

TRAFFORD COUNCIL

Report to: Executive
Date: 25th June 2018
Report for: Decision
Report of: Executive Member for Investment, Regeneration and Strategic Planning

Report Title

Clarendon House, 24 Stamford New Road, Altrincham.

Summary

This report sets out a proposal for the Council to receive a share in a Capital receipt following the disposal of the development of Clarendon House by Lunar Altrincham S.A.R.L ('Lunar') in exchange for the Council re-gearing Lunar's existing leasehold interest. The Council will retain the ultimate freehold interest which will generate a rental income and the first floor library (via a new lease from Lunar), obtain a significant capital receipt whilst also benefitting from the creation of new town centre residential accommodation and the associated future Council tax revenues.

Recommendations

That the Executive:

1. Authorise the Surrender of the existing leases between the Council and Lunar so far as they relate to Clarendon House.
2. Authorise the Corporate Director Economic Growth, Environment and Infrastructure (EGEI) to finalise the terms for and to:
 - a: grant a new 250 year headlease of Clarendon House from the Council to Lunar;
 - b: accept a new lease from Lunar of the ground floor retail units (not forming part of the proposed residential redevelopment) and the existing first floor library premises;
 - c: grant a new lease of the ground floor retail units (not forming part of the proposed residential redevelopment) and the existing first floor library premises; and
 - d: accept a new lease of the existing first floor library premises.
3. Authorise the Director of Legal and Democratic Services to agree the Heads of Terms negotiated with Lunar to allow a share of the Capital Receipt received by Lunar to pass to the Council on disposal of the residential scheme to a developer.

4. Authorise the Director of Legal and Democratic Services to complete all necessary legal documentation accordingly.

Contact person for access to background papers and further information:

Name: Richard Roe
Extension: 4265

Background Papers: None

Implications:

Relationship to Policy Framework/Corporate Priorities	This report relates to the corporate priority for economic growth and development.
Relationship to GM Policy or Strategy Framework	This report is aligned with the priorities contained within the GM Strategy, Town Centre Review and the emerging GM Housing Strategy.
Financial	This is detailed in Part 2 of the report
Legal Implications:	The Council will retain the freehold and the regear has been designed to keep as much of the current structure in place as possible. The head tenant will have a much longer lease.
Equality/Diversity Implications	None associated with the residential development. Facilities support all sectors of the community, all equality strands will be considered further in the development of the project
Sustainability Implications	The new development will be in line with the Council's sustainability requirements for new housing. Will also result in improvements to the town centre which will lead to enhancement of the physical environment and sustainability of the building in the longer term.
Resource Implications e.g. Staffing / ICT / Assets	Asset Management implications are set out in the report.
Risk Management Implications	Contract documentation will minimise risks to the council associated with the development and offer remedies should progress be frustrated.
Health & Wellbeing Implications	None
Health and Safety Implications	None

1.0 Introduction and Context

- 1.1 The Council has been in discussions with Lunar, the owner of New Clarendon House, Altrincham in connection with a proposed change of use from a vacant 40,000 sqft office building into residential (60 apartments) use. The Council owns the freehold of the building and Lunar Altrincham Sarl (Lunar) has the residue (87 years) of a 125 year lease. The Council's consent to amend and vary the lease to allow the use and extend the leasehold period is required. This will in turn allow Lunar to be able to bring forward a residential redevelopment opportunity which would not have been possible under the terms of the existing and shorter duration headlease.
An offer to acquire the Council's freehold was made by Lunar on 25th May 2018. This offer was not accepted on the basis that the re-gear option was close to agreement. The disposal of the site is not aligned with the Council's Investment Strategy where we are seeking a revenue return.
- 1.2 Lunar has secured planning permission for the change of use and the conversion scheme and the Council has agreed Heads of Terms for a transaction that would enable Lunar to market the opportunity to a residential specialist.
- 1.3 The restructuring of the leases will allow Lunar to market and dispose of the residential development opportunity and realise a Capital Receipt of which the Council will receive a share in exchange for providing consent to amend and vary the leases as detailed above and the Council will receive a rental income.
- 1.4 The Agreement between the Council and Lunar will place an obligation on Lunar to market and assess bidders for the residential opportunity in a way that minimises risk (i.e. a purchaser with a track record and sufficient financial credibility). In particular, the developer must evidence proof of funds to purchase and develop, with no current enforcement action registered against them.
- 1.5 The agreement will also provide the Council with a right to determine the terms of the agreement in the event that the Development Headlease has not been granted within a specified period from the exchange of contracts. This effectively provides Lunar with a fixed period to market the building and complete the transaction.
- 1.6 The terms of the re-gear as set out in the associated Part II report

2.0 Next steps

- 2.1 Final negotiated Heads of Terms to be legally documented by end of June.

3.0 Financial Issues

- 3.1 The disposal of the residential development opportunity will provide the Council with a capital receipt. More detail is included in the Part 2 report.

Consultation

Consultation has taken place through the planning process for the proposed residential scheme (Planning ref 88883/FUL/16)
There is no requirement to consult on the regear.

Other Options

The Council could determine not to agree to the regear of the lease. This would result in the loss of a capital receipt and increased rent income to the Council, and the development of new residential housing in Altrincham, in line with our strategy for the town. Alternatively, an offer was made by Lunar to acquire the freehold of the Stamford Quarter as a whole. Disposing of the asset would not be in line with the Council’s investment strategy or our town centre strategy and was therefore the offer was rejected on strategic grounds.

Reasons for Recommendation

These proposals allow the Council to secure a capital receipt, facilitate the regeneration of part of Altrincham town centre, provide additional new residential units and benefit from future Council Tax receipts. In addition the Council will retain the freehold interest in the site ie remain the ultimate landlord and has the benefit and control of first floor library space, by virtue of a lease.

Key Decision

Key Decision Yes

If Key Decision, has 28-day notice been given? Yes

Finance Officer Clearance (type in initials)..... **GB**.....
Legal Officer Clearance (type in initials)..... **TR**.....

CORPORATE DIRECTOR’S SIGNATURE 

To confirm that the Financial and Legal Implications have been considered and the Executive Member has cleared the report.