



# City of Westminster Cabinet Member Report

**Decision Makers:** Cabinet Member for Finance, Resources and Customer Services  
Cabinet Member for Business, Skills and Housing

**Date:** 11 February 2014

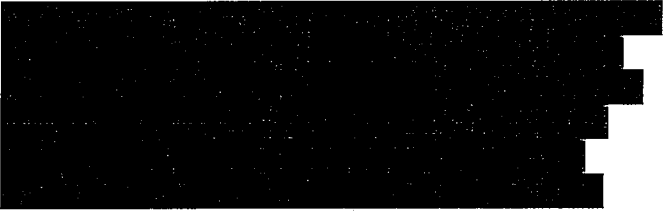
**Classification:** Not for Publication

**Title:** Proposal to enter into Revised Lease Arrangements for Property at 87 - 125 Cleveland Street

**Wards Affected:** Marylebone High Street Ward

**Better City, Better Lives Summary:** The arrangements will lead to a redevelopment of a substantial building which will materially enhance the locality. A capital receipt will fund the Council's capital programmes to deliver the outcomes identified in "Better City Better Lives".

**Key Decision:** Yes

**Financial Summary:** 

**Report of:** Strategic Director for Housing Regeneration and Property

## **1.0 Executive Summary**

1.1 A Cabinet Member Decision taken on 19<sup>th</sup> July 2011 approved the disposal of the

[REDACTED]

1.2 The site has development potential which was to have been realised by way of an option for the tenant to enter into new a 125 year lease. The original scheme conceived at the time was for an office development. However the tenant has approached the Council to request a variation to the documentation permitting them to develop a mixed use development comprising retail and restaurant uses on ground and lower ground floors with residential above as a result of the nature of SDH's business changing since the grant of the lease.

1.3 Corporate Property has been working with its professional advisors to negotiate an amendment to the existing contractual arrangements which exploits the "marriage value" between the Council as freeholder and landlord and SDH as tenant.

1.4

[REDACTED]

## **2.0 Recommendations**

2.1 That this report and background papers be exempt from disclosure by virtue of the Local Government Act 1972, Schedule 12 A, Part 1, paragraph 3 (as amended), in that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information).

2.2 That the Cabinet Member for Finance, Resources and Customer Services and the Cabinet Member for Business, Skills and Housing approve the proposed transaction set out in this report and delegates authority to the Strategic Director for Housing, Regeneration and Property to conclude negotiations and contract with the parties identified in this report on commercial and legal terms recommended by the professional advisors and agree any variations which are in the Council's best interests and necessary to complete the transaction.

2.3 That the Cabinet Member for Finance, Resources and Customer Services delegate authority to the Strategic Director for Housing, Regeneration and Property to incur the costs of professional fees associated with the transaction.

### **3.0 Reasons for Decision**

3.1

[REDACTED]

3.2

[REDACTED]

3.3 The building is currently run down and in need of substantial refurbishment or redevelopment. Its replacement with a new mixed-use scheme will significantly enhance the area and local community and provide a greater chance of securing revenue growth for the Council through future rent reviews on improved retail accommodation.

3.4

[REDACTED]

### **4.0 Background, including Policy Context**

4.1 The property comprises a 1960s building arranged over ground and first floors together with a basement car park forming an island site of approximately 0.66 acres. It is located on the very eastern boundary of the Council's jurisdiction and is owned freehold. The building has a current net internal area of approximately 35,189 square feet excluding the basement.

4.2 A decision was taken to market the property in August 2010. Following selection of a preferred bidder, the Council put in place a 35 year lease to SDH who, at the time, were the existing majority occupier of the site. SDH is now the Council's tenant of the building and is landlord to the remaining sub tenants. [REDACTED]

4.3 In addition to the 35 year lease, SDH were granted an option for the grant of a new 125 year lease enabling them to redevelop or extend the building. The option, which is personal to SDH, gives them the ability to call on the Council at any time during the period of the option to grant a 125 year lease subject to gaining planning consent for an office led development primarily for their own occupation.

4.4

[REDACTED]

4.5

[REDACTED]

4.6

[REDACTED]

4.7

[REDACTED]

4.8 WCC will have the ability to consider the selection of commercial tenants consistent with maximising rental income whilst taking into account the covenant strength, use and lease term bearing in mind the market practice, conditions and characteristics of the area at the time of letting the units.

4.9 The agreement will include a clause giving the Council the option to purchase any remaining ground rents of the residential units owned by the freeholder at market value.

4.10

[REDACTED]

4.11 The transaction includes provisions for both planning and value overage together with a claw-back should the site be traded.

4.12 The "Banksy" art will remain the property of the Council although could form part of the new development if this is a planning requirement.

4.13 The Council will retain the ultimate freehold and to provide protection from leasehold enfranchisement, the commercial elements will comprise no less than 25% of the total area to be built.

4.14 A series of pre-planning application meetings have been held with the Local Planning Authority and further design and consultation will be required before a planning application is submitted. The application will be submitted as soon as possible but no later than six months of exchange of legally binding contracts.

## **5.0 Financial Implications**

5.1

[REDACTED]

5.2

[REDACTED]

## **6.0 Legal Implications**

6.1

[REDACTED]

6.2 In this case even though this is a housing HRA property no Secretary of State consent is required as it is commercial property.

## **7.0 Consultation**

7.1 Ward members have been consulted on the proposals set out in this report and a comment was raised to the effect that affordable rented accommodation should be provided within the scheme to become available to working professional people. SDH has been made aware of this view.

If you have any queries about this Report [REDACTED]  
[REDACTED] please contact:

Guy Slocombe, Head of Investment, Corporate Property

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