

Growth Committee

3 February 2016

Market House, Kingston

Report by the Director of Place

Purpose

To approve the leasehold disposal of the Market House.

Recommendation of the Portfolio Holder for Regeneration

To **resolve** that the Committee authorises the leasehold disposal of the Market House by way of grant of long lease to The Stable Bar and Restaurant.

Key Points

- A. The Market House is an Grade 2 listed property located in the Market Place and Old Town Conservation Area of Kingston. The Council holds the freehold interest in the property but is currently subject to a short term letting to a 'pop up' retailer. The building has been without a permanent tenant since Kingston First vacated in 2013.
- B. The property has gradually, over the years, fallen into a state of some disrepair, necessitating the Council carrying out essential capital expenditure in 2014 costing £560,000. Additional capital expenditure may be needed for ceilings, external walls, windows and doors, internal walls and doors, floors and stairs and for redecoration.
- C. The current annual revenue costs for the occupation of the Market House, excluding major repair works, is between £30,000 - £45,000 per annum.
- D. Over the years, community uses and part commercial uses of the building have had limited success because of problems of attracting footfall and the restricted floor plate.
- E. In light of recent investments, there is an opportunity to put the Market House to more effective use and to minimise the future financial and operational liabilities associated with the Council continuing to hold the freehold interest in

the asset by letting to a commercial operator on a medium term fully repairing lease.

Context

1. The Market House is an 1838 built Grade 2 listed two storey property located in the Market Place and Old Town Conservation Area of Kingston.
2. The Council commissioned historic building survey concluded that, in principle, the significance of the Market House could prove especially vulnerable to underuse, misuse, inappropriate development and any neglect of maintenance of its primary built fabric. Given that the building is listed, the Council is obliged to ensure the property is kept in a good and substantial state of repair. A sustained period of under utilisation is likely to accelerate damage to the fabric and services in the building, thereby exposing the Council to the prospect of further capital expenditure on the building.
3. Note that in accordance with existing surplus property procedures no internal re-use of the Market House has been identified.
4. A high-level options appraisal has already been commissioned and undertaken by Harmer Ray Hoffbrand Chartered Surveyors as part of a feasibility testing exercise. The full options appraisal is set out in a separate document contained on the Exempt part of the agenda (Annexes 1 & 2) The high-level options appraisal concluded that letting the whole building to a commercial tenant with a view to securing appropriate commercial terms was the most economically advantageous solution for the Council as it offered the best chance of increasing the asset value, whilst also minimising the financial and operational liabilities associated with long term under-occupancy of the property. The recommendation also supports the Ancient Market Place and Kingston Futures strategic aims by way of attracting new investment into the area, supporting the night time economy and creating new jobs. A commercial tenant is also likely to help surrounding businesses by increasing the footfall to the Ancient Market Place.
5. The RBK Asset Strategy 2013 - 2018 also places a strong emphasis on taking a commercial approach to managing property assets to reduce revenue and capital liabilities and advocates retaining income-producing assets where rental income can be driven upwards and asset values enhanced.

Proposal and Options

6. Following the above options appraisal, Harmer Ray Hoffbrand Chartered Surveyors was instructed to market the Market House to A1/A3 (Retail/Restaurant) occupiers with offers being invited for a leasehold interest. The result of that marketing exercise is summarized in the Exempt part of this report.
7. The marketing particulars were distributed to the widest possible market. This involved contacting specialist agencies as well as placing adverts in the national property press and in the local papers.
8. Whilst there was a good level of interest in the property from A1 and A3 occupiers, and many reputable retailers viewed the building, a substantial number of prospective tenants chose not to bid because of issues with the size and location of the property. Many prospective tenants were concerned by the encroachment of the market stalls at the front of the Market House and the smells emanating from some of the stalls. A further factor was concern about the relatively small internal trading area.
9. The marketing agent and officers interviewed the top bidders to discuss their offers and discuss any points requiring clarification. The offer submitted by The Stable Bar and Restaurant is considered to be the most economically advantageous and has a better prospect of securing planning permission as the proposed alterations preserve the original fabric of the building. The proposed use will be a Restaurant within Class A3 of the Town & Country Planning (Use Classes) Order 1987.
10. Negotiations have progressed well with the preferred bidder and a substantive set of Heads of Terms has been worked up. There are some commercial issues which have still to be agreed and details of these are similarly set out in the exempt part of this report.

Consultations

11. Consultations have been held with Ward Councillors, representatives of Kingston First and other internal stakeholders. In addition, Alcohol and Entertainment Licensing officers have held preliminary dialogue with the preferred bidder's team to discuss alcohol licence issues.

Timescale

12. Once the commercial proposal has been agreed a final version of the Heads of Terms will be produced and agreed by the parties. These Heads of Terms will form the basis for the drafting of detailed contract documentation, including a formal Agreement For Lease which will be negotiated between the solicitors acting for the parties.
13. The proposed deal is also subject to securing suitable planning permission and Listed Building permission which is not likely to be decided before this Summer.

Resource Implications

14. If the buildings are not to be sold, the Council would retain responsibility for management/management costs, any empty rate liability, where relevant, and any abnormal costs arising for example in the event of vandalism. none of these costs are budgeted for within the Medium Term Financial Plan.

Legal Implications

15. The Council is obliged under section 123 Local Government Act 1972, to secure best consideration reasonably obtainable for any property disposal.

Risk Assessment

16. At any point prior to completion there is always the risk that the preferred bidder could withdraw from the letting for unforeseen reasons due to a change in financial or economic circumstances. This is something entirely outside the Council's control.
17. Because the property is Grade II listed there is the risk that its condition may deteriorate if it remains vacant for a long time.
18. The preferred bidder's proposed use of the building will require planning permission for change of use and listed building consent. There is a risk that the planning permission may not be granted. Similarly, the preferred bidder will require a Alcohol and Entertainment Licensing for the sale of alcohol.

Equalities Impact Assessment

19. There are no specific equalities implications arising from these proposals. All property and land will be subject to vacant possession before being sold. There are no foreseen stakeholder issues. The proposed sales will provide capital receipts to the Borough.

Network Implications

20. There are no specific Network implications arising from these proposals.

Environmental Implications

21. There are no specific Environmental implications arising from these proposals.

**Background papers held by author, Karl Limbert, Head of Property,
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