

Officer Non Key Executive Decision

Relevant Chief Officer :	Steve Thompson Director of Resources
Relevant Cabinet Member :	Councillor Mark Smith Cabinet Member for Business, Enterprise and Job Creation
Report Author :	Paul Jones Head of Property Services
Implementation Date of Decision:	23 May 2022

Proposed installation of new car wash at Clifton Road, covered by existing Head Lease.

1.0 Purpose of the report:

- 1.1 To seek authority to grant a reversionary Head Lease for a period of 25 years from 2029, to facilitate the proposed installation of a new car wash on land at Clifton Road covered by existing Head Lease.

2.0 Recommendation(s):

- 2.1 To grant a reversionary Head Lease for a period of 25 years from 2029 when the existing lease is due to expire, subject to 5 yearly rent reviews with the next review falling due in July 2023 in line with the existing Head lease. A copy of the Heads of Terms are attached at Appendix A.

3.0 Reasons for recommendation(s):

- 3.1 To provide a long-standing and reputable tenant with continuity of tenure for a sufficient period beyond the existing Head Lease to justify return on his proposed investment in the site to install a new car wash at significant cost to his business.

- 3.2 To secure income and safeguard the Council's interest in the land for an extended period of over 30 years.

- 3.3 To proactively support private sector investment to maintain quality and commercially viable operations on Council owned sites.

- 3.2a Is the recommendation contrary to a plan or strategy adopted or approved by the Council?

No.

- 3.2b Is the recommendation in accordance with the Council's approved budget?

Yes.

3.3 Other alternative options to be considered:

3.3.1 Not to progress a reversionary Head Lease, with existing lease expiring in 2029 which could expose a risk of the tenant not investing in a new car wash or seeking alternative premises for the future.

3.3.2 To offer the parcel of land for sale once the existing Head Lease ends in 2029 however this would not be in the Council's best interests as a long-lease with rent reviews in line with RPI would be commercially favourable, alongside the strategic holding of the site to safeguard the Council's interest in the land.

4.0 Council Priority:

4.1 The relevant Council Priority is;

- "The Economy: Maximising growth and opportunity across Blackpool."
- "Creating Stronger Communities and Increasing Resilience"

5.0 Background Information

5.1 The tenant has operated a successful drive through car wash facility from the Clifton Road site since 2004 – a plan of the area can be found at Appendix B.

5.2 The existing car wash is ageing and approaching the end of its serviceable life, therefore the tenant is seeking an extension to the existing lease arrangements beyond 2029 to provide comfort of return on investment of a new car wash machine at significant cost to their business, which would not be commercially viable over the remaining term of the lease.

5.3 The site is not commercially attractive to an alternative use at the current time, however the area is strategically significant to the Council bordering the formerly Council owned Progress House site where the new Police Headquarters building is situated and the new Troutbeck Housing development and associated green open space.

5.2 Does the information submitted include any exempt information? Yes.

Heads of terms are commercially sensitive and Appendix A is to be removed prior to publication, along with financial details as outlined in section 9 of this report.

6.0 Legal considerations:

6.1 The proposed Heads of Terms are subject to a formal reversionary lease being prepared and signed, with all relevant due diligence undertaken between representatives of both parties.

7.0 Human Resources considerations:

7.1 None.

8.0 Equalities considerations:

8.1 None.

9.0 Financial considerations:

9.1 The current rent is £11,984.00 p/a. A rent review shall be carried out July 2023 in line with the current lease terms.

9.2 The value of the reversionary lease to the revised terms of 25 years from 2029 will yield a minimum of £383,488 per annum based on current rent levels, however to note this figure is conservative as subject to a quinquennial rent review in line with combined RPI increases and uplift as outlined in the appended Heads of Terms.

9.3 Estates surveyor fees of £910 and Legal fees of £1722 payable by the prospective tenant.

10.0 Risk management considerations:

10.1 Subject to appropriate due diligence.

10.2 Council's interest in the land is maintained by way of a lease with provision for break clauses; however the next break option in 2023 will be removed as part of the revised lease terms.

10.3 Head Lease states that site is to be returned in a cleared state if required.

10.4 Landlord's consent is required for every subletting.

11.0 Ethical considerations:

11.1 None.

12.0 Internal / External Consultation undertaken:

12.1 Liaison with all relevant internal and external stakeholders.

13.0 Decision of Chief Officer

13.1

14.0 Reasons for the Decision of the Chief Officer

14.1

