

# North Tyneside Council Report to Cabinet 08 September 2014

<b>ITEM 7(d)</b> <b>Industrial Estate Strategy</b>
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**Portfolio(s):** Finance  
Economic Development  
Housing and Environment

**Cabinet Member(s):** Cllr R Glindon  
Cllr F Lott  
Cllr J Harrison

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**Report from Service Area:** Environment and Leisure

**Responsible Officer:** Phil Scott, Head of Environment and Leisure (Tel: 643 7295)

**Wards affected:** Weetslade, Camperdown, Wallsend,  
Riverside, Collingwood, and Tynemouth

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## **PART 1**

### **1.1 Purpose**

The purpose of this report is to seek Cabinet approval to an Industrial Estate Strategy for the Authority's portfolio of industrial properties that will assist in promoting business and economic development in the Borough whilst also improving the Authority's revenue position. This will be through the disposal of identified industrial assets with the capital receipts raised being allocated to fund improvements to the Authority's remaining industrial stock.

### **1.2 Recommendation**

It is recommended that Cabinet:-

1. approves the Industrial Estate Strategy as set out in section 1.5 of this report;
2. declares the site of Silverbirch Industrial Estate, Camperdown surplus to the Authority's requirements and endorses the principle of residential redevelopment at this location;
3. declares all freehold areas of land owned by the Authority at Mylord Crescent, Camperdown and which are subject to long industrial ground leasehold interests surplus to the Authority's requirements and available for sale by an appropriate method of marketing;
4. authorises the Head of Environment and Leisure in consultation with the Chief Executive (as Section 151 Officer) and the Elected Mayor, to agree a minimum sale price acceptable to the Authority in advance of an auction if this is considered to be the most appropriate method of marketing;

5. authorises the the Head of Environment and Leisure, in consultation with the Chief Executive (as Section 151 Officer), the Head of Law and Governance and the Elected Mayor to dispose of the land at Mylord Crescent in accordance with all relevant legal requirements, the Authority's Constitution and Financial Regulations;
6. authorises the Head of Environment and Leisure to deal with all ancillary matters arising that are consistent with the preceding recommendations, and;
7. approves the variation to the 2014-18 Investment Plan to include the implementation of the Industrial Estate Strategy when the disposals are confirmed and in accordance with Financial Regulations.

### **1.3 Forward plan**

Twenty eight days notice of this report has been given and it first appeared on the Forward Plan that was published on 11<sup>th</sup> August 2014.

### **1.4 Council plan and policy framework**

The report is relevant to the following priorities set out in Our North Tyneside, the Council Plan 2014 to 2018:

#### **Our Economy**

Have the right conditions to support investment and create new jobs, especially apprenticeships.

#### **Our Places**

Have more quality affordable homes.

Work with residents, communities and businesses to regenerate the borough.

### **1.5 Information**

#### **1.5.1 Industrial Estate Strategy**

The Authority has from a larger review identified 10 of its industrial estates located within six wards (Weetslade, Camperdown, Wallsend, Riverside, Collingwood, and Tynemouth) where it feels that it would appropriate to either divest or invest to maximise rental income. These are a mix of ground lease estates (3 in total) where businesses have constructed their own premises on land owned and let to them by the Authority, and occupational lease estates (7 in total), where industrial units are owned by the Authority and let directly to business tenants. Of these, one estate, Pow Dene Court, forms part of the North Shields Fish Quay Ring-fenced portfolio.

Industrial unit sizes within the 7 occupational lease estates are suitable for Sole Trader and SME businesses as they range from 500 to 5,500 sqft. The total lettable area of 208,000 sq ft is currently approximately 68% occupied, well below the market norm of 90%+. This is primarily due to the poor condition of units which need to be improved.

By rationalising the industrial estate portfolio, capital receipts can be realised and used to fund investment in the quality of the remaining vacant units and estate infrastructure. Doing nothing with the estates may not sustain the Authority's rental income from the industrial portfolio as this will gradually decline as businesses move to alternative premises within private ownership.

Progress with the Industrial Estate Strategy (the Strategy) has been overseen and directed by the Authority's Strategic Property Group (SPG). Across the April, May, and July 2014 meetings, SPG has undertaken site visits and received key facts about each industrial estate, and considered detailed options including investment proposals and the impact on forecast income.

The Strategy therefore proposes to promote the principle of residential redevelopment at Silverbirch Industrial Estate, and the sale of all freehold areas of land owned by the Authority at Mylord Crescent which are subject to long ground leasehold interests. This will raise capital receipts that will be used to re-invest in the remaining industrial portfolio.

### **1.5.2 Silverbirch, Camperdown Industrial Estate**

Although Silverbirch is in reasonable condition and occupies an attractive location, only 2 of the 8 units are occupied by tenants as there is no sustainable market demand for this type of unit. Investment is therefore not appropriate. Holding costs of the vacant units far outweigh the income from the occupied units meaning that overall, the estate therefore operates at a loss. A plan of the site shown by dark outline is attached at appendix 1.

The site has redevelopment potential and all possible future uses were considered at the July 2014 meeting of the SPG (the option appraisal is attached at appendix 2 for information). The Group agreed to propose to Cabinet to promote the principle of residential redevelopment at Silverbirch.

A further report will be submitted to a future meeting of Cabinet detailing information on the preferred delivery option for residential redevelopment together with full financial implications.

### **1.5.3 Mylord Crescent, Camperdown Industrial Estate**

Mylord Crescent comprises 7 land parcels which generate income for the Authority from ground rents. There are freehold reversionary rights, this means on expiry of the ground leases, the land and properties would revert back to the Authority as owner of the freehold. As these are ground leases only, there is no maintenance liability so the operational costs are low. A plan of the site showing each area of land by dark outline is attached at appendix 3.

it is considered that there is a market for this type of investment owing to the secure long term nature of the rental income. SPG considered various disposal options and agreed to recommend to Cabinet to sell the freehold areas of land that are subject to ground leases at Mylord Crescent by the most appropriate method of sale.

### **1.5.4 Improvement Works**

Investment in the remaining industrial portfolio will be directed at building repairs and improvements together with estate infrastructure works such as new signage and improved landscaping. The forecasted benefit of this investment will secure income growth from the remaining estate through an increase in tenant occupation from current levels to the market norm as more relevant and fit for purpose units are offered to local businesses.

### **1.5.5 Service Charges**

A robust review of service charges is also underway to ensure that the cost of services provided to tenants by the Authority or its contractors are adequately recovered. These services include for example; grounds maintenance, external building repairs, external cleaning, security and pest control. This will ensure that the Authority's industrial portfolio performs and achieves maximum income in the longer term through appropriate supporting maintenance and service charge arrangements being put in place to maintain the improved condition of the portfolio.

### **1.5.6 Monitoring of the Industrial Estate Strategy**

This Strategy is therefore a self-financing model and this has been considered and is supported by both the SPG and the Investment Programme Board (IPB).

Regular updates on progress with the Strategy will be presented to the SPG and the IPB.

### **1.6 Decision options**

The following decision options are available for consideration by Cabinet.

#### Option 1

Approve the recommendations at paragraph 1.2 of this report and agree to promote the principle of residential redevelopment at Silverbirch Industrial Estate and the sale of all freehold areas of land owned by the Authority at Mylord Crescent which are subject to long ground leasehold interests.

#### Option 2

Consider only the residential redevelopment of Silverbirch Industrial Estate, or the sale of freehold areas of land owned by the Authority at Mylord Crescent which are subject to long ground leasehold interests.

#### Option 3

Decide not to approve the recommendations at paragraph 1.2 of this report.

### **1.7 Reasons for recommended option**

Option 1 is recommended. The promotion of the principle of residential development at Silverbirch and the sale of land at Mylord Crescent is required in order to raise sufficient capital for the Authority to re-invest in its remaining industrial portfolio in order to increase and sustain rental income through business growth.

### **1.8 Appendices**

Appendix 1: Silverbirch Plan.

Appendix 2: Silverbirch site – future use option appraisal.

Appendix 3: Mylord Crescent Plan.

### **1.9 Contact officers**

Niall Cathie, Strategic Property Manager (NTC) – Tel. 0191 643 6517

Katy Middleton, Senior Project Manager (Capita) – Tel. 0786 0734353

Richard Mordain, Development Surveyor (Capita) – Tel. 07860 950310

Alison Campbell, Finance Business Manager (NTC) – Tel. 0191 643 7038

## **1.10 Background information**

(1) Property ownership records.

## **PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING**

### **2.1 Finance and other resources**

The capital receipts from the sale or transfer of Silverbirch and the sale of land at Mylord Crescent will be used to reinvest in the remaining vacant industrial units and industrial estate infrastructure in order to improve unit take up by local businesses. Expenditure can only begin once the capital receipts have been received. The authority will also investigate whether it is appropriate to invest monies held on the Balance Sheet for the Fish Quay Ring Fence Properties for works at Pow Dene Court.

Capital expenditure incurred in securing the disposal/transfer of these two sites will be offset against the proceeds of sale. This will include the cost of survey work required at Silverbirch to inform future residential redevelopment options, detailed condition surveys on the units that are to be retained within the portfolio, and marketing costs associated with the disposal of the land at Mylord Crescent.

The Authority will also provide support to the businesses at Silverbirch that will be displaced in an attempt to secure alternative suitable premises owned by the Authority for their relocation in order to protect the rental income that is currently achieved from those lettings. Any additional costs for this support will be minimal and will be managed within the current revenue budget.

Full details of the financial model supporting the Industrial Estate Strategy were considered by the Strategic Property Group (SPG) in May 2014.

On 16<sup>th</sup> July 2014, the Investment Programme Board considered the business case for this proposal and the associated financial model. The Board gave approval that investment could be made within the envelope of the capital receipts.

### **2.2 Legal**

Any disposals in relation to the properties listed will be progressed and completed in compliance with the Authority's Financial Regulations and applicable legislation.

Section 123 of the Local Government Act 1972 allows the Authority to dispose of land which is surplus to requirements. The Authority must achieve best value when disposing of its land.

### **2.3 Consultation/community engagement**

The Industrial Estate Strategy and associated disposals have been considered by the SPG and cleared to take forward for formal consideration by Cabinet.

Relevant Ward Members have been advised of the intention to seek approval to Silverbirch and Mylord Crescent being declared surplus to the Authority's requirements by email and letter, with the offer of a face to face briefing.

The Team has commenced pre-engagement with the tenants of Silverbirch Industrial Estate and the ground lease holders at Mylord Crescent.

Where a site is brought forward for redevelopment, there will be the opportunity for members of the public to express their views through the normal planning procedure.

#### **2.4 Human rights**

There are no human rights implications directly arising from this report.

#### **2.5 Equalities and diversity**

There are no equality and diversity implications directly arising from this report.

#### **2.6 Risk management**

Risks associated with the Industrial Estate Strategy have been considered. At this stage, it is felt that no specific risk needs to be added to the Corporate Risk Register.

#### **2.7 Crime and disorder**

Where a site is brought forward for redevelopment, crime and disorder issues will be considered as part of the normal planning process.

#### **2.8 Environment and sustainability**

Where a site is brought forward for redevelopment, environment and sustainability issues will be considered as part of the normal planning process.

### **PART 3 - SIGN OFF**

- Deputy Chief Executive
- Head of Service
- Mayor/Cabinet Member(s)
- Chief Finance Officer
- Monitoring Officer
- Head of Corporate Strategy