



Purpose: For Decision

# Committee report

Committee	<b>HARBOUR COMMITTEE</b>
Date	<b>28 SEPTEMBER</b>
Title	<b>TO TREAT WITH THE ISLE OF WIGHT ESPRESSO COMPANY AS A SPECIAL PURCHASE OF LAND AND A BUILDING AT BLACKHOUSE QUAY, NEWPORT HARBOUR (KNOWN AS W5 and W6)</b>
Report of	<b>DIRECTOR OF NEIGHBOURHOODS</b>

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## EXECUTIVE SUMMARY

1. The paper seeks approval for the council to negotiate with the Isle of Wight Espresso Company as a special purchaser for land and a building situated at Blackhouse Quay, Newport Harbour, known as W5 and W6.
2. The Isle of Wight Espresso Company is an island-based company and are keen to develop the site to provide not only a coffee roasting and processing facility, but also an accredited barista training centre, coffee shop and visitor centre. They also propose to offer tours of the facility so consumers can see the whole process from the delivery of raw materials through to the finished products ready for onward distribution.
3. Any final terms to be agreed with the Isle of Wight Espresso Company as a special purchaser would be subject to a further report to the Harbour Committee to confirm that the council is achieving best consideration from the disposal.

## RECOMMENDATION

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| <ol style="list-style-type: none"><li>4. To treat with the Isle of Wight Espresso Company as a special purchaser for land and a building situated at Blackhouse Quay, Newport Harbour – known as W5 and W6.</li></ol> |
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## BACKGROUND

5. The land and building situated at Blackhouse Quay (known as W5 and W6) forms part of the Newport Harbour estate as agreed by Cabinet on 13 December 2011. The plan which forms appendix 1 shows the agreed extent of the harbour estate whilst the plan which forms appendix 2 shows the extent of land (W6) and the building (W5).

6. Following the death of the previous tenant, 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.
7. The area of land known as W6 is currently leased by 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 rental is fixed at £25 per annum.
8. Prior to the expiry of the lease on 25 March 2022 the council had been engaging with the Isle of Wight Espresso Company over the past 12 months regarding their plans for the site and the basis for a new lease for W5 as well as potential for the lease of an adjacent area of foreshore.
9. Following a meeting between council staff and the directors of the Isle of Wight Espresso Company the council received a formal request from their solicitors to purchase the freehold of both sites as opposed to taking out a new lease for W5 and continuing with the lease for W6.
10. They feel that given the proposed level of investment for the site, the opportunity to increase employment and the offer to residents and visitors that this is the most commercially viable option to enable the development.
11. They propose to develop the site to provide an improved coffee roasting and processing facility, an accredited barista training centre, coffee shop and visitor centre. They will also offer tours of the facility so visitors can see the whole process from the receipt of raw materials through to the finished products ready for consumption on site and onward distribution.
12. They want to develop the site to complement their retail offer (Café Isola) in Upper St. James Street, Newport as well as expanding their offer and brand. The development would be undertaken sympathetically in relation to the surrounding area and would be subject to the necessary approvals. Appendix 3 is their statement in support of being considered a special purchaser.
13. This is considered a matter for the Harbour Committee to determine as W5 (building and land) at Blackhouse Quay forms part of Newport Harbour. Accordingly, it is a Local Choice Function and is covered in by Part 3 – Local Choice Functions in the Constitution.
14. In addition, the Harbour Revision Order 2021 states, that the Order authorises the modernisation of the statutory powers and duties of the applicant in its capacity as the harbour authority for Newport Harbour. This includes the clarification of harbour limits, the giving of general and special directions, the power to grant tenancies within the harbour premises and to enter into commercial activities. The Order came into force on 10 March 2021.

## CORPORATE PRIORITIES AND STRATEGIC CONTEXT

### Responding to climate change and enhancing the biosphere

15. 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.

16. 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).

#### Economic Recovery and Reducing Poverty

17. 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

18. 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

19. 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

20. The request to be treated as a special purchaser has been 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 masterplan and would be complementary to the regeneration plans.

### CONSULTATION

21. The Isle of Wight Espresso Company have consulted with and received support from Newport Business Association and local members.

### FINANCIAL / BUDGET IMPLICATIONS

22. The disposal of the land and building will result in a capital receipt to the council; this would be ring fenced to the Newport Harbour accounts. The potential capital receipt will only be known once an independent valuation of the land and building is undertaken and received if terms of disposal are agreed with the Isle of Wight Espresso Company. The costs of the valuations will be borne by the purchaser.
23. The tenant is currently 'holding over' on the lease which is full repairing and insuring.

24. The sale of the freehold of both sites would result in a capital receipt although there would be a loss of rental income stream derived from the leases which is currently £150/annum for W5 and £25 for W6.
25. Legal and other professional costs associated with the disposal are to be determined and these will be paid from the capital receipt up to a maximum of 4%, with the remainder paid from the harbour revenue account.
26. All void costs (including things like rates, utilities, legal & conveyancing, marketing etc) will be borne by the Council if the disposal to IOW Espresso does not go ahead and they chose not to renew the lease.

## LEGAL IMPLICATIONS

27. 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.
28. A covenant could be placed on the property when it is disposed of in order to assist in ensuring that the use stays within the harbour undertaking. 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

29. 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.
30. There are no direct implications for equality and diversity as a result of the specific recommendations of this report.

## PROPERTY IMPLICATIONS

31. 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.

32. The site itself is not identified as surplus to requirements but is small with very limited potential for any income generating use and is not considered to have any strategic value to the council. Whilst not currently having any direct liabilities its disposal to a third party would remove any such future risks.

## OPTIONS

33. Not to dispose of the building at Blackhouse Quay, Newport Harbour – known as W5 and continue with the 125-year lease of W6.
34. To offer the building at Blackhouse Quay, Newport Harbour – known as W5 - on the open market.
35. To offer a new lease to the Isle of Wight Espresso Company as a special purchaser of the land and building at Blackhouse Quay, Newport Harbour – known as W5.
36. To treat with the Isle of Wight Espresso Company as a special purchaser of the land and building at Blackhouse Quay, Newport Harbour – known as W5 and W6.

## RISK MANAGEMENT

37. 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. However, if this could not be concluded then it would leave the authority with an empty building and responsible for any liabilities and future management of the site for which there is not budget.
38. The council may receive a higher consideration for the building if it offered on the open market, but it should be recognised that the building requires significant investment irrespective of any future use and this would make it unlikely. It also has a good long-standing relationship with the tenant. An independent valuation of the land and building will inform the final disposal agreement with the Isle of Wight Espresso Company and will ensure that the council is fully aware of the land's value in reaching an agreement.
39. There remains the risk that even if the council agrees to the special purchaser arrangements it may not be able to agree terms for disposal of the land and building with the Isle of Wight Espresso Company that offers best consideration for the council and for the Island. The council would then re-evaluate the other options.

## EVALUATION

40. The Isle of Wight Espresso Company are an established local business that are seeking to invest and grow their facility and offer; acquiring the freehold of the land and building will enable them to implement their ambitions.
41. The council may receive a higher consideration for the land if it offered on the open

market but the building requires significant investment irrespective of any future use and this would make it unlikely. An independent valuation of the site will inform the final disposal agreement with the Isle of Wight Espresso Company and will ensure that the council is fully aware of the land's value in reaching an agreement.

APPENDICES ATTACHED

Appendix 1 – Plan showing Newport Harbour estate

Appendix 2 – Plan showing land (W6) and building (W5) at Blackhouse Quay

Appendix 3 - Isle of Wight Espresso supporting statement

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