

EAST HERTS COUNCIL

EXECUTIVE – 3 JUNE 2014

REPORT BY EXECUTIVE MEMBER FOR FINANCE

SURRENDER OF LEASE AT BIRCHERLEY GREEN, HERTFORD

WARD AFFECTED: HERTFORD CASTLE

Purpose/Summary of Report

To seek authority to surrender the Council's leasehold interest in the land at Bircherley Green, Hertford that comprises public car park, public conveniences, bus station and waiting room.

<u>RECOMMENDATION FOR EXECUTIVE:</u> That:	
(A)	the Council surrenders its leasehold interest in the land at Bircherley Green on the terms detailed in the report.

1.0 Background

1.1 The Council has the benefit of a 127 year lease from Costain Property Developments Limited, now Diageo Pension Fund Limited (the Fund), dated 26th November 1982. The lease includes a:

- Multi-storey car park c173 spaces over 6 levels – providing short-stay public car parking
- A bus terminus
- Public conveniences and
- Bus station waiting room (now incorporated and managed as part of a café).

1.2 The property sits on the edge of the Bircherley Green Shopping Centre the majority of which is also owned by the Fund. The Council operates the car park for short-stay parking and currently generates an average net annual income of around £100,000. Approximately 85% of the income is generated from customers parking for between 1 and 2 hours. The Council carried out a

substantial refurbishment of the car park in 2012 at a cost of approximately £380,000 following the service of a Dilapidations Notice by the Landlord. The Landlord has confirmed that the Notice has been complied with satisfactorily.

- 1.3 The lifts are due for refurbishment and if the Council does not proceed with the surrender then an anticipated capital spend of approximately £50,000 in 2014/15 will be required as set out in the Capital Programme.
- 1.4 The other properties that form part of the lease do not generate any income and incur an average expenditure of approximately £15,000 per annum. The Council has been reducing the number of public conveniences that it directly operates and has been working with local businesses to provide facilities as part of the Community Toilet Scheme providing cleaner, safer and more accessible toilets at a lower cost. The bus terminus is something of a historic anomaly as the Council has no role in the delivery or organisation of public transport. There is no operating arrangement or agreement currently in place with either the County Council or the bus companies to operate from this site. The waiting room was incorporated into the lease of an adjacent café in 2001 on the basis that members of the public who are waiting for a bus can use the waiting room without any obligation to buy from the café.

2.0 Report

- 2.1 The Centre is around 30 years old and needs upgrading and remodelling in order to keep existing key tenants and encourage other retailers to move in. The car park and lifts do not now meet the expectations of retailers and shoppers. Waitrose, the Fund's anchor tenant, have indicated that they are unlikely to renew their existing 25 year lease which terminates in 2016 if improvements to the car park and lifts are not made. In order for a redevelopment to be successful the Fund proposes to upgrade and extend the car park; improve access from the car park to the shops and introduce a pay on exit car parking scheme.
- 2.2 The Fund with their partner Wrenbridge Land submitted an offer to the Council last year to surrender its leasehold interest in the Centre to allow a redevelopment of the shopping centre and improve the car parking and lift arrangements to satisfy Waitrose and attract new businesses to the Centre.

- 2.3 This offer was rejected on the basis that it did not represent enough of a financial incentive and officers have since been conducting negotiations with the fund and have now received an offer which is considered acceptable and are able to recommend for approval.
- 2.4 The offer represents the value of the Council's existing interest plus a share of the expected marriage value that will arise as a result of the leasehold and freehold interests merging and the ability to redevelop the whole site. A sale of the Council's leasehold interest to a third party rather than to the fund is unlikely to generate the same level of offer as there would be no resulting marriage value and the Council could only expect the existing value of the asset as a pay and display car park reflecting the liability of the other areas.
- 2.5 The surrender allows the Fund to redevelop the Centre which will have positive benefits for the Centre itself and possibly a much needed boost for the wider town centre. The Council has had an independent valuation carried out to confirm that this represents best value and satisfies the requirements of Section 123 of the Local Government Act 1972. (Report attached at Appendix A).

3.0 Implications/Consultations

- 3.1 On completion of the surrender of the lease all income from the car park (currently around £100,000 p.a.) and expenditure (approximately £15,000 p.a.) for all the leased area will cease. Maintaining the current levels of car park income is however considered to be at risk if the Council decide not to proceed with the surrender as the redevelopment will not go ahead and Waitrose and possibly other retailers may leave the Centre which could have a detrimental effect on income levels.
- 3.2 The Fund have advised that they will continue to operate the car park and public conveniences on a similar basis to the current arrangements until the development is completed although the Council will not be able to make this a condition of the surrender. The fund is proposing to redesign the layout of the Centre; provide an improved and extended public car park which will operate on a pay on exit charging scheme, travelator access from the car park to the Centre and new public conveniences.
- 3.3 Further financial implications are contained within confidential **Essential Reference Paper 'B'**.

Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper 'A'**.

Background Papers

None

Contact Member: Councillor Michael Tindale
michael.tindale@eastherts.gov.uk

Contact Officer: Adele Taylor - Director of Finance and Support Services
Ext. 1401
adele.taylor@eastherts.gov.uk

Report Author: Anna Osborne - Asset and Estate Manager
Ext. 1663
Anna.osborne@eastherts.gov.uk