

REPORT ON BEHALF OF THE PROPERTY & PROJECTS GROUP

SUBJECT: FRESHWATER EAST CARAVAN CLUB SITE: LEASE RENEWAL AND SITE UPGRADE WORKS

Purpose of Report

To seek the approval of Members for a surrender and renewal of the Caravan Club lease to include Landlords consent for the Caravan Club to undertake a £1.2m upgrade of the site facilities during the coming winter period.

Background

The land in question extends to approximately 14 acres and comprises a relatively small part of the Authority's much larger freehold ownership at Freshwater East. It has been run as a touring caravan site by the Caravan Club (The Club) since 1981 under a succession of leases granted by the Authority. The Clubs current lease expires in 2029 and produces a turnover based rent that has averaged £24,326pa over the last 5 year period (2010-14).

The sites facilities are now very dated and The Club are concerned that in the absence of any upgrading there will be an ongoing decline in occupancy numbers and associated negative impact on the local visitor based economy. The turnover based rental income which this Authority currently receives would also be adversely exposed to any such long term decline. To arrest and reverse that trend The Club are proposing to make a capital investment of approximately £1.2 million to upgrade the sites facilities over the course of this winter. The Club are not willing to make this capital investment under the terms of their existing occupational lease and so your Officers have now reached provisional agreement with them for the surrender of their existing lease and simultaneous granting of a new lease commencing 1st January 2016. The terms of the new lease would include Landlords consent for the proposed site improvement works and reflect a new 60 year term with tenant break options every 10 years. The Authority would receive a base rent of £25,000pa adjusted annually in line with RPI plus an additional turnover related rental element.

The Club have projected that by 2018 their turnover will have increased from the current long term average of circa £264,000pa to approximately £325,000pa which would generate a rental income to the Authority for that year of approximately £27,000.

The option to surrender and renew the Caravan Club lease does not present this Authority with the negotiating leverage to significantly increase our rental income in the short term. However, it does provide the Authority with the opportunity to support and encourage a £1.2million capital investment by The Club into the local visitor economy and will secure a long term inflation protected rental income stream

for the Authority secured against a very strong covenant with the prospect for additional increases during the term of the new lease in line the sites projected improved trading performance.

Financial, Risk & Compliance Considerations

This proposal does not require any capital investment by the Authority. The primary objectives of this proposed regear is to grant The Club the leasehold interest that they require to undertake the proposed £1.2million pound upgrade of the site at their own expense whilst increasing the long term rental performance of this site as part of our income producing portfolio. Your Officers are of the opinion that the provisionally agreed terms will secure both objectives.

Human Rights/Equality Issues

No issues

Biodiversity Implications/Sustainability Appraisal

No issues

Welsh Language Statement

No issues

Recommendation

That Members endorse the recommendation of the Property & Projects Group for the surrender and renewal of the Caravan Club lease on the terms set above to include the Authority's consent in its capacity as Landlord for the Caravan Club to undertake the physical upgrade and improvement of the site in accordance with planning permission NP/15/0401.