

ABERDEEN CITY COUNCIL

COMMITTEE	Finance and Resources
DATE	11 May 2010
CORPORATE DIRECTOR	Gordon McIntosh
TITLE OF REPORT	Former Leadsid Hall – Future Use
REPORT NUMBER:	EPI/10/143

1. PURPOSE OF REPORT

This Report details the history of the former Leadsid Hall and the adjoining Workshop property, and in particular, the approved negotiations with the Devanha Group to identify the site's possible suitability for a Registered Social Landlord (R.S.L.) for the development of affordable housing. It outlines the current financial considerations, in that part of the site is held on the Common Good Account and the outcome of the investigations by the City Solicitor into the opportunity of entering into a Limited Liability Partnership for the development of affordable housing.

2. RECOMMENDATION(S)

It is recommended that the Committee:-

- a) note the content of this Report and the possible creation of a Limited Liability Partnership; and
- b) authorise the Head of Asset Management and Operations to arrange for the combined site to be advertised for sale on the open market and to submit a further Report to the appropriate meeting of the Finance and Resources Committee in due course detailing the outcome of matters, and including the appropriate financial and legal advice.

3. FINANCIAL IMPLICATIONS

The future sale of the appropriate property will generate a capital receipt for the Council during the appropriate financial year.

There are currently no revenue costs for either property, as the Workshop is currently the subject of a lease, and the former Leadsid Hall has not incurred any expenditure to date. However, should the Workshop be sold, there shall be a loss to the Common Good Account of annual revenue of £5,340 p.a. (i.e. the current annual rent).

Any future sale is proposed at Market Value. On this assumption, there will be no state aid or other implications.

4. SERVICE & COMMUNITY IMPACT

Any sale of the appropriate property meets the single outcome agreement in relation to the efficient running of the Council and its property portfolio.

Any sale of the appropriate property in assisting the redevelopment of a vacant building will have wider economic development benefits.

The subjects have been declared surplus, and, as such, there are no Equalities and Human Rights Impact Assessment factors.

5. OTHER IMPLICATIONS

There are no significant other implications in relation to the proposals, although legal and property resources will be required in the future to conclude any proposed sale.

6. REPORT

The Resources Management Committee meeting on 21 November 2006 (Article 26) approved that Leadsid Hall, 43 to 45 Leadsid Road (as shown shaded grey on the attached plan), be declared surplus to Council requirements and marketed for sale.

The Council also owns the adjoining Workshop property at 41 Leadsid Road (as shown shaded black on the attached plan), which is held on the Common Good Account. This property comprises the former Hamlyn Milling Building, which is of two-storesy, of traditional construction and with no car parking/rear access.

At present, the current tenant leases the property on a month-to-month basis (in anticipation of the possible future disposal of the Leadsid Hall), to permit lease termination at short notice, at the appropriate time. The current tenant is aware of the Council's possible future intentions towards the building and, as such, has refrained from carrying out any improvements works.

As a result, the Resources Management Committee on 07 February 2007 (Article 30) approved that the Workshop also be declared surplus to Council requirements and combined along with Leadsid Hall to be made available to Devanha (the umbrella organisation representing the Registered Social Landlords (R.S.L.)) within the city for possible development for affordable housing purposes, on the understanding that should the proposal subsequently fall through, the combined property be advertised for sale on the open market as a development opportunity. The Head of Planning and Infrastructure has confirmed that the combined site is allocated for residential purposes in the adopted Aberdeen Local Plan, therefore, residential development will be

appropriate, subject to meeting the various criteria contained within the Local plan.

In view of the above, the availability of the combined property was again made known to Devanha during 2008 and interest had been expressed in developing the site for affordable housing.

As the adjoining Workshop is held on the Common Good Account, the City Chamberlain's advice was sought at the time in connection with any proposed disposal. It was subsequently confirmed that a minimum total disposal price of £470,500 (of which, the Common Good apportionment at that time was £108,074) would be necessary in order to satisfy the requirements to preserve the financial position of this Account from an income point of view, as a result of the loss of annual revenue of £5,340 p.a. (i.e. the current annual rent from the Workshop property).

The Area Committee Central meeting of 19 August 2008 (Article 23) and the Resources Management Committee meeting of 26 August 2008 (Article 51) considered a Report seeking the decision of the Committees on the future of the properties. However, in an attempt to address the Council's concerns over Best Value, a letter from Tenant's First Housing Co-operative was submitted to the Committees, which contained a suggested possible solution to the problem, involving the creation of a Limited Liability Partnership (LLP). The Committees subsequently resolved that appropriate officers be instructed to enter into discussions with Tenants First and appropriate Housing Agencies to fully explore the opportunities (including financial considerations) of entering into Limited Liability Partnerships for the development of affordable housing on Council owned land.

Accordingly, the matter of considering the creation of a LLP was taken up by the former Head of Planning & Policy for Services to Adults who requested the City Solicitor to provide a legal opinion on such matter. Following comprehensive investigation, the City Solicitor submitted a substantial Briefing Note entitled "Limited Liability Partnerships and Disposal of Common Good Land" to the Housing & Environment Committee meeting of 06 October 2009 (Article 4), which concluded that there are a number of complex financial and legal issues involved that could potentially either preclude any proposed LLP arrangement between the Council and a R.S.L. or raise serious concerns as to whether the advantages of the creation of such an arrangement outweigh the potential costs to be incurred.

However, in view of the time elapsed since the initial round of valuations, the advice of Ryden was sought in December 2009 as to the current Market Value of the combined property and also Leadsid Hall on its own. They suggested that in the current market, the Council could expect to achieve a sale of the combined property in the region of £500,000 to £550,000 with the Leadsid Hall having a current Market Value of £155,000 to £400,000 dependent upon whether it is sold in existing condition or for standard residential development, although such a use now becomes less attractive and feasible. In addition, considering the Leadsid Hall on its own also affects its marketability and viability.

Having subsequently sought the advice of the City Chamberlain on the current position in connection with the Common Good Account, it has been confirmed that as a result in the changing economic climate and the affect it has had on interest rates, etc., the Common Good requirement is now £450,000 in order to satisfy the requirements to preserve the financial position of this Account from an income point of view. This is in comparison to the current combined property value of £500,000 to £550,000 as suggested by Ryden, above. The disposal of the Common Good element of the combined site, i.e. the Workshop property, is, therefore, unlikely to ever be achievable on the basis of the existing apportionment between the respective Accounts.

However, there is scope for any total sale proceed to be apportioned on the basis of the Common Good Account being allocated £450,000 (or whatever the appropriate apportionment figure is at the time), in respect of the sale of the Workshop, with the remainder being allocated to the General Services Account, in respect of the sale of the Former Leadside Hall, albeit the further advice of the Heads of Legal & Democratic Services and Finance shall be required.


In addition, this current level of value for the combined site is now unable to sustain any proposed purchase by a RSL for possible affordable housing, as any purchase for such propsoals is always at significantly lesser value then Market Value, although Councillor Fletcher has indicated during the report consultation procedure that he would be strongly supportive, in principle, for the provision of affordable housing on this site.

Accordingly, in view of the foregoing, the Committee is now invited to approve the recommendation that the Head of Asset Management and Operations be authorised to arrange for the combined properties to be advertised for sale on the open market, and that a further Report is submitted in due course to the appropriate meeting of the Finance & Resources Management Committee detailing the outcome of matters, and including appropriate financial and legal advice.

7. REPORT AUTHOR DETAILS

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8. BACKGROUND PAPERS

None