

Agenda Item 21

Cabinet

03 October 2012

12/1229



Council Owned Workshop Provision, Seaton

Exempt Information

Para 3 Schedule 12A information relating to the finance or business affairs of any particular person

Summary

Tesco Stores Ltd own a substantial proportion of the land located within the Seaton Regeneration Area. They have enquired whether or not the Council is willing to consider entering into negotiations with them over the future disposal of its interest in the Riverside Workshops. This asset not only serves as a valuable source of income for the Council but also, its tenants represent an important component of Seaton's business and local employment offer. The report examines the means by which workspace currently available at the Riverside Workshops might be re-provisioned within the town and concludes that potentially, land available at the Colyford Road Depot and adjoining Harepath Road, could be developed to re-accommodate the Council's tenants and in the longer term re-establish the flow of revenue income.

Recommendation

- 1. That authority be granted to the Principal Estates Surveyor to agree terms for the acquisition of 0.3035 hectares of land located to the rear of the Auction Gallery, Harepath Road, Seaton, as detailed elsewhere in this report and in accordance valuation advice received from the District Valuer's Office, in consultation with the Strategic Development & Partnerships Portfolio Holder.**
- 2. That an Exemption to Standing Orders be agreed to allow the appointment of Grainge Architects to prepare and submit a planning application for workshop development on land to the rear of the Auction Gallery, Harepath Road, Seaton and as identified in paragraph 3.2 of this report.**
- 3. That the Principal Estates Surveyor be authorised to instruct Grainge Architects, to prepare and submit a planning application for the creation of new workshop space at the Colyford Road Depot.**
- 4. That the Principal Estates Surveyor be authorised to enter into negotiations with Tesco Stores Ltd on the possible future disposal of the Council's Riverside Workshops site, only on completion of the Underfleet Land Agreement.**

a) Reasons for Recommendation

To facilitate the further progress of developments within the Seaton Regeneration Area

b) Alternative Options

To make no further effort to find alternative accommodation for the Council's tenants and other businesses within the Seaton Regeneration area.

c) Risk Considerations

Direct participation in the development process as outlined in this report, involves significant risk. Every effort will be made to identify measure and devise an appropriate response to these throughout the delivery process.

d) Policy and Budgetary Considerations

Policy and budgetary considerations are considered within the main body of the report.

e) Date for Review of Decision

December 2012

1 Main Body of the Report**Introduction**

- 1.1 The Council owns 14 small workshops and 5 compounds in Seaton, known as the Riverside Workshops. These are let to business tenants and thereby, usefully support the maintenance of local employment opportunity. They also serve as a valuable source of investment income for the Council.
- 1.2 The asset currently produces gross income of £60,000 per annum. However, the workshops are as constructed in the 1980s and future maintenance costs will erode investment income as the structures continue to age.
- 1.3 The Riverside Workshops lie within the Seaton Regeneration Area (East Devon Local Plan Policy LSE1). In 2009, Tesco Stores Ltd (TSL) obtained planning permission for the redevelopment of much of this land. They recently enquired whether or not the Council is willing to dispose of its interest in the Riverside Workshops.
- 1.4 The integration of the land components of LSE1 has long been seen as a key step towards successful regeneration. The East Devon Local Plan calls for a comprehensive approach to development: "Where existing uses conflict with regeneration objectives for this prominent site, the feasibility of relocating and or enhancing premises will be explored with relevant businesses/landowners. Additional employment land is allocated at Harepath Road to provide a potential alternative site for businesses. This is proposed as part of a mixed use area, in conjunction with recreation uses, within Policy LSE2." (Para 13.100)
- 1.5 In the context of the already consented housing development on land adjoining the Riverside Workshops; some in the ownership of Tesco Stores Ltd (to the West) and the remainder by Axe Riverside Ltd., (to the East), the ability of businesses trading from these workshops to operate freely into and beyond the construction of nearby dwellings, is open to doubt.

- 1.6 As has been seen, Local Plan Policy LSE2 (Harepath Road Mixed Use Area) allocates an additional 2.2 hectares of land for employment development in Seaton to “serve the future needs of the town and to reverse the net outflow of the workforce of Seaton to employment elsewhere.” Development of this land at Harepath Road land might usefully have facilitated the relocation of the Riverside Workshops. However, the practical delivery of LSE2 remains in doubt.
- 1.7 The current tenants are protected by the provisions of the Landlord and Tenant Act 1954 and may be entitled to compensation for their removal if a renewal of their lease is opposed. However, this will not be the case if the Council is able to ‘reasonably’ provide suitable alternative accommodation.
- 1.8 If compensation is applicable, it will be calculated by reference to the rateable value of the property and the period of time the tenant has been in occupation. If the tenant has occupied the property for more than 14 years, then the compensation is set at the equivalent of the rateable value of the property.

2.0 Colyford Road Depot, Seaton

- 2.1 The recent review of the Council’s industrial and commercial property holdings (Tenanted Non-Residential Property Review) included an assessment of the Colyford Road Depot, in Seaton. An outline development appraisal of this land has revealed the potential to create up to 7 new workshop units each of approximately 60m² (700sqft).
- 2.2 The site currently includes a building let to St John’s Ambulance at a peppercorn rent. This lease on this building is due to expire on the 28 November. Also within the Council’s ownership is a unit let to Marsh Garages at an annual rental of £7,835. Much of the balance of the site was let to Devon County Council for use as a weekend (only) recycling depot. This arrangement was terminated in September 2011. The remainder of the site consists of a group of dilapidated buildings used informally as a store by the Countryside Service.
- 2.3 Grainge Architects were commissioned to examine the potential of the site to accommodate the construction of new commercial workspace that could be made available either to tenants of the Riverside Workshops or to new business occupiers. The architect’s design proposals, are illustrated in the drawings below:

2.4 Colyford Road Depot Indicative Layout plan



2.5 Colyford Road Depot Indicative Elevation Plans





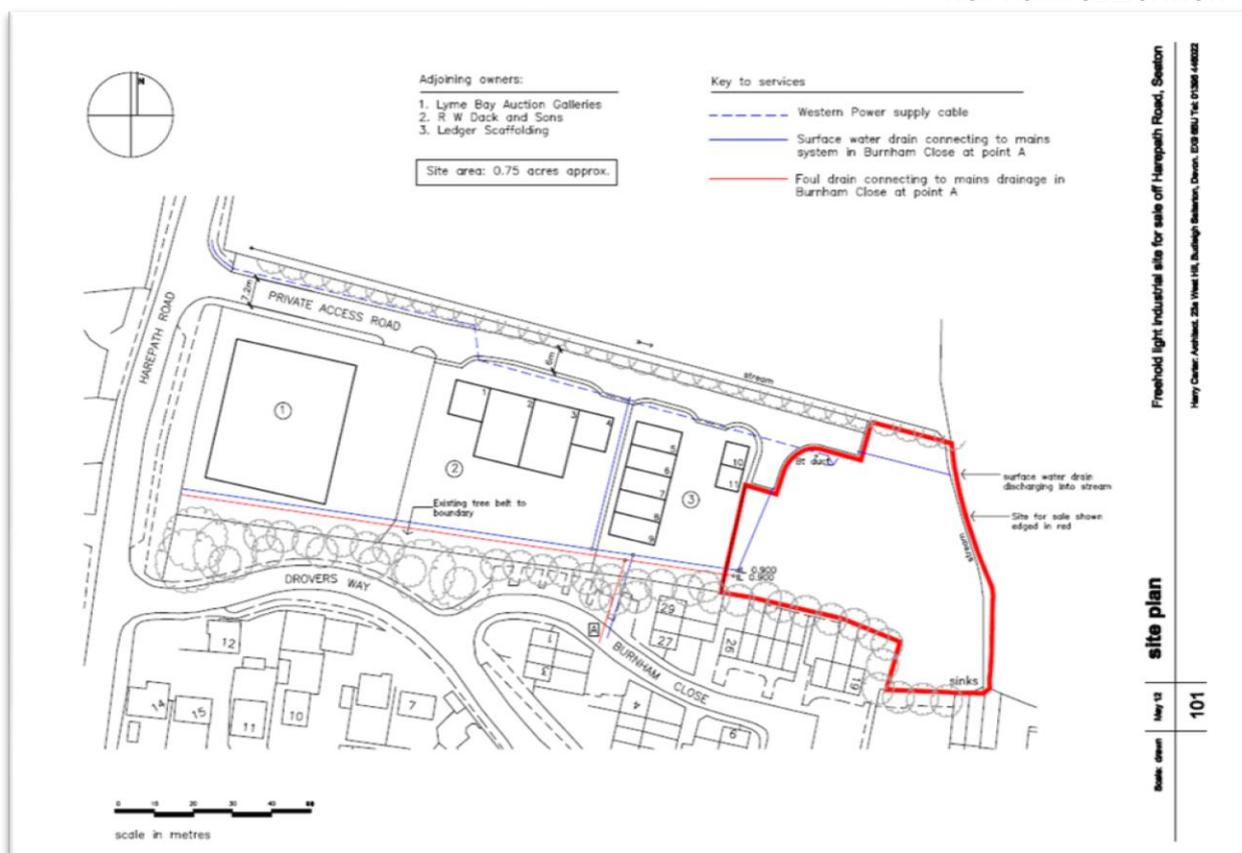
2.6 The architects' estimate that up to seven workshop units each comprising a useable floor area of approximately 60 square meters, could be constructed within currently underperforming portions of the Colyford Road Depot site. A preliminary cost estimate for delivering 6 new workshop units is £275,000. This estimate includes planning and professional fees, on site infrastructure costs and contingencies.

2.7 The Council's management and other costs in relation to the successful operation of this possible addition to the lettable space available within the Colyford Road Depot site is estimated to be 15% of the gross rental generated. Accordingly 6 new workshops (fully occupied) should, at current rental levels, be capable of producing net revenue earnings of £28,000 per annum. This is roughly equivalent to the cost of borrowing the capital required (£275,000) from the Public Works Loans Board (repaying the principal of £275,000 and interest, as a half yearly annuity, over a period of 10 years). Accordingly, this potentially useful addition to the stock of Council owned workspace in Seaton could provide a very cost efficient method of re-accommodating some of the Council's tenants currently trading from the Riverside Workshops and in the longer term producing useful investment income. These estimates of the trading potential of the Colyford Road Depot would be in addition to the continuing operation of the Marsh Garages unit which currently produces a net income of £7,835 per annum.

3.0 Land off Harepath Road, Seaton

3.1 More efficient use of the Colyford Road Depot site can be seen to offer the potential to re-accommodate some but not all of the of the Council's Riverside Workshop tenants. Even with that investment in place, there would continue to be a requirement for new employment land and workspace in Seaton. At the time of writing, there is no immediate prospect of the development of the land identified in East Devon Local Plan Policy LSE2. There may, however, be an opportunity for the Council to acquire a much smaller parcel of development land, immediately to the South of the Local Plan allocation.

3.2 This land (0.3035 hectares or 0.75 acres) is effectively the balance of a small private development of commercial workspace that includes the Seaton Auction Gallery. Sales particulars are attached at Appendix 2. The site is as identified (in red) in the plan below:



The landowner has expressed his willingness to dispose of the undeveloped portion of this land to the Council by private treaty. At a meeting with your officers on 7 September last, he made it clear that this offer is conditional upon the sale at £191,000, being completed before the end of the calendar year.

3.3 This land appears to offer the potential to accommodate workshop space broadly in line with what is currently available at the Riverside Workshops i.e. 14 workshops each of approximately 60 square meters. The land is offered with the benefit of connections to foul and surface water drainage, mains gas and electricity. It enjoys an East Devon Local Plan designation as an Employment Allocation (Policy E1). However, this Local Plan designation has not been tested against a formal planning application.

3.4 The possible acquisition of this land by the Council at the price suggested by the land owner has been referred to the District Valuer's Office for evaluation. He concludes that the land has a current market value of £200,000. Accordingly, the Council could legitimately acquire the land at the value suggested by its current owner.

4.0 Conclusions

4.1 The Council has been invited to enter into negotiations with Tesco Stores Ltd (TSL) over the possible disposal of its interest in the land relating to the Riverside Workshops. No attempt has yet been made to establish the market value of this asset in an alternative, residential use since 2008. Indeed, it's possible disposal value is not the only consideration. TSL have been advised that until the land agreement relating to the Council's land at the Underfleet is concluded, it will not be possible to unlock access to other Council assets. An important further consideration is the Council's relationship with its business tenants and its commitment to fostering sustainable linkage between population and employment growth in the town.

- 4.2 There can be little doubt that by co-operating with landowners in the delivery of the planning consents now in place within LSE1, the Council would usefully progress its wider ambitions for regeneration within Seaton. As the East Devon Local Plan anticipated, residential and B Class employment uses may not sit comfortably together within the regeneration area. Accordingly, the interests of some of the town's business owners, their workforce and the Council's tenants, could well be better served if they have access new facilities and premises elsewhere in the town. This report has considered how that might be achieved.
- 4.3 If the Council were to commit investment to the intensification of employment related uses within its land at the Colyford Road Depot, as outlined above, it would thereby, be in a position to offer replacement workshop space to up to 7 of its tenants trading from The Riverside Workshops. Similarly, if the Council were to acquire three quarters of an acre of land offered close to the Seaton Auction Gallery in Harepath Road, it would be able to assist directly in the extension of local employment opportunity and delivery of key elements of the Seaton Regeneration Area.
- 4.4 If the Council is willing to invest in the creation of additional and replacement workspace in Seaton, it is recommended that the current opportunity to acquire some of the additional land needed to facilitate this, is progressed as a matter of urgency. This and further work directed towards realising the potential of the Colyford Road Depot would then be progressed by instructing the Council's architects to prepare and submit planning applications for schemes in relation to both the Colyford Depot and Harepath Road development opportunities. By adopting this approach, the Council would be able to ensure that the timing of the construction of housing close to the Riverside Workshops advances at a pace broadly in harmony with its ability to offer alternative accommodation to the Council's existing business tenants and other prospective employers.

Legal Implications

It is advisable that the Estates team provide detailed information in relation to any possible entitlement to compensation likely to be made payable to existing tenants at Riverside Workshops for their removal before any final decision is made on this project.

Financial Implications

The financial implications are summarised in Appendix 4. The proposal would generate additional revenue income of £26,465 when fully implemented. In cash terms the investment would take just over 14 years to have improved the financial position, but then going forward would return the additional revenue income.

Consultation on Reports to the Executive

Support is given to the proposed recommendations by the Asset Management Forum.

Background Papers

- App 1: Tenanted non-residential Property Review – Industrial asset cluster (electronic)
- App 2: Land to the rear of Seaton Auction Gallery, Harepath Road - Sales Particulars
- App 3: Cost & income analysis