered appropriate.

Elaine Melrose

Executive Director of Housing, Environmental and Economic Development

Date: 9 April 2010

Person to Contact:	William Gibson - Section Head, Estates, Garshake Road, Dumbarton, telephone: 01389 737156, e-mail: william.gibson@west-dunbarton.gov.uk
Appendices:	List of 17 commercial properties within the General Services Account
Background Papers:	Ryden, Chartered Surveyors Review of Non Operational Property Portfolio - August 2008
Wards Affected:	3 and 6