

PART A

Report to: Cabinet
Date of meeting: 13th July 2015
Report of: Head of Regeneration & Development
Title: Sutton, Gade and Church car park lease variation

1.0 SUMMARY

1.1 A variation to Sutton, Gade and Church car park leases with CitiPark is proposed, essentially extending the 15 year term to 25 years to secure additional investment of approximately £1.4m into the car parks bringing the total investment from £2.5m to £3.9m. CitiPark will be carrying out extensive works ensuring that Gade, Sutton and Church car park are all refurbished to a high standard.

2.0 RECOMMENDATIONS

2.1 It is recommended that Cabinet

- 2.2
- Agrees to vary the term of the three leases (Sutton, Gade and Church car park) from 15 years to 25 years
 - Agrees a rolling break clause from Year 10 for Gade Car Park lease
 - Agrees to vary the three associated work deeds to include additional repairs and refurbishment
 - Delegates to the Regeneration and Property Section Head authority to agree to final terms for the necessary legal documents.

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Report approved by: Head of Regeneration and Development

3.0 DETAILED PROPOSAL

Background

- 3.1 On 1st December 2014, Cabinet agreed to give notice to INTU to terminate the lease relating to Sutton, Gade and Church car parks with effect from 31st March 2015. Cabinet also agreed to enter into 3 separate leases with CitiPark (then Town Centre Car Parks) for these three car parks. The term of each lease is 15 years.

Gade car park lease also contains two break clauses (one at year 5 and a rolling break clause from year 7). The break clauses are the reason why the expenditure on Gade car park is currently limited to £120k.

The combined annual rent from all three car parks to the Council is £835,000. There is also provision for a share in the turnover once it exceeds £2.4m.

Three separate work deeds are in place that will address the much needed concrete repairs to the car parks as well as the renewal of the elastomeric deck coating. These works are necessary to extend the lifespan of the car parks. High volume areas will be decorated on a regular basis and the new parking equipment including Automatic Number Plate Recognition will be installed. Gade car park lease includes an expenditure cap of £120k due to the break clauses mentioned above. The extent of concrete repairs and elastomeric deck coating that can be carried out on Gade car park is therefore limited.

The total investment based on the existing legal documentation is estimated to be £2.5m.

3.2 Variation to the Leases/Work Deeds

CitiPark proposes to carry out further works to those already agreed to ensure a high standard to the car parks. This work would include speed shutters, introduction of parking pads and high decorative finishes. The additional investment is estimated at £1.4m. Appendix A gives an impression of the finished refurbishment.

In order to make viable the additional investment estimated at £1.4m, CitiPark are seeking to secure a 25 year term for each lease. This would allow for a longer payback period. The proposal would see the expenditure cap of £120k removed from the Gade car park lease and Gade Car Park would be brought into full repair. It is also proposed to include a rolling break clause from Year 10 in Gade car park's lease to allow for potential redevelopment opportunities for Gade car park that may be identified in the future. Should the break be exercised, the Council would pay CitiPark an amount of the investment made in proportion to the remaining term of the lease. The proposal would not see any change to the rent of £835,000 from all three car parks.

Advice received from the Council's property consultants Lambert Smith Hampton states that the proposal is excellent value for money. Cost consultancy advice has also been obtained which confirms that the cost estimates stated are reasonable.

3.3 On the basis of the information set out above, Cabinet are asked to agree the recommendations set out in Section 2.2 above which would enable the extension of the car park leases.

4.0 **IMPLICATIONS**

4.1 **Financial**

4.1.1 The Shared Director of Finance comments that the financial implications are contained in the body of the report. The additional costs in relation to the consultancy and legal fees relating to the lease negotiations can be contained within the current revenue budget.

4.2 **Legal Issues** (Monitoring Officer)

Advice had been received from Walker Morris LLP, the Council’s legal advisors on the car park leases and they have confirmed that the proposal is a land transaction and therefore outside of the scope of procurement law. Walker Morris also advised that were a party to argue that the leases are a service contract concession that these were exempt under the 2006 Regulations.

4.3 **Equalities**

4.3.1 The amount of disabled car parking spaces will remain the same and CitiPark will make improvements in the form of parking pads to allow for easier parking. They are also proposing to change the kerbs in various locations to allow for better access.

4.4 **Potential Risks**

Potential Risk	Likelihood	Impact	Overall score
Lessee defaulting on delivering works	1	4	4
Lessee defaulting on paying rent	1	4	4
Lessee assigning lease to different operator	2	2	4
Those risks scoring 9 or above are considered significant and will need specific attention in project management. They will also be added to the service’s Risk Register.			

4.5 **Staffing**

4.5.1 n/a

4.6 **Accommodation**

4.6.1 n/a

4.7 **Community Safety**

4.7.1 All car parks will have to be park mark accredited

4.8 **Sustainability**

4.8.1

Appendices

- Appendix A – CitiPark Improvement Overview