

Report

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Report to:	Estates Committee
Date of Meeting:	13 December 2005
Report by:	Executive Director (Enterprise Resources)

Subject:	Proposed Assignment of Ground Lease at the Retail Park on Palace Grounds, Hamilton
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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) in approving the proposed assignment of the Retail Park Ground lease at Palace Grounds, Hamilton which has been owned by the Hercules Unit Trust since August 2002.

2 Recommendation(s)

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

- (1) that the proposed assignment of the Ground Lease of the Retail Park, at Palace Grounds, Hamilton to a newly formed Jersey based unit trust be approved
- (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
- (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 ex-officio Member and the Head of Legal Services, be noted.

3 Background

- 3.1 In October 1998 the Council granted a 150 year Ground Lease extending to 7.336 hectares (18.13 acres) or thereby, to Equitable Life Assurance Society Limited for the construction of the Palace Grounds Retail Park in Hamilton. In August 2002, the Ground Lease was assigned to the Hercules Unit Trust, which is part owned and managed by Pillar plc.
- 3.2 Pillar plc was recently taken over by British Land plc, who, as part of a property portfolio rationalisation programme, are currently in the process of selling their interest in the Palace Grounds Retail Park. The asking price is £60m and there is strong interest from major property companies and investors. The closing date will be in early November.
- 3.3 The sale will be in the form of an assignment of the Ground Lease for which the Council's consent is required. This cannot be unreasonably withheld or delayed.

4 Proposal

- 4.1 Prior to the closing date, British Land intend assigning the Ground Lease to a newly formed Jersey based property unit trust. British Land advise that this would be advantageous to them given changes to the rules governing such trusts planned for mid November 2005. To comply with this timescale British Land require the Council's consent to the assignation no later than the 21st October 2005. All of the units in the trust will initially be held by British Land, but they will be transferred to the new owner on completion of the sale.
- 4.2. The Council will have no control over the sale of the units within the trust and therefore will not at the time of consenting to the assignment to the newly formed trust know the identity of the new owner. The units are also tradeable so ownership within the trust will change over time. However, the trust will be responsible for fulfilling all of the obligations to the Council in the Ground Lease.
- 4.3. The trust's only financial obligation to the Council is to pay the Palace Grounds index linked Service charge, which is currently £55,400pa. British Land have confirmed that 100% of this charge is recovered from the occupational tenants.
- 4.4. Normally the Council would consider the covenant strength of the new owner. But in this case that will not be possible because the assignment to which the Council is being asked to consent to aid the formation of the new trust will happen before the identity of the new owner is known. However in view of 4.3. above this is not considered to be a significant risk.
- 4.5. British Land has confirmed that it will pay the Council's reasonable and proper costs, including fees for external advisors for the preparation of the necessary legal agreements.

5 Employee Implications

- 5.1 There are no employee implications

6 Financial Implications

- 6.1 There are no financial implications

7 Other Implications

- 7.1 There are no other implications associated with the proposal

8 Consultation

- 8.1 Standard Life, as the owner of a large part of the town centre including the Regent Shopping Centre has certain rights over occupancy of the units at the Retail Park. It is not considered to be necessary to seek their consent before the Council can consent to the proposed assignation.

Iain Urquhart
Executive Director (Enterprise Resources)

7 November 2005

Link(s) to Council Objectives

Creating Successful Communities – Progressing Key Town Centre Improvements

Previous References

- Estates Committee – 26th August 2003 and 31st May 2005

List of Background Papers

- Shepherd & Wedderburn (British Land's solicitors) letter dated 13th October requesting the assignation of the Ground Lease
- British Land's e-mail dated 14th October confirming the marketing timescale and the level of interest to date
- British Land's marketing brochure

Contact for Further Information

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

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