

<b>Subject:</b>	<b>92 Cromwell Road – Surrender and Renewal</b>		
<b>Date of Meeting:</b>	<b>16 October 2014</b>		
<b>Report of:</b>	<b>Executive Director Finance &amp; Resources Executive Director Adult Services</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Jessica Hamilton</b>	<b>Tel: 291461</b>
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<b>Ward(s) affected:</b>	<b>Goldsmid</b>		

## FOR GENERAL RELEASE

### 1. PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 To seek agreement to accept a surrender of the lease for the upper parts of 92 Cromwell Road and grant a new lease for an extended demise of the whole property (to include the lower ground floor) to the same tenant for a term of 77 years.

### 2. RECOMMENDATIONS

- 2.1 That the Committee authorise the termination of the existing lease for the upper parts of 92 Cromwell Road by accepting a surrender.
- 2.2 That the Committee authorise the disposal of the whole of 92 Cromwell Road (to include the lower ground floor) by way of a 77 year lease to the same tenant.

### 3. CONTEXT/BACKGROUND INFORMATION

- 3.1 In 1992 the council granted a 99 year lease of the ground, first and second floors of 92 Cromwell Road at a peppercorn to a Housing Association for the provision of 5 units of residential accommodation for adults with learning disabilities and an ancillary office. There are 77 years of this lease remaining. The current tenant is Southern Housing Group who took an assignment of the lease as part of a larger transfer of properties. (See plan attached as Appendix 1).
- 3.2 The lease requires the lessee to be responsible for the repairs and maintenance of the whole building and the council is required to pay 25% of the costs in relation to the lower ground floor.
- 3.3 The council retained control of the lower ground floors for use as a day centre which closed in 2008. At Cabinet meeting on 8 December 2011 permission was given to allocate capital funding to develop the lower ground floor and convert it to 2 flats which completed in 2013. Expressions of interest were then sought from service providers for the provision of specialist housing management

services to clients with Learning Disabilities. It was intended to grant a 10 year lease for the 2 lower ground floor flats.

3.4 Grace Eyre Housing CIC were chosen as the preferred tenant for the lower ground floor flats and given the urgency at the time to house identified clients a short-term licence was granted to Grace Eyre from February 2013 with the intention of granting a longer lease shortly afterwards.

3.5 In April 2013 Southern approached the council with a proposal to either sell the lease back to the council or purchase the freehold as the property did not contribute to their core business. In response it was suggested that Southern seek to identify an appropriate assignee for the lease. It was further suggested that Grace Eyre may be interested in taking a lease of the whole property and negotiations commenced between the 3 parties.

3.6 As part of the negotiations an independent valuation was commissioned of both Southern's leasehold interest of the upper parts and an equivalent leasehold interest (77 year term) of the lower ground floor. Terms have been agreed between the 3 parties for Grace Eyre to pay Southern a premium to take an assignment of the existing lease of the upper parts based on these valuations. The council can then accept a surrender of that lease and grant a 77 year lease of the whole property to Grace Eyre for a premium.

#### **4. ANALYSIS AND CONSIDERATION OF ANY ALTERNATIVE OPTIONS**

4.1 Sell the freehold to Southern. This was rejected as it would not afford any protection to the existing occupiers or its current use.

4.2 Allow Southern to assign their interest to another party and grant a lease on the lower ground floor to Grace Eyre. This would result in there being two leaseholders within the building with the leaseholder of the upper parts responsible for the repairs and maintenance of the whole building and the council responsible for paying 25% of the cost. Whilst this cost could be passed onto the lessee of the lower ground floor they would not have a direct relationship with the other lessee and it would be difficult to manage with potential for dispute.

4.3 Allow Southern to assign their interest to Grace Eyre and grant a second lease to Grace Eyre for the lower ground floor. If Grace Eyre is to be leaseholder of the whole building it is prudent for this to be under one lease.

#### **5. COMMUNITY ENGAGEMENT AND CONSULTATION**

5.1 The Learning Disability Service and Grace Eyre Foundation who support the tenants of Cromwell Road have been kept informed of potential changes and have communicated any relevant information to the tenants.

#### **6. CONCLUSION**

6.1 Southern do not consider this property to be part of the core business and wish to dispose of the leasehold interest that they hold of the upper parts (of which there are 77 years remaining).

- 6.2 The council is in the process of granting a lease to Grace Eyre on the lower ground floor which was recently refurbished to create 2 residential units.
- 6.3 The three parties have negotiated terms for Southern to assign their lease to Grace Eyre. The council will then take a surrender of the lease and simultaneously grant a lease for the whole to Grace Eyre. Grace will pay a premium to the council for the value of a 77 year lease of the lower ground floor as valued by an independent valuer.

## **7. FINANCIAL & OTHER IMPLICATIONS**

### Financial Implications:

- 7.1 The disposal of the whole of 92 Cromwell Road on a 77 year lease will generate a capital receipt that will be used to support the Council's capital investment strategy for future years.

The Council is currently responsible for meeting 25% of the repairs and maintenance costs associated with the lower ground floor. The disposal of the site under the terms of the new lease will ensure that the Council has no obligation for future repairs and maintenance costs.

*Finance Officer Consulted: Rob Allen*

*Date: 15/09/14*

### Legal Implications:

- 7.2 The Council should be careful to avoid Stamp Duty Land Tax Liability upon the surrender of the Southern Housing Group lease. The Council must ensure that they do not receive or process chargeable consideration for the surrender prior to granting a lease for the whole building to Grace Eyre.

Grace Eyre's charitable objects are "to support and assist people with learning disabilities or mental health issues by arranging... accommodation... and similar services". The lease of flats for provision to "people with learning disabilities or mental health issues" could be an activity connected to Grace Eyre's business and the lease may therefore receive the protections of the Landlord & Tenant Act 1954. This could affect the value of the council's reversionary interest in the freehold upon any lease extension.

*Lawyer Consulted:*

*Name Oliver Asha*

*Date: 12/09/14*

### Equalities Implications:

- 7.3 Assigning the lease to Grace Eyre will ensure that accommodation is provided by an organisation that is dedicated to reducing inequality and has a track record of supporting and accommodating people with learning disabilities in the city.

### Sustainability Implications:

- 7.4 Grace Eyre are a local housing and support provider who are expanding their portfolio of housing locally so that people with learning disabilities can be

accommodated in the locality rather than out of area. Expansion of their organisation will mean further jobs for local people.

Risk and Opportunity Management Implications:

- 7.5 Grace Eyre have worked closely with the Council to support people with learning disabilities and have established themselves as a good accommodation provider. They are viewed as a low risk organisation and their commitment to people with learning disabilities means that they would be viewed more favourably than a general needs housing association.

## **SUPPORTING DOCUMENTATION**

### **Appendices:**

1. Plan of 92 Cromwell Road

### **Documents in Members' Rooms**

There are none.

### **Background Documents**

There are none.