

Sandwich Agreement Valuation Report: January 2018

Introduction

Instructions were received from the Director of Environment & Corporate Assets in December 2017 to carry out a valuation of the constituent parts of the Sandwich Agreement, which completed on 30 July 1988, although the lease was back dated to 1 April 1974. The purpose of the valuation is to form the basis of a permanent settlement of the Sandwich Agreement.

Basis of Valuation

The basis of valuation except where otherwise indicated is Fair Value as there is sufficient evidence of market transactions for that use and have been made in accordance with the RICS Appraisal and Valuation Manual and Guidance Notes published by the Royal Institution of Chartered Surveyors.

Sandwich Agreement

Dover District Council (DDC) and Sandwich Town Council (STC) signed the Sandwich Agreement (the "Agreement") in 1987. This involved the assets held by the former Council which was dissolved following reorganisation in 1974. The principal asset was the Guildhall which under the Agreement is leased for 99 years from 1 April 1974, with STC responsible for all outgoings & repairs & maintenance. DDC had right to exclusive use of an area (now the former cloakroom) for which it paid a sum equivalent to 9.75% of the costs of repairs, maintenance, lighting heating & other expenses. With effect from December 2017, DDC has surrendered this area.

The rent currently payable by STC also includes the annual net income from a number of properties which were as follows:

1. Land at St George's Lees
2. 23 Wantsume Lees
3. 33 Moat Sole
4. Site of 11 a and 13 Peter Street
5. The Clinic at Moat Sole
6. 2 Market Street
7. Causeway Tip

Most of these properties ("Remaining Properties") were plots of land sold long ago are either plots of land or properties which Sandwich TC sold long ago & DDC are credited with the notional annual interest on the sale proceeds.

An annual rent is payable which is **either** based on either the actual rents payable on items 1 to 5 above, less outgoings, **or** is based on the imputed rent last payable. If the properties are sold, STC pay annual interest on the capital sum based on Bank Base Rate. To date, most of these properties have sold, for a total of £203,700. In 2016/ 17 STC were liable for a payment of £1,018.50 in respect of the sold properties.

The Sandwich Agreement worked to DDC's advantage in the early years of the agreement, with it being paid a net sum by STC, however since 2003 inflationary pressures on repair and staffing costs have meant that DDC has been a net contributor in every year since 2003. Only one of the Agreement properties generates an income, 2 Market Place, which DDC leases to GW Finn for £4,200 and under the Agreement DDC keeps the income. The site of 11a and 13 St Peter Street is maintained by DDC as formal gardens.

Assumptions

Please note that this is a desk top valuation. I have inspected the 3 major properties in the past, but I have not done so recently, so I have assumed that the properties are in a satisfactory condition and there are no major structural issues which would affect my valuation.

Valuation

The Guildhall

This property is effectively let on the remainder of a 99 year lease from 1974 at a peppercorn rent, with STC responsible for all outgoings, which it then recharges DDC a sum equivalent to 9.75% of the costs of repairs, maintenance, lighting heating & other expenses.

I have therefore valued these premises for the initial term at a peppercorn rent, with a reversion to market rent after 2086. I have also reflected the fact that any agreement with STC will be as tenants and that they will benefit from marriage value of the freehold and leasehold interests which I have split evenly between DDC and STC.

On this basis, I value the Guildhall at **£332,500**

Remaining Properties

For the Remaining Properties, all but 2 Market Street, Site of 11a and 13 Peter Street and Causeway Tip have been sold. STC pay an annual sum based on the imputed rent which would have been paid. Last year this sum totalled £1,018.50.

If this income stream is valued in the same way as property rents, this would be worth **£10,000**.

2 Market Street

Whilst the property is let and managed by DDC, the rents are received by DDC. Finns are holding over on their lease which ended in 2016 at a rent of £4,200 per annum. I have therefore assumed a reversion to full rental value of £5,900 after 1 year.

On this basis, I have valued 2 Market Street at **£72,000**.

Site of 11 a and 13 Peter Street

This area of land is 89 sq metres and is used as amenity land for planting.

I value this at **£200**.

Causeway Tip

This land is 2.71 Ha in extent and is the former residential waste tip for Sandwich. As such it will be contaminated. It is outside of any confines, so will not be redeveloped. Restrictive covenants could be imposed to ensure this remains so. I have therefore assumed that this land is effectively valueless.

Valuation **£1**

Rob Reid-Easton
8 January 2018