

REPORT

TO:	HOUSING & PROPERTY SERVICES (PROPERTY SUBCOMMITTEE)	DATE: 24 December 1999
FROM:	DIRECTOR OF HOUSING & PROPERTY SERVICES	REF: DMC/hm/R3990536
SUBJECT:	LAND AT NEWHUT ROAD, MOTHERWELL	

1. PURPOSE OF REPORT

To advise the Committee of the Council's options regarding the land at Newhut Road, Motherwell which is leased to B & Q (Retail) Limited.

2. BACKGROUND

Reference is made to my report of 30 July 1999 seeking Committee approval to selling three areas of ground at Braidhurst Industrial Estate, Motherwell. A further report was requested at this meeting on the options available to the Council in connection with this land.

3. DESCRIPTION

B & Q (Retail) Limited currently lease three areas of ground at Braidhurst Industrial Estate, Motherwell as shown on the attached copy plans. The leases have 66 years still to run at a passing rental of £19,215 per annum. The lease incorporates rent reviews at 5-yearly intervals. Area 1 extends to 0.62 hectares and a retail warehouse has been erected on the site. Area 2 extends to 0.17 hectares and is used for a car park. Area 3 extends to 0.07 hectares and is used for a Garden Centre. B & Q currently employ 18 persons on a full time basis and 32 persons on a part time basis. B & Q's parent Company, Chartwell Land Investments Limited, have enquired whether the Council would consider selling them the three areas of ground. Provisional negotiations on the purchase price have been held with Chartwell and a value of £325,000 has been agreed.

4. OPTIONS

There are three options available to the Council and these are set out below.

1. To reject the offer from B & Q and continue to receive rental income from the leases.
2. To accept the offer from B & Q and receive a capital receipt.
3. To place the Council's interest on the market for sale.

5. CONSEQUENCES**Option 1**

- Continuation of rental income
- Council retain the level of control over site offered by the lease
- No Capital Receipt generated

Option 2 /

Option 2

- Capital Receipt generated
- Offer from B & Q represents an outstanding return to the Council
- Loss of the limited control over the site furnished by the lease

Option 3

- Capital receipt generated
- No guarantee Council will receive any bids
- Bids may vary from that offered by B & Q
- Loss of control over site as in Option 2

6. CONSIDERATIONS**A Financial**

The bid from B & Q is substantial and is at the top range of returns for the purchase of landlords' interests in this segment of the market. It is unlikely that another purchaser would match this figure.

The investment that the Council have is a ground lease and this represents a small percentage of the value in relation to B & Q's interest. The majority of the value is in the buildings and goodwill of the business. The benefit to the Company in holding the ownership of the land is the increase in the value of their property portfolio, hence the reason for the amount they are prepared to pay to the Council.

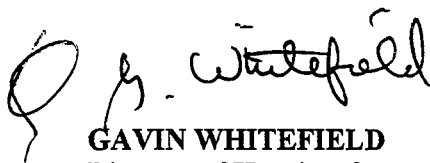
Accepting the offer from B & Q would allow the Capital Receipts to be received within the current financial year.

B. Control

Under the terms of the lease, assignments are permitted subject to Landlord's approval, this approval shall not be unreasonably withheld. This allows B & Q to sell the building to another party and transfer the lease obligations to them. Therefore the level of control offered by the lease is in essence minimal.

7. RECOMMENDATION

On balance and particularly to ensure settlement by 31 March 2000 it is recommended that the Council allows B & Q (Retail) to terminate the three leases at Braidhurst Industrial Estate and sells the land to their parent company Chartwell Land Investments Limited for the capital sum of £325,000 (Three Hundred and Twenty five Thousand Pounds) with all other terms and conditions to be adjusted by the Head of Property.



GAVIN WHITEFIELD
Director of Housing & Property Services

LOCATION PLAN - For Information Only

Title: BELLSHILL ROAD

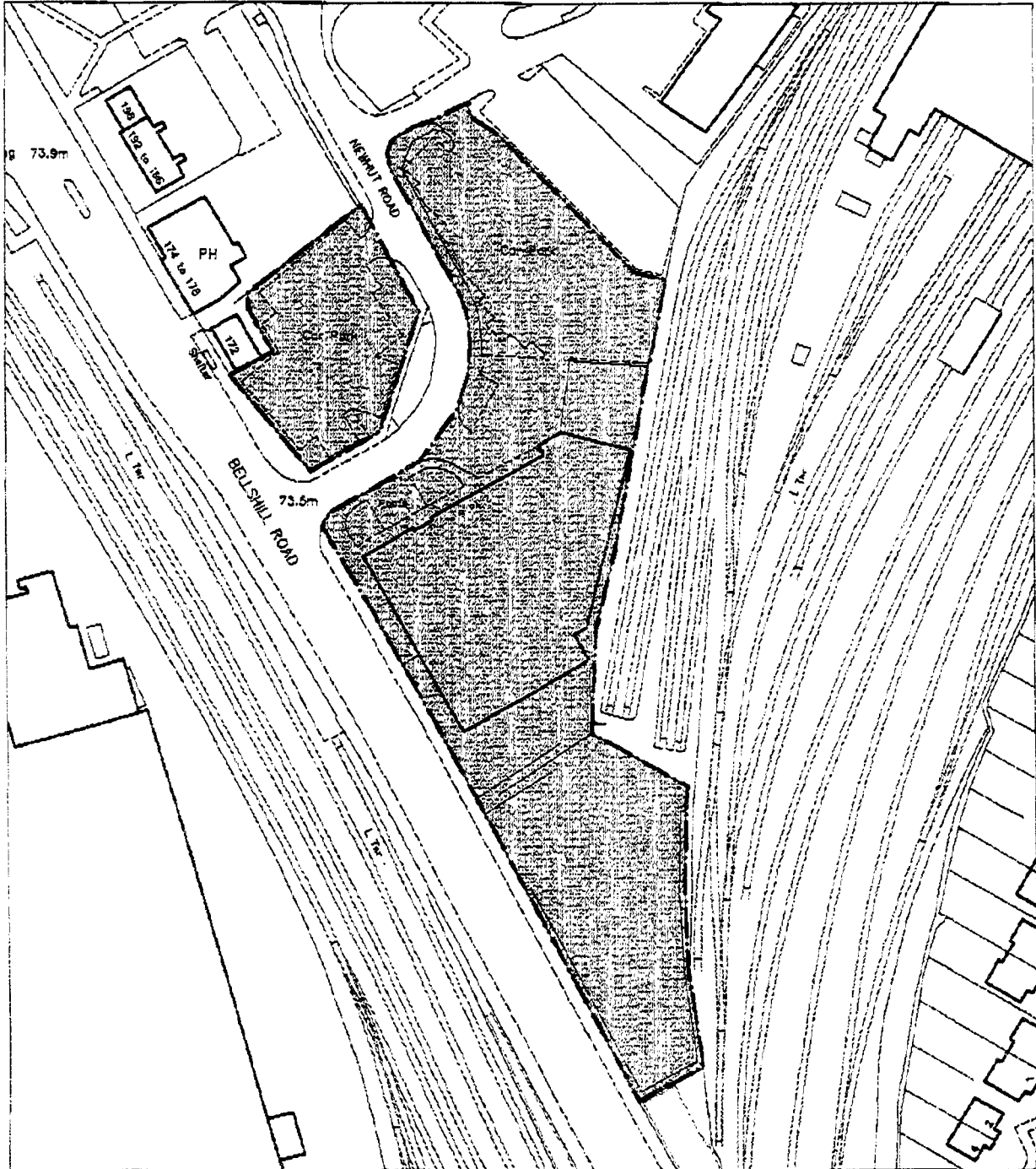
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Town: MOTHERWELL

Date: 29/12/99



Property Services Division



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DEPARTMENT OF HOUSING AND PROPERTY SERVICES

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