



Purpose: For Decision

Committee report

Committee	HARBOUR COMMITTEE
Date	27 SEPTEMBER 2023
Title	DISPOSAL OF LAND AND BUILDING AT BLACKHOUSE QUAY, NEWPORT HARBOUR (KNOWN AS W5, W6, CONNECTING LAND, AND W7) – SUPPLEMENTARY REPORT
Report of	DIRECTOR OF NEIGHBOURHOODS

EXECUTIVE SUMMARY

1. The paper seeks approval to dispose of the freehold of land and a building situated at Blackhouse Quay, Newport Harbour (known as W5, W6, connecting land and W7) to the Isle of Wight Espresso Company.
2. On 28 September 2022 the Harbour Committee agreed to treat with the Isle of Wight Espresso Company as a special purchaser for W5 and W6 and that following negotiations a further report would be presented for consideration of the terms of the disposal.
3. This report sets out the findings from the independent valuation, outcome of the negotiations and the proposed terms for the disposal.

RECOMMENDATION

- | |
|---|
| <ol style="list-style-type: none">4. That the land and property is declared surplus to harbour requirements and disposed of.5. That the Isle of Wight Espresso Company is treated as a special purchaser and agree to dispose of the freehold of the land and building at Blackhouse Quay, Newport Harbour – known as W5, W6, connecting land and W7 - for £315,000. |
|---|

BACKGROUND

6. The land and building situated at Blackhouse Quay (known as W5, W6, connecting land and W7) forms part of the Newport Harbour estate.

7. The lease of W5 was assigned to the Isle of Wight Espresso Company on 1 August 2015; this was a 75-year lease originally granted on 25 March 1947 and which expired on 24 March 2022; accordingly, the tenant is holding over pending negotiations. The annual rent is £150 per annum. The tenant has a statutory right to renew the lease.
8. The area of land known as W6 is leased to the Isle of Wight Espresso Company; it is a 125-year lease which was granted in 1990 and is due to expire on 11 November 2115. The annual rent is fixed at £25 per annum.
9. The Isle of Wight Espresso Company has already constructed a new steel framed building on W6 and now wishes to redevelop the W5 site and feel that given the proposed level of investment for the site, the opportunity to increase employment and the offer to residents and visitors that the purchase of the freehold of W5 and W6 is the most commercially viable option to enable this regeneration.
10. Following the decision by the Harbour Committee on 28 September 2022 to treat with the Isle of Wight Espresso Company as a special purchaser an independent valuation was commissioned for W5 and W6, this has been received and evaluated.
11. The market valuation was undertaken by Eddison's and was conducted in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Global Standard as issued in November 2021 and effective from January 2022.
12. In summary the report concluded that: -
 - Freehold valuation of the 'red brick' warehouse (W5) - £300,000
 - Freehold valuation of the ground lease for W6 - £500
 - Freehold valuation of W5 and W6 but as a single lot - £305,000
13. As can be seen from the plan forming appendix 1 there is a small strip of land between W5 and W6 which is shown shaded blue; during the discussion it was concluded by both parties that excluding this from the disposal was not logical as this would impede the development plan for IoW Espresso and by retaining would impose a liability on the Isle of Wight Council. From a valuation perspective this land has little or no value and its inclusion within the single lot valuation for W5 and W6 (£305,000) is appropriate.
14. Isle of Wight Espresso Company is the trading name of Isle of Wight Espresso LLP.
15. Discussion and negotiations have taken place with the Isle of Wight Espresso Company regarding the valuation and proposed disposal; during these they expressed an interest in taking on the small area of land to the north of W6; this is shown as W7 on the plan which forms appendix 1 to the report.
16. W7 is a woodland area situated between the Cowes to Newport cycleway and the river Medina; it forms part of the harbour estate but is not subject to any scheduled maintenance works. Accordingly, there is no budget for the area and when works are required on the site - which are invariably tree safety works - there is no budget available.

17. The IoW Espresso Company wish to retain this as a woodland and encourage public use by actively managing it and enhancing accessibility; subject to the relevant permissions they are looking to create paths through the area leading to their site and to the river. It is also proposed to create seating areas.

CORPORATE PRIORITIES AND STRATEGIC CONTEXT

Responding to climate change and enhancing the biosphere

18. The building and surrounding land are already being used by the Isle of Wight Espresso Company for coffee processing and distribution; whilst detailed plans are to be prepared proposals for future investment in the facility would enable consideration of wider environmental issues and the opportunities to address these in the context of the facility as a whole.
19. The recommendation supports the UN sustainable development goals for: (8) Decent Works and Economic Growth by supporting local growth of a business that employs local staff and supply chain (11). The woodland enhancements will also contribute toward Goal 15 - protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.

Economic Recovery and Reducing Poverty

20. The proposal would enable the Isle of Wight Espresso Company to progress its long-term investment plans with the aim of sustaining and growing the facility which would benefit the local economy of Newport and the visitor economy of the Island.

Impact on Young People and Future Generations

21. The proposed investment plans for the site would sustain and create additional job opportunities for young people in this area of the Island.

Corporate Aims

22. The proposal will support the following aspirations of the Corporate Plan:
 - (a) Keep the council solvent and take all the measures we can to improve the financial position of the council.

REGENERATION

23. Prior to the report considered by the Harbour Committee on 28 September 2022 the request for Isle of Wight Espresso to be treated as a special purchaser was shared with the Director of Regeneration and he has advised that there is no reason not to proceed with the disposal and proposed development as it does not impinge on the Newport Harbour masterplan and would be complementary to the regeneration plans.

24. The Director of Regeneration has been consulted regarding the proposal of the parcel of land known as W7 and is also supportive of this as it will further enhance the area and assist the overall redevelopment of the site.

CONSULTATION

25. No further consultation has taken place since the previous report considered by the Harbour Committee.

FINANCIAL / BUDGET IMPLICATIONS

26. The disposal of the land and building will result in a capital receipt of £315,000 to the council; this would be ring fenced to the Newport Harbour accounts. The amount has been informed by an independent valuation for W5 and W6, which was commissioned by the Isle of Wight Council, but the cost has been covered by the Isle of Wight Espresso Company.
27. The parcel of land known as W7 is approximately 3,156m² (0.78 acre) and based on market research areas of woodland are currently being sold for circa £20k per acre; accordingly, the value of the site is in the order of £15,800. In discussion with the IoW Espresso, it was recognised that the site would be subject to restrictive covenants and that by transferring ownership it would release the Isle of Wight Council from potential expenditure for which there is no budget. Accordingly, a discounted rate of £10,000 is felt to be a fair and reasonable sum.
28. The sale of the freehold of the three sites would result in a capital receipt of £315,000 although there would be a loss of rental income stream derived from the leases which is currently £150/annum for W5 and £25/annum for W6. The income would be paid into the Newport Harbour account.
29. The estimated market rental value for W5, based on the valuation report is £28,940 per annum; this is on the assumption that the Isle of Wight Council complying with its obligations undertakes the re-roofing of the building, the cost of which is estimated to be in excess of £110,000.
30. Whilst legal and other professional costs associated will need to be determined these will be paid from the capital receipt (up to a maximum of 4%), with the remainder (if any) paid from the harbour revenue account.
31. All void costs (including items such as rates, utilities, legal & conveyancing, marketing etc.) will be borne by the Council if the disposal to Isle of Wight Espresso Company does not go ahead, and they then choose not to renew the lease. If they do not renew the lease, then due to its age, type of construction and very poor condition the Isle of Wight Council would be required to demolish and rebuild – estimated to be in the region of £1m – to enable it to then be let on the open market.

LEGAL IMPLICATIONS

32. The council has the power to dispose of property under section 123 of the Local Government Act 1972, which requires it to achieve 'best consideration' in any disposal. The council, as harbour authority, has the power to dispose of harbour

premises for the purposes of or in connection with the management of the harbour undertaking as authorised by the Harbours, Docks and Piers Clauses Act 1847, the River Medina Navigation Act 1852, the River Medina Navigation Order 1898, the Newport (Isle of Wight) Harbour Revision Order 1968, the Newport (Isle of Wight) Harbour Revision Order 1988 and the Newport (Isle of Wight) Harbour Revision Order 2021.

33. The Harbour Committee has delegated authority from Full Council to undertake the responsibilities and actions falling within its terms of reference. The Harbour Committee can monitor and review all matters relating to harbour land and property in accordance with policies laid down by the council.
34. It is considered that the land and property in question are surplus to harbour requirements and may be disposed of; this will enable the disposal to the special purchaser to proceed.
35. A covenant would be placed on the woodland property to ensure that it is managed in accordance with English Nature's practice and is maintained to the benefit of wildlife and the community, and that it is not to be developed and no buildings be erected thereon. This could mean that the disposal becomes a disposal at an undervalue. The council can dispose of property at an undervalue using a general consent of the Secretary of State. The difference between the unrestricted value of the property and the disposal consideration must not exceed £2 million and the purpose of the disposal must be likely to contribute to the achievement of the promotion or improvement of economic well-being; the promotion or improvement of social well-being; and/or the promotion or improvement of environmental well-being in its area or for residents in its area. Alternatively, a specific consent could be applied for. Subsidy control implications will also need to be considered.

EQUALITY AND DIVERSITY

36. The council as a public body is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it. The protected characteristics are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, and sexual orientation.
37. There are no direct implications for equality and diversity as a result of the specific recommendations of this report.

PROPERTY IMPLICATIONS

38. The land and building form part of the Newport Harbour estate but is outside the area earmarked for regeneration; accordingly, an investment in the site would further enhance the appeal of the Harbour as a visitor destination and assist in generating additional employment.
39. The site is small with limited potential for any significant income generating use, particularly without a capital investment by the council into the red brick building and is not considered to have any strategic value to the council. In view of this and that

it is not currently used for harbour purposes it is deemed to be surplus to requirements.

OPTIONS

40. Option 1: That the land and property is declared surplus to harbour requirements and disposed of.
41. Option 2: That the Isle of Wight Espresso Company is treated as a special purchaser and agree to dispose of the freehold of the land and building at Blackhouse Quay, Newport Harbour – known as W5, W6, connecting land and W7 for £315,000.
42. Option 3: Not to continue to treat with the Isle of Wight Espresso Company as a special purchaser and to offer a new lease to the Isle of Wight Espresso Company as the tenant of the building at Blackhouse Quay, Newport Harbour – known as W5. This would be subject to the Isle of Wight Council re-roofing the whole building to fulfil its obligations as landlord.

RISK MANAGEMENT

43. If the council does not agree to the proposed special purchaser status for the Isle of Wight Espresso Company and chooses to retain ownership of the building it would seek to negotiate a new lease for the Isle of Wight Espresso Company as the incumbent tenant, with the Isle of Wight Council needing to commit to a significant capital investment in accordance with its landlord's obligation. However, if this could not be concluded, then it would leave the authority with an empty building and responsible for any liabilities (including the re-roofing of the whole building) and future management of the site for which there is no budget.
44. The independent valuation of the land and building has informed the proposal for the final disposal with the Isle of Wight Espresso Company and has ensured that the council is fully aware of the land and building's value.
45. The Council has discussed and agreed terms for disposal of the land and building with the Isle of Wight Espresso Company and this ensures that offers best consideration for the council and for the Island.

EVALUATION

46. The independent valuation of the site has informed the final disposal agreement with the Isle of Wight Espresso Company and has ensured that the council is fully aware of the land's value in reaching an agreement.

APPENDICES ATTACHED

Appendix 1 – Plan showing land (W6 and W7) and building (W5) at Blackhouse Quay

Contact Point: Alex Minns, Assistant Director - Neighbourhoods ☎ 821000
e-mail alex.minns@iow.gov.uk

COLIN ROWLAND
Director of Neighbourhoods

(CLLR) PHIL JORDAN
*Cabinet Member for Highways PFI, Transport and
Infrastructure*