

Report to	-	Cabinet
Date	-	11 February 2019
Report of the	-	Executive Director
Subject	-	Land at the West Trading Estate, Bexhill

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**Recommendation to COUNCIL:** That the sum of £1,250,000 be added to the Council's Capital Programme for demolition and refurbishment works at the West Trading Estate, Bexhill;

**AND**

It be **RESOLVED:** That the Executive Director be granted delegated authority to:

- 1) tender for the works set out in this report and enter into the necessary contracts; and
  - 2) enter into a funding agreement with the South East Local Enterprise Partnership in the event that the Council's application for grant funding is successful.
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**Head of Service: Ben Hook**

**Lead Cabinet Member: Councillor Lord Amphill**

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**Background**

1. The Council has recently completed the acquisition of the headleases of three sites formerly let to Mars Pension Fund Trustees on the West Trading Estate, Bexhill. These acquisitions were approved through the Property Investment Panel following extensive negotiations with the head tenant in the preceding months. The sites that have been acquired are 18-40 Beeching Road (Site A): 16 Beeching Road (Site B): 1-7 Wainwright Road (Site C). A map of the sites is shown as Appendix 1.
2. The majority of the West Trading Estate is occupied under long ground leases issued in the late 1960s / early 1970s. Many of these are approaching their midway point, beyond which the ability of head tenants to raise capital to reinvest will diminish over time; risking a long-term lack of investment and consequent decline in the estate in terms of both its economic potential and its value as an asset.
3. Acquiring the ground leases allows the Council to receive a full market rent from the premises (as opposed to a ground rent) in exchange for its capital investment. It also enables the Council to take a more proactive approach to the future management of the sites, both to stimulate new investment and to protect the value of its asset in the longer term.

**Future Development**

4. In the case of the sites that have now been acquired, two of these are either

wholly or partially vacant and require investment through redevelopment or refurbishment. Site C in particular has been vacant for some time and is in a deteriorating state. There is a regeneration-led case for the Council to intervene, to prevent further deterioration, to stimulate investment and drive change.

5. The capital sum invested to acquire the headleases at these sites reflects the value of the income received from the tenants in occupation, but also reflects the fact that the Council will need to spend further capital in order to bring them back into economic use. The purchase costs have been met through the Council's £35m investment fund.
6. Site A comprises two facing terraces of workshop units. The southern terrace of 6 units is occupied by Screwfix and Phase Electrical. The northern terrace of 6 units is currently vacant and these require refurbishment in order to restore the properties to their original configuration and to bring them back into a lettable condition. A comprehensive refurbishment would include removal of internal partitions; breaking out of raised floors and releveling; reinstatement or replacement of roller shutter doors; removal of redundant outbuildings and extensions; removal of redundant plant and equipment; and replacement of the roofs.
7. The cost of these works has been estimated at around £960,000. The Council has applied to the South East Local Enterprise Partnership (SELEP) for grant funding for the full amount of these works through the Local Growth Fund, in order to facilitate the provision of low cost workspace targeted at the creative sector. The proposed scheme would provide dedicated workspace set at an affordable rate for artists and creative businesses to establish working spaces and develop a range of networks and contacts, complementing and enhancing provision available in Bexhill and elsewhere. The capital grant investment in the buildings to bring them back into a usable state would enable the Council to specifically target this traditionally low yield sector to support its survival and growth in the town.
8. A decision on this application is expected in March. In the event that the bid is unsuccessful, or only partially funded, officers will review its appraisals of the scheme and may adjust the specification to enable savings to be made (for example by repairing rather than replacing roofs).
9. Site B is currently let to Birchwood Garages Limited and producing a rental income, so there are no plans at this time to undertake redevelopment or other works.
10. Site C, the former Sharwood's factory site, requires complete demolition as the buildings on the site are in a derelict state and are no longer fit for purpose, having been built and adapted over time to meet Sharwood's operational requirements. Once cleared, the site will be redeveloped and officers are currently considering several options which will be reported further to Members in due course. Officers are also exploring options for temporary occupation of the site once demolished, in order to minimise liabilities and generate an income pending redevelopment. The cost of demolition is estimated at around £200,000.

11. The above cost estimates were taken into account when considering the return on investment derived from the acquisitions, and reflected in the purchase price paid for the sites.
12. Council approval is therefore sought to include the cost of the above refurbishment and demolition works in its Capital Programme. As the figures referred to above are estimates and remain subject to tender at this stage, a total of £1,250,000 is recommended in order to allow a margin for contingencies.
13. All works will be commissioned through a formal tender process including allowance for EU compliance. Officers are preparing the necessary tender documentation in order to be able to progress these works as quickly as possible, subject to a decision on the SELEP grant. The demolition works at Site C are expected to be completed by June 2019, and the refurbishment works at Site A by December 2019.
14. Approval is therefore sought to add the sum of £1,250,000 to the Council's Capital Programme, to accommodate the works referred to.
15. Delegated authority is sought for the Executive Director to tender for the refurbishment and demolition works, including publication of notices as required in the Official Journal of the European Union, and to enter into the necessary contracts once the tendering process has taken place.
16. In the event that the Council's grant application is approved, delegated authority is also sought for the Executive Director to enter into the necessary funding agreement with SELEP.

Dr Anthony Leonard  
Executive Director

### **Risk Assessment Statement**

There is a financial risk to the Council in undertaking any development or refurbishment work. The stated costs of refurbishment and demolition are high level estimates at this stage and will be subject to tender.

There is a risk that premises may continue to stay vacant after the demolition and refurbishment works have been carried out. An allowance for voids has been made in considering the return on investment when acquiring the headleases, and officers will continue to pursue discussions with potential occupiers while the works are being carried out.