

Various Freehold and Leasehold Asset Disposals

# APPENDIX L

## 10 St Giles Square, Northampton

### 5. Report Background

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- 5.1 The property comprises a restaurant premise in the Northampton town centre. The property was originally let to Ask Restaurants (Azzurri Restaurants Ltd) for 25 years from 29<sup>th</sup> of September 2003 expiring 28<sup>th</sup> January 2028 at rental of £54,000 pa.
- 5.2 The tenant went into administration on the 17<sup>th</sup> July 2020 and subsequently vacated the property. While the business was ultimately sold, this store did not form part of this sale. No further rent payment was received. Given the position at the time, Northampton Borough Council (NBC) did not agree to a proposal to surrender the lease from the administrators.
- 5.3 NBC placed the property on the market through its appointed agent. While there was interest in the property, this interest was limited. While the property sits in a prominent position, the retail market, and more specifically the hospitality sector, were still extremely cautious and about the short and long terms implications of the Covid-19 pandemic.
- 5.4 Of those parties which did express an interest, one put forward a proposal which is now recommended for approval. This was from a wine bar operator. While the company was a new venture, it had the backing of a multi-national company who were prepared to offer the rent deposit and carry out the fit out works.
- 5.5 The proposed tenant offered the following terms which were recommended to WNC for approval as representing the best value reasonably obtainable in the market.
- 15-year lease.
  - Tenant's break at years 5 and 10.
  - Outside the security provisions of Sections 24-28 of the Landlord and Tenant Act 1954.
  - Full repairing and insuring lease.
  - 4 yearly rent reviews to market rent or passing rent, whichever is the higher.
  - Rent £50,000 pa.
  - 8 months' rent free.

- 5.6 The letting was approved by Northampton Borough Council under delegated authority on the 15<sup>th</sup> March 2021 but was not implemented prior to vesting day. As the lease is for a term more than 10 years without a landlord's break option, it falls outside of the delegations under the Constitution and therefore a Cabinet decision is required.
- 5.7 This report therefore seeks approval to enter the new 15-year lease on the terms proposed with in this paper (or any minor variations from them necessary or useful to facilitate the transaction).

## **6. Issues and Choices**

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- 6.1 The lease is currently held by the administrator to mitigate some of the costs associated with holding the vacant property. The administrator is understood not to be undertaking periodic repairs to the property and there are concerns that the property condition is deteriorating. Once a surrender was agreed with the administrator, the Council would incur the costs of holding the vacant unit. Therefore it would be advantageous to receive a surrender simultaneously with the grant of a new lease.
- 6.2 WNC could decide not to accept a surrender of the lease from the administrators of Ask Restaurants Ltd and allow for further marketing of the premises. The hospitality industry has particularly suffered during the Covid-19 pandemic, and it is unlikely that additional occupiers would come forward at higher rental levels in the reasonable future. The proposal has been recommended for acceptance by our appointed agent, and is considered to represent the best consideration reasonably obtainable.
- 6.3 A sale of the property was also considered. As the property forms part of the WNC portfolio, the revenue income is used to support wider service delivery objectives. Considering the offer that has been recommended for approval, it is considered more appropriate to continue to generate income through a letting.

## **7. Implications (including financial implications)**

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### **7.1 Resources and Financial**

- 7.1.1 Approval of the proposed letting will allow WNC to generate income from the property. Any costs that it would otherwise have had to pay by keeping the property empty would have been mitigated, if possible, by the simultaneous surrender and the grant of a new lease to the incoming tenant.
- 7.1.2 Throughout the duration of the administration, no income has been received as the property remains vacant. Once a surrender is taken from the administrator, WNC will be able to submit a claim in administration for losses, but it is anticipated that any payment will be minimal.
- 7.1.3 Each party is to bear their own legal costs. WNC costs are mitigated by using its in-house legal team.

## 7.2 **Legal**

7.2.1 A surrender of the premises must be taken from the administrators to allow for the new letting to take place and appropriate steps taken in relation to the items left on the premises.

## 7.3 **Risk**

7.3.1 If the recommendation is not approved then it is likely that WNC would be exposed to a prolonged period of rental voids, face the risk of covering the costs of holding the property vacant plus issues relating to further deterioration in the condition of the asset.

7.3.2 The proposed incoming tenant would require a change of use planning permission. They would also require a premises licence for the sale of alcohol. This would be the responsibility of the tenant.

## 7.4 **Consultation**

7.4.1 No consultation has been considered necessary.

## 7.5 **Consideration by Overview and Scrutiny**

7.5.1 None.

## 7.6 **Climate Impact**

7.6.1 No material impact on climate is anticipated as a result of this decision.

## 7.7 **Community Impact**

7.7.1 Bringing the building back into use would provide services for residents to use, and help the overall prosperity of Northampton Town Centre. It should also reduce any tendency of a vacant building to encourage anti-social behaviour.

## **8. Background Papers**

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8.1.1 None.