

<b>Meeting:</b>	<b>Cabinet member contracts and assets</b>
<b>Decision date:</b>	<b>Friday, 9 February 2018</b>
<b>Title of report:</b>	<b>Granting a lease of 20 Widemarsh Street, Hereford</b>
<b>Report by:</b>	<b>Estates management officer</b>

## **Classification**

Open

## **Decision type**

Key

This is a key decision because it is likely to result in the council incurring expenditure which is, or the making of savings which are, significant having regard to the council's budget for the service or function concerned. A threshold of £500,000 is regarded as significant.

Notice has been served in accordance with Part 3, Section 9 (Publicity in Connection with Key Decisions) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

## **Wards affected**

Central

## **Purpose and summary**

To approve the granting of a new lease of retail premises at 20 Widemarsh Street, Hereford.

## **Recommendation(s)**

**That:**

- (a) a new lease is granted to David Christopher Limited (trading as Oswin & Co) of retail premises at 20 Widemarsh Street, Hereford for A1 retail use for a term of fifteen years at a rent of £40,000 per annum exclusive of outgoings.**

## **Alternative options**

1. Four other bids were received. The selected applicant offered the best package to the council in terms of rent and length of term and business proposal. The other offers are detailed in appendix 1.
2. Offer the property for sale freehold. This would reduce the opportunity to retain revenue income for the council.
3. Do nothing, but this would leave valuable business premises unoccupied, resulting in loss of income, continued holding costs and a risk of vandalism.

## **Key considerations**

4. The premises have been vacant since the previous tenant, in administration, vacated in August 2017. In addition to loss of rental income, the council is paying empty business rates of £17,603 per annum whilst the premises remain unoccupied
5. The premises comprise a prominent corner unit over 2 floors with double shopping frontages to Widemarsh Street and Maylord Street. It is important to the vitality of the shopping street that the shopping frontage is not broken up by a non-retail use.
6. The popularity of Widemarsh Street has increased since the opening of the Old Market shopping centre and retaining this property as an active A1 retail unit will further enhance the retail mix in this street and help maintain the value of this and the other council owned properties in Widemarsh Street.
7. The premises have been openly marketed being advertised on the council's website and included in the Commercial Premises Register compiled by the council's economic development team. To let boards were placed in the windows. Offers were requested from all interested parties which included a range of local established retailers as well as national firms and start-ups looking to establish a presence in Hereford. The selected applicant has a strong tenant covenant and is an expanding local business. The criteria for selection was highest rent, longest term, longest period to tenant break clause, investment in the property by refitting, A1 use preferred as no planning change of use required, shortest rent-free period and beneficial effect on the trading pattern of Widemarsh Street.
8. The rental income will help maintain the council's property income and an early letting will minimise budget pressures of holding vacant property.
9. The offer received is as a result of an open and competitive marketing campaign and is the highest of 5 offers received. The offer is not conditional.

## **Community impact**

10. Continued retail use will enhance the vitality of Widemarsh Street and contribute to the sustainability of the city centre.
11. The council is pursuing best use of resources in obtaining optimal rate of return for the tax payer through the letting of an empty property and re-directing the proceeds to council priorities as identified within its corporate plan.

12. The following corporate plan objectives will be supported:
- Support the growth of our economy and improve the quality of jobs and the level of pay
  - The rental income can help secure better services to further enhance quality of life in the county and reduce council tax
  - The following objectives from the Council's tenanted non-residential investment portfolio will also be met:
    - i. To maximise occupancy levels and
    - ii. To maximise rental levels consistent with a balanced tenant mix and prevailing market values.
  - The council is committed to providing a healthy and safe environment for all individuals impacted by the council's activities. Therefore the council endeavours to ensure that the work they and their tenants undertake, does not adversely affect the health, safety or welfare of members of the public especially visitors. Therefore council tenants are expected to work to the same health and safety standards and codes of practice as the council, as far as is reasonably practicable. This includes tenants ensuring council properties are statutory compliant and this requirement will be included in the final tenancy agreement

## **Equality duty**

13. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:
- A public authority must, in the exercise of its functions, have due regard to the need to -
- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
  - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
  - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
14. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is a decision on back office functions, we do not believe that it will have an impact on our equality duty.

## **Resource implications**

15. The proposal is for an income stream for the life of the lease for at least 15 years.
16. See appendix 1 for income stream for current and future years.
17. The council is responsible for payment of empty business rates of £17,603 per annum (pro rata) until the lease is completed. The tenant will be responsible for all internal repairs, the shopfront (and glass) and for the interior refurbishment costs including a compliant heating system.

## Legal implications

18. The council is empowered to dispose of its land in such manner as it wishes pursuant to the Local Government Act 1972 provided that in accordance with section 123(2) it does so at the best value that can reasonably be obtained in the market.
19. By comprehensively marketing the property in the open market and analysing the offers received in terms of level of rent, the proposed duration of the tenancy and the main lease terms, the council is able to demonstrate that the best consideration possible is being obtained.
20. The council's legal department will prepare the lease and deal with its completion.

## Risk management

21. The following risks will be managed at a service level:

Risk / opportunity	Mitigation
Opportunity to improve the vitality of Widemarsh Street by filling an otherwise empty frontage	
Risk that tenant does not complete the Lease	Revert to next best offer
Risk – not proceeding with the lease as recommended will result in loss of income and increased holding costs	Revert to next best offer but there will be a further delay

## Consultees

22. The local ward member, Councillor Len Tawn, has been consulted and has no comment to make. Political group leaders have also been consulted and no comments have been received.

## Appendices

Appendix 1 – Analysis of offers received

## Background papers

None identified.