

Compulsory Purchase of the former Shannoeks Hotel, Sheringham

Summary: This report makes the case for compulsory purchase of the above long term empty property, which despite the efforts of the Council, is in a very dilapidated condition. Given its very prominent position in an important tourism resort, the property significantly detracts from the amenity of this area of Sheringham.

Options Various methods of improving the property have been explored (see accompanying Enforcement Board Briefing at Appendix A), to no avail. The owners continue to show no willingness to bring the property back into use, and only very limited willingness to improve the property in any way. Without intervention by the Council the property is unlikely to be returned to use in the foreseeable future and will only deteriorate further.

This report proposes that, as a last resort, the Council applies to the Secretary of State for a Compulsory Purchase Order which will give the Council the power to purchase, because without such an order the property is unlikely to be voluntarily returned to use by the owners in the near future.

Prior to seeking an Order, the Council would be expected to have attempted to reach a voluntary agreement for sale with the current owners, which would be based on an independent market valuation.

It may be possible to enter into an arrangement with a third party purchaser for a back to back sale following compulsory purchase.

However, no option to acquire the property can be progressed without approval to proceed with acquisition, hence the recommendations below.

Recommendations:

1. That subject to point 5 below the Corporate Director (NB), after discussion with the s151 Officer and the Portfolio members for Planning, Property and Assets and Legal Services, is delegated the power to conclude an agreement with the owners of the former Shannoeks Hotel, Sheringham, to sell the property to the Council, stating clear timescales for the owners to respond and to complete the sale.
2. If no such agreement is reached, that the Corporate Director (NB), is instructed to proceed to make an application for a Compulsory Purchase Order on the property and to take all necessary or desirable steps to achieve that.
3. That following acquisition, the Corporate Director (NB), will bring a further report back to Cabinet for a decision regarding options for redevelopment
4. That, the purchase cost and CPO fees will be funded from capital resources from which virement of the necessary funds is authorised.
5. The purchase price will not exceed independent valuation and the CPO on costs at the upper limit identified in the report.

Reasons for Recommendations:

1. There is an expectation by the Secretary of State that Councils will seek to reach voluntary agreement on purchase prior to a Compulsory Purchase being authorised.
2. To enable the property to be acquired for redevelopment or bringing back into use, thus removing this long-term empty property which is presently causing blight in the local area.
3. To enable Cabinet to make an informed decision on the future use of the property.
4. To make the necessary financial provision for purchase
5. To ensure CPO remains a cost effective option.

Cabinet Member(s) Cllr John Rest – Property and Assets Cllr Sue Arnold - Planning Cllr Judy Oliver – Enforcement Board	Ward(s) affected: Sheringham Cllr Brian Hannah Cllr Doug Smith Cllr Judy Oliver Cllr Richard Shepherd
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1. Introduction

- 1.1 The former Shannoeks Hotel occupies a prominent site, at the corner of High Street and East Cliff at the top of Sheringham's sea front. It has been empty since at least 2010 and is now in a seriously dilapidated condition, affecting the amenity of and causing blight to, the local area. It was taken out of charge for Business rates by its owner, due to its dilapidated condition, in 2011 and little if any work has been carried since then, so the property has continued to deteriorate. The council has received complaints from local residents and in the local traditional and social media regarding the condition of the property.
- 1.2 In accordance with the council's Enforcement Policy, officers have considered various actions to bring the property back to a good condition.
- 1.3 The Council commissioned an external structural survey and valuation report from Purslows in 2014 (Appendix B), which revealed substantial renovation of the property is required, such that the Council would be precluded from taking action under the Building Act in respect of a ruinous and dilapidated building. Such action could have led to a charge being placed on the property, which if unpaid could have led to an enforced sale, but there is believed to be insufficient value in the property to make this viable without risk to the council.
- 1.4 An improvement notice in respect of the property was served on the owners in March 2014 under Section 215 of the Town and Country Planning Act 1990, in relation to the property's condition and appearance which was felt to be detrimental to its surroundings and to the amenity of the local area, especially given the Conservation Area status. Following ongoing non-compliance, the Council prosecuted the owners, who were convicted in July 2015. The owners have since contacted the council indicating some willingness to undertake some repairs to the exterior rendering but, even if this was to be carried out, it will not address the poor condition of the interior.
- 1.5 The full options considered are set out in the accompanying briefing to the Enforcement Board (Appendix A), which also details the issues around Compulsory Purchase.
- 1.6 The Council has more recently commissioned a valuation and options report from Savills (at Appendix D), which supports the compulsory purchase option.
- 1.7 In addition, the Council's Planning Team has produced a development appraisal (Appendix C), which further supports the compulsory purchase option.

2. The Case for Compulsory Purchase

- 2.1 Section 226 of the Town and Country Planning Act 1990 allows the "compulsory acquisition of land for development and other purposes" as long as the local authority thinks "that the acquisition will facilitate the development, redevelopment or improvement on or in relation to the land"

and as long as it thinks this is likely to contribute to the achievement of the promotion or improvement of any of the following objects in its area:

- a) economic well-being
- b) social well-being
- c) environmental well-being

It is considered that compulsory acquisition of this property, which is a prime location on a seaside front, and which attracts high footfall in summer months, with a review to regenerating the same, will easily satisfy these requirements.

- 2.2 There has to be a compelling case in the public interest for the Secretary of State to grant a Compulsory Purchase Order. However, it is considered that the location in a tourist and conservation area, unsightly condition, and complaints will all add significant support to this case.
- 2.3 The council also needs to show that such acquisition is a measure of last resort. The long-term nature of the property's empty status, along with the action already taken, the reticent nature of the owners and a lack of viable cost effective alternatives, mean a Compulsory Purchase Order is the last resort option, and the approach most likely to deliver the Council's preferred outcome of the site being properly re-developed with the resultant benefits to the local area.
- 2.4 The Council also has to show that there is a reasonable prospect of a development scheme going ahead, hence our work with Savills, at this stage producing a report suggesting viable alternatives exists for the site, which it is intended, will then be utilised to attract potential investors to develop the site.
- 2.5 If an Order is granted, the Council then has a period of time to purchase the property for a known, independently set value.

The council has a number of options then to secure the redevelopment of the site, including direct onward sale to a developer, a joint redevelopment with a partner or developing the property itself. A "back to back" contract can be used to secure a purchaser or developer partner in advance of the power to purchase being exercised.

There would be obvious gains in terms of social, environmental and economic benefit if the site was to be improved, especially given the prominence of the site in one of the District's main tourism towns.

- 2.6 Compulsory Purchase Orders can take a long time to progress to approval stage by the Secretary of State, especially if the owner appeals against the application but, if approved, give Council a greater influence on the outcome than other approaches.
- 2.7 The accompanying Enforcement Board briefing note at Appendix A outlines other considerations that would be made by the Secretary of State, including public interest and human rights, but officers believe that this property satisfies the criteria on all accounts.

3 Financial Implications and Risks

- 3.1 In the case of the owners accepting a voluntary offer, which would have to be the Council's first step, the Council will only incur the normal costs of purchase.

Given that the value of the property will be over £100,000 a decision to proceed with its acquisition will be a Key Decision and this has been properly advertised in advance of this report coming forward.

- 3.2 There will be costs attributable to a CPO application process (see accompanying Enforcement Board Briefing at Appendix A). However, based on the Council's professional valuations so far and the indicative equity in the property, it is very likely that the costs attributable to a CPO in this case, as well as the cost of the property itself, could be recovered by future redevelopment.

Given the information we currently have, the total cost of a successful CPO application and purchase would be made up of the following:

- open market value (independently valued) of the property
- any hope value (considered very unlikely) associated with the property
- the CPO fees
- any reasonable fees (as determined by the Lands Tribunal) incurred by the owner

The exact level of costs will depend on the level of objections to the Secretary of State from the owner, once we have submitted our CPO application and obviously, any Public Inquiry would make CPO more expensive and extend the process considerably. The cost of a successful application for a CPO, assuming an Inquiry, will be up to £30,000 depending on the form of Inquiry the Secretary of State decides, if any.

- 3.3 Clearly, the full cost of the application process is at risk should the CPO application fail or a successful Order later was not be taken forward to actual purchase.

The worst case position therefore, is the Council not being granted a CPO and having liability for both its own and the owners' costs of a CPO Inquiry. To mitigate this, professional property and legal advice will be taken at all stages of the process.

- 3.2 It should be noted, that as a minimum, Compulsory Purchase of this property would then see the property being sold on the open market to a developer, in order to replace the capital resources used for this scheme. Other options may become available once the process commences, but these can only be developed with approval to proceed with the voluntary purchase offer and subsequent application to the Secretary of State.

4 Sustainability

There are no sustainability issues arising directly from this report

5 Equality and Diversity

The Courts recognise that English CPO law and procedure complies with the European Convention on Human Rights. The Council, in pursuing this course of action, has considered the balance to be struck between individual rights and the wider public interest. Interference with human rights, if any, is

justified in terms of the benefits that the action would have for local amenity and therefore the community as a whole.

Empty properties are a wasted resource and in this case adversely affect the amenity of the local area. This proposed course of action will ensure improvement or redevelopment of a property that has been empty for many years and will create a regeneration opportunity for Sheringham.

6 Section 17 Crime and Disorder considerations

Empty properties have a detrimental effect on the visual amenity of the neighbourhood and can attract vandalism, squatters and other forms of anti-social behaviour, as well as reducing the value of adjoining properties. This proposed course of action will reduce the possibility of unauthorised entry, the risk of injury and criminal damage and the general unsightliness issues which have been raised with the Council.

The Council has received reports previously, of attempts to gain illegal access to the property and the risk of this and similar action will only increase the longer the property is left empty..

7 Conclusions

The Council has made significant efforts to engage the owners and encourage them to take action to improve this property. These efforts have proved unsuccessful and, after considering and discounting all other legislative options, officers believe Compulsory Purchase is the most likely way to ensure this long-term empty property is returned to use or redeveloped.

Cabinet approval is therefore sought to proceed with initially, a voluntary offer for the property, backed up with an Application to the Secretary of State for a Compulsory Purchase Order if the voluntary approach fails.

Confidential Appendices for this item

A Enforcement Board Briefing - legally privileged

B Structural Survey and Valuation Report – Purslows 2014 – commercially sensitive

C Draft Development Briefing – NNDC Planning Service July 2015

D Valuation Report – Savills August 2015 – commercially sensitive