

ABERDEEN CITY COUNCIL

COMMITTEE	Finance and Resources
DATE	4 October 2012
DIRECTOR	Gordon McIntosh
TITLE OF REPORT	Update on Future of Several Garage Sites
REPORT NUMBER:	EPI/12/192

1. PURPOSE OF REPORT

This Committee's meeting of 15 March, 2012 considered a report on "*Miscellaneous Leased Properties held on the Common Good Property Investment Portfolio*". One small part of that report discussed garage sites at Hilton and Footdee. After consideration the Committee resolved:-

"...to instruct officers to report back to a future meeting of this Committee on the management options, costs, etc. in relation to the garage sites located within Hilton and Footdee...."

This report is in response to that remit.

2. RECOMMENDATIONS

That the Committee approve:-

That the garage sites at Footdee, Hilton Avenue and Smithfield Drive should be retained within the Common Good Account.

3. FINANCIAL IMPLICATIONS

There are no financial implications as a result of this report.

There are no State Aid implications arising from this report

There are no PBB implications as a result of this report.

4. OTHER IMPLICATIONS

Asset Management and Operations staff input for the future management of the garage sites will be required.

5. BACKGROUND/MAIN ISSUES

- 5.1 This Committee's meeting of 28 September, 2010 considered a report on Property Asset Management Plan - 2010 Update (see Item 25 on pages 20 and 21 of the Minutes). One of the approved recommendations was that:-

"...in respect of the TNRP review, the Head of Asset Management and Operations be instructed, in conjunction with the Head of Finance, to prepare a schedule of property reviews with a view to completing within eighteen months and to report on those reviews, to appropriate meetings of this Committee."

- 5.2 One of the subsequent T.N.R.P. reports was on *Miscellaneous Leased Properties held within the Common Good Property Investment Portfolio* and this was presented to the Committee meeting of 15 March 2012. One small part of the report discussed the future management options, costs etc in relation to the garage sites located within Hilton and Footdee. As per Item 34 on pages 17 & 18 of the Minutes, the Committee resolved :-

- a. notwithstanding the current disposal criteria of the Common Good Account and subject to the overall ongoing option appraisal of all properties detailed, that the Common Good Account retain ownership of the properties detailed within the attached appendix to the report, with the exception of the garage sites located within Hilton and Footdee; and
- b. to instruct officers to report back to a future meeting of this Committee on the management options, costs, etc. in relation to the garage sites located within Hilton and Footdee.

- 5.3 The garage sites are predominantly managed by a Technical Officer on a reactive basis, usually when an existing tenant wishes to assign their interest in the garage site to a new tenant or tenant disputes / lease management issues. An assignation would in general take approximately 2 – 3 hours of Technical Officers time per case, which would be re-charged. Other management issues can be time consuming to resolve. In addition these sites require regular, albeit infrequent, management inspections throughout the year. It is difficult for officers to give precise costs of management time for these properties. In any one year the majority of the garage sites might need little or no management time. On the other hand, an individual garage site lease, if it had all of the features described in this paragraph, might require several hundred pounds worth of management time.

- 5.4 With regard to the 6 garage sites and one parking space at Footdee, one of the garages has been recently re-let with good interest shown from the local community. Given this letting the total rent now being achieved is £1,212 per annum which gives an income yield 12.12% on the 31 March 2012 external valuation of £10,000. It is anticipated that

the lack of alternative car parking in the locality should drive rental levels higher over time. Consequently given the high yield and potential to improve rents, it is recommended these sites are retained in Common Good ownership.

- 5.5 With regard to the 3 garage sites at Hilton Avenue and the 16 garage sites at Smithfield Drive, the total rents are £1,813 per annum and the 31 March 2012 external valuation is £14,800 giving an income yield of 12.25%. The Council owns no other commercial property near either location and neither of the sites is of a size and configuration that would permit residential development to generate substantial capital receipts.
- 5.6 If it were decided to dispose of the garage sites at Hilton Avenue and Smithfield Drive it may also require considerable officer time in dealing with potential disposal of multiple sites and, if some of the tenants do not wish to buy, then the Council could be left with managing a site in multiple ownership with still ongoing management costs and with less rental income.

Conclusion

Taking cognisance of the limited cost in managing these assets and the potential difficulties from partial disposal, it is considered that the Council should continue to let these properties rather than disposing of any of them either to the tenants or on the open market

6. IMPACT

Corporate – The Single Outcome Agreement identifies a requirement to efficiently manage the City Council's resources.

Public – There should be no direct impact on Council staff or service users on the properties in question. As non-operational subjects, the sites do not impinge on the City Council functions.


7. BACKGROUND PAPERS

None

8. REPORT AUTHOR DETAILS


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