

## REPORT OF THE CHIEF EXECUTIVE

<b>ACQUISITION OF THE FREEHOLD INTEREST IN 300 MARE STREET HACKNEY E8</b>	Classification <b>PUBLIC</b>	Enclosures <b>Exempt Appendices A-G</b>
	Ward(s) affected <b>HACKNEY CENTRAL</b>	<b>AGENDA ITEM No</b>
Decision of the Executive Mayor – 20 <sup>th</sup> October 2009		

**IN ORDER THAT THE COUNCIL DOES NOT LOSE THE OPPORTUNITY TO ATTEMPT TO ACQUIRE THE FREEHOLD INTEREST 300 MARE STREET, THE MAYOR HAS BEEN ASKED TO TAKE THE DECISION HIMSELF UNDER THE SPECIAL URGENCY PROVISION OF RULE 19 OF THE ACCESS TO INFORMATION PROCEDURE RULES.**

**COUNCILLOR SIMCHE STEINBERGER CHAIR OF THE OVERVIEW AND SCRUTINY BOARD HAS GIVEN HIS CONSENT.**

### **1 INTRODUCTION**

- 1.1 The proposal to seek to acquire at the Jones Lang LaSalle auction on the 21<sup>st</sup> October the freehold interest in 300 Mare Street provides the Council with the rare opportunity to purchase and control an operational building centrally located within the Civic Centre of Hackney. It will enable the Council to also recoup its investment creating a saleable asset that would otherwise be lost in terms of the rental commitment until the expiry of the lease in 2018 and in extensive dilapidations that are known to be required and have been costed. It is considered therefore that this strategic purchase is cost neutral.
- 1.2 The purchase of this building enables the Council to undertake further rationalisation of its Civic/Operational estate. A number of potential Council office user groups have already been identified for possible decant to this property. This in turn will release other existing less prominent council buildings to either lease or disposal.

### **2 SUMMARY**

- 2.1 This property is prominently situated immediately opposite the Hackney Empire Theatre in an established commercial location on Mare Street at its busy junction with Morning Lane. Hackney Town Hall is approximately 60 metres to the South West. Nearby occupiers include Barclays Bank and Wetherspoons.

- 2.2 This property is a substantial attractive period building comprising office accommodation arranged over ground, first second and third floors with ancillary basement in all providing a total approx floor area of 6,990 sq ft.
- 2.3 The property is held on a 20 year full repairing lease by the Council from 29<sup>th</sup> September 1998 subject to 5 year rent reviews at a current rent of £66,406.25 per annum. The next and remaining rent review is in 2013.
- 2.4 It has been estimated that potential dilapidations accruing at the end of the lease would result in a liability for the Council, please see attached in Exempt Appendices C Scenario 1 and Scenario 2.
- 2.5 The simple business case for pursuing this freehold acquisition is on the basis that the ongoing rental commitment to 2018 having regard to the likely rent review in 2013 and coupled with potential dilapidations would match the current value of the freehold interest. Although the acquisition price would be an upfront cost now rather than at the end of the lease it would provide the Council with a saleable asset and not a depreciating asset.
- 2.6 The Jones Lang La Salle auction catalogue advises a price guide of £950,000.

### **3 RECOMMENDATIONS**

- 3.1 **To agree that the Council purchases the freehold interest in 300 Mare Street at the Jones Lang La Salle auction on the 21<sup>st</sup> October within the price range as detailed in the attached Exempt Appendix A and to authorise the re-sourcing and spending of these monies.**
- 3.2 **To authorise the Director of Legal and Democratic Services to agree the terms for the contract and to complete the purchase of 300 Mare Street on behalf of the Council.**
- 3.3 **To delegate authority to the Corporate Director of Legal & Democratic Services to enter into agreement and other necessary legal documentations required to implement the required proposed acquisition on behalf of the Council.**

### **4 BACKGROUND**

- 4.1 The proposal to purchase the site (as shown on the attached photograph and plan in Exempt Appendix B) at 300 Mare Street was identified through the JLL auction catalogue. Subsequently a meeting was arranged with the Service First Team to establish the Council's ongoing intentions for the property up until the expiry of the lease in 2018. It became clear that there were a number of immediate decants in the pipeline notably the legal team from 298 and others located outside of the civic centre. Therefore the purchase would facilitate a strategic decant and any dilapidation obligations could then be written down in perpetuity rather than up until expiry of the lease.
- 4.2 The property is located on Mare Street almost opposite the civic centre buildings of the Town Hall, 2 Hillman Street, Christopher Addison House, Library and the new Service First building.
- 4.3 The existing accommodation comprises:-

	<b>Sq m</b>	<b>Sq ft</b>
Basement	78.27	842
Ground	147.27	1,585
First Floor	129.18	1,390
Second Floor	137.24	1,477
Third Floor	157.50	1,696
<b>TOTAL</b>	<b>649.46</b>	<b>6,990</b>

- 4.4 Valuations have been undertaken on a Term and Reversion Method with an assumed reversionary rent **(please see attached in the exempt appendices E & F)**.
- 4.5 Investment Capital Values are also shown in Table 1 & 2, **(please see exempt appendices G)** inclusive and exclusive of VAT.
- 4.6 The level of the Council's liabilities till the end of the term of the lease can be seen in **exempt appendices C** as set out in scenarios 1 & 2. Depending on the level of dilapidations capital values are set out in **exempt appendices E, F & G** and outline the level at which the Council are capable of bidding in the auction based on a cost neutral scenario inclusive of purchaser's costs.
- 4.7 Holding costs have been assumed on the basis of securing prudential borrowing of 4% on a straight line basis, **(please see attached in exempt appendix D)**.
- 4.8 Please note these figures are exclusive of finance holding costs, refurbishment costs and running costs.
- 4.9 In addition to the Council's current office requirements a potential commercial requirement has been identified for the ground and basement floors. This will provide the Council with an associated income from granting of a lease which as potential revenue could contribute towards the prudential borrowing holding costs.
- 4.10 It is recommended that refurbishment costs will have to be identified and costed in line with the proposed end user.
- 4.11 It is recommended that that refurbishment costs will have to be identified and costed in line with potentially granting of a commercial lease on the ground floor and basement.
- 4.12 It is recommended that a sinking fund be established for a rolling refurbishment works programme.
- 4.13 This acquisition increases the Council's existing asset base in and around the civic centre of the Hackney Town Hall and the new Service First building and provides the Council with a potentially appreciating asset.
- 4.14 It also continues the Councils rationalisation of it's existing estate and rental liabilities paid to third party Landlords.
- 4.15 Strategic Property commend this acquisition.

## **5 RELATED DECISIONS**

NONE

## **6 FINANCIAL CONSIDERATIONS**

The acceptable range of possible auction bidding sums are set out in Exempt Appendix G, any one of which can be funded from existing Council capital resources.

The Council is currently the tenant of the property and is meeting the rental and other occupation costs from existing revenue budgets.

## **7 COMMENTS OF THE CORPORATE DIRECTOR OF LEGAL & DEMOCRATIC SERVICES**

The proposal to acquire the site is in line with the Council's strategy to continue to improve its asset base.

There is no legal impediment to the proposed acquisition.

Property & Facilities Management at 8 below confirm their view that the purchase price represents best value in all of the circumstances.

## **8 COMMENTS FROM PROPERTY & FACILITIES MANAGEMENT**

The valuation figures of the Strategic Property Manager have been reviewed by Property Services and we concur with their conclusions that the price range indicated for the property represents the market value of the property at present, given the opportunities the property offers to the Council. Therefore, the Council can justify the purchase of this building on the basis of the figures contained in the exempt appendices.

Also, the addition of the freehold interest in the property to the Council's portfolio will enable the property to be wholly within its control and will allow the ground floor and basement to be let on market terms to provide an income. Therefore the purchase of the property is advantageous to the Council for the above reasons.

**Ian Williams**  
**Corporate Director of Finance and Resources**

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Comments of the Corporate Director of Legal & Democratic Services	Dennis Macharaga	☎020-8356 3981

**List of appendices:**

1. Exempt Appendix A
2. Exempt Appendix B
3. Exempt Appendix C
4. Exempt Appendix D
5. Exempt Appendix E
6. Exempt Appendix F
7. Exempt Appendix G

**Appendices A - G have been classified as Exempt on the following basis:**

That under S100 (4) of the Local Government Act 1972, the public be excluded from the meeting for the item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 Part I of Schedule 12A of the Act as amended.

Information relating to the financial or business affairs of any particular person (including the authority holding the information).

**Background papers**

None