

# Report

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Report to:	<b>Housing and Technical Resource Committee</b>
Date of Meeting:	<b>13 December 2017</b>
Report by:	<b>Executive Director (Housing and Technical Resources) Executive Director (Community and Enterprise Resources)</b>

Subject:	<b>Variations to the Ground Lease at Regent Centre, Hamilton along with Grant of Lease for 1-5 Duke Street, Hamilton – J D Wetherspoon plc</b>
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## 1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ request approval to vary the terms of the ground lease for the Regent Shopping Centre, Hamilton such that the former Bairds Unit is removed from the ground lease
- ◆ request approval to grant a 170 year Lease to JD Wetherspoon plc of the former Bairds Unit

## 2. Recommendation(s)

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

- (1) that the terms of the existing ground lease for the Regent Shopping Centre, Hamilton, be varied to facilitate the redevelopment of the former Bairds Unit, at the corner of Quarry Street and Duke Street, Hamilton, by JD Wetherspoon plc;
- (2) that a new lease be entered into with JD Wetherspoon plc, or their nominee, on the principal terms and conditions set out in section 4 of this report; and
- (3) that the Executive Director (Housing and Technical Resources), in consultation with the Head of Administration and Legal Services, be authorised to enter into the necessary legal agreements on terms which are in the best interests of the Council.

## 3. Background/Options

3.1. The Regent Centre is held under a long ground lease from the Council to Maration Ltd, with a remaining term of just over 82 years, which expires in January 2099. Maration control the day to day management of the centre and, under the terms of the ground lease, pay the Council a ground rent equivalent to 18.25% of the net rental income of the shopping centre.

3.2. In the autumn of 2014, a new team of asset managers (VALAD) appointed to oversee Maration's interest in the Regent Centre, carried out a full review of the market position of the shopping centre and Hamilton in general and where they sit in the West of Scotland hierarchy. The Asset Managers, focussed on creating zones within the centre that create clusters of similar retailers or occupiers in close proximity to each other.

- 3.3. One of the main challenges facing the Regent Centre arises from the closure of the Bairds Unit at the corner of Quarry Street and Duke Street in 2014. The location and prominence of this building means that this unit's continued vacancy has an impact on Hamilton Town Centre as a whole, not just the Regent Centre.
- 3.4. VALAD brought forward a proposal following discussions with JD Wetherspoon plc (Wetherspoons), who are keen to take ownership of the unit to create a restaurant/ public house/ coffee bar and 13 bedroom hotel based on a format that they have successfully developed in similar properties and town centres throughout England and were beginning to roll out in Scotland.
- 3.5. This proposal was the subject of a report to the Council's Executive Committee of 11 March 2015, at which approval was given to conclude the appropriate legal agreements to allow the transaction to proceed. The transaction however, was not concluded, due to changes in market conditions and business priorities. Subsequent efforts by VALAD failed to identify an alternative occupier for the property.

#### **4. Current Proposal**

- 4.1. Wetherspoons have recently renewed their interest in the property and the Council has received a fresh approach to support the variation of the terms of the ground lease, however the terms and conditions are different to those previously offered.

The model Wetherspoons have proposed for the development of this type of facility is to take outright ownership of the property. In this case the ground lease arrangements currently in place prevent that model being possible. To deliver this proposal will involve the Bairds Unit being removed from the existing ground lease with Maration and a new lease being put in place directly between the Council and Wetherspoons.

This proposal is for Wetherspoons to pay Maration a premium for the property, of which the Council would receive 18.25% in line with the terms of the calculation of rent within the existing ground lease, which now amounts to a one off revenue payment of £136,875.

It is estimated that prior to the closure of Bairds, that the lease contributed around £10,000 pa to the Council's overall income from the shopping centre. The re-occupation of this property will contribute to the overall trading position within the town centre and reduce the costs associated with the vacant building.

Taking into consideration the financial, economic and reputational risks associated with the empty Bairds Unit, together with the lack of market interest for the property since 2014, it is considered that the proposal represents Best Value to the Council given the current and predicted property market conditions. It is also considered that the investment that Wetherspoons will make in the redevelopment will have wider economic benefits for Hamilton Town Centre.

- 4.2. The principal terms and conditions for the new lease between the Council and Wetherspoons are:-

- ◆ the transaction will be conditional on a suitable planning and licensing consent and on a building warrant being granted
- ◆ the date of entry will be linked to the granting of the planning permission, building warrant and a premises licence being granted or such other date as is mutually agreed

- ◆ Maration Limited will initially grant the lease to Wetherspoons for the unexpired period of the ground lease then immediately surrender their interest in the ground lease in so far as it relates to the former Bairds Unit
  - ◆ the Council will then become direct landlords of Wetherspoons and extend the period of the lease to 170 years as required by Wetherspoons
  - ◆ the rental will be £1 p.a. if asked and Wetherspoons will pay a premium of £136,875 to the Council in exchange for the Council agreeing to extend the Lease
  - ◆ the premium reflects the lease of all aspects of the property including the building telecom masts and rights to service the property from the Regent Centre service yard
- 4.3. Along with these principal terms, approval is requested to implement such variations to the existing ground lease as is necessary to facilitate the transaction. This would include broadening the use clause within the ground lease to allow greater flexibility and diversification of uses, for example to include education, nursery, crèche and arts space.
- 4.4. For the avoidance of doubt this report does not seek approval or imply approval in relation to the planning and licence consents which will be required. Wetherspoons accept they require to obtain all statutory consents in the normal way.
- 4.5. It is recommended that Committee approve the variations to the existing ground lease and also approve the implementation of a new ground lease between the Council and Wetherspoons, or their nominees, on the terms set out above.

## **5. Employee Implications**

- 5.1. There are no employee implications in relation to this proposal.

## **6. Financial Implications**

- 6.1. The transaction will generate a revenue payment of £136,875 (one hundred and thirty six thousand eight hundred and seventy five pounds) for the Council.

## **7. Other Implications**

- 7.1. If the proposal did not proceed, the risk to the Council would be that the property would remain vacant for a prolonged period and continue to have a detrimental affect on the town centre as a whole. This would lead to additional pressure on existing resources to support the town centre and would adversely affect the ongoing rental income to the Council from the Regent Centre due to the ongoing costs associated with the vacant property.
- 7.2. There are no issues in terms of sustainability contained within this report.

## **8. Employee Impact Assessment and Consultation Arrangements**

- 8.1. This report does not introduce a new policy, function or strategy and, therefore, no impact assessment is required.
- 8.2. Consultation has been carried out between Housing and Technical Resources and Community and Enterprise Resources and further consultation will be required through the statutory planning process.

**Danny Lowe**  
**Executive Director (Housing and Technical Resources)**

**Michael McGlynn**  
**Executive Director (Community and Enterprise Resources)**

24 November 2017

**Link(s) to Council Objectives/Values**

- ◆ Accountable
- ◆ Accountable, effective and efficient
- ◆ Achieve efficient and effective use of resources

**Previous References**

- ◆ Executive Committee Report, 11 March 2015

**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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**LOCATION PLAN - For Committee Purposes Only**  
**Variation to Ground Lease at Regent Centre**  
**Hamilton**



**PROPERTY SERVICES**

