

CABINET

**COUNCILLOR MARTIN TENNANT
MAJOR PROJECTS AND PROPERTY
PORTFOLIO HOLDER**

28TH May 2019

REPORT NO. RP1910

KEY DECISION YES

**NO. 168 HIGH STREET, GUILDFORD - ADMINISTRATION OF STEAMER
TRADING LIMITED**

SUMMARY:

This report sets out the background surrounding the administration of the Council's tenant, Steamer Trading Ltd. It details the financial implications of the various options available to Rushmoor Borough Council and recommends a letting to a new tenant for a term of 10 years at £220,000 per annum, following the marketing of the property.

All options considered in this report represent a reduced level of income against the budget, leading to a significant income shortfall in 2019/20 and putting pressure on the MTFS. The report does set out how this will be addressed in the current financial year and over the medium term, largely funded from the improved financial position set out in the General Fund Outturn report to Cabinet.

The recommended option secures the best overall returns to the Council (although below the level of income currently budgeted for), but associated costs will be incurred in order to achieve this outcome.

In total these costs are a total expenditure of £131,000 to secure this lease, and for improvements to a vacant office suite at the rear of the building (£67,000 as capital, £64,000 as revenue).

RECOMMENDATIONS:

That Cabinet approves

1. The new letting as set out in this report is agreed with the occupier recommended.
2. A delegation to the Executive Head of regeneration and Property, in consultation with the leader and Portfolio Holder, to deal with the granting, renewing, surrendering, and terminating of leases up to the value of £250,000 for the next 6 months.

1. INTRODUCTION

- 1.1 This report provides an overview of the administration of Steamer Trading Ltd. and a recommendation to let to another party that has made a provisional offer.

2. BACKGROUND

- 2.1 168 High Street, Guildford was purchased by the Council 19th August 2016, for a purchase price of £6.8 Million.
- 2.2 The purchase was funded by existing capital.
- 2.3 The property is arranged as a retail unit fronting onto the High Street, and four office suites with car parking accessed from Sydenham Road. Prior to the administration of Steamer Trading Ltd, the retail element represented 73.5% of the rental income.
- 2.4 Appendix 1 is a location plan of the property.
- 2.5 Appendix 2 is a schedule of photographs taken 31/1/19 of the retail.
- 2.6 Steamer Trading Ltd (trading as Steamer Cookshop) operated as a specialty kitchenware retailer. At the time of the purchase, their lease was for a term of 15 years, at a rent of £285,000 per annum, with 5 yearly rent reviews, and no breaks.
- 2.7 This length of lease was unusually long, with the standard lease length for retail being 5 years.
- 2.8 Steamer Trading Ltd was placed into administration, and was simultaneously purchased on the 9th January by Procook, who confirmed their intention to close 10 stores. The Council was not made aware of this prior to the announcement of Procook's purchase, nor when the announcement was made public.
- 2.9 KSA Properties was appointed to market the property in view of the difficulties in reaching an agreement with Procook.

3. DETAILS OF THE PROPOSAL

General

- 3.1 Procook initially wished to continue occupation of the property at a reduced rent, and, following negotiations, a new lease was agreed. However, Procook has recently changed its mind, at very short notice, and this store is now closed. The administrators are in the process of disclaiming the lease, but the Council is no longer receiving any income.

- 3.2 To enable the grant of a lease to the new tenant the Council will need to accept a surrender of the Steamer Lease. The administrators are keen to surrender the lease, as it removes a liability.
- 3.3 Accepting a surrender would mean the Council is unable to lodge a claim against the administrators for the owed rent, but given the company has been in administration since the beginning of January, it's unlikely to have enough items value to pay back the owed rent, and as the letting is time sensitive, It's more valuable to the Council to complete the letting.
- 3.4 During these negotiations with Procook for a lease on revised terms, the Council put the property on the market to let and has received an offer. Details of this offer are set in Part 2. In summary the offer is from a homeware retailer for a period of 10 years with a break in the 5th year at a rent of £220,000 per annum.
- 3.5 In order to achieve the letting to the tenant, the Council will be required to undertake items that amount to a total expenditure of £107,000. Part 2 of this report contains further details of this expenditure.
- 3.6 Similarly, one of the offices at the rear of the building is vacant and requires a minor refurbishment. Appendix 3 is a photographic schedule of the vacant suite.
- 3.7 Along with general improvements to the offices, this has been estimated at £22,000, with the Council anticipating a rental income of £30,800 per annum. Further details can be found in Part 2 of this report.

4. CONCLUSION

- 4.1 The Council has had to optimise the situation following the administration of Steamer Trading Ltd., and has been able to secure a tenant following marketing.
- 4.2 In order to secure continuing income on the retail element of the property, and to improve the Council's ability to let the vacant office, and any other office suites that become vacant, it is recommended to proceed with the letting as further detailed in part 2 of this report.
- 4.3 The Council has found itself in a difficult position, but in this case has been able to identify an alternative tenant.
- 4.4 There are, unfortunately, costs associated with the new lease that is proposed, and the effect on the Council's budget has been explained within the report.
- 4.5 Members will be aware that the Council has taken a pro-active approach to commercial property acquisitions and management, and as a result of this approach the Council has to react to the market, hence this report.

- 4.6 Officers are currently reviewing the constitution and scheme of delegation particularly as a result of the changing environment both commercially, and as a result of the Councils focus on regeneration.
- 4.7 There are occasions where the Council is required to act quickly and make commercial decisions at pace. This is of particular relevance when dealing with the granting, surrendering, terminating, and renewal of property leases.
- 4.8 It is therefore proposed as part of this report that Cabinet agrees to delegate to officers in consultation with the Leader and Portfolio Holder the ability to deal with leases up to £250,000 per annum for a time limited period of 6 months whilst the constitution review is completed.

BACKGROUND DOCUMENTS

Appendix 1 – Location Plan

Appendix 2 – Photographic Schedule of the Shop

Appendix 3 – Photographic Schedule of vacant office suite

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APPENDIX 2





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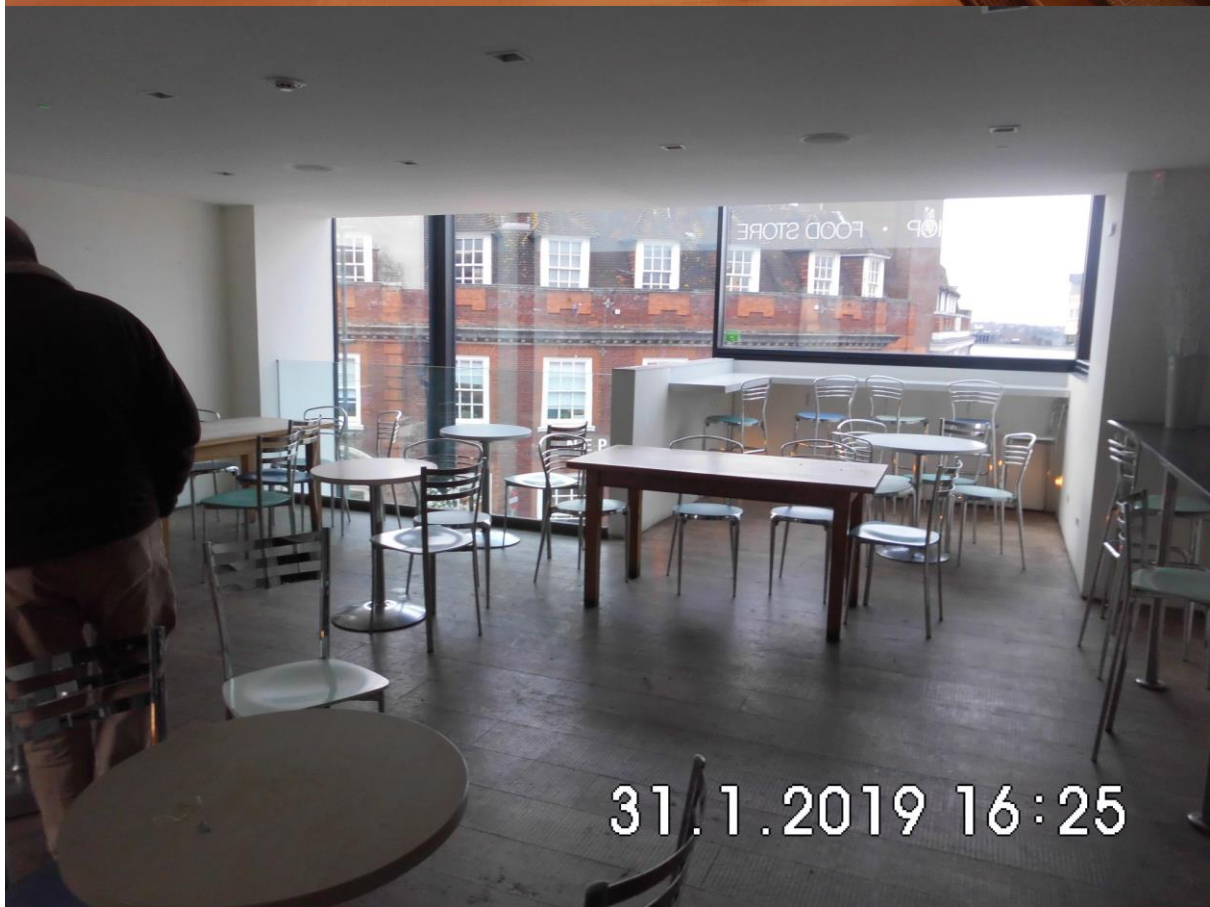
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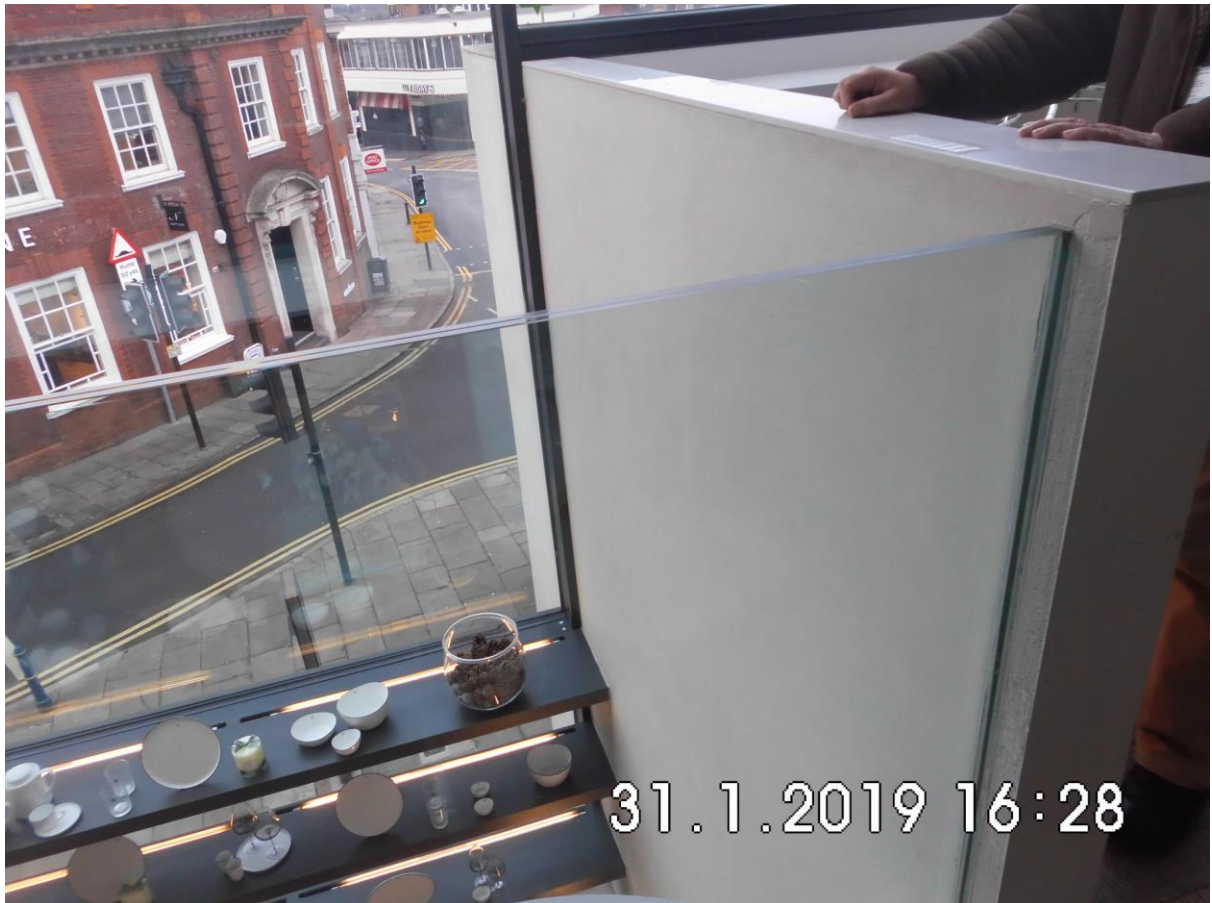
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Appendix 3





