


<p style="text-align: center;">London Borough of Hammersmith & Fulham</p> <p style="text-align: center;">Commercial Revenue Committee</p> <p style="text-align: center;">26 July 2019</p>	
<p>COMMERCIAL REVENUE - PROPERTY LETTING OF THE FORMER GINGLIK CLUB, 1 SHEPHERDS BUSH GREEN W12 8PH</p>	
<p>Report of the Cabinet Member for Finance and Commercial Services– Councillor Max Schmid. Cabinet Member for The Economy – Councillor Jones</p>	
<p>Part Exempt Report</p> <p>Appendices 2, 3, 4, 5 and 6 are exempt from disclosure on the grounds that they contain information relating to the financial or business affairs of a particular person (including the authority holding that information) under paragraph 3 of Schedule 12A of the Local Government Act 1972, and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.</p> <p>Appendix 1 - open</p>	
<p>Classification - For Decision</p> <p>Key Decision: No</p>	
<p>Consultation Internal stakeholders have been consulted when drafting this report.</p>	
<p>Wards Affected: Shepherds Bush Green</p>	
<p>Accountable Director: Jo Rowlands – Strategic Director of The Economy</p>	
<p>Report Author:</p> <p>Nigel Brown, Head of Asset Strategy and Property Portfolio</p>	<p>Contact Details: Tel: 020 8753 2835 E-mail: nigel.brown@lbhf.gov.uk</p>

1. EXECUTIVE SUMMARY

- 1.1 This report seeks approval to a long lease agreement in respect of a vacant commercial asset 1 Shepherds Bush Green. The asset has been extensively marketed and analysis of property offers has been undertaken and detailed in this report.

2. RECOMMENDATIONS

- 2.1 That the Commercial Revenue Committee agree:

The Council enters into a long lease and associated property agreement with Bloomsbury Leisure Group in accordance with the heads of terms in Appendix 4.

To delegate authority to the Strategic Director of The Economy in consultation with the Cabinet Member for Finance and Commercial Services and the Assistant Director of Legal and Democratic Services, to complete the legal property documents.

3. REASONS FOR DECISION

- 3.1 The recommendations allow the Council to grant a long lease to Bloomsbury Leisure Group, who will undertake renovation works at their cost to create a new bar venue. The venue will provide a unique business offer in the heart of Shepherds Bush and will contribute to the evening time economy in this locality between W12 Shopping Centre and Westfield Centre.
- 3.2 A decision is required as the proposed income is above delegated authority limits for property transactions within the Council's constitution.

4. PROPOSAL AND ISSUES

- 4.1 The proposal is to bring the premises back into commercial use following the previous commercial tenant entering into administration. This is an unusual asset where the accommodation is underground with ground floor access on the edge of Shepherds Bush Green, a designated Open Space. The premises are within the Shepherds Bush Conservation Area and located adjacent to the Grade II Listed war memorial. The Council is also seeking to set up Fields In Trust designation for Shepherds Bush Green but this does not include this asset. A location plan showing the property is in Appendix 1.
- 4.2 A specialist external property agent, Davis Coffey Lyons was appointed via a competitive process. The agent's role was to assist officers and provide specialist advice on the potential commercial tenants. The driver was for the Council to maximise a commercial return and to ensure the property was also refurbished.

- 4.3 To ensure full exposure of the property to the potential interested parties, the Council's agents advised that flexible lease terms on either (i) a 15-20 year standard occupational lease, or (ii) 125-150 year long leasehold interest with a premium should be offered to attract a wide range of potential tenants and users.
- 4.4 At the conclusion of the marketing period, the Council's agent had fielded 22 expressions of interest where inspections and marketing details were dispatched. This is detailed in Appendix 2. From these, a longlist of 8 parties had submitted formal offers for either a long leasehold or short lease on the basis described in paragraph 4.3.
- 4.5 Following consultation with our agents, various assessment criteria were considered, the most notable being; (a) deliverability of the transaction, (b) financial status, (c) business track record and, (d) experience of delivering similar refurbishment projects. It was recommended that the 3 strongest bidders be put forward to officers for consideration as outlined in Appendix 3.
- 4.6 In Spring 2019, after careful analysis of each of the 3 shortlisted bidders' proposals, further financial status and associated risk factors checks, Bloomsbury Leisure Group were selected as the preferred commercial tenant (please see Appendix 3). Their proposal was to operate from the premises as a restaurant/bar on a 150-year long leasehold basis with a one-off premium as well as a rental stream. This offer presented the lowest risk with conditional terms offered based on the assessment criteria. The assessment criteria included track record in undertaking major refurbishment, track record of managing similar business as intended at the property and also financial capability to manage the business once refurbished. A draft lease is also attached as Appendix 5.
- 4.7 All 3 shortlisted offers were conditional offers whereby they would be subject to planning permission and relevant liquor/entertainment licences. Informal planning advice has been sought and additional planning consents will be required for Class A4 by all shortlisted bidders. All shortlisted bidders are aware the building refurbishment works will need Council approval. In addition, licences will need to be sought for liquor and possible entertainment licence too.
- 4.8 The financial details of Bloomsbury Leisure Group are outlined in Appendix 6.

5. OPTIONS AND ANALYSIS OF OPTIONS

- 5.1 **Option 1** – To keep the property boarded up and disused, thereby not producing an income and falling into further neglect. This is clearly not best practice in asset management terms and does not offer a commercial business to become established in this locality.
- 5.2 **Option 2** – To market the property for leisure or cultural / community use. There had been a significant level of interest from potential occupiers and the Council

needed to capitalise on this by encouraging capital investment from these parties to renovate and occupy to generate rental income for the Council over the medium to long term, whilst preserving and enhancing this potentially valuable asset.

- 5.3 **Option 3** – The Council could undertake refurbishment of the property to generate rental income. The Council does not have a significant capital planned maintenance programme for investing in commercial property assets. The Council does not have the expertise to inform the very detailed capital investment to refurbish the property to ensure it attracts the right commercial tenant.
- 5.4 **Option 2** is preferred as it allows ingoing commercial tenants to shape the investment based on their business model. It allows the Council to secure a premium and rental flow too reflecting the third party commercial investment.

6. CONSULTATION

- 6.1. There has been consultation with all internal stakeholders prior to the marketing of the premises. In respect of planning applications and also licensing applications then the appropriate consultation will be undertaken with local residents and key stakeholders

7. EQUALITY IMPLICATIONS

- 7.1. There are no anticipated direct negative impacts on any groups with protected characteristics, under the terms of the Equalities Act 2010, from the leasing options proposed.

Implications verified by: Fawad Bhatti, Social Inclusion Policy Manager, tel. 07500 103617.

8. LEGAL IMPLICATIONS

- 8.1. This is situated in public Open Space and common land. For London the most relevant provision for letting properties is the Greater London Parks and Open Spaces Act 1967. Section 7, of which gives a list of permitted uses. Section 8 gives the Council the power to grant a third party the right to exercise such rights rather than the Council do it itself.
- 8.2. There are restrictions on these rights in respect of common land, as set out in Section 12, in which cases Sec. of State consent would be required for the activities listed in that clause. As the lease is to be granted is for accommodation that is underground with only an existing access at ground level then there will be no restrictions under Section 12 that will require Secretary of State consent.
- 8.3. The Council has drafted a lease document and this is attached as Appendix 5. The drafting of the lease is being finalised with the proposed tenant.

Implications verified/completed by: Afshan Ali-Syed, Solicitor, telephone 07887 651197 & Rachel Silverstone, Senior Solicitor, telephone 020 8753 2210.

9. FINANCIAL IMPLICATIONS

- 9.1. There is need for essential remedial and structural works to this property and the proposed tenant will be responsible for these costs. The proposal for the tenant to undertake capital investment will ensure there are no short or medium calls on the Council's capital programme or its planned maintenance programme.
- 9.2. The structure of the letting is outlined in Appendix 3. The estimated agent's marketing fees, legal costs and other costs which will be a maximum of £25,000. These costs will need to be offset against the one-off premium. The one-off premium has not been budgeted or forecasted in the Council's current 2019/20 capital or revenue budgets.
- 9.3. The Council will also benefit from not having holding costs if this property had remained vacant and this will include savings on business rates and ad hoc management costs too.

Implications completed by: Gary Hannaway – Head of Finance Tel: 020 8753 6071

Implications verified by: Emily Hill, Assistant Director of Finance, Corporate Finance 020 8753 3145

10. IMPLICATIONS FOR BUSINESS

- 10.1. The proposals to bring back this property into use has the potential to create additional social and economic value, including employment and skills opportunities for local residents and supply opportunities for local Small and Medium Size Enterprises.
- 10.2. The project commissioning and contract managers and their agents will work closely with the Economic Development Team to identify and maximise social and economic value opportunities for local businesses and residents.

Implications verified/completed by: Albena Karameros - Economic Development Team, tel. 020 7938 8583

11. COMMERCIAL IMPLICATIONS

- 11.1. From a commercial point of view, the Council will benefit from the revenue from the rental income stream as well as receiving a one-off premium.
- 11.2. Leasing this commercial property will create income for the Council.

Implications verified/completed by: Andra Ulianov, Procurement Consultant, 020 8753 2284

12. IT IMPLICATIONS

- 12.1. No IT implications are considered to arise from this report as it requests approval to grant a long leasehold of the former Ginglek club to the Bloomsbury Leisure Group. Should this not be the case, for example, by requiring new systems to be procured or existing systems to be modified, IT Services should be consulted.
- 12.2. IM implications: A Privacy Impact Assessment(s) should be carried out to ensure that all the potential data protection risks around this lease are properly assessed with mitigating actions agreed and implemented.
- 12.3. Any contracts arising from this report will need to include H&F's data protection and processing schedule. This is compliant with the General Data Protection Regulation (GDPR) enacted from 25 May 2018.

Implications verified/completed by: Tina Akpogheneta, Interim Head of Strategy and Strategic Relationship Manager, IT Services, tel 020 8753 5748.

13. RISK MANAGEMENT IMPLICATIONS

- 13.1. The Council shall benefit from revenue by bringing this property into a commercial setting therefore contributing positively to the management of risk by achieving income to the Council. This is in line with the Council objective of being Ruthlessly Financially Efficient. Other benefits include the potential for additional local employment to the area. There will be improvements to the property contributing to meeting the local taxpayers needs and expectations and safety of the property through the prospective tenants' commitment to undertaking remedial and structural works to the property.
- 13.2. Financial due diligence has been undertaken on the bidders in arriving at the recommendation contained within this report. Officers will need to ensure that appropriate consideration is given to any planning/licensing requirements which would impact on the proposals for the use of the venue.
- 13.3. It is intended that the Council will remain in control of the building insurance arrangements and annually recharge the tenant for the cost of building insurance.

Implications verified/completed by: David Hughes – Director of Audit, Fraud, Risk and Insurance, tel 020 7361 2389, mobile 07817 507 695.

14. BACKGROUND PAPERS USED IN PREPARING THIS REPORT

None

LIST OF APPENDICES:

Appendix 1 – Plan of property – open

Appendix 2 – Agents schedule of interest - exempt

Appendix 3 – Schedule of shortlisted bidders - exempt

Appendix 4 – Heads of terms - exempt

Appendix 5 - Draft lease – exempt

Appendix 6 – Financial information in relation to preferred commercial lease - exempt