

Single Member Cabinet Decision

Executive
Forward Plan
Reference

E2645

Lease of 4 Abbey Street

Decision maker/s	Cllr Bellotti, Cabinet Member for Resources with Cllr Crossley, Leader
The Issue	To consider the grant of a lease to a newly incorporated Community Interest Company, 44 AD C.I.C. for a term of 16 years at less than best consideration.
Decision Date	23 March 2015
The decision	<p>The Cabinet Members agreed</p> <p>1.1 To grant a tenancy of the building at 4 Abbey Street to 44AD C.I.C. for 16 years at an abated rent for the first 4 years of the term.</p> <p>1.2 The lease to contain a rent review to open market value, after 4 years and the Council will have the absolute right to determine whether to implement that review or to continue with the abatement.</p>
Rationale for decision	<p>The proposal has been developed on the basis that this transaction would be entered into at less than market value because the Council wishes to increase the potential for the arts sector to provide more opportunities for local residents and visitors.</p> <p>It is considered that 44AD is a successful arts organisation which provides opportunities, training, support and outlets for local artists. It will contribute to the Cabinet's aspirations set out in the 2014/5 budget report to develop capacity in the voluntary sector to help achieve Council objectives.</p> <p>44AD have previously occupied Council premises on a temporary basis under a tenancy at will. At the time of the discussions with the Chief Property Officer it was considered necessary to obtain vacant possession of the property as plans were afoot to redevelop it. This was considered an important factor as a significantly higher rent was envisaged following redevelopment and subsequent reletting.</p>
Financial and budget implications	<p>The market rental value of the building in circumstances where an internal repairing lease is granted would be in the region of £44,000 p.a.</p> <p>The proposal is to abate the rent during the first four years of the lease, after which time the rent can be reviewed to market value. Heads of Terms have been negotiated with the proposed tenant on the basis of a rising rent from £10,000 in year one to £25,000 in year four. Adopting the achievable market rent of £44,000 pa, the proposed letting, over the first four years, will result in a rent of £106,000 in total being foregone. Should the Council exercise its right not to implement</p>

	<p>the rent review at year 4, there may be further rental income foregone. Within the Revenue Estate income forecasting no rent has been forecast for 2014/15; however an abated rent is an opportunity cost lost when considering future ability to generate income for the estate. The relocation of 44AD to 4 Abbey St has facilitated the development of another property the tenant was then occupying, resulting in a significantly higher rental opportunity for the Council from the other property.</p>
Issues considered	Customer Focus; Property; Corporate; Other Legal Considerations
Consultation undertaken	Cabinet members; Section 151 Finance Officer; Monitoring Officer, Chief Property Officer.
How consultation was carried out	Draft report was circulated for comment and revisions made
Other options considered	Disposal of the property on the open market has been considered but not pursued. The alternative offers received to lease the building have been rejected in favour of the proposed letting for the reasons stated above.

Signatures of Decision Makers	
Date of Signature	

Subject to Call-in until 5 Working days have elapsed following publication of the decision