

WEST DUNBARTONSHIRE COUNCIL

Report by the Executive Director of Infrastructure and Regeneration

Infrastructure, Regeneration and Economic Development Committee: 17 September 2014

Subject: Extension of lease at World of Golf Complex, 2700 Great Western Road, Clydebank

1. Purpose

- 1.1** The purpose of this report is to seek authority of the Committee to extend the lease of 9.34 acres of land at 2700 Great Western Road, Clydebank to 'World of Golf' owned and operated by Ashtour Ltd for a further 104 years from its current termination date of 13 July 2035 to 31 August 2139. Authority is being sought from Committee as the proposal falls outside of the delegated authority to the Executive Director of Infrastructure and Regeneration.

2. Recommendations

2.1 It is recommended that:

- i) The Executive Director of Infrastructure and Regeneration be authorised to extend the lease to Ashtour Ltd from its current termination date of 13 July 2035 to a new termination date 31 August 2139, subject to the lease amendment described at 4.7 below; and
- ii) The Head of Legal, Democratic and Regulatory Services be authorised to conclude the lease extension subject to such legal conditions that are considered appropriate.

3. Background

- 3.1** World of Golf is owned and operated by Ashtour Ltd (Ashtour) a company incorporated under the Companies Act (Company Number 02470147).
- 3.2** Ashtour hold a lease of 9.34 acres of land from the Council at a current rent for £14,199 per annum which is due to expire on 31 July 2035 for the provision of miscellaneous golf practice facilities and purposes ancillary thereto. The lease commenced on 14 July 2000 at an initial rent of £10,000 per annum for an original duration of 35 years. The lease was granted by the Council on a ground lease basis in order to facilitate development of the World of Golf Complex. The Council are contractually bound to these terms of lease until July 2035.
- 3.3** Ashtour have approached the Council to request an extension of their existing lease until August 2139 which would show a revised unexpired term of 125 years as at today.

3.4 Ashtour require a longer lease in order that they, or any future tenant, have sufficient lease length and security of tenure in order to enable them to invest further in the property should the situation arise.

3.5 Ashtour lease two other areas of land on similar terms (from separate landlords) adjacent to the land leased from the Council. The other two landlords are Messrs Moreland, owners of Braidfield Farm to the north, and Messrs McDermott, owners of GOALS 5-a-side complex to the south. The three combined parcels of land making up the World of Golf complex totals 25.15 acres. The respective ownership areas are as follows:

Moreland, Braidfield Farm	7.41 acres
West Dunbartonshire Council	9.34 acres
McDermott, GOALS	8.40 acres

These areas are shown denoted on the location plan at Appendix 1. Ashtour have agreements in principle with the other two landlords to also extend those leases to unexpired terms of 125 years as at today.

3.6 The World of Golf facility in Clydebank comprises a 72-bay all weather driving range and a golf academy with five PGA professionals. In addition to golfing facilities, there is the Coffee Club Restaurant, conference area and 'Jurassic Parr' adventure golf course which attracts 35,000 visitors per year. World of Golf also partner with local golf courses to offer discounted rates for their range facilities.

3.7 Ashtour has invested in the order of £3 million constructing the range and ancillary facilities and has been trading since 2001. 30 people are currently employed at the facility.

3.8 World of Golf has been trading for 27 years. In addition to the property in Clydebank, Ashtour operate three other World of Golf facilities in the UK at Croydon, Sidcup and New Malden employing 120 people in total.

3.9 Under the terms of the current lease due to expire in 2035, the rent is reviewed every 3 years with reference to the increase in the Retail Price Index (RPI). The rent is next scheduled to be reviewed on 14 July 2015.

3.10 The tenant is responsible for all repairs and maintenance to the property.

3.11 The lease stipulates the tenant (Ashtour) shall provide access to the Golf practice facilities in favour of West Dunbartonshire Council. This translates to a current value of £7,100 per annum of free golf balls, with this figure being reviewed every three years with reference to the proportionate increase in the RPI. This has not yet been utilised, however, discussions have been held with the management of World of Golf in respect of implementing a model for a secondary schools club golf pathway which is aimed to be put into place for the five high schools in West Dunbartonshire.

4. Main Issues

- 4.1** The land leased to Ashtour comprises 9.34 acres on the north-eastern side of Great Western Road.
- 4.2** The area under lease from the Council is effectively 'landlocked' with no frontage to or vehicle access from Great Western Road.
- 4.3** Within the proposed Local Development Plan for West Dunbartonshire the leased area and Ashtour's adjoining other leasehold interests are all shown zoned as green belt under Policy DS2.
- 4.4** Given the lack of frontage and site access, together with the green belt zoning, the land currently leased has no potential significant alternative use value.
- 4.5** Terms have therefore been agreed with Ashtour, subject to Committee approval, to extend the lease termination date from 13 July 2035 to 31 August 2139.
- 4.6** Until the expiry of the current lease term at 13 July 2035, the rent will continue to be reviewed every three years as stipulated in the lease with reference to the increase in the Retail Price Index (RPI) since the last review date. The next scheduled rent review is 14 July 2015.
- 4.7** Upon expiry of the current lease at 13 July 2035, the rent will be reviewed from 14 July 2035, and every three years thereafter, on an upwards only basis, to the greater of:
 - a) Open Market Rental Value based on the approved use of the property; or
 - b) increase in the RPI since the last review date.
- 4.8** The introduction of the prevailing market rental value clause from the date of lease extension in addition to the current RPI increase provision should provide sufficient security to the Council in the event the site's potential market rental value rises at a greater rate than increases in RPI.
- 4.9** All other lease terms for the extended lease duration would remain as per the original lease, including the provision of free golf facilities as described at 3.11 above.

5. People Implications

- 5.1** There are no personnel issues affecting this project other than time of staff in Asset Management and Legal, Democratic and Regulatory Services in preparing the documentation.

6. Financial Implications

- 6.1** The current rent of £14,199 per annum reflects a rate of £1,520 per acre or £0.38 per sq m. Given the green belt status of the land, we would not anticipate deriving anything other than amenity value for the land. It is difficult to quantify such value, however, the rent currently being obtained by the Council would appear to present a good return given the green belt status and landlocked nature of the Council's site.
- 6.2** Under the terms of the lease, rents are currently reviewed every 3 years in line with increases in RPI. For example purposes, if the current rent of £14,199 per annum were to be reviewed as at the most recently published Index in June 2014, this would show a revised rent of £15,030 per annum. This represents a 5.85% rental increase over the 2 years from July 2012. For a site with limited use and development potential, this represents good rental growth.
- 6.3** Whilst it is impossible to accurately predict increases in RPI, we have considered rental projections at the current lease expiry in 2035 and the proposed new lease expiry date in 2139. Based on a modest assumed 1% increase in RPI over the periods, we would expect the compounded rents to grow to the following levels:

2035	£17,499 per annum
2139	£49,252 per annum

This shows a 23.24% and 346.86% increase on the set 2012 rent. If a more optimistic, although still conservative, average RPI increase of 2% over the same periods were to occur, we would anticipate compounded rent receipts to the Council in the order of:

2035	£21,521 per annum
2139	£168,763 per annum

This shows a 51.56% and 1,188.55% increase on the 2012 rent. A rent with the benefit of compounded RPI increases over the lease duration would represent a significant positive return for an asset with otherwise limited prospects of value growth.

- 6.4** By agreeing to the extension to the lease, the Council's long term position with the site is secured.

7. Risk Analysis

- 7.1** There are no risks to the Council other than Ashtour being unable to fulfil their lease obligations. In such an event, the property would revert to the Council.

8. Equalities Impact Assessment (EIA)

- 8.1** An Equalities Impact Screening has been carried out. There were no significant adverse issues identified. A copy of the Screening is attached at Appendix 2.

9. Consultation

- 9.1** Internal consultation undertaken with the Council's Community Planning team in respect of Equalities requirements.

10. Strategic Assessment

- 10.1** By agreeing to this proposal, the Council will assist in the improvement to the local economic growth, employability of the area and improve environmentally sustainable infrastructure.

Richard Cairns

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Date: 8 August 2014

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Appendices: Appendix 1 - Location Plan

Appendix 2 - EIA Screening

Background Papers: File papers held with Asset Management

Wards Affected: Ward 4, Kilpatrick