

WEST DUNBARTONSHIRE COUNCIL

Report by Strategic Lead, Regeneration

Infrastructure Regeneration and Economic Development Committee:
18 November 2020

**Subject: Disposal of 0.736 ha Land
25 South Douglas Street, Clydebank G81 1LP**

1. Purpose

1.1 The purpose of this report is to seek Committee's approval to dispose of 0.736 ha land at 25 South Douglas Street, Clydebank to WDC's existing Head Tenant of the site.

2. Recommendations

2.1 It is recommended that the Committee:

- (i) Approve the disposal of **0.736 ha land at 25 South Douglas Street, Clydebank** for a consideration of a gross purchase price of **£160,000** (One Hundred and Sixty Thousand Pounds).
- (ii) Authorise the Strategic Lead, Regeneration to conclude negotiations.
- (iii) Authorise the Strategic Lead, Regulatory to conclude the transaction on such conditions as considered appropriate.

3. Background

3.1 In November 1987, Clydebank District Council (CDC) leased the subject site to North East Ice and Cold Storage Company (NEICS) for a period of nearly 125 years until February 2112. A plan of the land is attached as an appendix. CDC's interest has transferred to WDC and the lease has over 92 years left to run. NEICS assigned their interest and it is now held by 1) Landleaf GP Ltd and 2) Northern Industrial (General Partners) Ltd (*the Head Tenants*).

3.2 NEICS subleased the site and buildings erected upon it to General Electric International Inc. who remain as sub-tenant. Their sub-lease will expire in November 2022 and this is a key moment in time when the Head Tenants may want to maximise their control of the site and pursue options, unconstrained by the conditions of their lease from WDC.

3.3 The Head Tenants approached WDC and invited the Council to sell their freehold interest in the site to them. Asset Management engaged in negotiations with them and have agreed the sale price recommended in this report.

4. Main Issues

- 4.1** The Head Tenants have the duty of “exploiting and managing the subjects of let to the best mutual financial advantage of the parties” i.e. themselves and the Council. The Council is entitled to receive annual ground rent of 10% of the total receipts arising from the development.
- 4.2** The Council presently receive rent of £6,700 pa and this rent is expected to continue at least until November 2022 when the current sublease is due to expire. Beyond November 2022 the Council’s rent entitlement will depend on the total receipts its tenant is able to generate under any continuing or new agreements that they able to enter into.
- 4.3** Under the lease from to the Head Tenants there are normal obligations to the Council as Landlord. In general, we do not consider these to be abnormally onerous for the Head Tenants. They include the need for consent from the Council for building alterations and for subletting which cannot unreasonably withhold consent in these matters.
- 4.4** The Council have not been advised by the Head Tenant of their reason they wish to purchase of the freehold interest but the following could be contributing factors:-
- They would no longer need to pay rent and would retain the full income generated by the site.
 - They would remove the inconvenience of having to comply with the detailed obligations of the lease and to respond to and accommodate the landlord on these matters.
 - There is always a risk that the Council could irritate their lease in the event of the Head Tenants breaching the conditions of the lease.
 - Currently the lease restricts use to 1973 Use Class Order classes III and IV, i.e. light industrial building and general industrial building, respectively. It specifically prohibits various uses including any retail purposes, games or any purposes which the landlord considers detrimental to the amenity of the neighbourhood. Asset Management believe that there could be potential opportunities for uses on the site that generate higher financial value than is possible within present lease constraints. The Head Tenants currently would need the Council’s consent as landlord to such value-enhancing uses and the Council could require conditions of consent including financial payment and/or change to rent structure.

In short, the Head Tenants could have a range of motivations to pay a premium price to purchase the freehold interest as they will be able to more fully and freely enjoy the income and income possibilities from the site; and at the same time remove risk of any landlord intervention.

- 4.5 Disposal of the property would free WDC staff resources to focus on other properties and work streams.
- 4.6 The disposal will result in a capital receipt for the Council of £160,000. Asset Management recommend this figure following extensive valuation work and believe it reasonably reflects the value of the income stream that the Council would forego and the value to the Head Tenants of themselves owning the land outright.

5. People Implications

- 5.1 There are no significant people implications other than the resources required by the Asset Management and Legal Services to conclude the proposed disposal.

6. Financial and Procurement Implications

- 6.1 The financial implications are that the Council will receive a capital receipt of £160,000.
- 6.3 There are no procurement implications arising from this report.

7. Risk Analysis

- 7.1 There is a risk that the Head Tenants do not proceed with the acquisition due to factors which may arise out of their due diligence or due to change in their funding or motivation.
- 7.2 We acknowledge the general uncertainty created by the coronavirus pandemic and that this may influence the prospective buyers plans adversely.
- 7.3 However, we understand that the Head Tenants have the necessary funding in place and do not require any external approvals. In the course of negotiations they have threatened to allocate their funds to other opportunities but we cannot assess the credibility of this threat. We generally expect them to proceed having negotiated a price and got to this stage. We simply acknowledge the risk.
- 7.3 If the Head Tenants did not proceed with the acquisition then the lease would continue on present terms. WDC would have options of continuing to enjoy the interest; or presenting its interest to the open market- which would of course include the existing Head Tenants.

8. Environmental Sustainability

- 8.1** The proposal is principally a financial one and future use of the site would require to comply with normal statutory frameworks. The head lease does contain conditions that regulate how the tenant can use the land. However we do not believe there to be any reason that the Council would want to retain this level of control.

9 Equalities Impact Assessment (EIA)

- 9.1** An Equality Impact Screening did not indicate any further action required.

10. Consultation

- 10.1** Consultations have been undertaken with Legal in relation to the proposed disposal.

11. Strategic Assessment

- 11.2** The proposed disposal would forego a long term rental income stream but would generate a capital receipt that can be used to further strategic objectives.

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Date: 21 October 2020

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Appendices: Appendix 1 - Site Plan

Background Papers: None

Wards Affected: Ward 6