



ECONOMY, REGENERATION AND DEVELOPMENT COMMITTEE

Wednesday, 29 September 2021

REPORT TITLE:	DOMINICK HOUSE, LISCARD
REPORT OF:	DIRECTOR OF REGENERATION AND PLACE

REPORT SUMMARY

The purpose of this report is to provide some background to matters relating to Dominick House and inform members of current discussions with the leaseholder.

RECOMMENDATION

It is recommended that the Economic, Regeneration and Development Committee notes the current position.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 To provide some background to Dominick House and inform members of current discussions with the leaseholder.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 Whilst this principally a report that is for noting, the other options are:

(1) For the Council to sell its freehold reversion interest to the lessee. This could leave the Council in a position in which, save for its planning powers, it would have no or limited control over the future use of the property; or

(2) for the Council to seek to acquire the leasehold interest which would then merge with the freehold. This option is not being pursued as the parties cannot reach a satisfactory agreement as to valuation.

- 2.2 If the Committee were minded to approve either of the above alternative options any decision in that regard would need to be referred as a recommendation to Policy and Resources Committee.

3.0 BACKGROUND INFORMATION

- 3.1 Dominick House is a five-storey office building which is shown edged red on the appended plan. The property was constructed around 1970 and is centrally located in Liscard adjacent to the Cherry Tree shopping centre. The Council owns the freehold interest of the property, but the building is held on a long lease which is now owned by Prospect Estates. The lease was granted on 1st July 1970 for a term of 99 years and currently attracts a rent of £16,727 p.a.
- 3.2 The building, which comprises approximately 22,580 sq ft of offices, was built by the original lessee. From construction until 2018 the building was occupied by way of a sub-lease by the Secretary of State for Communities and Local Government but following its vacation, has remained vacant since. The nature of the building has meant that it is now not readily lettable as offices to a single occupier and marketing efforts by the previous lessee have demonstrated that there would be no demand for this use. The current lessee advises that it has stripped out the building in anticipation of a conversion to residential use.
- 3.3 The Council's freehold interest in this property has previously been identified for a possible sale to generate a capital receipt. The lessee, Espalier Property Project 008 Ltd, expressed an interest in acquiring the Council's freehold which would enable it to combine the interests to give it an unencumbered ownership which would enable more flexibility in any future plans. Consequently a sale price in the sum of £230,000 was agreed and Cabinet Member approval to the sale was granted in January 2019.
- 3.4 The sale did not proceed and Espalier's interest was later acquired by Prospect Estates which now currently owns the long leasehold interest. Last year Prospect

Estates resurrected discussions around buying the Council's interest and had initially agreed to match the figure accepted by Espalier. Its proposal was to convert the property to residential accommodation and during these discussions it submitted three separate planning applications for prior approval on the site, for conversion to residential units. The applications were for 50, 54 and 70 units respectively.

- 3.5 An outright sale of the Council's freehold interest to the lessee would enable the latter to proceed with the residential conversion. Such a sale would not give the Council any control, outside of the planning powers, over the nature of the conversion. The need for the Council to have control over the nature of any conversion is considered to be critical given the context of the building. There have been numerous discussions with the lessee to try to establish a way of ensuring a suitable redevelopment, including working with a Registered Housing provider, but it has not been possible to devise a mutually satisfactory arrangement. Latterly have been discussions around the Council buying the leasehold interest from Prospect Estates, but the respective opinions of value were some way apart.
- 3.6 As the building is currently vacant and not readily lettable as offices, the lessee is in a position in which it is still obliged to pay rent to the Council, along with other outgoings including rates, insurance, maintenance but is not receiving any income. The tenant is anxious to agree a way forward but is unable to reach a satisfactory commercial arrangement with Council officers.
- 3.7 Alongside these discussions the Council has commissioned a master planning exercise to support the emerging Local Plan which has a focus on Liscard town centre. The draft masterplan indicates that a residential use would be preferable, but with a more interactive use on the ground floor. The master planning exercise has been completed by the Council's consultants and will be submitted for member approval later this year.
- 3.8 The dominant retail facility in the town centre is the Cherry Tree Shopping Centre which recently went into receivership. The receivers are understood to be having discussions with various property developers to consider the future of the centre. Given the location of Dominick House in relation to the shopping centre it is considered preferable for both entities to be considered in the same context. It is suggested that it is in the Council's interest to wait to see what those discussions bring, to determine if there can be a favourable outcome for all parties.
- 3.9 Although the lessee is incurring expenses while these discussions are ongoing and is eager to progress a scheme, the Council has no obligation to sell its interest to the lessee.

4.0 FINANCIAL IMPLICATIONS

- 4.1 The current lease generates an annual income of £16,727.
- 4.2 A capital receipt for the sale of the freehold could, based on the original agreement generate a capital receipt of £230,000, although this would be in lieu of the rent.

5.0 LEGAL IMPLICATIONS

5.1 Prospect Estates has the benefit of the 99-year lease as described which gives them security for the term of the lease and possibly beyond.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 There are no IT or staffing implications arising from this report. The asset implications are as described in the report.

7.0 RELEVANT RISKS

7.1 A disposal of the Council's interest without any controls, could see an unacceptable re-development of this prominent building. In light of the Council's interest in this building there could be a reputational risk should an acceptable outcome not be achieved.

7.2 Inaction by the Council or any delay in coming to a decision could lead to a decline in the condition of the property which could cause the lessee considerable expense or impact on the viability of a scheme which could have a financial risk

8.0 ENGAGEMENT/CONSULTATION

8.1 Ward Councillors have been made aware of some of the discussions with the previous lessees. The lessees were also asked to engage with the Council's consultants in the delivery of the Liscard masterplan.

9.0 EQUALITY IMPLICATIONS

9.1 This report has no direct equality implications.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 At this stage there are no implications for the environment and climate.

11.0 COMMUNITY WEALTH IMPLICATIONS

10.1 The aim of this report is to secure the best possible outcome for the future of this building.

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APPENDICES

Appendix 1 Plan

BACKGROUND PAPERS

Correspondence relating to previous discussions with the lessee (commercially confidential)

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Disposal of freehold reversionary interest – Dominick House, St Albans Road, Liscard. Delegated Member Decision	5/1/2019