

## PROPERTY MANAGEMENT

### Executive Summary

This report sets out the proposal for the Council to accept a surrender of the occupational leasehold interest in Victoria Gate, Chobham Road, for a payment to WBC with a simultaneous sale of the Freehold interest with full vacant possession to Surrey County Council.

### Recommendations

The Executive is requested to:

#### **RESOLVE That**

the Council agrees to accept a surrender of the occupational leasehold interest with a simultaneous sale of the freehold interest within Victoria Gate.

### Reasons for Decision

Reason: The combined disposal and lease surrender receipts will generate a return that exceeds the recent market sale valuations of Victoria Gate as either a standing investment or with full vacant possession.

The Executive has the authority to determine the recommendation(s) set out above.

<b>Background Papers:</b>	None.
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<b>Date Published:</b>	10 January 2024



### 1.0 Introduction

- 1.1 In order to rationalise the existing Investment Portfolio and to commence the exercise of site disposals to create capital revenue for repayment of the current PWLB borrowing a number of assets have been identified for consideration for disposal. The first of these assets is Victoria Gate, Chobham Road, Woking GU21 6JD.

### 2.0 Outline of Transaction

- 2.1 The proposal is to accept a surrender from McLaren of their occupational leasehold interest in Victoria Gate for a payment to WBC with a simultaneous sale of the Freehold interest with full vacant possession to Surrey County Council.
- 2.2 By combining the surrender payment with a concurrent sale of the freehold it is considered that as vendors WBC will receive a payment which exceeds the open market value and enable the authority to begin a programme of rationalisation of its property holdings.
- 2.3 The transactions have a number of additional benefits which will have a positive effect on the town centre.
- 2.4 At the current time the building is held leasehold by McLaren Technology Holdings who no longer occupy the space having relocated to other holdings within the Borough. Two floors only are under temporary occupation by McLaren Applied, who are now a stand-alone company with no direct financial association with McLaren.
- 2.5 Given McLaren Technology Holdings have already vacated 40,000 sq. ft of the building up to December 2023 they had been marketing the space through retained agents. As vendors they have been offering competitive deals upon the surplus space, undercutting the wider market. Through removing Victoria Gate from the market, other WBC buildings will benefit by having a greater chance to attract new tenants. This will include the potential (which is currently in negotiation) to transfer McLaren Applied to a WBC owned building.
- 2.6 SCC propose to transfer 600 staff to the building which will generate needed additional Town Centre footfall alongside additional retail, leisure and catering spending.
- 2.7 In addition, terms have been agreed to lease c.250 car parking spaces to SCC at the Councils agreed rate for local authority partners creating both additional income and bringing a currently underused asset into occupation.

### 3.0 Option to Occupy 4th and part 5th Floors

- 3.1 As a condition of the transaction WBC has secured an option to occupy the 4<sup>th</sup> and part of the fifth floors of Victoria Gate.
- 3.2 Whilst a review of the Civic Town Centre Campus is currently in hand to establish the optimum revised footprint and civic requirements going forward the results of this work are unlikely to provide a clear strategic approach until early/mid 2024.
- 3.3 Although it is not currently considered a likely scenario in order to ensure all possibilities remain in play WBC has therefore secured the ability to share occupation of the building by triggering an option to do so any time up to three months post completion of the sale.
- 3.4 The terms of any occupation by WBC will be either on a capital payment based on the square footage occupied divided into the purchase price giving an equivalent figure per square foot for a long leasehold interest/virtual freehold or alternatively, occupation may be agreed on a rental basis at terms to be negotiated at the time.

**4.0 Corporate Strategy**

- 4.1 The recommended transactions meet the objectives of the Corporate Plan 2022-2027.
- 4.2 The realisation of value meets the requirement to reduce PWLB borrowing and to seek a measured restructuring of the property portfolios.

**5.0 Implications**

Finance and Risk

- 5.1 Please refer to the Part 2 paper for additional information.

Equalities and Human Resources

- 5.2 None arising from this report.

Legal

- 5.3 There are no legal implications beyond those outlined in this report.

**6.0 Engagement and Consultation**

- 6.1 None arising from this report.

REPORT ENDS