

Cabinet – 16 December 2015

Aldridge Centre Lease

Portfolio: Councillor A Andrew –
Deputy Leader and Economy Environment and Infrastructure

Service: Development and Delivery

Wards: Aldridge Central and South

Key decision: No

Forward plan: No

1. Summary

- 1.1 Aldridge Shopping Centre is held by LCP Securities Limited (LCP) on a 125 year ground lease from Walsall Council expiring in September 2096.
- 1.2 LCP has approached the Council seeking to extend the term of the lease in order to maintain its ability to secure finance against the asset.
- 1.3 Terms have been agreed for the surrender of the current lease and the grant of a new ground lease for a term of 250 years to include the public toilets and the site of the former neighbourhood office.
- 1.4 Due to the length of the proposed lease term and the level of the rent payable, Cabinet approval to the transaction is required.

2. Recommendations

- 2.1 Subject to consideration of the confidential information in the Private session of the agenda, the Cabinet will be recommended to approve the terms agreed with LCP for the surrender of the existing lease and grant of a new lease.

3. Report detail

- 3.1 LCP holds Aldridge Centre on a ground lease from the Council for a term of 125 years. In order to maintain its ability to re-finance the property, LCP approached the Council seeking the re-gearing of the lease terms to extend the term of the lease to 250 years.
- 3.2 The public toilets within the Centre are currently excluded from the lease demise, are currently closed to the public and are in need of refurbishment. As part of the transaction, the toilets will be included in the lease demise and will be re-opened following a full refurbishment to be undertaken by LCP at its own cost. The

specification of the toilet refurbishment will be approved by the Council. LCP will be responsible for the operation and maintenance of the toilets.

- 3.3 The site of the former neighbourhood office is adjacent to the Centre and is currently unused. LCP has requested that this land be included within the revised demise in order for it to be used for amenity purposes.
- 3.4 In order to reflect the evolving nature of the use of the Centre, the user clause will be extended. The original user clause permitted retail, offices and ancillary car parking. It is proposed that this will be extended to include retail, offices, leisure, food and beverage, residential and ancillary car parking. This change does not fetter the Council's ability to exert control over the use of the centre through the planning system.
- 3.5 The revised lease terms increase the frequency of the rent reviews and the proportion of the rack rental value of the property used to calculate the ground rent payable.
- 3.6 Cabinet is recommended to approve the terms proposed for the new lease.

4. Council priorities

- 4.1 The Asset Management Plan requires the Council to make the most effective and efficient use of its land and property resources. The proposed variations to the lease will increase the rental income received from the property and will bring the public toilets back into use.
- 4.2 The extended lease term will allow LCP to re-finance the property which will allow it to plan continued investment in the asset for the benefit of the community.

5. Risk management

- 5.1 The specification of the proposed toilet refurbishment will be agreed with the Council before completion of the lease, and LCP will be required to complete the works within an agreed period of the completion of the lease.

6. Financial implications

- 6.1 The revised lease terms increase the proportion of the total rental value of the property payable to the Council. Furthermore, the increase in the frequency of the rent reviews will lead to an improvement in the rental growth from the property.
- 6.2 The revised lease terms will secure the refurbishment and future operation of the public toilets at LCP's cost.

7. Legal implications

- 7.1 Legal Services will prepare the required legal documentation for the surrender of the existing lease and the grant of the new lease.

8. Property implications

- 8.1 The proposed terms of the lease will improve the rental stream receivable by the Council.
- 8.2 The transaction will secure the refurbishment and future operation of the public toilets at the leaseholder's cost.

9. Staffing implications

- 9.1 The transaction will be carried out by Surveyors within Asset Management. Legal Services will deal with the appropriate legal documentation.

10. Equality implications

- 10.1 The policies of the Borough's development plans support future developments in ways that will encourage beneficial impacts.

11. Consultation

- 11.1 Consultation has been undertaken with ward councillors, legal services, finance, HRD, planning and building control, housing, strategic regeneration and development and delivery.
- 11.2 Legal Services have provided information on the Council's freehold title and the proposed revised lease structure.

Background papers

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7 December 2015

