

Property Transaction, Lease renewal at Cromer Promenade

Summary:	The tenant concerned approached the Council in 2019 with regards to extending the term of the ground lease as the lease had 4 remaining years. This was to give them greater certainty over continuing their business at that site particularly as they had recently invested in their premises.
Options considered:	To continue with the existing lease. As the lease only has a relatively short period till it expires, it offers no security to either the tenant to enable them to invest in their premises nor the Council in terms of an ongoing rental income.
Conclusions:	This proposal seeks to support the Council's financial strategy by optimising income generation through granting a longer term ground lease and by including provisions incorporated within that lease to review the rent.
Recommendations:	That Cabinet agrees: <ul style="list-style-type: none">• Surrender of the existing lease• Re-grant of new 20 year lease as set out in the exempt Heads of Terms
Reasons for Recommendations:	The surrender and re-grant of a ground lease will ensure the continued receipt of rental income for a further 20 year period.

Cabinet Member(s) Cllr G Hayman	Ward(s) affected
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1. Introduction

- 1.1 The Council leases an area of Cromer Promenade to a private company, as a ground lease for the occupation of their own premises.
- 1.2 The tenant has leased the land since at least 2004, with the current lease commencing during 2017. The term was for a 4 year period, which is due to expire in 2023.
- 1.3 The tenant approached the Council in 2019 with regards to extending the term of the ground lease as the lease had 4 remaining years. This was to give them

greater certainty over continuing their business at that site particularly as they had recently invested in their premises.

- 1.4 Following this approach Officers have engaged in discussions with the tenant and subsequent negotiations have resulted in a proposed surrender of the existing lease and re-grant of a new lease for a 20 year period.
- 1.5 This report seeks approval from Cabinet to complete the lease.

2. Proposed Ground Lease

- 2.1 The proposed lease terms and conditions will in principle follow those of the existing lease. Heads of Terms can be found in the exempt Appendix A, providing further information.
- 2.2 The business has been trading for over 35 years in the leisure/amusement sector, operating also in additional coastal locations. The company trades within the Family Entertainment Centre License and is deemed to be a good tenant covenant for this lease.

3. Corporate Plan

- 3.1 The Council has a recently adopted Corporate Plan with key priorities including those that this proposal directly supports:
 - 3.1.1. Boosting Business Sustainability and Growth
 - 3.1.2 Financial Sustainability and Growth
- 3.2 Alongside the Corporate Plan the Council has an Asset Management Plan which sets out the strategic direction for the management of the Councils land and property portfolio and includes the Commercial Property Strategy. This strategy provides a framework through which the Council can effectively manage its land and property on a more commercial informed basis to ensure that income generation is optimised, as it is used to help fund, maintain and improve Council services that matter the most to local people.
- 3.3. This proposal supports the objectives of the Asset Management Plan and Commercial Property Strategy.

4. Conclusion

- 4.1 The Council takes a more commercially informed direction with its land and property portfolio, which is a key strategy in responding to the financial pressures and challenges the Council currently faces.
- 4.2 This proposal seeks to support the Council's financial strategy by optimising income generation through granting a longer term ground lease and by including provisions incorporated within that lease to review the rent.
- 4.3 The proposal also enables the company to provide continued employment opportunities from operating at that location and business sustainability which would have been impacted by the remaining short term.

5. Implications and Risks

- 5.1 Eastlaw are the Council's legal representative who are advising on this property transaction. The existing lease will be surrendered by them with a re-grant of a new lease.
- 5.2 The key risks with leased assets are around the risk of arrears and dilapidations. These can be mitigated with proactive asset management and with the lease being a ground lease there is less risk around dilapidations as the premises are owned by the tenant.

6. Financial Implications and Risks

- 6.1 Details of the rent and rent review terms can be found in the Heads of Terms.
- 6.2 The rental income received provides revenue to the Council supporting the Medium Term Financial Strategy and helps in the delivery of Council services.
- 6.3 Tenant is to meet the Council's reasonable legal costs.
- 6.4 There are no capital implications for the Council with the proposed lease.

7. Sustainability

- 7.1 Land and property assets play a key role in providing community benefits, a quality service provision and contribution to the Mid Term Financial Strategy, so that they are utilised more effectively to meet tough financial targets both through reducing costs and generating income. These assets are also held to support the Council's corporate objectives and values as highlighted in the Council's Corporate Plan and Council owned assets can be effective in supporting the vitality of our communities.

8. Equality and Diversity

- 8.1 The information within the property does not create any direct implications.

9. Section 17 Crime and Disorder considerations

- 9.1 The information within the property does not create any direct implications.