

## **WEST DUNBARTONSHIRE COUNCIL**

### **Report by Acting Executive Director of Housing, Environment and Economic Development (Housing and Regeneration Services)**

**Housing, Environment & Economic Development Committee:5 September 2007**

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**Subject: Sale of Council's Legal Interest in Artizan Centre Plus Mall, Service Yards and Risk Street (South) Car park to the Tenant, Jermon Limited**

#### **1. Purpose**

- 1.1** To seek authority of the Committee to sell the Council's interest in the ground lease for the Artizan Centre together with the mall, service yards, and Risk Street (south) car park to Jermon Ltd (Ordnance Survey plan attached for indicative purposes).

#### **2. Background**

- 2.1** On 18 August 2006, Dunedin Property Co Ltd assigned their 99 year lease of the Artizan Centre which commenced on 30 November 2003, to Jermon Ltd for a price of £17.8 million.
- 2.2** The Council are the ground landlord's of the Artizan Centre and receive 6% (currently £39,785 per annum) of the rents received from the sub-tenants of the Centre subject to a minimum ground rent of £65,000 per annum whichever is the higher. At present, the ground rent received by the Council is £65,000 per annum.
- 2.3** On 15 December 2006, Jermon Ltd purchased the former Co-operative Insurance Society building at 32-36 High Street, Dumbarton for £1,997,500. This building adjoins the Artizan Centre.
- 2.4** In February 2007, Jermon Ltd submitted a written request to purchase the Council's interest in the ground lease, plus the mall, service yards and Risk Street (south) car park.
- 2.5** On 19 June 2007, the Planning Committee agreed to the erection of replacement retail units and refurbishment of existing units, formation of public square, relocation of electrical substation and associated works at the Artizan Centre by Jermon Ltd. Planning consent was granted subject to several conditions including a legal agreement being concluded to ensure the provision of 55 car parking spaces off Church Court, Dumbarton along with a financial contribution of £90,000 to town centre car parking provision.

### **3. Main Issues**

- 3.1** Jermon Ltd have already invested almost £20 million in Dumbarton Town Centre. Clearly this company is committed to the redevelopment of Dumbarton Town Centre.
- 3.2** The new car park with 55 spaces located off Church Court, Dumbarton must be constructed to the Council's specifications prior to the closure of the Risk Street (South) car park. This work will be carried out by a contractor acting on behalf of Jermon Ltd.
- 3.3** The Mall running through the Artizan Centre and the service yards are adopted by the Council. All these areas of ground will have to be disadopted as part of the planning consents granted on 19 June 2007.
- 3.4** The Estates Section of Housing & Regeneration Services have been in negotiations with Jermon Ltd and the following terms and conditions of a sale have been provisionally agreed.
- (a) The subjects of sale comprise of the Landlord's interest in the ground lease plus mall, service yards and Risk Street (south) car park at Artizan Centre, College Way, Dumbarton G82
  - (b) The purchaser's name is Jermon Ltd at 16 Northland Row, Dungannon, Co. Tyrone, BT71 6AB
  - (c) The date of settlement shall be 30th September 2007 or earlier if possible
  - (d) The purchaser shall pay the market value of the Council's interest which is £1,050,000 exclusive of VAT to be paid on the date of settlement.
  - (e) The ground rent shall be paid in full up to the date of settlement.
  - (f) The two existing ground leases shall be terminated on the date of settlement.
  - (g) The mall running through the centre and the service yards will have to be dis-adopted prior to the sale. The Council will have to carry out this Legal procedure through the planning consent granted on 19 June 2007.
  - (h) The purchaser, at their expense, shall construct 55 car parking spaces off Church Court, Dumbarton to the Council's specification prior to the closure of the Risk Street (south) car park and contribute £90,000 to the town centre car parking provision.

- (i) The Council lease 24-30 College Way, Dumbarton. There is provision for a rent review on 25 December 2007. A nil increase has been agreed between the Estates Section and Jermon Ltd.
- (j) The purchaser shall pay the Estates fees of £500 plus VAT for negotiating the sale of the property and producing Title Plan. This fee to be paid at start of negotiations irrespective of the outcome.
- (k) The purchaser shall pay the Council's legal fees, expenses, outlay, VAT, together with Stamp Duty and Registration Dues in respect of the early termination of the two existing ground leases and the purchase of the landlord's interest in these ground leases.
- (l) Property Enquiry Certificate to be paid for by the Purchaser.

#### **4. Personnel Issues**

- 4.1 There are no Personnel Issues.

#### **5. Financial Implication**

- 5.1 The Council will no longer receive the ground rent of £65,000 p.a. However the Council will receive a capital receipt of £1,050,000 plus the formation of 55 car parking spaces and £90,000 towards town centre parking provision.

#### **6. Risk Analysis**

- 6.1 Disposal of this interest will secure the Council a capital receipt during 2007. Disposal would facilitate Jermon's development proposals which have the benefit of planning consent as part of a phased regeneration of Dumbarton Town Centre. There is a risk that Jermon will not proceed with their proposals in whole or in part. However, Jermon have made a substantial commitment to Dumbarton Town Centre and have a clear incentive to deliver their proposals.

#### **7. Conclusion**

- 7.1 The sale of the Council's interest in the Artizan Centre will allow the redevelopment and refurbishment of the shopping centre by Jermon Limited.

#### **8. Recommendations**

- 8.1 **That the Committee agrees to sell the Council's legal interest in the Artizan Centre plus Mall, Service Yards and Risk Street (South) Car Park for £1,050,000 subject to the terms and conditions in Section 3.4 on this report.**

**8.2    Thereafter to refer the sale to the Head of Legal and Administrative Services to conclude the transaction, subject to such legal conditions as are considered appropriate.**

**Irving Hodgson  
Acting Executive Director of Housing, Environment  
and Economic Development (Housing and Regeneration Services)  
Date: 20 August 2007**

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**Appendix:**                O.S. Plan showing Artizan Centre, Dumbarton

**Background Papers:**    Estates Section's File

**Ward Affected:**         Ward 3