

23 Grosvenor Place – Synopsis of agreed surrender with Guinness Housing Association

The Council, via appointed consultants GVA, conducted negotiations to agree terms for a surrender, via a reverse premium, with Guinness Housing Association (GHA), which holds a long leasehold interest at the subject property, 23 Grosvenor Place, which expires in 37 years' time. GHA approached the Council regarding a surrender during L&T discussions, as the premises no longer met their operational needs and it was the intention to re-house tenants to superior accommodation in Bath and in one case Bristol.

The Residual Valuation approach

23 Grosvenor Place

Gross Development Value		
Less Development Costs		
Construction Costs		
Professional Fees @12%		
Sales/Marketing Costs		
Capital Financing Costs@5%		
Total Development Costs		
Net Development Value		
Less Developer Profit @ 20% of development costs		
Residual Development Value		

Apportioning the Share of Residual Development value between the respective parties.

A 50/50 share of the residual value generally arises where the present interests of both parties has a present value.

Present value of interests as at 2016.

Council Freehold Interest *

*This reflects the fact that the Council does not have the right to vacant possession for 37 years.

Guinness Leasehold Interest **

** This assessment disregards the potential dilapidations claim based on the diminution in the Council interests, which had been assessed at approximately £280,000. However, given that the purpose of accepting surrender would to obtain vacant possession and to simultaneously market the property as a development opportunity then it is highly likely any dilapidation claim would fail on the

grounds of supersession, in that any works of repair would almost certainly be superseded by any subsequent development work.

Assuming share of residual development value @ 50/50 equates to a reverse premium payable to Guinness Housing Association of [REDACTED]

However, if you reduce the GHA present value of [REDACTED] by the dilapidation figures of £280,000 this produces a potential net interest of [REDACTED]. This could produce an argument that GHA's share could be reduced slightly.

Through subsequent negotiations the value of the reverse premium was reduced to **£450,000**.