

Subject:	Shoreham Airport		
Date of Meeting:	16 October 2014		
Report of:	Geoff Raw, Executive Director Environment Development & Housing		
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Ward(s) affected:	All		

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 The Council (along with Worthing Borough Council) is the landlord of Shoreham Airport. The Councils sold the airport along with nearby commercial units on long leases in 2006 for £8.1m plus £1m deferred consideration (due September 2013 if the tenant failed to pay £4 million towards the improvement of the airport). The tenant owes the Councils £1m deferred consideration.
- 1.2 In May 2014 the P&R Committee considered and approved a scheme whereby (a) the tenant surrendered the lease of Shoreham Airport but retained nearby commercial units (b) an aviation company: Brighton City Airport Limited would take 150 year leases of the operational parts of the airport and (c) the tenant would take 150 year leases of two plots of surplus land for use as development sites. The incoming tenant would restore the listed terminal and hangar buildings and the £1m deferred consideration would be postponed until completion of a development on the development sites. Following a corporate restructure, the tenant chose not to proceed with this approved deal.
- 1.3 The tenant still wishes to redevelop part of the airport and is asking (a) to further delay payment of the £1m deferred consideration until a development is completed, and (b) allow general use of the land once development is completed (the lease currently contains a restriction that any use of the land must be "*ancillary to use as an airport*"). The tenant has sublet the operational parts of the airport to Brighton City Airports Limited for a shorter term (which it can do without consent being required from the Councils).
- 1.4 That the Council shall give delegated authority to the Executive Director for Environment Development and Housing in consultation with the Head of Law to agree the form of any necessary deeds and documentation to give effect to the recommendations and to negotiate on ancillary matters with a view to progressing this matter to completion

2. RECOMMENDATIONS:

- 2.1 That the Council notes that the scheme approved by P&R on 1 May 2014 is no longer proceeding.

- 2.2 That the Council, by way of a Deed of Variation to the lease, formally postpones the £1m deferred consideration until the first new unit of any development at the airport is capable of occupation. Interest is to be charged on the deferred consideration from the original due date of 16 September 2013 at a commercial rate compounded annually with a long-stop date for payment of 2020.
- 2.3 That the Council, subject to payment of a suitable premium (such value to be assessed and agreed by the Council's Estates Surveyor) enters into an agreement to relax the user covenant to enable the use of any completed development as a City Deal Growth Hub upon (a) completion of the development and (b) payment of the £1m deferred consideration plus interest due.

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 In May of this year, Policy & Resources Committee approved a scheme in which Brighton City Airports Limited ("BCAL") would take a 150-year lease from the Councils of the operational parts of the airport and Albemarle Shoreham Airport Limited ("ASAL" or the tenant) would retain the development sites at the airport and the nearby commercial units. The £1m deferred consideration would be paid following occupation of the first unit of any development.
- 3.2 See Part 2 Report.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 See Part 2 Report.

5. COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 The tenant and BCAL inform the Council that they holds regular consultations with Shoreham Airport Operators' and Traders' Association (SAOATA). The Council does not have day-to-day control of the site and deals with the airport solely in its position as corporate landlord so further consultation by the Council has not been carried out.

6. CONCLUSION

See Part 2 Report.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 Deferring payment of the £1 million will mean the value of the receipt will diminish over time. The proposal to apply a commercial rate of interest to the deferred consideration will protect the Council against any further deterioration in value and help protect the Council against any potential state aid issues. Brighton and Hove City Council will be entitled to two thirds of the proceeds from the deferred consideration and compound interest, with Worthing Borough Council receiving one third which is in line with freehold ownership.

- 7.2 Similarly, the premium negotiated for the relaxation of covenants is also split in line with ownership.
- 7.3 The share the Council receives from both the deferred consideration and the relaxation of covenant will be used to support the capital investment programme in future years.

Finance Officer Consulted: James Hengeveld

Date: 19/09/14

Legal Implications:

- 7.4 The legal implications relating to this complex matter are set out in the body of the report and members may also find it useful to refer to the previous report.

Lawyer Consulted: Bob Bruce Date: 18/09/14

Equalities Implications:

- 7.5 Matter considered and no issues identified.

Sustainability Implications:

- 7.6 Matter considered and no issues identified.

Any Other Significant Implications:

- 7.7 Reputational issues of protecting business in the area, maintaining an operational airport and securing investment in the Airport would have a positive reputational impact on the Council.

Crime & Disorder Implications:

- 7.6 None.

Risk and Opportunity Management Implications:

- 7.7 None.

Public Health Implications:

- 7.8 None.

Corporate / Citywide Implications:

- 7.9 Continued running of the Airport has a positive effect on the Greater Brighton City Deal.

SUPPORTING DOCUMENTATION

Appendices:

1. See Part 2 Report.

Documents in Members' Rooms

1. None.

Background Documents

1. None.