

## Part A For General Release

<b>DELEGATED DECISION REPORT TO:</b>	<b>Councillor Simon Hall, Cabinet Member for Finance and Resources</b>
<b>SUBJECT:</b>	<b>37 Tamworth Road – new letting to Tabernacle of Praise Ministries</b>
<b>LEAD OFFICER:</b>	<b>Mark Norrell, Director of Facilities and Support Services</b>
<b>CABINET MEMBER:</b>	<b>Cllr Simon Hall, Cabinet Member for Finance and Resources</b>
<b>Ward:</b>	<b>Fairfield</b>
<b>CORPORATE PRIORITIES/POLICY CONTEXT:</b>  <b>We value the arts, culture, sports and activities</b>  <b>Our young people thrive and reach their full potential</b>  <b>People live long, happy, healthy and independent lives</b>	
<b>FINANCIAL IMPACT:</b> The new letting will provide the Council with a guaranteed income stream after an initial rent free period (subject to tenant break options). In addition it will release the Council from liability for significant structural works as well as future maintenance liabilities.	
<b>FORWARD PLAN KEY DECISION REFERENCE NO.:</b> 3918FR  This is a Key Decision as defined in the Council's Constitution. The decision may be implemented from 1300 hours on the expiry of 5 working days after it is made, unless the decision is referred to the Scrutiny & Strategic Overview Committee by the requisite number of Councillors	

The Leader of the Council has delegated to the Cabinet Member for Finance and Resources the power to make the decisions set out in the recommendations below:

### **1. RECOMMENDATIONS**

- 1.1 That the Cabinet Member for Finance and Resources in consultation with the Leader agrees the following:
  - a. That the Council enters into a 25 year lease for the letting of 37 Tamworth Road to Tabernacle of Praise ministries at a stepped rent on the basis of the detail set out in this report.
  - b. That the Executive Director of Resources and s151 Officer acting in consultation with the Cabinet Member for Finance and Resources takes such steps as are necessary to implement the foregoing recommendation and finalising and entering into the lease of 37 Tamworth Road.

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| 1.2 | Note that any amendments agreed to the terms of the disposal after the approval of the above recommendation will be published on the Council's website within 1 month of completion of the lease. |
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## **2. EXECUTIVE SUMMARY**

- 2.1 This report is seeking the approval for the Council to enter into a 25 year lease of 37 Tamworth Road to Tabernacle of Praise ministries for community use.
- 2.2 The lease will provide the Council with a significant income and require the tenant to carry out specific works to repair the structure and replace the mechanical and electrical assets within the building, as well as the installation of a lift. The community provisions within the lease will ensure the building is utilised by and for the Croydon community.
- 2.3 The proposed letting has been secured after a period of marketing and discussions with prospective tenants.

## **3. DETAIL**

- 3.1 37 Tamworth Road is a 13,800 square foot cellular, three storey former Primary School with 28 parking spaces which was most recently utilised as a clinic/consulting hub and offices by the South London and Maudesley NHS Trust (SLAM). SLAM vacated in June 2017 and the property has been subsequently occupied by Property Guardians.
- 3.2 The Council instructed Stiles Harold Williams to market the property with bids due in late September 2017. Marketing material included an indicative rent and emphasised Croydon's aspirations for uses of the property that supported the Council's youth policies, education needs, public healthcare, job creation and cultural aspirations. The details also emphasised that the building, whilst structurally sound, requires significant external works (including repair/replacement of large areas of the roof and rainwater goods) and that the Council would require the successful applicant to undertake the appropriate repair works.
- 3.3 15 parties inspected the property and 9 bids were received for the whole of the building (with an additional 2 for part). 4 parties were shortlisted for interview based on a balanced assessment of their rental offer, financial strength, and proposed utilisation of the property for community purposes. 3 additional bids were received after the closing date but these were rejected.
- 3.4 Following interview initial recommendations were that the building be leased to Tabernacle of Praise, who demonstrated they had both the finance, capacity and experience of running a multi-occupied building; and their vision and current operation showed that they would provide a broad range of community services. Their plans for the building included significant works to provide a number of spaces for community groups, including a nursery, and community halls which as well as being used by the tenant would also be available for hire to community groups.

- 3.5 It was also recommended to require the tenant sublet up to half of the property to two of the other shortlisted parties, but after prolonged negotiations terms were unable to be agreed between these parties.
- 3.6 The lease will be 25 years from completion with a stepped rent to year 6 with subsequent 5 year rent reviews to a minimum of the rent passing or the open market rental value. The tenant will have a rolling break option with 12 month's written notice, in line with other lettings to community groups.
- 3.7 The Permitted use will be class D1 (Community Use) and D2 (Assembly and Leisure) with the tenant to apply for any planning permissions required. Specific Council requirements for community use/hire within the lease include:
- i) Obligation to hire out rooms within the Property to Community Organisations, local residents, other groups, bodies or organisations that are located, based or benefit the Borough of Croydon and its residents, and to use its reasonable endeavours to ensure that the property is utilised as fully as possible.
  - ii) The tenant to have its charging rates for hiring out the Property approved by the Council to ensure that they are not discriminatory to any particular community religious or ethnic group.
  - iii) Reserved rights for the Council to use the property as a polling station or for use in a civil emergency.
  - iv) Compliance with the Equalities Act.
  - v) No political meetings may be held without the Council's written permission.
  - vi) Opening hours 7am – 12pm, subject to any planning restrictions
- 3.8 The tenant will be required to undertake necessary work to put and keep the property in good condition. This includes, but is not limited to, external redecoration, repair/replacement of the roof and rainwater goods, replacement of windows and plant, and installation of a lift to all floors. The tenant will also be responsible for all repairs and all statutory duties required, together with utilities contracts as appropriate.
- 3.9 The tenant will be responsible for business rates, contents and public liability insurance and any other statutory requirements. The Council will insure the property for buildings cover and recharge the premium.
- 3.10 The lease will be outside the security provisions of the 1954 Landlord and Tenant Act.
- 3.11 Although the terms of the letting have been agreed it may be necessary to make minor amendments prior to completion. A delegated authority has therefore been requested as part of the approval so that these can be dealt with swiftly. Any such amendments will not have a material impact on the overall financial benefits or contractual obligations to the Council.
- 3.12 In addition the lease requires the tenant to release an area of the car park at some point within the first 5 years to incorporate a proposed pedestrian link on the perimeter of the property as outlined in a S106 agreement between the Council and the developer of the adjacent residential development, which will

provide enhanced access to the Cairo Road Tram stop.

#### **4. CONSULTATION**

- 4.1 Significant consultation has taken place with the Council's Third Sector team and with local councillors and cabinet members over the proposed new letting.

### **5 FINANCIAL & RISK ASSESSMENT CONSIDERATIONS**

#### **1 Risks**

Once the letting has been completed the Council will not be able to take the property back for a period of up to 25 years as the lease does not contain a Landlord's break option. At the end of the lease the Council would, however, be able to terminate the lease if they required it for their own occupation or some form of redevelopment.

As with any new tenant there is the risk that they may not be able to undertake their financial obligations. However, Tabernacle of Praise has experience of leasing and managing a building of similar size to 37 Tamworth Road and has provided the Council with the comfort that it has the resources to undertake the required capital investment within the building and ongoing investment in terms of maintenance and management that will be required. Furthermore, if the Council do receive the building back, it will most likely be returned in a better condition than its current state, and alternative users would be considered at that point.

The lease terms also provide the Council with the comfort needed to ensure that the tenant operates the Property for community use as per the proposals in their original submission.

#### **2 Options**

The Property is not required for the Council's occupation and the Council's Community Protection Policy limits its use to community, subject to feasible demand, which has been established through the marketing process. The property has been comprehensively marketed and it is not recommended to remarket or keep the building vacant.

#### **3 Savings/ future efficiencies**

The letting will provide a guaranteed income stream (subject to the rolling break option) and will release the Council from significant structural works as well as future maintenance liabilities.

Approved by: Ian Geary, Head of Finance, Resources & Accountancy

## **6. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER**

- 6.1 The Solicitor to the Council comments that in disposing of land the Council needs to be satisfied that it is obtaining best consideration in accordance with section 123 of the Local Government Act 1972. Officers are satisfied that this is the case.

Approved by: Sean Murphy, Head of Commercial and Property Law and Deputy Monitoring Officer on behalf of the Director of Law and Governance and Monitoring Officer.

## **7. HUMAN RESOURCES IMPACT**

- 7.1 There will be no impact as a result of the letting.

## **8. EQUALITIES IMPACT**

- 8.1 An Equalities Impact Assessment (attached as an annex) has been completed which confirms the proposed letting will have a positive impact by opening up the building for a wide range of community activities.

## **9. ENVIRONMENTAL IMPACT**

- 9.1 The increase in the number of people within the building will be in compliance with all statutory requirements. The increased use of this space is not likely to have any significant environmental impacts.

## **10. CRIME AND DISORDER REDUCTION IMPACT**

- 10.1 There will be no direct impact on crime or disorder as a result of the letting, although the proposed community uses within the building should positively impact crime and disorder in the borough.

## **11. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION**

- 11.1 A new twenty five year lease for the property will generate a significant financial income for the Council and the tenant has an obligation to undertake specific works to repair the structure and replace the mechanical and electrical assets within the building, as well as the installation of a lift. The community provisions within the lease will ensure the building is utilised by and for the Croydon community.

## **12. ALTERNATIVE OPTIONS CONSIDERED**

- 12.1 The only alternative option would be to reject the agreed terms on the grounds that they did not represent value for money, the tenant was unsuitable or the

Council require the space for their own purposes. The detail provided in the body of the report demonstrates this is not the case,

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**CONTACT OFFICER:** Stephen Wingrave, Head of Asset Management and Estates, Ext. 61512

**BACKGROUND DOCUMENTS:** Site Plan