

Resources Directorate 7 Newington Barrow Way, London, N7 7EP

Report of the Executive Member for Finance, Performance and Community Safety

Meeting of:	Date:	Ward(s):
Executive	6 February 2020	Bunhill
Delete as appropriate:		Non-exempt

THE APPENDIX TO THIS REPORT IS NOT FOR PUBLICATION

SUBJECT: New Lease at 49-59 Old Street, London, EC1V

1. Synopsis

- 1.1 This report seeks approval to grant a 10 year lease (with options to extend to up to 20 years) for all the upper floors and one ground floor unit at 49-59 Old Street EC1V (the Property) to a commercial serviced office provider. This follows a major refurbishment of the building, funded by the Council.
- 1.2 As part of the Council's emerging Corporate Asset Strategy, letting the Property for commercial use will generate significant ongoing income to invest in making Islington a fairer place as well as contributing to Property Services' savings/income generation target.

2. Recommendations

- 2.1 To approve the proposal to dispose of the Property by way of an initial 10 year lease to a serviced office provider on the terms set out in the Heads of Terms (attached as exempt Appendix 1).
- 2.2 To delegate authority to the Acting Section 151 Officer in consultation with the Executive Member for Finance, Performance and Community Safety to negotiate and agree the detailed final terms of the transaction including any amendment to the attached Heads of Terms.
- 2.3 To authorise the Acting Director of Law & Governance to complete the necessary paperwork to conclude the proposed letting.

3. Background

- 49/59 Old Street is located in City Fringe area where many serviced office and tech space users are located. The property comprises of retail on the ground and basement floors with office accommodation available to the rear of the ground floor and on the six upper floors. The Council owns three other adjoining blocks of which two are fully rented and one is planned to be offered for rent.
- 3.2 The building has had a recently completed major refurbishment, funded by the Council, to attend to essential building works and to create a modern upgraded property to put it in a lettable condition capable of attracting a full market rent.
- 3.3 The Old Street and Clerkenwell areas have seen rental growth in excess of 30 per cent over the past three years as companies move to the City Fringe. The building forms a significant part of the Council's non-residential investment portfolio.
- 3.4 The property has been actively marketed over the past six months creating a strong level of interest. From interest and proposals received the proposed Heads of Terms represent the strongest bid in respect of income and the other terms. The proposal is able to proceed quickly and expected to complete by March 2020.

4. Implications

4.1 Financial implications:

The letting generates an income stream subject to CPI inflationary uplifts at years 5 and 10. This income stream has been factored into MTFS savings targets relating to property assets.

4.2 Legal Implications:

Section 123 of the Local Government Act 1972 enables the Council to dispose of land and buildings in any manner it wishes, except in the case of a short tenancy (lease not exceeding 7 years) the consent of the Secretary of State is required if it is intended to dispose of land\buildings at less than the best consideration that can be reasonably obtained. This report confirms that the recommended disposal represents best consideration.

As the proposed lease is for a term of less than 20 years and the annual rental exceeds £250,000, the decision to approve the disposal is reserved to the Executive under the Constitution.

4.3 Environmental Implications and contribution to achieving a net zero carbon Islington by 2030:

The building being leased will have various environmental impacts related to its energy use for heating, lighting and equipment and water use, as well as those related to activities that happen inside the building, such as waste generation. These impacts will be under the control of the holder of the lease but the Council as owner will be able to monitor efficiencies.

As the building owner, the Council has recently refurbished the building to improve its energy efficiency, including a new heating and air conditioning system, and replacing single glazed windows with double glazing. This has led to 'B' ratings being achieved on the Energy Performance Certificates of most parts of the building, a significantly higher rating than other building stock in the area. This means the building users will use less energy than they would have prior to the works being carried out. The site has also had cycle parking installed to allow users to travel to work more sustainably.

4.4 Resident Impact Assessment:

The Council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The Council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The Council must have due regard to the need to tackle prejudice and promote understanding.

A Resident Impact Assessment was completed in February 2017 and updated to reflect the finalised refurbishment in January 2020 and the summary is included below. The complete Resident Impact Assessment is in Appendix 2.

The refurbished offices offer flexible work spaces and have a fully accessible toilet and shower. The lifts have been refurbished and made roomier by the removal of wooden interior cladding.

The design has been fully inclusive where possible, given the constraints of working within an existing building. As part of the design the building meets all the standards of accessibility and inclusion so that all potential residents and visitors, regardless of disability, age or gender, can use them safely and easily. Inclusive access has been achieved by eliminating barriers physical, attitudinal and procedural, which inhibit the involvement of the whole community, not just disabled people.

The design and layout of the building should enable everyone to be able to enter the building, use the facilities and leave safely, independently and with ease.

5. Reason for recommendations

5.1 The proposal maximises rental income from this high-profile building, allowing the Council to fund other services on an ongoing basis and contribute to savings/income generation targets.

Appendices

- Heads of Terms Exempt.
- Resident Impact Assessment.

Background papers: None

Final report clearance:

Signed by:

29 January 2020

Councillor Andy Hull, Executive Member for

Finance, Performance and Community Safety Date

Report Author: Peter Holmes
Tel: 0207 527 2815

Email: peter.holmes@islington.gov.uk

Financial Implications Author: Steve Abbott Tel: 0207 527 2369

Email: Steve.abbott@islington.gov.uk

And Hell

Legal Implications Author: Helen Coyle Tel: 0207 527 3082

Email: helen.coyle@islington.gov.uk