

# Agenda Item 14.

<b>TITLE</b>	<b>Wokingham Theatre New Lease</b>
<b>FOR CONSIDERATION BY</b>	The Executive on 28 May 2015
<b>WARD</b>	Norreys
<b>DIRECTOR</b>	Graham Ebers, Director of Finance and Resources
<b>LEAD MEMBER</b>	Philip Mirfin, Executive Member for Regeneration and Communities

## **OUTCOME / BENEFITS TO THE COMMUNITY**

A longer lease will permit Wokingham Theatre Limited to raise funds against the property for improvements to a building which is becoming dilapidated. A side letter to the lease will permit limited community use of the building.

## **RECOMMENDATION**

That the Executive agree to proceed with the granting of a new 50 year lease to allow Wokingham Theatre to raise funds to enhance the building.

## **SUMMARY OF REPORT**

Wokingham Theatre Limited wishes to carry out capital works to the theatre but with 13 years left on their existing lease, they do not have a mortgagable interest in the building. In order to assist WTL, there is a proposal to accept a surrender of their existing lease and grant them a new 50 year lease on the same terms as the existing lease save for modern drafting. The new lease will have a lift and shift clause as their site is centrally located within North Wokingham SDL.

## Background

Wokingham Theatre Limited was granted a 42 year ground lease for the site they currently occupy at Twyford Road, Wokingham, which commenced in April 1986, and should thereby determine in April 2028. The lease granted was a ground lease at an initial peppercorn rent, which permitted WTL to build the existing theatre on the site, so whilst the land belongs to Wokingham Borough Council, the theatre building belongs to WTL.

WTL now wishes to enhance and extend the building, but to do so they need to borrow funds, and to do that, they need a longer lease.

WTL propose that WBC accept a surrender of their current lease and grant them a new 50 year lease, which would be acceptable to funders. Any proposals to extend the building would be subject to planning consent and would be entirely at WTL's own expense.

## Analysis of Issues

Wokingham Theatre is currently let on a ground lease. The lease does not include the Theatre building itself which was constructed by WTL. The rent for the ground lease equates to approximately 25% of the rent that could be achievable for the lease of the property as a whole. This gives WTL a notional rent benefit of 75% market rent in acknowledgement of the fact that they paid for the building of the theatre. At the end of their lease the two interests will merge and the ownership of the theatre will revert to the Council.

WTL's current lease will determine by effluxion of time in 2028, i.e. in 13 years' time; their proposed new lease will expire in 2065, a difference of 37 years. This will mean that whilst under the current lease, the Council could in theory, charge full market rent to the theatre in 2028, in granting a new lease, the Council accepts that it will not be able to charge market rent until 2065.

If a new lease is granted, WTL will extend and enhance the building, and will provide for a limited amount of community use subject to availability free of charge. The theatre is also available to the community for private hire. The theatre has agreed to acknowledge the Council's support in its promotional material.

Should the Council wish to redevelop the land as part of North Wokingham SDL, it would be significantly cheaper to do this at the end of a lease under Landlord & Tenant legislation. If WBC decided not to renew WTL's lease in 2028 under the current lease (or 2065 under the proposed lease), statutory compensation would be payable, as would compensation for improvements made by WTL to the land. Were the Council to seek to invoke the lift and shift clause proposed for WTL's new lease, this would be considerably more expensive than ending the lease under Landlord & Tenant legislation as a new site and new building would have to be provided.

## FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

***The Council faces severe financial challenges over the coming years as a result of the austerity measures implemented by the Government and subsequent reductions to public sector funding. It is estimated that Wokingham Borough***

***Council will be required to make budget reductions in excess of £20m over the next three years and all Executive decisions should be made in this context.***

<b>Other financial information relevant to the Recommendation/Decision</b>
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Further detail as to the financial implications of this recommendation are outlined as a 'part 2' item on the document attached.
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<b>Cross-Council Implications</b>
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N/A
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<b>Reasons for considering the report in Part 2</b>
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This matter is an on-going commercial transaction.
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<b>List of Background Papers</b>
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None.
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