

**NORTH LANARKSHIRE COUNCIL**

**REPORT**

To: <b>POLICY &amp; RESOURCES (REGENERATION &amp; INFRASTRUCTURE) SUBCOMMITTEE</b>		Subject: <b>RENUNCIATION OF LEASED PROPERTY UNIT D2 NORTH CALDEEN ROAD, COATBRIDGE</b>
From: <b>HEAD OF LAND SERVICES</b>		
Date: <b>26 July 2013</b>	Ref: <b>JK/X8891065</b>	

**1. INTRODUCTION**

1.1 The purpose of this report is to seek the homologation of action taken in respect of the renunciation of the head lease and the sub lease for the industrial unit at D2 North Caldeen Road, Coatbridge, with effect from 31st July 2013. The property is situated within Calder Park Industrial Estate and is shown on the attached location plan.

**2. BACKGROUND**

2.1 The unit is leased to the Council by Mayfair General Partner (Income) Ltd on a lease lasting a period of 20 years from 4<sup>th</sup> April 1995. The passing rent is £45,177 per annum and the lease is due to expire on 3<sup>rd</sup> April 2015. The unit was sub-leased from the Council to McGregor Young Limited from 1<sup>st</sup> April 1999 and has continued in on an annual since the lease expiry date of 23<sup>rd</sup> December 2007. The passing rent to the sub tenant is £45,432 per annum.

2.2 McGregor Young Limited have approached Mayfair General Partner (Income) Ltd with a request to purchase the head landlords interest in the property, and this proposal has been accepted. On completion of the purchase, McGregor Young would be both head landlord and sub tenant to North Lanarkshire Council creating a complicated and unnecessary hierarchy. Both parties have, as a result offered the Council the opportunity to renounce the head lease and accept a renunciation of the sub lease. This will relieve the Council of all obligations relating to the unit including rent, service charge, business rates and insurance. Liability for charges is currently transferred to the sub tenant, however will revert back to the council in the event that the tenant terminates prior to 3<sup>rd</sup> April 2015.

2.3 North Lanarkshire Council, in agreeing to renounce the head lease, will have no obligation under the proposed agreement for dilapidations. The obligation to reinstate will be discharged and no payment will be due by either party in lieu of works.

**3./**

### **3. DESCRIPTION**

- 3.1 The property comprises of modern industrial space totalling 938 square metres (10096 square feet) or thereby, and is located within a modern mixed use industrial development which is partially rented and partially owner occupied. North Lanarkshire Council currently holds leases on a further eight units of varying sizes within the estate. The remaining leases are also due to expire in March 2015, and it is expected that these will not be renewed, in line with current policy.
- 3.2 McGregor Young currently occupies a second building within the estate which is leased from an external landlord and used as their Scottish Head Office.

### **4. LEASE POSITION**

- 4.1 The head lease rent obliges the council to pay a further 20 months and 3 days rent prior to expiry, totalling £75,666. This represents a total profit to the Council of £427 over 20 months against the anticipated income of £76,023 assuming the sub tenants remain in the property for the duration of the Council's lease.
- 4.2 In the event that the sub tenant chooses to terminate their lease, the Council's liability will increase to include full rent amounting to £75,666, service charges amounting to £5,855 and insurance amounting to approximately £4,297 over the next 20 months.
- 4.3 The sub tenant is currently in occupation is unlikely to vacate the unit. However, if they proceed with the purchase they will be the Council's landlord. This is not an ideal situation, and it is therefore recommended that given the very small level of profit rent currently being generated the Council agrees to renounce its interest in the property. This will ensure that as tenant we will have no further obligations in terms of dilapidations etc at the end of the lease period in 20 months time.
- 4.4 In view of the timing of the request and the proposed date of sale of the property, following consultation with the Convener of the Policy and Resources (Regeneration and Infrastructure) Subcommittee, the Executive Director of Regeneration and Environmental Services has authorised the conclusion of the renunciation of both the head lease and the sub lease for this property.

### **5. CORPORATE CONSIDERATIONS**

- 5.1 Renunciation of both leases will release the Council of all obligations under the Head Lease and protect financially against future increases in rent and service charges and more importantly the potential income void should the property be vacated by the current sub tenant.
- 5.2 The Council will be relieved of all obligations to reinstate the unit on expiry of the head lease, including reinstatement costs and professional fees associated with the negotiation and preparation of terminal schedules.
- 5.3 The proposal will allow the tenant to invest further in property within North Lanarkshire, protecting jobs in the area.

### **6./**

**6. RECOMMENDATIONS**

- 6.1 It is recommended that the Committee homologates the action taken by the Executive Director of Regeneration and Environmental Services, following consultation with the Convener of the Policy and Resources (Regeneration and Infrastructure) Subcommittee, in agreeing to the proposal to renounce the Head Lease and accept renunciation of the sub lease of Unit D2 North Caldeen Road.
- 6.2 All other terms and conditions to be adjusted by the Head of Land Services.



**KENNETH WILSON**  
**Head of Land Services**

Members seeking further information on the contents of this report are asked to contact Mary Anne Robb, Section Manager, on 01236 632667.

# LOCATION PLAN - For Information Only

Title: Unit D2 North Caldeen Road

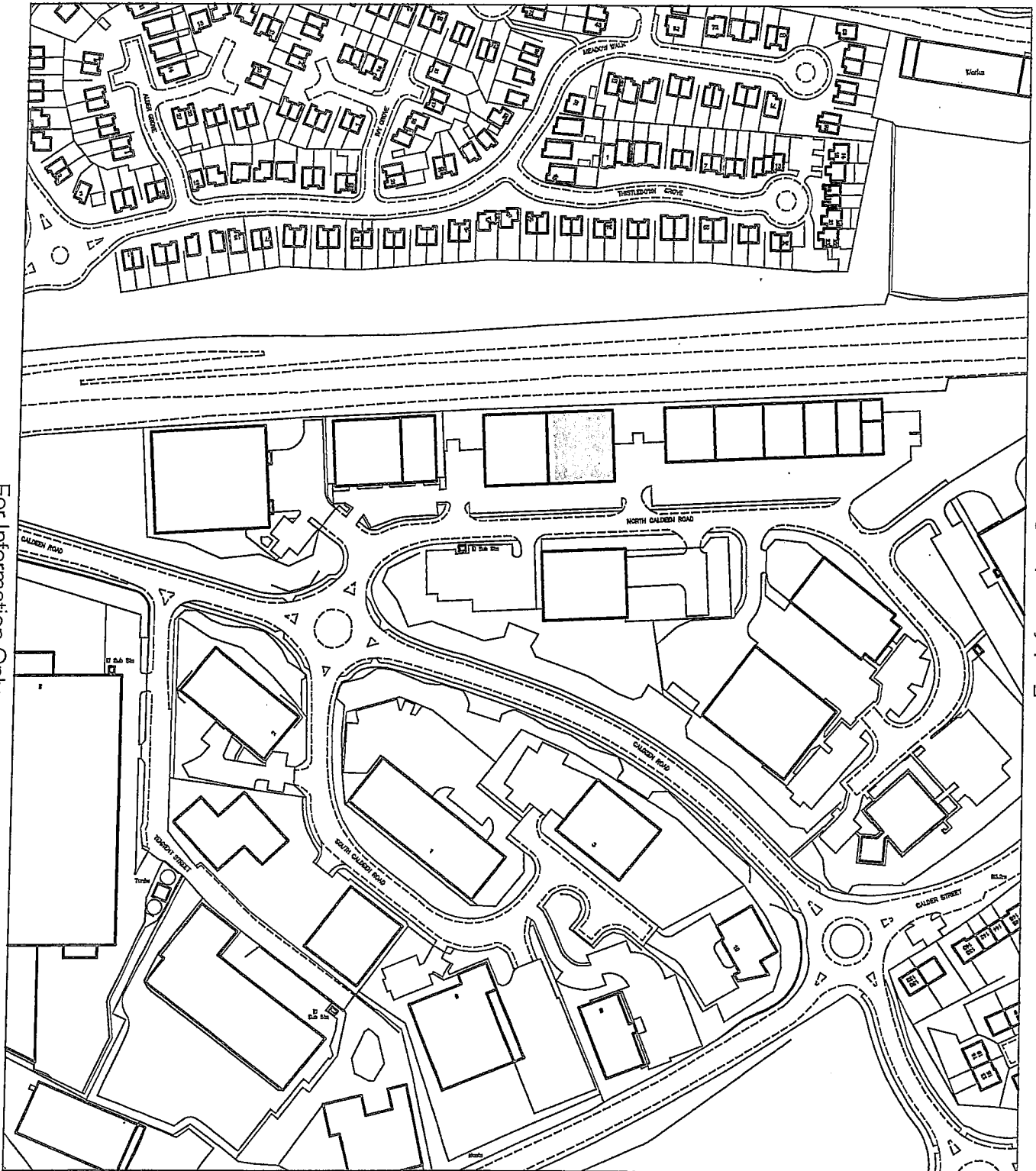
Scale 1:N.T.S.



Town: Coatbridge

Date: 26/07/13

## LAND SERVICES



## CARTOGRAPHIC SERVICES

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