

Report

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Report to:	Estates Committee
Date of Meeting:	31 May 2005
Report by:	Executive Director (Enterprise Resources)

Subject:	Proposed Assignment of the Ground Lease in respect of Land at Duke Street/Townhead Street/Low Patrick Street/Quarry Street, Hamilton - The Regent Shopping Centre
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1 Purpose of Report

1.1 The purpose of the report is to:-

- ◆ note the action taken in terms of Standing Order No 36(c) to the proposed assignment of the ground lease granted to the Standard Life Assurance Company of land extending to 2.8 hectares (6.92 acres or thereby) at Duke Street/Townhead Street/Low Patrick Street/Quarry Street, Hamilton

2 Recommendation(s)

2.1 The Committee is asked to approve the following recommendation(s):-

- (1) consent is given to the proposed assignment of the ground lease granted to the Standard Life Assurance Company of land extending to 2.8 hectares (6.92 acres or thereby) at Duke Street/Townhead Street/Low Patrick Street/Quarry Street, Hamilton.
- (2) that the Executive Director (Enterprise Resources) in consultation with the Head of Legal Services, if appropriate, is authorised to conclude the necessary legal agreements on behalf of the Council subject to satisfaction on the valuation advice and due diligence.
- (3) that in view of the requirement to progress this matter as soon as possible, and in terms of Standing Order No 36(c) the action taken by the Executive Director (Enterprise Resources) in consultation with the Chair and an ex-officio Member be noted.

3 Background

- 3.1 The subject land extends to 2.8 hectares (6.92 acres) or thereby, leased to the Standard Life Assurance Company for a period of 99 years from 10 January 2000.
- 3.2 The tenant has an option to extend the lease for a further period of 151 years.
- 3.3 The subject land has been developed as the Regent Shopping Centre by Standard Life Assurance Company.

- 3.4 The centre comprises approximately 60 lettable units plus associated car parking, and was recently refurbished by the owners, the Council contributing a sum of approximately £4 million.
- 3.5 The rental period runs from 1 March to 28 February and is subject to an annual reconciliation to determine the level of income received from the occupational leases within the centre, the Council's equity share of this representing 18.25%. Annual adjustments to the base rental level are made depending on the outcome of the reconciliation exercise. Initial rental for the land was £512,466.04 per annum.
- 3.6 Rental is currently paid at the rate of £600,000 per annum subject to a "top-up" each year after reconciliation of the base rent against the equity rental due.

4 Current Position

- 4.1 Standard Life is transferring 9 of its UK shopping centres to a Property Unit Trust based in the Channel Islands and have confirmed in writing that the initial net asset value is £1.35 billion. Standard Life will retain a majority ownership and will be responsible for the management of the asset as at present. With reference to the 2004 annual results, Standard Life have capital resources of £5.5 billion.
- 4.2 The lease to Standard Life provides that they must not assign their interest under the lease without the prior written consent of the Council, which must not be unreasonably withheld or delayed.
- 4.3 Standard Life wish to assign the whole of their interest under the lease to the new vehicle, which will be controlled and managed in Jersey.
- 4.4 The tenant's interest under the new lease will be vested jointly in Kleinwort Benson (Channel Islands) Corporate Services Limited, Company Registration No 32203, this company acting as management trustee, and Kleinwort Benson (Jersey) Trustees Limited, Company Registration No 7366. Both companies are registered in St Helier in Jersey.
- 4.5 Standard Life Investments (Jersey) Limited will be engaged to manage the subjects and they will in turn engage Standard Life Investments Limited as a UK based management body, as is the position at present, the latter company being responsible for accounting to South Lanarkshire Council in respect of the occupational rents and reconciliation.
- 4.6 The tenants require to instruct the printing of the Prospectus for the Property Unit Trust and, in order to comply with the Financial Services and Market Act 2000, have requested that the assignation be approved in principle by the end of March and be completed as soon as possible thereafter. This will enable the tenants to publish the Prospectus inclusive of the Hamilton property.
- 4.7 Standard Life will pay all of the Council's reasonable costs associated with this transaction.
- 4.8 The Council has now engaged an independent valuation adviser who is assessing the adequacy of the assets transferred to the Property Unit Trust and will report on this to the Council prior to the completion referred to at paragraph 4.6.
- 4.9 The Council has also engaged independent legal advisers to consider the legal details of the proposal and to undertake the necessary due diligence associated with

the proposal. In particular they have been instructed to investigate the covenant strength of the proposed new tenant and will complete the documentation subject to all matters being to the Council's entire satisfaction.

4.10 The proposed assignation impacts on one other related matter:-

- ◆ The Council has agreed terms with a developer to build an extension to the Regent Centre and the agreement of Standard Life has been sought for the construction of a physical link between the two centres. The new development proposes an additional 230 new car parking spaces at Low Patrick Street. It will not be possible to agree terms with Standard Life regarding the link prior to the assignation, and accordingly an undertaking has been sought from the new tenants that the proposed link can still go ahead as previously discussed. A written assurance has been given that the new tenant will continue discussions in this regard with the personnel remaining unchanged.

6 Employee Implications

- 6.1 There are no employee implications regarding the proposal.

7 Financial Implications

- 7.1 The value of the Council's property interest in the Regent Centre will not be adversely affected by this assignation.

8 Other Implications

- 8.1 There are no other implications associated with the proposal.

9. Consultation

- 9.1 External advice has been sought from the Council's legal and property valuation advisers.

Iain Urquhart
Executive Director (Enterprise Resources)

19 April 2005

Link(s) to Council Objectives

None

Previous References

None

List of Background Papers

None

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

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