

COMMERCIAL TENANT UPDATE: LEASE EXTENSIONS

Head of Service:	Mark Shephard, Head of Property and Regeneration
Report Author	Mark Shephard
Wards affected:	(All Wards);
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
Appendices (attached):	Exempt Appendix 1

Summary

This report outlines the opportunity for the Council to extend two long term commercial leases on their existing terms and receive a combined £52,500 capital receipt.

Recommendation (s)

The Committee is asked to:

- (1) **Agree to extend the two commercial leasehold interests by 100 years and 50 years as described in paragraphs 1 and 2 of Exempt Appendix 1.**
- (2) **Note that the two lease extensions will generate a combined capital receipt of £52,500 on completion.**
- (3) **Nominate and authorise the Head of Property & Regeneration to take all necessary actions further to the above decision being made, to progress the lease to completion.**

1 Reason for Recommendation

- 1.1 The Council has a statutory obligation under s123 Local Government Act 1972 to seek Best Value from its land and property assets.
- 1.2 The above recommendations exceed the Property & Regeneration Scheme of Delegation which requires Committee approval to:
 - 1.2.1 Leasehold disposals exceeding £10,000 value and / or;
 - 1.2.2 Grant / extension of leases over 15 years.

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- 1.3 The recommendations reflect the changing circumstances of the tenants and demonstrate the Council's commitment to its s123 obligation.

2 Background

- 2.1 The majority of the Council's commercial properties are held by tenants on long term leases.

- 2.2 These provide the Council with numerous benefits including:

- Long term secure income.
- Avoidance / reduction in vacancy costs – no loss of income at lease expiry.
- Increased Asset Value – strong demand in the property investment market for financially secure tenants on long leases.

- 2.3 Equally, commercial tenants benefit from long term leases:

- Operational stability to justify long term investment in the business.
- Avoidance of relocation costs at lease expiry.
- Customer base – a long term location promotes brand and customer loyalty.
- Work force – a long term location promotes staff retention and assists recruitment.

- 2.4 Lease extensions are not uncommon and are often requested by tenants to:

- Refinance – to attract the most favourable loan interest rate for long term capital investment.
- Grants – to access grant funding where a minimum lease term is often required.

- 2.5 Two long leasehold commercial tenants have approached the Council requesting lease extensions to justify long term investment in their respective operations.

- 2.6 The Council commissioned Market Valuation reports to independently determine the premium payable to extend the respective leases on their existing terms.

- 2.7 The Market Valuation reports were undertaken by the Council's external commercial property Asset Valuers to ensure Best Value compliance.

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3 Proposal

- 3.1 The proposed lease extensions are detailed in Exempt Appendix 1. The terms are considered commercially sensitive as they are subject to contract and provide the identity / financial information of the commercial tenant.
- 3.2 Existing lease terms for both opportunities remain unchanged and will apply in full to the additional lease terms granted.
- 3.3 It is recommended to extend the leasehold interests and thereby provide the Council with a £52,250 capital receipt and enable both commercial tenants to invest for the long term.

4 Risk Assessment

Legal or other duties

- 4.1 Equality Impact Assessment
 - 4.1.1 Not applicable
- 4.2 Crime & Disorder
 - 4.2.1 Not applicable
- 4.3 Safeguarding
 - 4.3.1 Not applicable
- 4.4 Dependencies
 - 4.4.1 Not applicable
- 4.5 Other
 - 4.5.1 None

5 Financial Implications

- 5.1 The renewal of commercial leases is consistent with the Council's agreed Medium Term Financial Strategy objective to generate commercial income from the use of Council assets.
- 5.2 **Section 151 Officer's comments:** The combined capital receipt of £52,500 will contribute to the Council's capital resources and can be used to support other priority investments. The extensions also protect the Council's long-term revenue position by maintaining secure rental income streams and reducing the risk of future void costs.

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6 Legal Implications

- 6.1 The Local Government Act 1972 (“the 1972 Act”) provides the Council with powers to dispose of land, including the ability to sell or lease land. However, under the 1972 Act, the Council must ensure that any disposal is for the best consideration reasonably obtainable unless specific exemptions apply.
- 6.2 The Council has a statutory obligation under s123 Local Government Act 1972 to seek Best Value from its land and property assets.
- 6.3 The lease extension premiums were assessed by the Council’s external Asset Valuers to ensure Best Value compliance. Valuation reports advised the Council on the level of Market Value premium payable to extend the respective leases on their existing terms.
- 6.4 Legal services are being provided by external solicitors instructed by the Head of Property & Regeneration further to the agreement of the Head of Legal and Monitoring Officer.
- 6.5 **Legal Officer’s comments:** None arising from the content of this report.

7 Policies, Plans & Partnerships

- 7.1 **Council’s Key Priorities:** The following Key Priorities are engaged: Opportunity and Prosperity, Effective Council
- 7.2 **Service Plans:** The matter is included within the current Service Delivery Plan.
- 7.3 **Climate & Environmental Impact of recommendations:** While in occupation, the tenant is responsible for Building Regulation compliance.
- 7.4 **Sustainability Policy & Community Safety Implications:** Not applicable.
- 7.5 **Partnerships:** Not applicable.
- 7.6 **Local Government Reorganisation Implications:** The Council remains under a statutory duty to achieve Best Value and ensure services can be delivered and maintained until LGR Vesting Day on 1 April 2027.

8 Background papers

- 8.1 The documents referred to in compiling this report are as follows:

Previous reports:

- None

Other papers:

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- None