

REPORT TO: EXECUTIVE

Date: 4th February 2019

TOPIC: 2, 4 AND 6 WILDER ROAD, ILFRACOMBE

REPORT BY: ESTATES OFFICER

1 INTRODUCTION

- 1.1 North Devon Council owns the freehold interest in No's 2, 4 and 6 Wilder Road, which are let on long leases to Young Devon. The two properties are used as a shared house and hostel accommodation for young people.
- 1.2 No's 4 and 6 (Asset A7709), comprise two adjoining houses, which provide one, 4 bedroomed communal housing unit, a mother and baby unit, and an office area which is being converted by the tenants into a one bedroomed flat.
- 1.3 Adjoining No. 4 and 6, is No.2 (Asset 6638) which is comprised of offices with studio flats over two upper floors.
- 1.4 The properties provide sheltered, temporary accommodation for young persons, with onsite support.
- 1.5 Both leases require NDC to be responsible for the structure and exterior of the premises.
- 1.6 Following a flash flood last(?) year, it was established that there are serious repairs needed to the structure and exterior of No. 4 and 6, which is suffering significantly from rising damp. The costs of these works are likely to be in excess of £50,000.00.
- 1.7 Further repair costs are anticipated over the life of both of the assets, these costs are difficult to quantify, but experience would suggest any external or structural works necessary, such as roof repairs, are likely to be excessive.
- 1.8 Estates require guidance from Members on how they would like officers to proceed on the future of these two property assets and the most effective way the premises are best managed going forward.

2 RECOMMENDATIONS

- 2.1 Executive Members give consideration to whether the works should be funded by NDC or whether, in view of the long lease arrangements it would be preferable to dispose of the freehold of No. 4 and 6 over to the tenants to allow them to fund the

works and ongoing costs of managing the building for their own benefit. A disposal is likely to be at a negligible amount.

2.2 As well as considering the issues with No. 4 and 6 in isolation, Executive Members give consideration to whether the freehold of No. 2 Wilder Road should be disposed of to the Tenants for a capital receipt.

2.3 With consideration to the options set out below under the Executive Resume, Executive Members delegate authority to the Head of Resources to negotiate/agree a way forward with the tenants, in consultation with Portfolio Holders.

3 REASONS FOR RECOMMENDATIONS

3.1 That consideration is given to whether investing in carrying out the repairs to the property is an appropriate use of funding for NDC.

3.2 The current costs of putting the building into repair and ongoing liabilities would be mitigated to NDC if the freehold was passed to the tenants.

3.3 A separate, stand alone management/operational agreement could be put in place with Young Devon, giving NDC, EH&H, more direct access to the accommodation for emergency accommodation provision. A clawback to NDC would also be incorporated.

3.4 Should Members prefer to maintain ownership of the freehold, consideration should be given to how the costs of the necessary works are funded, whether by borrowing or redirection from other already allocated funds, such as the Temporary Accommodation project.

3.5 Estates Officers have concerns over the future management liabilities NDC may have in continuing to hold the freehold interest in the properties. Both in terms of costs and liability for the occupants.

3.6 As background, these assets have been considered as viable for disposal as surplus assets since 2012. They were included on the initial disposal list in 2013, and a dialogue opened with the sitting tenants, with a view to obtaining valuation advice to agree a disposal figure. The primary reason for this being Estates concern over the occupational leases, minimum levels of return and the ongoing liabilities to NDC in terms of escalating repair costs going forward.

3.7 The assets were withdrawn from the surplus assets lists at EH&H request because of the nature of the accommodation they provided. However, it is our view as Estates Officers, that the lease structures do not provide any substantial security to NDC in prioritising our requirements for Temporary Accommodation needs and this could be secured more effectively by a separate standalone management or operational agreement with Young Devon.

3.8 Furthermore, the anticipated and unknown future repair costs to NDC arising out of the current leases, outweigh the limited benefits to NDC of getting access to the accommodation for our own clients.

4 EXECUTIVE RESUME

4.1 Providing an outline of the potential options available going forward

4.2 Option 1 – NDC Retain the Assets

NDC incur costs of repairs against an asset with low return.

Funds for repair would need to be either borrowed or redirected from already allocated funds

NDC responsible for future repair liabilities

NDC maintains its revenue stream

NDC EH&H have limited control of the users of the facility.

4.3 Option 2 – NDC dispose of 2, 4 & 6 Wilder Road to include separate agreement with NDC for housing provision

Reduces/eliminates NDC's current and future repair liability

Reduces NDC's revenue

Generates a capital receipt

NDC gains more control of the users of the facility

4.4 Option 3 – NDC dispose of 4 & 6 Wilder Road

Reduces/eliminates NDC's repair liability of 4 & 6

Reduces NDC's revenue stream

NDC EH&H have limited control of the users of the facility.

Very limited chance of capital receipt

5 REPORT

5.1 No's 4 and 6 Wilder Road are let to the current tenants, Young Devon, on an internal repairing lease for 30 years expiring in June 2030, 11.5 years remaining. It is a protected tenancy, the tenants having the right to renew. The passing rental is currently £6,488.00 pa.

5.2 No. 2 Wilder Road is also let to Young Devon on a lease for 99 years from 1997, the current passing rental is £3,400.00 pa. This was a building lease, but NDC retained responsibility for the Exterior.

5.3 Capitalised over the period of the term, this produces capital values of £64,600.00 (No. 2) and £78,000.00 (No. 4 & 6).

5.4 In terms of Open Market Value, with the sitting tenant in place, the values are not likely to be in excess of this.

- 5.5 NDC have identified that £50,000 needs to be spent on No. 4 and 6 to bring it into an appropriate level of repair. This represents the majority of the current capital value.
- 5.6 As NDC retain responsibility for exterior maintenance of both properties, repair costs are likely to continue and escalate over the terms of the leases. Particularly with regard to No.2.
- 5.7 The ongoing liabilities of the landlord would also be reflected in the open market value, which will therefore be limited, as stated above.
- 5.8 Both properties currently provide hostel accommodation for young people, 4 and 6 comprise a 4 bedroomed communal facility, a mother and baby flat and additional ground floor accommodation which is being converted into a further one bedroomed flat. No. 2 incorporates staff accommodation, office and meeting room, with a number of flats/studios on the upper floors.
- 5.9 The leases do restrict the user as accommodation for young persons, No's 4 and 6 link this to Ilfracombe and surrounding area, although as landlords, NDC has limited control over this. No.2 has no geographical restrictions.
- 5.10 It is difficult to enforce non-compliance with these users' restrictions as a landlord as the tenant has the rights to remedy a breach.
- 5.11 However, Estates have also established that there is a planning restriction on the property, which stipulates it can only be used for young persons temporary accommodation.
- 5.12 Whilst the provisions in the lease and 4 and 6 gives some comfort to EH&H that the accommodation is for local persons, it is difficult to enforce this under the terms of the lease. As the lease stands, we cannot specify that the accommodation is made available to as a priority to NDC for temporary accommodation.
- 5.13 Young Devon work in collaboration with relevant local stakeholders, including NDC, to prevent Youth Homelessness. The stakeholders meet monthly (under terms of reference of the Young Person's Homelessness Prevention Panel) to agree, in principle, which Young Person may be prioritised for forthcoming vacancies. These meetings occur because the allocation of supported social housing vacancies are specifically excluded from the Devon Home Choice policy in favour of multi-agency considerations.
- 5.14 Young Devon has the final decision and they have a contract with Devon County Council to provide supported accommodation at this location to prevent Youth Homelessness.
- 5.15 North Devon Council or Devon County Council (dependent on circumstances) have a legal duty to provide accommodation for certain homeless Young Persons. B&B accommodation is not considered suitable accommodation. Access to commissioned supported accommodation is therefore a valuable resource for NDC/DCC.
- 5.16 NDC has significant cost pressures providing Temporary Accommodation for homeless households and is therefore keen to retain supply and access to

supported accommodation to prevent homelessness and/or the need to provide Temporary Accommodation

- 5.17 Estates officers have concerns over the future liabilities to NDC in terms of ongoing maintenance and potentially excessive repair costs.
- 5.18 Estates Officer also have concerns that as landlords, NDC retain responsibility for the suitability and management of the accommodation over which we have limited control.
- 5.19 By passing on the freehold interests, NDC mitigate and liability responsibility going forward.
- 5.20 Estates Officers seek to gain a capital receipt, with consideration to the limits on open market value and the marriage value to the tenants, with them taking the ongoing liability for the property.
- 5.21 There is potential to achieve a capital receipt based on these figures, in considering the marriage value of the leasehold and freehold interest, having taken into consideration the ongoing costs of holding these assets.
- 5.22 The tenants are receptive to a package to take the freehold ownership, as well as entering into a separate management/operational agreement with NDC EH&H to maintain availability for Temporary Housing provision.

6 RESOURCE IMPLICATIONS

- 6.1 Loss of current revenue - £6,488.00 and £3,400.00 pa.
- 6.2 Potential costs of £50,000 for immediate repairs.
- 6.3 Unknown repair costs going forward.
- 6.4 Potential Capital Receipt.
- 6.5 Clawback provisions on future disposal or change of use.
- 6.6 Ongoing costs in NDC staffing to manage the property and repairs going forward.
This is difficult to quantify, but given the age and nature of the properties, should works be required to repair or replace the roof of the property for example, this is likely to completely evaporate any capital value (Based on costs to replace the roof on the castle street properties).
- 6.7 Reduced NDC staffing costs with release of freehold interest to Tenants.

7 CONSTITUTIONAL CONTEXT

Article or Appendix and paragraph	Referred or delegated power?	Key decision?
Part 3 Annexe 4	Delegated power	Yes

8 STATEMENT OF CONFIDENTIALITY

8.1 This report contains no confidential information or exempt information under the provisions of Schedule 12A of 1972 Act.

9 BACKGROUND PAPERS

9.1 The following background papers were used in the preparation of this report:

- Leases held by Estates
- Asset Valuation, held by Estates and Financial Services.
- Costings of works hold by Estates

The background papers are available for inspection and kept by the author of the report.

10 STATEMENT OF INTERNAL ADVICE

10.1 The author (below) confirms that advice has been taken from all appropriate Councillors and officers.

Executive Member: Councillor Richard Edgell and Councillor Glyn Lane

Author: Helen Bond, Estates Officer

Date: 7th December 2018

Reference: A7709 Wilder Road