

Committee(s):	Date(s):	Item no.
(1) Barbican Estate Residents Consultation (for discussion) (2) Barbican Residential (3) Corporate Asset Sub (6) Policy and Resources (5) Community and Children's Services (4) Finance	(1) 12 September 2011 (2) 26 September 2011 (3) 27 September 2011 (6) 13 October 2011 (5) 14 October 2011 (4) 18 October 2011	
Subject: Barbican YMCA – Housing Issues and Lease Expiry		Public (other than the Appendix, which has been separately circulated under non-public cover).
Joint Report of: Director of Community & Children's Services & The City Surveyor	Ref No; CS.326/11	For Decision
<u>Summary</u>		
<p>The National Council of Young Men's Christian Associations (Incorporated), latterly known as YMCA England is currently holding over under the terms of its lease for the Barbican YMCA building which is let at a peppercorn rent and expired on the 6th April 2011. YMCA England has a protected lease and is entitled to seek a new lease, if it wishes.</p> <p>According to the original letting requirements, the hostel is operated by a separate Board of Trustees which is to include Members. That Board of Trustees was formed and is now known as the City YMCA.</p> <p>The City as landlord has to consider how it should deal with the lease expiry and the building. As part of that process, the need for a continued subsidy by way of a letting at a peppercorn rent has been explored, having taken into consideration the City's housing duties and needs.</p> <p>Prima facie, the original intention of the letting to students of City organisations and young City workers is now not being met. A significant</p>		

level of disrepair has been found to have accrued at the end of the lease.

It is timely to consider whether the subsidised operation remains the most appropriate use of City Fund resources. It is concluded that the benefit provided by the peppercorn rent is disproportionate, and achieving an open market rent presently estimated in the region of £500,000 pa for the building would assist the City in providing better value for money from its assets, for delivering its wide ranging services.

The YMCA England has considered its position, and has suggested that it would be inclined to discontinue its tenancy which can be effected by its service of a Section 27(2) Notice, and would like the City to give favourable consideration regarding the dilapidations costs in view of the YMCA charitable status and the aims which the City YMCA seeks to fulfil.

In strict Landlord & Tenant terms, the current disrepair and action that the City could take to protect its property interests has to be considered, likely to involve a Section 25 Notice procedure if other solutions do not present themselves.

A conditional grant of £650,000 from the then Office of the Deputy Prime Minister (ODPM) was obtained by the City in 2006 to fund repairs to the hostel on behalf of the City YMCA and regard will be needed to any potential repayment, which will be dependent upon how the building is continued to be used, which is as yet undetermined.

In these circumstances, it would be prudent for the City to explore the future of the property which would include open market testing to demonstrate and ensure best value, whilst taking into consideration the City's planning policies which currently indicate a continued hostel or residential use, for which a separate report will be presented in due course.

Recommendations

We RECOMMEND that approval is granted;

- (a) to the cessation of the present peppercorn rent subsidy provided by the City in respect of the Barbican YMCA building once the existing YMCA England lease has been resolved.
- (b) to waive the costs of outstanding repairs which are the responsibility of YMCA England and found to have accrued as at the end of its lease, provided that YMCA England elects to serve a Section 27(2) Notice, Landlord & Tenant Act 1954 upon the City to terminate its tenancy by no later than the 30th September 2012 allowing students at the hostel

to leave in early summer and the YMCA to use the premises for students and visitors who wish to attend the London 2012 Olympics and Paralympic Games.

- (c) to give delegated authority to the City Surveyor in consultation with the Comptroller & City Solicitor either to settle such other necessary waiver terms as the preferred course of action or if YMCA England elects not to serve a Section 27(2) Notice, to proceed with an opposing Section 25 Notice, Landlord & Tenant Act 1954 and otherwise protect the City's property interests in accordance with the terms of the lease, all as detailed in the Appendix to this report.
- (d) to the provision of a budget sum of up to £20,000 from the Director of Community and Children's Services local risk budget for any necessary market testing exercise to be undertaken in respect of the building.

Main Report

Background

- 1 The YMCA's lease for the Barbican hostel at 2 Fann Street, EC2 expired on 6 April 2011, having been granted in 1990 for a period of 21 years. The hostel is City Fund Estate property and forms part of the Barbican Residential Estate, currently held by the City for housing purposes.
- 2 The City originally granted a lease in 1971 to the National Council of Young Men's Christian Associations (Incorporated), which is latterly known as YMCA England. YMCA England remains the tenant, the Board of Trustees of the London City YMCA (City YMCA) was established as a separate charitable entity to manage the hostel, being a requirement of the original letting.
- 3 YMCA England is presently holding over under the terms of the lease at a peppercorn rent and with a full repairing obligation and prohibition against assignment or sub-letting. These terms replicated the original 1971 letting provisions. YMCA England has a protected lease and is entitled to seek a new lease, if it wishes.
- 4 The grant of the original lease followed the construction of the hostel in 1970, which is managed as part of the Barbican Estate, which the City intended *'to provide for some of the students from the Guildhall School of Music and Drama (GSMD) and other young people who work in the City, who do not require much space and cannot afford a high rent, and who*

require some facilities for meals and service. This category would include for example, articled clerks, students at the Cripplegate Secretarial College and the City of London Colleges and other centres, and trainees starting their careers.' The purpose of the peppercorn rent was to ensure that the hostel could be run by the YMCA on a self-supporting basis with adequate provision for repairs and replacement and to ensure that the charge for board and accommodation was not excessive for young residents.

- 5 The current 1991 lease was granted following a review of the service, and at that time options were considered including renewal at a peppercorn rent or at a commercial rent, offering the hostel to the open market, sale of the hostel and resumption of possession for other City purposes.
- 6 The City concluded at that time, that it wished to maintain '*status quo*', and that if a peppercorn rent was not granted, an increase in costs to YMCA was likely to be passed onto hostel residents.
- 7 In 2006 the City secured a government grant of £650,000 from the then Office of the Deputy Prime Minister (ODPM) to fund repairs to the hostel which the City YMCA was unable to afford. This was based upon there being some occupancy by homeless people and support by City YMCA to enable their progression out of temporary accommodation.
- 8 Taking into consideration the City's housing needs and duties and the property issues, this report seeks approval to the process for addressing the expiry of the current lease.

Accommodation Description.

- 9 The hostel is a self contained 17 storey, Grade II listed building fronting onto Fann Street, EC1 and comprising 255 bedroom, shared bathroom and toilet facilities, two wardens flats, a main reception area, small gymnasium, restaurant and student common areas. There is administration office accommodation on the 15th floor.

GSMD Nomination Rights.

- 10 Rights reserved within the original 1971 lease provided the GSMD with nomination rights to place up to 50 students in the hostel, but following a subsequent request by the City YMCA for the City to relinquish those rights, the Barbican Residential Committee agreed to reduce the number to 15 student placements at its meeting in November 1994.

- 11 The GSMD advises that it no longer refers its students to the hostel primarily because it prefers to refer to accommodation which meets the higher standards of the Higher Education Code of Practice for the Management of Student Housing.

Current Position

- 12 As part of the usual lease expiry process, the City has received consultant's advice on the current open market rental value of the building estimated circa £500,000 pa exclusive and a terminal schedule of dilapidations.
- 13 The schedule indicates that the hostel is in poor repair despite the ODPM grant funded repair works that have been undertaken. Significant works have been identified, which are required to return the hostel into a fit state of repair. The total cost of repairs including all attendant supervision has been calculated at £1.69m.
- 14 While the property issues must be addressed, the City's strategies and policies also need to be considered, together with local circumstances involving the modern day needs of students of GSMD and other City educational establishments, the contemporary requirements of young City trainees and the needs of others accommodated at the hostel and how they may be effectively met.
- 15 Further, there should be regard to the City's fiduciary duty to look after funds and assets to ensure that public money is spent appropriately, and to the City's duties including statutory requirements under housing, human rights and equalities legislation.
- 16 Regard should be had to all of these aspects in reviewing the arrangements and considering if they should continue.

Occupancy

- 17 The City YMCA tariff is freely available with published rates for the general public without qualification, and a separate discounted student rate and can be viewed on its website, and other websites such as www.tripadvisor.co.uk.
- 18 **Occupancy** - The City YMCA has provided occupancy data rates;

<u>Rate</u>	<u>Period</u>
64%	2006
79%	2007

82%	2008
85%	2009
88%	2010

- 19 At the time of preparing this report, City YMCA has indicated the composition of its 214 residents as follows;

<u>Resident Group</u>	
Students	158
Bed & breakfast	23
Housing benefit	17
Workers	<u>16</u>
	214

- 20 **Student Accommodation** – Approximately 75% of the residents are students, which the City YMCA data indicates are from the following institutions;

Academic Students

- (a) Cass Business School
- (b) City University
- (c) Imperial College London
- (d) Kings College London
- (e) London Metropolitan University
- (f) United Kingdom Accreditation Service
- (g) University College London

Arts Students

- (h) Central St Martins College of Arts and Design
- (i) Central School of Ballet
- (j) Italia Conti Dance School
- (k) London Studio Centre
- (l) Urdang Academy

- 21 Displacement of these students will impact on demand for student accommodation elsewhere, albeit that the numbers affected from each of the institutions should theoretically be small. The impact of displacement has been addressed in an Equalities Impact Assessment.
- 22 **Residential Use** – The City YMCA has 11 residents who are on the housing register (waiting list). The City referred 7 of these to City YMCA but that does not confer any automatic housing right. These 11 residents are all single households; 10 male and 1 female; 2 aged in their 50's; 3 aged in their 30's and 6 aged in their 20's.

- 23 **Housing Benefit** - The City YMCA data records 17 residents who are claiming housing benefit. There may be other residents receiving benefit directly but who have not disclosed that information. All claimants, including the 11 on the 'waiting list' appear to be single adults. The majority of these claimants are working part-time or full-time and contribute a top-up themselves. Of those claiming full housing benefit, all but one are on Job Seeker's Allowance and have been deemed fit to work.
- 24 Having reviewed these 11 residents and compared the City information with the City YMCA information, there is no reason to believe that more than 2 residents would be vulnerable to the extent of warranting 'priority need' for housing. It should be noted that 1 other resident from this group was placed at the hostel under the 'special projects' scheme that the City used at the time, meaning that the City agreed give the resident sufficient priority to be able to successfully access social housing.
- 25 The Director of Community and Children's Services advises that those using the hostel as their only or main home, whether self-referred or referred by the City, will be offered advice and assistance around general housing options, should it be required. This will largely take the form of outlining the local and pan-London housing landscape, extensive sign-posting and enabling clients to access the best possible information. Some may seek to join the City's Housing Register, although the likelihood of permanent accommodation being available in the short term is slight and expectations would be clearly managed from the outset.
- 26 **Accommodation for the Homeless** - As part of the homelessness prevention agenda, the City has certain schemes to help facilitate access to private sector rented accommodation. Funding is in place for the City to provide 'Rent-Deposit' assistance through an in-house scheme. Real Lettings, a partnership scheme with housing charity Broadway, also procures and finances housing in the private sector and assists with tenancy set-up. Eligibility for these schemes is strictly directed by criteria based on the extent of homelessness and the level of vulnerability. There is room for flexibility to utilise these schemes where appropriate, to assist the transition to private rented accommodation but always dependent upon initial assessment.
- 27 The City's Homelessness Strategy identifies the expansion of such specialist accommodation which is considered a more effective method of meeting the needs of this client group than referral to the City YMCA, which has a general mixed environment that is considered to be less suitable for such clients.

- 28 The City has a duty under the Homeless Housing Act 1996 to accommodate anyone classified as homeless within the meaning of the Act in temporary accommodation until permanent accommodation is found. Furthermore the City is constantly looking at opportunities within neighbouring boroughs for purpose-built specialist accommodation which could suit its requirements.
- 29 **City Referrals** - The City has previously made use of the City YMCA in order to provide for those in housing need, often for clients with low-medium support needs, who would have some vulnerability.
- 30 However, as a result of the City YMCA funding cuts in April 2009, it became unable to provide any elements of support to that resident group, and therefore City took the decision that it could no longer refer those homeless persons requiring high levels of support. Thus the relationship with the City has evolved to the stage where referrals overall have declined as can be seen from the data beneath.

<u>Clients</u>	<u>Period</u>
17	2006
19	2007
24	2008
13	2009
3	2010
4	2011

- 31 The City now generally refers these people to single purpose hostels which can offer specialist expertise to help users' needs including, where possible, moving on to permanent accommodation.
- 32 **Vulnerable Residents** – The City YMCA has advised that over the last 5 years, virtually all of the supported needs residents have vacated, nor are there any elderly residents. Other than as already noted, the City YMCA advises that it does not believe it has any further vulnerable residents.
- 33 Of the student residents, City YMCA advises that 22 of these are 16-17 year olds. People in this age range are classified as vulnerable under homelessness legislation and therefore immediately in priority need for accommodation. That gives each a right to pursue a homelessness application with the City.
- 34 As regards other resident groups currently known to be using the hostel, the Director of Community and Children's Services advises that for the very small numbers of persons referred there by the City to whom the

City owes a duty to provide accommodation, specialist supported housing which is more appropriate to their needs can be found.

- 35 **Accommodation for Young Professionals** - Professional trainees of City businesses are not known to be users the hostel on a routine basis. The salaries of this group are generally much improved, as are their aspirations, than in the 1970s when they were still considered to be in need of low-cost hostel accommodation.
- 36 **Low-Cost Visitor / Tourist Accommodation** - Vacancies at the hostel are made available to a wide range of users including people visiting London on holiday; which, considered alongside the vacancy rates, potentially indicates that City YMCA may not be providing accommodation of suitable quality for the students for whom the hostel was intended, or may be unable to attract sufficient student numbers for other reasons, or may indicate other letting priorities.
- 37 The City has in place policies to promote tourism, including encouraging the provision of commercial hotels in appropriate locations, but those policies do not envisage this being supported by public funds to subsidise the cost of visitor accommodation, which could not be recommended. The provision of low cost holiday accommodation would not be considered sufficient justification to retain the hostel letting on a peppercorn rent nor consistent with the City's fiduciary duties.
- 38 **Occupancy Conclusion** - In summary, the hostel appears to have evolved into a general purpose facility. Despite the fact that the provision of the hostel and the letting arrangements with the YMCA England were considered appropriate when the original lease was granted and subsequently when it was renewed, the current occupancy pattern suggests that circumstances have evolved and the original purposes envisaged by the City are no longer being met by the hostel.

The City's Housing Duties & Needs

- 39 In the immediate term, the resident data available to date suggests that the potential number of vulnerable residents would be a manageable within the City's current resources, although there may be a minority of young persons, 16-17 years old who may be classified in immediate priority need, if it were established that there was no alternative accommodation or a family home available to them.
- 40 Some other resources which the City uses for its single homeless people have been closed, namely the Lindsey Hotel (April 2010, to make way for Crossrail) and Salter's City Foyer at Centrepont for 18-25 year olds

(June 2011, due to lack of funding and to which the City only made 10 referrals during 2007-2010). To offset the loss of the Lindsey Hotel, the City has priority access to The Lodge, Camden. This is new purpose-built accommodation for homeless people which opened in March 2010, providing space for 40 residents.

- 41 In the longer term, the loss of the hostel may have some impact on the housing provision for certain sections of the City's population, but the City should consider whether a continuing subsidy and costs associated with the hostel provide the best way of addressing that housing provision.
- 42 In this context, the lack of sufficient support within the hostel, the lack of self-contained units, the mixture of sexes, range of ages and backgrounds of the residents and the minimal upkeep of the property, pose questions as to its general overall suitability.
- 43 **Staff & Resources** - If the City has reason to believe that any of the residents are vulnerable, it could give rise to an interim need for the City to provide and pay for temporary accommodation, pending further enquiries. Any homelessness decision will then dictate what long-term duty is involved.
- 44 The City has a duty to provide housing advice, even where there is no interim or permanent duty to re-house. Closure of accommodation on the size of the hostel will probably place a greater demand upon existing staff resources of the Director of Community & Children's Services to provide that advice and to deal with initial assessments.
- 45 Subject to the foregoing general resourcing comment, the extent of any housing requirement that may presently arise is expected to be manageable within the City's existing resources, with the possible numbers of residents who might be affected being significantly less than the amount of accommodation which the hostel has to offer.

Equalities Impact Assessment

- 46 The Equalities Impact Assessment undertaken confirms that the closure of the Barbican YMCA hostel would be likely to result in a reduction in this type of accommodation, if no hostel provider could be found to operate it at market value.
- 47 This has been assessed to cause high negative impacts especially for young people, although mitigation measures have been identified in the Equalities Impact Assessment. In respect of existing occupants, mitigation measures are being sought through negotiations for the City

YMCA to provide alternative accommodation at its nearby Errol Street hostel for any of its long-term residents for whom there is no statutory housing duty but which would be desirable, although City YMCA is presently suggesting that this may not be possible. However, the City has procedures in place to pick up these residents for the purpose of addressing their needs. Student bookings are not being taken beyond the 2011/12 Academic year.

- 48 In respect of adverse impacts arising from reduced provision for protected categories likely to be adversely affected, the Equalities Impact Assessment addresses availability of student accommodation and paragraph 27 addresses availability of accommodation for homeless people. Paragraph 25 sets out mitigation available by way of advice and assistance in seeking private rented accommodation.

Subsidy

- 49 The City has effectively been subsidising the YMCA operation by way of a peppercorn rent since the building was first let over 40 years ago. The commercial value of this subsidy is currently considered to be of the order of £500,000 annually in broad terms.
- 50 One of the City's two principal objectives was to be able to provide suitable accommodation for the GSMD students. The GSMD advise that the accommodation is no longer meeting this objective, for the reasons set out in paragraph 11.
- 51 The second objective was to provide suitable accommodation for young people who work in the City, including for example, articled clerks, trainees starting their careers and students at the Cripplegate Secretarial College and the City of London Colleges. However, most of the students at the hostel are from institutions within neighbouring boroughs and more distant locations across London.
- 52 The balance of the residents comprise people with various housing requirements, for which that the City has separate housing policies and premises, and where need and resources are properly managed and prioritised.
- 53 In view of the minority of residents that may be benefitting from the subsidy being provided by the City, and having regard to the Equalities Impact Assessment that has been undertaken which has identified other mitigation, the City should consider whether continued subsidy makes the best use of the its resources and assets.

- 54 The Director of Community & Children's Services believes that the necessary services for those residents in need could be better and more effectively provided by means other than continued subsidy to the YMCA England, and that the City has effective procedures to address all housing requests.
- 55 Withdrawal of the subsidy would enable the City to seek income for the building, and it is considered that the City could deliver better outcomes for its necessary services more cost effectively than is presently being achieved from this subsidised operation.
- 56 Therefore, continuation of the subsidised operation is not believed to represent the best use of the City's assets and resources, having regard to its various duties and statutory requirements.

Lease Expiry

- 57 Members are referred to The Non Public Appendix for further background information and details of a commercially sensitive nature relating to the landlord and Tenant issues.
- 58 **Dilapidations** – Having obtained a terminal schedule of dilapidations in connection with the lease expiry, the City has formally served the schedule upon YMCA England to preserve its position. Considering the lease obligations, the cost of outstanding works and the financial standing of the City YMCA, the long term operational costs for the hostel on the present funding basis appear unsustainable.
- 59 YMCA England has indicated that it is minded to discontinue its tenancy and could do so by serving upon the City an appropriate notice of no less than 3 months duration to expire at any time, but would like the City to give favourable consideration to waiver of the dilapidations costs, given that it likely to have a bearing upon City YMCA and limited resources.
- 60 The level of disrepair represents a breach of covenant, which technically poses difficulty relative to renewal of the lease. However, discontinuing the tenancy would be one of the means of addressing the lease expiry, although by itself would not waive the dilapidations liability.
- 61 In having received the ODPM grant payment on behalf of the City YMCA and completed works to the building, the likelihood of grant repayment needs to be considered but this cannot be done until the future of the building is determined.

Managed Exit

- 62 If YMCA England was to discontinue its tenancy, there are timing issues to consider, due to commitments to accommodate students for the academic year due to start in September 2011, thus a managed exit would be desirable.
- 63 Presently the City YMCA has individual contractual arrangements with its students for the provision of accommodation. Although the contracts give City YMCA ultimate control, early termination of student lettings ahead of the academic year for which they are booked is thought to be unnecessarily disruptive.
- 64 In managing the process, YMCA England has advised that the academic year for which student lettings are understood to have been agreed, ceases in June 2012. There would then be a knock-on effect to relocate the administration functions from the hostel and associated costs for the City YMCA, for which it would like a further three months occupation.
- 65 The City has been advised that this additional period is partly to deal with relocation and partly to be able to continue offering accommodation to students and others who wish to be in London during the London 2012 Olympic and Paralympic Games. The income that could be generated during this period for the City YMCA would help it offset its costs of a managed exit.
- 66 The City YMCA wishes to record its gratitude for the support which it has received from the City over many years, as well as in the furtherance of its charitable purposes and the shared interest in meeting housing need. It is keen to maintain a good working relationship for mutual benefit and for the sake of potential future partnership arrangements.

Alternative Uses

- 67 It would be prudent for the City to begin to explore the future of the property which will probably need to include market testing, and have regard to the City's planning policies which indicate a continued hostel use, or, if this is not feasible, other residential use. Regard should also be had to housing need and aiming to mitigate adverse impacts of reduced hostel provision which may arise as far as may be possible.

Proposal

- 68 It is proposed that the City resolves to cease subsidy of the hostel by way of the peppercorn rent once the existing YMCA England lease has been resolved, and that it agrees to waive any claim for dilapidations against YMCA England provided that YMCA England serves an effective

Section 27(2) Notice upon the City to terminate its tenancy and provides vacant possession of the hostel by no later than the 30th September 2012. On this basis, the tenant could be allowed to hold over under the terms of its lease dated the 6th April 1990 provided there is no further deterioration to the hostel.

- 69 Delegated authority to the City Surveyor in consultation with the Comptroller & City Solicitor is to be sought in order to settle any necessary waiver terms and documentation, or if YMCA England elects not to serve a Section 27(2) Notice, to proceed with an opposing Section 25 Notice, Landlord & Tenant Act 1954 in accordance with the terms of the lease as detailed in the Appendix to this report.

Legal Implications

- 70 Pursuant to the Human Rights Act 1988 the City is required to act in accordance with the European Convention on Human Rights (ECHR). Proposals which could displace people from their homes could involve an infringement of rights under Article 8(2) of the ECHR which provides that *“Everyone has the right to respect for his private and family life, his home and correspondence”*. However, the right to a home is a qualified, rather than an absolute right, Article 8(2) allows for interference which is *“in accordance with the law and is necessary in a democratic society in the interests of national security, public safety or the economic well-being of the country, for the protection of health and morals, or for the protection of the rights and freedoms of others”*.
- 71 There must therefore be a balancing exercise between the public interest and the individual’s rights whereby any interference in the individual’s rights must be necessary and proportionate. ‘Proportionate’ in this context means that the interference must be no more than is necessary to achieve the identified legitimate aim. A “fair balance” must be struck between the rights of the individual and the rights of the public.
- 72 The Director of Community and Children's Services considers that the public interest in exploring whether alternative arrangements to the current lease at peppercorn to YMCA does amount to a proportionate interference to an individual’s rights in all the circumstances, for the following reasons:
- that the necessary services for those residents in need could be better and more effectively provided,
 - that the City has effective procedures to address all housing requests,

- that the continuation of the subsidised operation is not believed to represent the best use of the City's assets and City Fund resources, having regard to its various duties and statutory requirements.

73 Under the Equalities Act 2010, Authorities are required, in making decisions about policy and practice, to have due regard to the need; (a) to eliminate unlawful discrimination; (b) to advance equality of opportunity between different groups; and (c) to foster good relations between different groups.

74 This requires Authorities to analyse and assess the impact of decisions in respect of equality (which applies to all protected characteristics including age, disability, race and religion) and address how any impacts will be mitigated, as addressed within the body of the report including paragraphs 46-48.

Financial Implications

75 The latest filed group accounts for The National Council for Young Men's Christian Associations (Incorporated) are for the year ended 31 March 2010. The accounts indicate a total surplus for the year of some £1.35m on total incoming resources of £21.35m, working capital (current assets exceed current liabilities) of £3.45m and total net worth (total assets exceed total liabilities) of £9.68m.

76 Although YMCA England clearly has a reasonable level of resources this report proposes that taking account of the charitable status and aims of the organisations involved, Members agree to waive the full £1.69m cost of outstanding repairs which are the responsibility of YMCA England as the lessee of the Barbican YMCA hostel. This would be subject to agreeing to terminate its tenancy by no later than 30 September 2012.

77 If Members agree these proposals then it is intended that a further report will be submitted in due course in respect of the market testing exercise (estimated cost £20,000 to be funded from the Director of Community and Children's Services local risk budget).

Corporate Property Implications

78 The City has considered the property issues having first taken into account its other material statutory requirements, and with the lack of sufficient justification to continue subsidising the occupation, it should aim for a satisfactory resolution of the existing lease.

- 79 The disrepair of the hostel is disappointing, and the ability of YMCA England and City YMCA to afford the necessary works is of concern, given the listed status of the building.
- 80 Discontinuance of YMCA England's tenancy coupled with a managed exit on the terms outlined herein potentially provides an effective solution to the issues relating to the expired lease that may be found mutually acceptable, but the City will then need to consider how the building continues to be used and how the necessary repairs will be funded.

Consultees

- 81 The Town Clerk, the Chamberlain and the Comptroller and City Solicitor and YMCA England have been consulted in the preparation of this report.

Strategy & Other Significant Implications

- 82 The proposals as outlined in the report would not be contrary to either:-
- a) **The City Together Strategy** – Supporting Our Communities, to promote appropriate provision of housing and community facilities.
 - b) **The Core Strategy CS21** – To protect existing housing and amenity and provide additional housing.
 - c) **Economic Development** –developing facilities on the City fringes to support an adequate workforce.

Conclusion

- 83 The original intention of the letting to YMCA England at a peppercorn rent was to enable the hostel to be self-supporting, so that low cost charges to residents would produce sufficient revenue to enable all repairs and outgoings to be met.
- 84 It has become apparent that the City YMCA business model does not appear to support the lease obligations in terms of building maintenance, albeit that YMCA England is responsible for the hostel under the terms of the lease. Not only are the costs of maintaining this substantial listed building significant, but demand from students for whom the resource was originally intended does not appear to generate sufficient income for the model to succeed, nor to take up available places.
- 85 The housing benefit that the City derives from the hostel is minimal compared to the worth of the asset, and it is considered that the City has

policies and procedures in place to address the housing need, thus it is therefore timely to consider whether the continued provision of the building at peppercorn rent to YMCA England, involving as it does significant subsidy in the form of a peppercorn rent, remains the most appropriate use of the City's resources.

- 86 The various information gathered in respect of the City YMCA operation suggests that it is not best placed to operate and maintain the building, in which case its future use and occupation needs to be addressed.

Appendices - *Members are referred to The Non Public Appendix for further background information and details of a commercially sensitive nature relating to the landlord and Tenant issues.*

Background Papers

n/a

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