

	Officer Key Decision
	Report to the Director of Finance
AUTHORITY TO ENTER INTO A LEASE IN RELATION TO THE PURCHASE OF A S.106 BLOCK AT TELFORD HOMES BUS GARAGE	

Wards Affected:	Alperton
Key or Non-Key Decision:	Key Decision
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Part Exempt – Appendices 3-5 are exempt as they contains the following category of exempt information as specified in Paragraph 3, Schedule 12A of the Local Government Act 1972, namely: "Information relating to the financial or business affairs of any particular person (including the authority holding that information)"
No. of Appendices:	1 – Title Plan 2 – Ground Floor Plan 3 – 999 Year Lease (exempt) 4 – 50 Year Lease (exempt) 5 – Financial Implications of Lease (exempt)
Background Papers:	None
Contact Officer(s): (Name, Title, Contact Details)	Name: Nick Ljustina Job Title: Operational Director- Property and Assets Email: nick.ljustina@brent.gov.uk

1.0 Purpose of the Report

- 1.1 This report requests approval to enter into a lease agreement with the Asset Special Purpose Vehicle for the purchase of a Section 106 block of 155 apartments at the Telford Homes Alperton Bus Garage Development.

2.0 Recommendations

That the Director of Finance in consultation with the Lead Member for Finance and the Operational Director of Property and Assets:

- 2.1 Approves the Council entering into a 50 year lease agreement, with a 949 year reversion option with AG Homes 2022 -1 Limited, an Asset Special Purpose Vehicle, for the purchase of 155 apartments at the Telford Homes Alperton Bus Garage Development, entry into such lease agreement to be triggered by confirmation by Finance Officers of acceptable finance rates.
- 2.2 Notes the conditions of the lease and agrees that that the delivery of the development will be monitored at both Design and Delivery and Housing Care Investment boards.

3.0 Detail

- 3.1 This report seeks permission to enter into an underlease for 50 years (Appendix 3), with an option to acquire the 949 year superior lease (Appendix 4) (total 999 years) in 155 affordable rented homes (flats) at the Alperton Bus Garage site located in 330 Ealing Road, Alperton ('the scheme'), from an Asset Special Purpose Vehicle (ASPV) who has an option with freeholder and developer Telford Homes. The scheme is currently in development with an estimated practical completion date of Q3 2024 for the affordable rented homes.
- 3.2 To finance the Council's expenditure towards the purchase of this block, the Council will take a lease of 50 years from the ASPV, with rents set a current day social rents and indexed at CPI plus 1%. Upon the 50-year lease expiring, the option to acquire the superior lease which will have 949 years to run will be exercised automatically at nil rent or peppercorn.
- 3.3 The developer will continue to insure the premises during the construction period and until practical completion of the development.
- 3.4 The scheme will attract a GLA grant to the value of £4.3M. The average cost per home is circa £280k per unit (including the GLA grant). The total cost of the lease based on a 50 year term is circa £48M and the properties will sit within the HRA.

4.0 Financial Implications

- 4.1 Officers have conducted financial viability testing on the scheme and assessed financial risk. The details of this testing can be found in the Cabinet report for the purchase.
- 4.2 The Council expects to receive 100% Stamp Duty Land Tax (SDLT) relief based on the assumption that:
- a) The Council is deemed to be a relevant housing provider that is controlled by its tenants; and
 - b) The application of GLA grant receipts meets the requirements of a qualifying public subsidy.

5.0 Legal Implications

- 5.1 Cabinet resolved to delegate authority to the Director of Finance in consultation with the Lead Member of Finance and the Operational Director of Property and Assets to negotiate and thereafter enter into the 50 year lease.
- 5.2 The structure of the property element of this transaction is that a new superior lease of 999 years of Block C will be granted by the freeholder to Asset SPV (now called AG Homes 2022 -1 Limited). Block C is the affordable homes block which will contain 155 affordable units. There are two other blocks on the estate known as Blocks A and B which will contain private units.
- 5.3 The Asset SPV is a Community Benefits Society company registered with the Financial Conduct Authority (FCA) and details of this company are to be found on the FCA website (not the companies registry).
- 5.4 The annual rent payable under the 50 year lease is paid in arrears. The first payment of rent is in month 48 under the terms of the 50 year lease.
- 5.5 The council is taking a structural demise of the ground floor up until the 26 floor. There is a commercial unit on the first, second and third floors and the council is taking a demise of the structure only.
- 5.6 The permitted use is that each unit must be used for affordable housing.
- 5.7 The option to acquire the superior lease has been structured so that immediately after the expiration of the 50 year lease, the Asset SPV will assign the superior lease to the council for £1.00
- 5.8 The rent payable under the 50 year lease will be reviewed annually to CPI plus 1%.
- 5.9 From the date of practical completion of Block C the council is responsible to repair and keep in repair the demised premises in good and substantial repair and condition.
- 5.10 The council is responsible for paying the insurance premium to insure the demised premises.
- 5.11 There is an obligation in the 50 year lease for the Asset SPV to use reasonable endeavours to enforce the obligations of the developer in the development agreement between the developer and the Asset SPV.

6.0 Equality Implications

- 6.1 The Council must in the exercise of its functions, have due regard to the need to:

- (a) eliminate discrimination, harassment and victimisation
- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
- (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it,

pursuant to s149 Equality Act 2010. This is known as the Public Sector Equality Duty.

- 6.2 The Public Sector Equality Duty covers the following nine protected characteristics: age, disability, marriage and civil partnership, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
- 6.3 The purpose of the duty is to enquire into whether a proposed decision disproportionately affects people with a protected characteristic. In other words, the indirect discriminatory effects of a proposed decision. Due regard is the regard that is appropriate in all the circumstances.
- 6.4 The proposals in this report have been subject to screening and officers believe that there are no adverse equality implications.

7.0 Consultation with Ward Members and Stakeholders

- 7.1 The Lead Member has been consulted on this report and its appendices.

8.0 Human Resources/Property Implications

- 8.1 There are no further property implications or human resources implications in relation to this report.

related documents:

Cabinet Paper on the Alperton Purchase, November 2021

Report sign off:

NICK LJJUSTINA
Operational Director - Property And Assets