



## CABINET REPORT

<b>Report Title</b>	<b>Strategic Acquisition of Town Centre Property</b>
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**AGENDA STATUS: PUBLIC**

<b>Cabinet Meeting Date:</b>	12 November 2014
<b>Key Decision:</b>	Yes
<b>Within Policy:</b>	Yes
<b>Policy Document:</b>	No
<b>Directorate:</b>	Regeneration, Enterprise & Planning
<b>Accountable Cabinet Member:</b>	Regeneration Enterprise and Planning - Cllr Tim Hadland
<b>Ward(s)</b>	Castle

### 1. Purpose

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- 1.1 The purpose of this report is to seek the authority of Cabinet to the principle of the acquisition of land and property known as Albion House, fronting onto Victoria Promenade, to facilitate redevelopment in a key town centre location which is also situated close to the Northampton Waterside Enterprise Zone ("EZ").

### 2. Recommendations

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- 2.1 That Cabinet approve the principle of the acquisition by this Council of the freehold interest in the property, known as "Albion House" shown edged red upon the plan at Appendix 1.
- 2.2 That Cabinet delegates to the Director of Regeneration Enterprise and Planning the power to approve the terms of the acquisition in consultation with the Cabinet Member for Regeneration Enterprise and Planning.
- 2.3 That Cabinet approves the inclusion in the Council's Capital Programme for 2014/15 of funding of up to £0.5 million to support this acquisition and drawdown from the Invest to Save earmarked reserve to fund the expenditure.

### **3. Issues and Choices**

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#### **3.1 Report Background**

- 3.1.1 The property fronting onto Victoria Promenade, shown edged red on the plan at Appendix 1, is known as Albion House. It is a somewhat dated office building situated on land adjacent to St John's Multi Story Car Park ("MSCP"). The property is privately owned and partially occupied by several tenants, but provides relatively inflexible and inefficient office accommodation. The building is unattractive and is inconsistent with neighbouring property.
- 3.1.2 The Council wishes to see this land and property brought forward for development to support the objectives of the EZ and to promote uses that support town centre enhancement. In particular, the proximity of the property to the existing MSCP offers opportunities to create additional parking capacity linked to the existing structure. The opportunities for this would be maximised with the co-operation of Northamptonshire County Council, to allow inclusion of the intervening 'dead end' road area. If the car park proposals did not progress the site could be developed for alternative uses.
- 3.1.3 Terms have been provisionally agreed between the owner and the Council for a purchase of the property, with existing tenants in situ. The terms reflect the additional worth of the property to the Council as a strategic landowner and the fact that the property is not presently being advertised for sale on the open market.

#### **3.2 Issues**

- 3.2.1 The property provides accommodation for a number of businesses and organisations, albeit many occupiers have relatively short term and flexible agreements. Prior to any potential re-development of the property the Council would need to work with tenants to help identify alternative accommodation requirements, including appropriate re-location of an existing telecommunications installation on the roof. The latter installation may have, in addition to the relevant lease terms, additional potential statutory protection under the 'Telecommunications Code'.
- 3.2.2 The position of the Council, as neighbouring owner and strategic authority, means that the price able to be agreed is above the likely market value of the property to other potential buyers. The property has not been advertised for sale and this would be an 'off market' purchase.

### 3.3 Choices (Options)

- 3.3.1 The Council could choose not to purchase the property. The opportunity for the Council to re-develop the plot to support wider Council objectives would be lost. The property might continue, for a number of years, to be partially occupied and to become even more functionally obsolescent. That would not contribute to the regeneration of an important location, particularly as the University of Northampton scheme at Avon/Nunn Mills gets underway. Albion House occupies a significant location along what will be the new main pedestrian access route to the Town Centre from the new Campus, through Becket's Park. It is possible that a private sector developer would seek to acquire the premises instead, but there can be no certainty of this and in particular of the timing of that.
- 3.3.2 The Council could choose to purchase the property for re-development. This would offer a number of different opportunities for the Council to bring forward positive development to support the town centre. The Council would though have to pay in excess of what other parties may have been willing to pay for it, were the present owners to offer it to the general market for sale without vacant possession.

## 4. Implications (including financial implications)

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### 4.1 Policy

- 4.1.1 There are none specifically.

### 4.2 Resources and Risk

- 4.2.1 **Capital:** The purchase of the property would be initially funded in 2014/15 from the Invest to Save earmarked reserves. The business case for the purchase of the property indicates a risk assessed return on investment of around 7% per annum. If the property were to be directly re-developed by the Council for specific alternative uses, then a further business case would need to be made for those uses. If the property were to be disposed of subsequently by this Council, subject to intervening movements in the general property market in Northampton, it is unlikely that the full sum provisionally agreed for the property would be recoverable from another purchaser.
- 4.2.2 **Revenue:** The property currently generates rental income, although some of this is relatively insecure beyond the short term, with leases close to expiry or capable of being determined by tenants on short notice. There are a number of vacant parts within the building and resulting liabilities for business rates and other irrecoverable service charge costs will fall to the landlord. The net income is materially lower than the gross amounts receivable from tenants.
- 4.2.3. **Risk:** The Council could be exposed to significant net holding costs if the property becomes vacant. In the event of re-development proposals, there

may be a need (subject to lease details) to agree potentially expensive re-location of telecommunication equipment to an alternative property. It may not be possible to obtain a planning permission for the alternative uses suggested in this report, although the Council's Central Area Action Plan supports a range of potential uses.

#### **4.3 Legal**

- 4.3.1 The Council would need to exercise due diligence in completing any purchase. The acquisition of property at above its likely market value is within the general powers of competence of the Council, to support its wider statutory objectives.

#### **4.4 Equality**

- 4.4.1 There are none specifically. The property is not presently open to the general public and is used for commercial purposes.

#### **4.5 Consultees (Internal and External)**

- 4.5.1 As the occupation and use of the property would remain as it is now for the short term, Ward Councillors and other consultees would be consulted when more detailed proposals for the re-development of the property were formulated.

#### **4.6 How the Proposals deliver Priority Outcomes**

- 4.6.1 The assembly of property interests within the town centre and close to the EZ is consistent with the Council's regeneration strategy. It would help to bring forward and support early development opportunities, which can support growth and additional economic activity within the Town Centre.

#### **4.7 Other Implications**

- 4.7.1 There are none specifically.

### **5. Background Papers**

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None

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