

Brighton & Hove City Council

Cabinet

Agenda Item 44

Subject: Commercial Property Lettings

Date of meeting: 18 July 2024

Report of: Cabinet Member for Finance and City Regeneration

Contact Officer: Name: Corporate Jessica Hamilton

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Ward(s) affected: West Hill & North Laine; Westbourne & Poets' Corner;

Key Decision: Yes

Reason(s) Key: Expenditure which is, or the making of savings which are, significant having regard to the expenditure of the City Council's budget, namely above £1,000,000.

For general release

Note: Urgency

By reason of the special circumstances below, and in accordance with section 100B(4)(b) of the 1972 Act, the Chair of the meeting has been consulted and is of the opinion that this item should be considered at the meeting as a matter of urgency.

Note: Reasons for urgency

The special circumstances for non-compliance with Council Procedure Rule 3, Access to Information Procedure Rule 5 and Section 100B(4) of the Local Government Act 1972 (as amended), (items not considered unless the agenda is open to inspection at least five days in advance of the meeting) were that in respect of Café Unit at Outdoor Sports Hub, Kingsway, Heads of Terms for the lease are agreed and practical completion of the property is due on 6 September 2024. As a Key Decision the lease cannot complete until Cabinet agrees the recommendation. A delay to the lease completion would leave the building sitting vacant beyond practical completion at cost to the council. In addition, any delay to the lease completion will delay the council's public announcement about the tenant and the café's occupation.

1. Purpose of the report and policy context

- 1.1 The council owns a Commercial Property Investment Portfolio located across the city. In addition, the council has an extensive portfolio of commercial properties and sports and leisure facilities along the seafront. Two properties, one within each portfolio, have recently been marketed and commercial terms agreed for their letting and occupation.

- 1.2 This report directly supports Outcome 4 of the Council Plan, that is a responsive council with well-run services. The recommendation supports good governance and financial resilience through achieving value for money and best use of our assets.

2. Recommendations

- 2.1 Cabinet agrees to the completion of two commercial leases and delegates authority to the Corporate Director City Services and the Assistant Director Legal and Democratic Services in consultation with the cabinet member to approve terms and take the necessary steps to complete the transactions.

3. Context and background information

Café Unit at Outdoor Sports Hub, Kingsway

- 3.1 The Outdoor Sports Hub building is being constructed as a key part of the development of the new Hove Beach Park and is due to be completed in early September 2024. Marketing commenced in February for the cafe/restaurant and terraces at first floor level. The opportunity was offered as a shell and core letting and rental offers sought in excess of £70,000pa. It was advertised on the council's website and shared widely with interested parties and on social media. Eleven applications were received by the closing date in early April. The lease terms agreed are set out in Part 2 of this report.

3-7 Preston Circus, Brighton

- 3.2 This property has been marketed through external agents inviting 'All Enquiries' following the departure of the previous occupiers Lloyds Banking Group in October 2023. The former banking hall has remained in a dilapidated condition and needs substantive remedial work for onward occupation, estimated to be in the region of £450,000. In addition, the property includes four self-contained flats, two of which are vacant and two of which are occupied by parties who were sub-tenants of Lloyds who have remained in occupation beyond the termination of the headlease to Lloyds. This occupation of two of the flats requires that any tenant will become an intermediary landlord, the current residents becoming their subtenants, and this additional complexity has hampered levels of interest. The lease terms agreed are set out in Part 2 of this report.

4. Analysis and consideration of alternative options

Café Unit at Outdoor Sports Hub, Kingsway

- 4.1 A panel of council officers carried out an evaluation of the applications received based on six criteria - hospitality offer, place making/design, community benefit, deliverability/track record, sustainability and rental offer/investment. A shortlist of five were invited for interview and evaluated further based on a presentation and interview. The chosen applicant is a local consortium with considerable experience in hospitality across the city.
- 4.2 They presented a unique offer which is very different from existing businesses in the vicinity and officers felt this targeted a gap in the market on Hove seafront. The hospitality offer will be accessible and aim to appeal to families, local residents and park and beach users. The design and

overall ambience will aim to be relaxed and welcoming. Social value is intrinsic to the offer aimed specifically at new and existing stakeholders and the wider Hove community. Sustainability initiatives are clear, including beach cleans, minimising waste and a focus on circular economy using local suppliers. The rental offer is significantly above the minimum asking rent and was the highest received. The consortium will be investing in a fit-out of the premises and is offering a strong financial covenant.

3-7 Preston Circus, Brighton

- 4.3 The property has been marketed for nine months and has produced only one interested party that is capable of undertaking the required works and addressing the outstanding legal complications brought about by the existing residential tenancies created by the former tenant. Outside of this party there is no feasible alternative. The council have been strongly recommended by the marketing agent to capture this interest.

5. Community engagement and consultation

- 5.1 The letting of the Café Unit at Outdoor Sports Hub was considered in detail by a panel of council officers. The wider scheme to create a new public park in the city, new public toilets and a new home for the local bowling club, has been extensively consulted upon. It is widely understood that the new public park will have a café in the outdoor sports hub and the whole project is now close to completion.
- 5.2 The council has sought advice from its marketing agents, Avison Young in respect of offers received for 3-7 Preston Circus.

6. Financial implications

- 6.1 Agreeing to the completion of the two commercial leases will ensure value for money and best use of our assets. The Café Unit at Outdoor Sports Hub will provide new rental income to the authority, which is required to support the borrowing elements of the capital project for Hove Beach Park as well as other ongoing revenue costs associated with the site. Should the lease not complete or completion be delayed, this would result in lost rental income and operational costs of the units adding further financial pressure to the authority as well as additional officer time required to attract new tenants.
- 6.2 3-7 Preston Circus has been vacant since October 2023 resulting in lost rental income since that time. Agreeing to the lease terms will ensure rent is received for this commercial unit as well as ensuring operational costs of the unit such as Business Rates become the responsibility of the tenant rather than the authority.

Name of finance officer consulted: John Lack Date consulted: 11.07.24

7 Legal implications

- 7.1 There is a general obligation on a local authority when disposing of land to achieve the best consideration reasonably obtainable as set out in Section 123 of the Local Government Act 1972. In exercising the delegated authority to dispose of the properties set out in this report, the Corporate

Director City Services will need to be satisfied that the requirements of section 123 of the Local Government Act 1972 are met.

Name of lawyer consulted: Hannah Bassett Date consulted: 11.07.24

8 Equalities implications

- 8.1 It is not considered that the proposal would negatively impact on any particular group in relation to their 'protected characteristics'. Therefore, no equalities implications have been identified as arising from this report.

9 Sustainability implications

- 9.1 The Café Unit at Outdoor Sports Hub is a new construction with energy efficiency intrinsic to its design. The terms of the letting include sustainability initiatives.
- 9.2 For 3-7 Preston Circus it is anticipated that following grant of the lease the tenant would refurbish and make improvements to the property which would include elements to improve energy efficiency.

10 Health and Wellbeing Implications:

- 10.1 The leasing of these properties will support employment, therefore contributing in a small way to the wider factors influencing health and wellbeing.

11. Conclusion

- 11.1 These units have been marketed fully and extensively with the best offers selected to take forward to completion. The provisional terms agreed represent the best consideration under each circumstance. It is recommended that each transaction be approved for onward completion to secure refurbishment, occupation and an income stream for the council.

Supporting Documentation

1. Appendices

1. Location Plan - Café Unit at Outdoor Sports Hub, Kingsway
2. Location Plan - 3-7 Preston Circus