

**REPORT OF THE CORPORATE PROPERTY OFFICER (DIRECTOR OF DEVELOPMENT) TO THE MEETING OF THE EXECUTIVE TO BE HELD ON 23 OCTOBER 2002** (This matter is the responsibility of Councillor Croad)

**12 MIDDLE STREET, TAUNTON**

1. Purpose of Report

- 1.1 To seek The Executive's approval to the proposed sale of the Borough Council's freehold interest in the above property, subject to the existing lease, by Public Auction.

2. Summary

- 2.1 The Chief Valuer has been considering the possibility of recommending that the Borough Council disposes of this property over the last few years and considers that the time to propose this course of action is now opportune. The rent received under the terms of the lease is low but the market for selling commercial property is currently very good and therefore it is considered that a good price could now be achieved for what is purely an investment property. The Asset Management Plan Group of Officers has considered the matter, and it is felt that a sale would be in line with the Action Plan of the 2002 Asset Management Plan. It is therefore proposed to include the property in a Public Auction on 2 December 2002 to be conducted by Messrs Colliers Conrad Ritblat Erdman in London.

3. Background Information

- 3.1 This property, formerly known as the Melville Hotel, consists of a three storey, 18<sup>th</sup> century brick building (listed Grade II) with later extensions to the side and rear, together with two cottages in the grounds, one of which is used as offices. The plan accompanying this report shows the layout of the buildings as it was in 1962, before some of the outbuildings were demolished. The area of the site extends to approximately 850 square metres.
- 3.2 The property, together with some additional land, was purchased freehold with vacant possession by the Borough Council in 1961 for the purpose of providing an additional access to the Canon Street Car Park. The addition land at the rear was then used to provide the Chestnut Tree site and enlarge the Canon Street Car Park.
- 3.3 By 1975 the property was surplus to the Borough Council's requirements, its structural condition had seriously deteriorated and less than half the accommodation was occupied. The plan to provide the car park access had apparently been abandoned. The Council therefore decided to try to dispose of the property on the open market. However, no buyer was found and eventually in 1977, when the historic merit of the building had been realised and it was felt that there was a need to preserve it, the Council decided that it should repair and improve the property rather than sell it. At the time, the estimated cost of repairs and improvements including central heating was £80,000.

3.4 At this stage, however, a prospective tenant was found who was interested in taking a lease of the property and after a period of negotiation, terms and conditions, which required him to carry out an extensive repair programme specified by the Council, were agreed. A lease was eventually completed in June 1979 on the following main terms and conditions:-

- (a) The term was for 75 years, expiring in 2054.
- (b) The rent payable was a peppercorn for the first six years and thereafter 25% of the current market rental value of the premises. (The latter is calculated on a net basis after deductions for repairs and management. At review, which is every five years, the lease requires that the rental value of the premises should be assessed on the basis that the hypothetical tenant is taking on the full residue of the lease).

#### 4. The Current Situation

4.1 Having carried out the refurbishment programme under the terms of the lease, the tenant then sub-let the accommodation to various office and residential tenants. As Members will probably be aware, the main sub-tenants are now the barristers of South Western Chambers.

4.2 The current rent received is the sum of £4,500 and this is not due to be reviewed until 2005.

#### 5. Conclusions

5.1 This property is currently held by the Borough Council purely as an investment and, within the performance criteria of the Council's Asset Management Plan, is not likely to provide a particularly high rate of return to the Council until the existing lease expires in 2054.

5.2 Due in part to the current situation with regard to the stock market, the commercial property market is extremely buoyant at the present time and the Borough Council could achieve a good price for the property from an investor if sold by public auction.

5.3 In addition, it is considered that both the tenant and sub-tenants might well be interested in acquiring the freehold interest in the property due to the "marriage value" that will exist by combining these interests in land.

5.4 I feel that the property's potential worth can best be realised at a national public auction of the type undertaken by Messrs Colliers Conrad Ritblat Erdman and this firm of auctioneers has confirmed my own views of the likely sale price which could be achieved at the present time by this method.

5.5 If The Executive agrees to the Borough Council selling the property on the basis outlined above, the property would only be offered for sale subject to a reserve price proposed by the Chief Valuer in consultation with the Auctioneers and approved by the Executive Member for Property.

5.6 Both the Borough Council's tenant and the main sub-tenant would, of course, be advised of the proposed sale which would be subject to the Borough Council's existing lease.

5.7 Another advantage of a sale would be that the capital receipt obtained could assist in meeting other objectives of the Asset Management Plan, eg assisting in the development of other Borough Council property.

6. Recommendation

6.1 It is recommended that the Borough Council's freehold interest in 12 Middle Street, Taunton be offered for sale by public auction, subject to a reserve price agreed by both myself and the Executive Member for Property.

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