

EXETER CITY COUNCIL

**EXECUTIVE
19 JUNE 2007**

NEW PRIMARY CARE FACILITY AT BEACON HEATH, EXETER

1.0 PURPOSE OF REPORT

- 1.1 To seek authority to enter into a Building Lease for a new primary care facility at Beacon Heath, Exeter.

2.0 BACKGROUND

- 2.1 Officers have been in discussion for some time over the possibility of making a City Council owned site adjoining Arena Park at Beacon Heath (see location plan annexed) available to the Partners of the Southernhay Surgery for the construction of a new primary care facility. Planning Consent for the scheme was granted in September 2006.
- 2.2 In the normal course of events, when negotiating over development on its land, the City Council enters into an Agreement for Lease under which a developer would construct the new premises to the City Council's satisfaction. Only at this stage would the Lease itself be granted. This deal structure has served the City Council well over the years in controlling the timing and quality of development schemes since the developer has an obvious vested interest in satisfying the City Council since, if they were to fail to do so, the actual Lease that they required would not be granted. In general, commercial developers and funders understand and are prepared to proceed on this basis. Funders in particular will lend on the basis that, even if the developer fails to perform its obligations under the Agreement for Lease, they can step in on default to continue the development; obtain the Lease themselves; and realise value in this way.
- 2.3 In the particular case of the surgery site, however, a problem has arisen in that funders are not convinced that they would practically be able to step in and release value on default because there would be no guaranteed market for the primary care facility in the absence of the Southernhay Surgery Partners. They are therefore not prepared to fund development on an Agreement for Lease and Lease basis. As an alternative, officers have discussed the possibility of proceeding on the basis of a Building Lease for a term of 250-years granted upfront with Building Obligations. This will give funders adequate security in that they would be able to step in and take a full property interest that they could seek to trade in default. Whilst it is understood that this will satisfy funders it will reduce the degree of control the City Council will have over the development and its timing. However, we are informed that this would enable the partners to put a funding package together to allow the delivery of a primary care facility that is clearly needed in this area.

- 2.4 Executive are asked to approve the principle of proceeding with the grant of an upfront Building Lease in this particular instance. The Head of Estates Service will then negotiate the detail to enable funding and construction of the new primary care centre.

3.0 FUNDING IMPLICATIONS

- 3.1 The City Council will receive a premium payment for the grant of the Building Lease.

4.0 FURTHER CONSIDERATIONS

- 4.1 If the principle of the Building Lease is approved it may be necessary (subject to legal advice) to advertise the disposal and consider any objections or to obtain a Secretary of State's consent. If necessary a further report may need to be tabled to Executive to consider such objections or consent issues, if any.

5.0 RECOMMENDED that: -

- 5.1 Executive authorises the grant of an upfront Building Lease for the primary care facility site at Beacon Heath, Exeter.

**DAVID PROSSER
HEAD OF ESTATES**

ECONOMY & DEVELOPMENT DIRECTORATE

**JOHN RIGBY
DIRECTOR**

Local Government (Access to Information) Act 1985 (as amended)

Background papers used in compiling the report:

None.