

To: Board Member for Finance and Efficiency

Date: 7 September 2011

Report of: Head of Corporate Assets

Title of Report: Letting of 33-35 George Street, Oxford

Summary and Recommendations

Purpose of report: To seek approval to the letting of 33-35 George Street, Oxford

Key decision? Yes

Executive lead member: Councillor Ed Turner

Report approved by:

Finance: David Watt

Legal: Steve Smith

Recommendation(s): The Executive member is recommended to:

1. Agree to the proposed letting of 33-35 George Street, Oxford to Tenant A as detailed in the not for publication Appendix 3 of this report and otherwise on terms and conditions to be approved by the Head of Corporate Assets.
2. In the event that terms cannot be agreed with Tenant A, that a letting to Tenant B proceed on the terms as set out in the not for publication Appendix 3 of this report and otherwise on terms and conditions to be approved by the Head of Corporate Assets.

Appendices

Appendix 1 - Plan of Site

Appendix 2 - Risk Register

Appendix 3 - Not for publication

Background

1. This report seeks approval to grant a new lease on premises owned by Oxford City Council and hatched on the plan attached at Appendix 1.
2. The property has been, with the exception of several short-term tenancies, empty for some period of time and requires significant internal modernisation and re-organisation of the floor areas as part of the fit-out programme.
3. The approval to the proposed new letting will provide significant additional income to the Council through rent and business rates.
4. In summary, the proposed letting includes:
 - Granting, on commercial terms, a new lease on the terms as set out in the confidential not for publication Appendix 3.
 - The proposed tenant entering into (as part of the lease) an agreement to extend the premises to the rear (subject to obtaining the requisite planning approval) at their own expense to an agreed specification.
 - The tenant carrying out at their own expense considerable internal improvement works to the structure of the premises to improve the condition, layout and future use and changing the planning use to a restaurant (Class A3 of the Town & Country Planning Act 1990)

Issues

5. The property has been an 'under-performing' asset for several years due in part to the requirement for significant capital expenditure necessary to put it into beneficial occupation as well as due to the consequences of the economic downturn.
6. The property is situated on one of the City's most prominent streets and from an asset management perspective needs a secure long-term tenant who will occupy the premises and increase the vibrancy of the street.

Risk Implications

7. A risk assessment has been undertaken and the risk register is attached as Appendix 2.

Sustainability and Climate Change Implications

8. There are no Climate Change Implications.

Equalities Implications

9. An Equalities Impact Assessment will be undertaken if required.

Financial Implications

10. The property currently produces limited income from short-term lettings due to the poor condition of the premises and its out-dated internal layout
11. The proposal, as outlined in the confidential not for publication Appendix 3, will provide a substantial increase in the income received by way of a long-term lease to an established occupier with experience not only of dealing with large refurbishment projects, but also of running a restaurant of the proposed nature and scale.
12. The level of investment/refurbishment proposed by the tenant in improving the condition and layout of the property has long-term financial benefits.
13. The letting will produce valuable evidence of rental value.
14. The tenant will pay the Council's reasonable legal and surveyors fees incurred.

Legal Implications

15. The power to let the premises is contained within S123 of the Local Government Act 1972 for best consideration. The property has been fully marketed with appropriate certification from the Council's advisors being provided.

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Version number: 1

Appendix 1 - Plan of Premises



33- 35 George Street, Oxford

Appendix 2 CEB Report Risk Register – Approval to grant a lease on 33-35 George Street. Oxford

Risk Score **Impact Score:** 1 = Insignificant; 2 = Minor; 3 = Moderate; 4 = Major; 5 = Catastrophic
Probability Score: 1 = Rare; 2 = Unlikely; 3 = Possible; 4 = Likely; 5 = Almost Certain

No.	Risk Description Link to Corporate Objectives	Gross Risk		Cause of Risk	Mitigation	Net Risk		Further Management of Risk: Transfer/Accept/Reduce/Avoid		Monitoring Effectiveness				Current Risk	
		I	P			I	P			Q	Q	Q	Q	I	P
1.	Negotiations fail with proposed Tenant A	3	3	Tenant/OCC fails to agree legal terms.	Mitigating Control: Close contact during procurement process. Level of Effectiveness: (HML) H	2	2	Action: Ongoing contact throughout process to ensure parties still interested. Action Owner: Chris Cocks	Outcome Required: Successful negotiation. Milestone Date: October 2011	1	2	3	4		

