

Agenda Item 29

Cabinet

07 March 2012

12/1216



Agreement of terms for the letting of land at Littleham Industrial Estate, Exmouth

Exempt Information

Para 3 Schedule 12A information relating to the finance or business affairs of any particular person

Summary

The above land was let on a 7 year lease to Coombe Fisheries Ltd. which expired on the 13 April 2011 and which they did not wish to renew. AHA Properties Co Ltd are tenants of the adjacent property would like to take a long ground lease on terms set out within this report.

Recommendation

Members authorise the grant of a long lease at Littleham Industrial Estate, Exmouth

a) Reasons for Recommendation

A long ground lease is a secure and valuable investment for the Council. The tenant of the adjacent premises trading as John Barnes Joinery Associates Ltd. will be able to expand and grow the business. The lease terms agreed are favourable for long term growth.

b) Alternative Options

Sell the site with vacant possession or lease on a short term basis as previously

c) Risk Considerations

Cost of professional fees should the tenant or assignee default on rent payments or break other covenants.

d) Policy and Budgetary Considerations

The site forms part of the overall remaining freehold interest holds on this estate and was approved for disposal as part of the Council's Priority Disposal Programme in July 2011. However, for reasons set out in a report to Cabinet 1 February 2012, only part of the Council's interest is now to be sold.

The proposed lease grant will provide the Council with an initial revenue income of £2,250 per annum.

Positive Impact Overall

Thriving Economy.
 Safe Environment.
 Clean Environment.
 Create Cashable Savings

e) Date for Review of Decision

N/A

Main Body of the Report**1 Background**

- 1.1 The land at Pankhurst Close (see attached plan and photos) was let to Coombe Fisheries Ltd. for a term of 7 years from 1 May 2004 at a rent of £1,250 pa without any rent reviews. The site was used for parking and storage of fishing equipment and containers.
- 1.2 Coombe Fisheries Ltd. did not renew their lease as they no longer had a need for the site.
- 1.3 John Barnes Joinery Associates Ltd. (JBJ) are the tenants of site 2b and terms have provisionally been agreed with them for a new long ground lease subject to Cabinet approval.
- 1.4 Dihurst Holding Ltd. assigned the lease of site 2b to JBJ (in the name of AHE Properties Co. Ltd with John Barnes Joinery Associates Ltd acting as guarantee), on 3 August 2006.
- 1.5 JBJ is a specialist joinery manufacturer. They have good references and have a sound rent payment record.

2 Proposals

- 2.1 JBJ would like to extend their current premises and develop the site, subject to planning permission.
- 2.2 There is a mains sewer pipe that runs beneath the site in question which could restrict development. However, agreement to the lease is not subject to obtaining planning permission as JBJ would still have use for the site to accommodate parking and storage if building is not possible.
- 2.3 Authority is sought to grant a long lease on the following terms.

3 Terms

The proposed terms for a new lease are:

- 118 years to expire at the same time as the lease of site 2b. i.e. 13 October 2129
- Rent Reviews every 7 years, upward only.
- Rent of £2,250 pa for the first 7 years. Exclusive of rates.

- Other terms similar to the existing lease of site 2b legally updated where appropriate.
- The tenant will be responsible for all costs in seeking planning permission and all necessary consents to develop the site.
- The tenant will pay the Council's legal fees of £250 and surveyors fees of £100.

4 Values

- 4.1 The previous rent was £3.20 per sq m and the proposed rent is £5.77 per sq m. This compares favourably with recent transactions in the market.
- 4.2 The gross investment value to the Council will be circa £75,000.
- 4.3 If authority is not granted to proceed on these terms, the alternatives to the Council include leaving the site dormant and investing £15,000 - £20,000 to install a palisade secure fence and re-surface the site. Once secure, the freehold of the site could be sold or a short term lease granted for use of the site.

Legal Implications

The lease terms are explained in the report. There are no further legal observations.

Financial Implications

The financial implications are as indicated within the report.

Consultation on Reports to the Executive

Reports to the Executive re the budget/policy framework must detail the nature, extent and outcome of consultation with stakeholders and relevant Overview Committees. Reports about other matters must give details and outcome of consultation as appropriate

Background Papers

- Plan
- Photos

Kate Little
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Cabinet
7 March 2012