

Executive Summary – Disposal of 18a and 18b Magrath Avenue

Recommendation

The Executive Councillor for Finance & Resources is asked to approve the decision made in principle by the Executive Councillor for Housing, to dispose of the HRA asset at 18a Magrath Avenue, and the freehold for the building as a whole. This will allow a joint sale with the owner of 18b Magrath Avenue.

Executive Summary

The property at 18 Magrath Avenue is divided into two flats. The first floor flat was previously sold by the Council on a long lease and the ground floor flat is owned by the Council as part of its tenanted housing stock.

The ground floor flat is in poor condition, and needs significant investment to bring it up to an appropriate standard.

The proposal is for both flats to be sold, as a joint venture with the leaseholder, with the proceeds split on a yet to be determined basis. It is assumed that the total proceeds will be divided equally, but this is subject to negotiation with the leaseholder and is yet to be confirmed. The proposed split recognises that a reduction in value for the poor condition of the ground floor flat, is broadly offset by the financial benefit of the Council being the freeholder for the building as a whole.

The proposed approach to the sale of the assets is expected to maximise the value received for the building as a whole and therefore maximise the capital receipt for both parties. External valuation indicates that the market value of the individual flats is less than the estimated market value of the property as a whole, which could realise £475,000.

The total cost to the Council to undertake this project is estimated at £5,000. This is made up of £1,400 to cover the Council's legal costs in relation to the sale and the required negotiations with the lessee, and £3,600 in respect of sales fees. The total sales fees of £7,200 will be shared equally between both parties. The legal costs are included to cover the potential that the internal legal team will not have capacity to cover this workload at short notice, and therefore external legal input will be required. Both of these costs will be met from the capital receipt generated by the sale of the properties.

The decision required as a result of this report is for the disposal of both the HRA asset at 18a Magrath Avenue, and the freehold for the building as a whole.

For indicative purposes, the benefit that the capital receipt for the sale of the asset might bring to the HRA is measured in terms of how it could be re-invested in the delivery of new affordable housing.

The financial appraisal assumes that the sale of 18a Magrath Avenue provides a net receipt of £232,500 (£237,500 less costs of £5,000). The 30-Year Business Plan for the HRA assumes that new build affordable housing can be delivered at £150,000 per unit, so with reinvestment of this capital receipt plus an additional £67,500, which could be the use of retained right to buy receipts, the authority could deliver 2 new affordable homes, where one has been sacrificed.

The new-build proposal will be subject to a separate report in its own right at a later date, assuming the disposal of Magrath Avenue proceeds as one of the funding sources.