

ARUN DISTRICT COUNCIL

REPORT TO AND DECISION OF ECONOMIC COMMITTEE ON 12 OCTOBER 2021

REPORT

SUBJECT: River Road, Arundel Garage compound site.

REPORT AUTHOR: Paul Broggi – Property, Estates & Facilities Manager
DATE: 31st August 2021
EXTN: 01903 737506
AREA: Technical Services

EXECUTIVE SUMMARY:

This report seeks to set out the options available to the Council for the future use of Council Freehold Land at River Road, Arundel, West Sussex.

RECOMMENDATIONS:

- 1 - That the Economic Committee approve for the Council to proceed with Option 2 as set out in the Options Viability Appraisal at appendix 1, namely to demolish existing garages, reconstruct eight new garages and lease out garages with increase on current 2021 rental levels.
- 2 - That the Economic Committee approve for the Council to serve notice on the remaining licensees of the existing garages in order to gain vacant possession of the site.
- 3 - That the Economic Committee approve for the Council to proceed with the inclusion of an annual rent increase clause (3%) within the River Road garage lease / licences.
- 4 - That the Economic Committee approve for the Council to proceed with the award of a 7 year lease for the new garages.
- 5 – That the Economic Committee recommend to Corporate Policy & Performance Committee that £154,000 be included within the capital programme to carry out the demolition and replacement of the garages at River Road, Arundel.
- 6 – That the Economic Committee delegates to the Group Head of Technical Services, in consultation with the Chair of the Economic Committee, authority to submit any necessary planning applications for the purpose of achieving the demolition and reconstruction of garages at River Road, Arundel.

1. BACKGROUND:

1.1. The Council's site in River Road, Arundel currently houses nine concrete panel, cement fibre roofed garages and two external parking spaces. The garages are aged and in very poor condition. Of the nine units two have been taken out of service due to defects. The roofing material used (fibre cement sheeting) contains Asbestos and accordingly repairs to this agreed and fragile roof are not considered practical or safe. Being old the garage size is small and users have difficulty in accessing with a standard modern family saloon. The Council's Property & Estates team consider the existing garages to be life expired and beyond economical repair. In addition, they are not considered to be up to the modern standard expected of a garage due to their size and design, accordingly they cannot command the premium rental levels that should be attainable in a town such as Arundel.

1.2. The existing garages are presently let on a simple licence arrangement requiring one months' notice to bring the licence to an end. The current charge for a garage is £85 per calendar month.

1.3. The small site in River Road, Arundel is in the town centre and is surrounded on three sides by residential development. Vacant parking and garages / storage are in short supply in Arundel and therefore this service is in demand. In consulting local estate agents ahead of this exercise the Council were advised that garage storage was likely to be preferable to open car parking provision. Many houses were small (cottages) with limited space, often with no parking provision. Garage provision would therefore allow alternative storage to vehicles and so would be more flexible and attractive to a prospective tenant.

1.4. As the site is located within a residential area with recent redevelopment occurring to the brewery site directly to the north and east of the Council's land this is an aspect that has also been explored as part of this report. Vacant town centre development land in Arundel is rare and the local economy such that land prices remain high in line with current property prices. The Property & Estates team have completed some soft market testing regarding development options for the site and this confirmed that there would undoubtedly be strong interest in the site, were it to become available on the market for redevelopment. This is included as Option 6 in the Options viability study at appendix 1.

1.5. The viability study completed has accounted for risk in that it allows for 80% occupancy rate in relation to revenue received. The nine current garages have run at 100% occupancy for a number of years with no turnover of tenants, excluding the two garages that became defective necessitating termination of the licences. Property & Estates are therefore of the view that it is a reasonable assumption to conclude that the proposed eight new larger modern garages included in Option 1 and 2 will not be difficult to let at a significantly higher rate a position supported by local estate agents consulted. If the Council were successful in maintaining an occupancy rate of 95% then this would improve the profit figure listed over 25 years in the viability study for Option 2 by 25% which would represent an increase of over £100,000.

1.6. If the Council proceed with the recommended option (2) then the land asset is retained, the property asset and value is significantly improved, and the Council's revenue position is also significantly improved.

2. PROPOSAL(S):

1 - That the Economic Committee approve for the Council to proceed with Option 2 as set out in the Options Viability Appraisal at appendix 1, namely to demolish existing garages, reconstruct eight new garages and lease out garages with increase on current 2021 rental levels.

2 - That the Economic Committee approve for the Council to serve notice on the remaining licensees of the existing garages in order to gain vacant possession of the site.

3 - That the Economic Committee approve for the Council to proceed with the inclusion of an annual rent increase clause (3%) within the River Road garage lease / licences.

4 - That the Economic Committee approve for the Council to proceed with the award of a 7 year lease for the new garages.

5 – That the Economic Committee recommend to Corporate Policy & Performance Committee that £154,000 be included within the capital programme to carry out the demolition and replacement of the garages at River Road, Arundel.

6 – That the Economic Committee delegates to the Group Head of Technical Services, in consultation with the Chair of the Economic Committee, authority to submit any necessary planning applications for the purpose of achieving the demolition and reconstruction of garages at River Road, Arundel.

3. OPTIONS:

A summary of the options assessed is detailed below. These options are considered in financial detail within the Options Viability Appraisal appended to this report. This information should be read in connection with the following information below.

3.1 - Option 1 - Demolish existing garages and reconstruct new garages (8 No.) - Lease out garages at current 2021 rental levels.

3.2 - Option 2 - Demolish existing garages and reconstruct new garages (8 No.) - Lease out garages at increased rental levels.

3.3 - Option 3 - Demolish existing garages and tarmac site and line paint to provide 10 external parking spaces. Lease out car parking spaces on current 2021 rental levels

3.4 - Option 4 - Demolish existing garages and tarmac site and line paint to provide 10 external parking spaces. Lease out car parking spaces at increased level

3.5 - Option 5 - Demolish existing garages and rebuild 8 garages and retarmac and landscape area and dispose of via leasehold (25 years for £35K).

3.6 - Option 5A - Demolish existing garages and rebuild 8 garages and retarmac and landscape area and dispose of via leasehold (25 years for £50K).

3.7 - Option 6 - Freehold disposal of site for development.

4. CONSULTATION:		
Has consultation been undertaken with:	YES	NO
Relevant Town/Parish Council		X
Relevant District Ward Councillors		X
Other groups/persons (please specify)		X
5. ARE THERE ANY IMPLICATIONS IN RELATION TO THE FOLLOWING COUNCIL POLICIES: (Explain in more detail at 6 below)		
Financial	X	
Legal	X	
Human Rights/Equality Impact Assessment		X
Community Safety including Section 17 of Crime & Disorder Act		X
Sustainability		X
Asset Management/Property/Land	X	
Technology		X
Other (please explain)		X
6. IMPLICATIONS:		
<p><u>Financial</u></p> <p>The Councils Finance team have been consulted on the business cases presented appended to the main body of this report and they have agreed the figures and business cases included and appended to this report.</p> <p>The Councils section 151 Officer wishes to make the following statement in relation to this report:</p> <ul style="list-style-type: none"> • Demolition & reconstruction of garages would be a capital item. Finance advise that the recommendation (option 2), if accepted, would have to be submitted for consideration as part of the capital programme budget as a growth item. The rental income received will be revenue income. • The sale of the site as detailed in Option 6 generates a capital receipt which would help fund the Council's capital programme in general. <p><u>Legal</u></p> <p>The role out of the recommended option will involve the Council's Legal Services team in the drafting of a new leases and the issuing of leases.</p>		

Asset Management / Property / Land.

The Property & Estates team will be involved in the design, procurement, and contract management of the recommended option as this is a project that is to be delivered in house in order to control costs. The asset on completion will then fall under the service in terms of reactive and planned maintenance and customer liaison.

7. REASON FOR THE DECISION:

The existing garages are in very poor condition and life expired. Continuing their use as they are is not an option and so a decision needs to be made on the future use of the land.

The recommended option (2) seeks to improve facilities in the town and ensures minimal loss of car parking in the town centre.

The recommended option improves the Council's revenue position and asset value and the land is also retained providing the Council further options in the future.

For the above reasons the recommended decision within this report is considered to be in the best interests of the Council.

8. BACKGROUND PAPERS:

Appendix 1 – Options Viability Appraisal

Appendix 2 - Site location plan