

# **Report to the Cabinet**

**Report reference: C/063/2007-08.**

**Date of meeting: 12 November 2007.**



**Epping Forest  
District Council**

**Portfolio: Finance, Performance Management and Corporate Support Services.**

**Subject: Reletting - Hangar 1, North Weald Airfield.**

**Officer contact for further information: Michael Shorten (01992-564124).**

**Democratic Services Officer: Gary Woodhall (01992-564470).**

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## **Recommendations:**

**(1) That a new lease for a term up to 31 December 2025 be granted to Becro Engineering Limited to use Hangar 1, North Weald Airfield for the purpose of fabricating structural steelwork, on the terms reported by the Director of Corporate Support Services; and**

**(2) That Contract Standing Order (C6), relating to contracts exceeding £50,000, be waived to permit the reletting without a further marketing exercise by the Council.**

## **Report:**

1. The North Weald Airfield Strategy Cabinet Committee at its meeting on 31 July 2007 received a report on the future use of Hangar 1 at North Weald Airfield.

2. The building is a 1930's built former aircraft hangar of steel frame and concrete construction under a multi-pitched roof situated to the south of the Airfield adjoining the North Weald Industrial Estate. It is in the position shown by a black border on the Ordnance Survey plan attached at Appendix 1 and comprises a floor area of 30,240 square feet/2,809 square metres.

3. The Committee were advised that Hughmark International, the longstanding operators of the retail market at the Airfield, had served notice on the Council to terminate their occupational lease on 31 December 2007. Hughmark's original intention in entering into the lease was to use the facility for a covered extension to their market activities. However, this was not altogether successful, in part due to being an unpopular location with traders, but mainly because of practical issues such as the general condition of the Hangar and, in particular, the main doors, which require the assistance of a fork lift truck to open and close.

4. The full repairing lease granted to Hughmark commenced in May 2005, for a term of ten years, with annual break clauses exercisable by either party effective on 31 December 2007 and annually thereafter. The rent passing was £85,000 per annum. Therefore, as a result of the termination there will be not only a loss to the Council of £85,000 per annum, but also a significant cost to the Council of ongoing maintenance of the whole structure.

5. Under the terms of the previous lease, to a warehousing tenant, the Council was only responsible for the routine day-to-day maintenance of the roofs, the cost for which is now estimated to be in the region of £15,000 per annum. It should be noted that as the building is over seventy years old, the main roof is reaching the end of its economic life and will need to be fully refurbished in the very near future. Other necessary works will include replacing or repairing the main doors and providing modern electrical and mechanical services.

## **Re-development Potential:**

6. As an alternative to reletting the property, Planning, Leisure and Estates Services Officers have considered the possible replacement of Hangar 1 and potential further rationalisation of land within the Airfield. They have concluded that the best option for the Council would not be to redevelop the site but market it as a development opportunity. The sale price would therefore reflect the development value of the land less the considerable cost of demolition of the existing building. However, the resultant figure would be less than the capital value of the building let at the market rent.

7. Hangar 1 is situated within the Employment Zone on the Airfield and, as such, Planning Policy E1 in the Local Plan suggests that General Industrial (Class B2) uses are appropriate for this location. The East of England Plan is expected to require a substantial net increase in employment and therefore employment land. There has been a loss of employment land within the District and therefore the assumption is that existing employment land should be retained.

## **Re-letting:**

8. The Council's usual practice is to market available premises by the invitation of best rental offers on prescribed lease terms. This approach is adopted to satisfy the statutory requirement that the Council obtains the best consideration in all its property transactions.

9. However, prior to their decision to terminate, Hughmark instructed commercial property agents, Kemsley Whiteley and Ferris, to market the Hangar by way of an assignment of the unexpired term of the lease. As a result of that marketing exercise, Kemsley's introduced Becro Engineering Limited, an existing tenant of the Council at Brooker Road Industrial Estate, Waltham Abbey. The company is prepared to enter into a full repairing lease at an annual rent of £85,000 per annum subject to five-year rent reviews. No other potential tenants submitted proposals for consideration.

10. Becro Engineering fabricates structural steelwork for the building industry and are steelwork sub-contractors to major construction firms including McAlpine, Balfour Beatty and Fitzpatrick. The manufacturing process involves making up bespoke structural steel sections from standard lengths of steel and erecting them on site. The production process is largely automated involving considerable investment in machinery. Their workforce would be in the order of 60-70 with approximately 50% employed at the Hangar and the remainder on construction sites. They intend to run an apprenticeship scheme and have been awarded funding by the Learning and Skills Council.

11. To refurbish and fit out the Hangar to meet its operational requirements, Becro estimate expenditure in the region of £1,055,000. In order to achieve a return on their investment, the company require a medium-term lease without break clauses.

12. The North Weald Airfield Strategy Cabinet Committee agreed:

*(1) That a minimum ten-year lease with Becro Engineering Limited for the purposes of fabricating structural steelwork be agreed, in principle, as the best future option for the use of Hangar 1, at an annual rent of £85,000 per annum on a full repairing basis subject to review after five years;*

*(2) That the final terms of the lease, to include further information about the proposed refurbishment and maintenance works, be negotiated with Becro Engineering Limited and reported to the Cabinet for final approval by the Finance, Performance Management and Corporate Support Services Portfolio Holder; and*

*(3) That, as the proposed future manufacturing use is a deviation from the current approved general storage or distribution uses, the potential environmental impact of the proposal be fully considered as part of the planning application process.*

*(Minute 6 refers).*

**Principal Lease Terms:**

13. Following further negotiations with Becro, a new lease on the following principal terms has provisionally been agreed for the Cabinet's consideration.

*(I) A lease for a term up to 31 December 2025.*

14. Airfield leases granted in the last ten years terminate at the end of 2010, with break clauses effective from the end 2007 and annually thereafter. They are contracted out of the security of tenure provisions of the Landlord and Tenant Act. However, the other principal leases within the Employment Zone are all long-term leases with renewal rights, pre-dating the above practice, as follows:

(a) Hangar 5 - Lease expires 31 July 2008 but the tenant is entitled to a new 15-year lease;

(b) Hangar 3 - Ground lease expires 26 February 2110;

(c) Bassett Business Units - Ground lease expires 31 March 2117; and

(d) Booker Warehouse - Ground lease expires 12 December 2135.

15. Accordingly, granting a medium-term lease on Hangar 1 would not prejudice the potential for any comprehensive redevelopment for employment purposes.

*(II) A commencing rental of £85,000 per annum exclusive of rates and other outgoings and subject to rent reviews every five years during the term of the lease.*

*(III) The tenant shall be responsible for internal and external repairs and maintenance.*

16. Becro proposes improvements, which would include immediate office refurbishment, building security, perimeter security and replacement of hangar doors with roller shutters. Longer term improvements include replacement of existing cladding, roof coverings and ground drainage. A schedule of the proposed works and costings is attached at Appendix 2.

*(IV) The Hangar shall be used for General Industrial (Class B2) or Storage and Distribution (Class B8 uses only).*

17. There are concerns regarding the proposed change of use from storage to manufacturing, as this would be a new departure for the Airfield. These centre on the noise levels created by the manufacturing and vehicle movements, which may conflict with other Airfield users. Becro will be required to submit a planning application and the noise factor will be considered as part of this process. They also state that there will be five HGV movements a day with the occasional low loader, but with no over size loads. Movements will be restricted to Monday-Friday during normal business hours, which would reduce the impact on the Saturday Market and other events.

*(V) Both parties shall bear their own legal and surveyors costs incurred in the preparation and completion of the lease.*

**Statement in Support of Recommended Action:**

18. The proposed letting will save time and expense to the Council of completing a further marketing exercise and secure a continuous income stream, minimising the chances of the prospective tenant looking elsewhere.

**Other Options for Action:**

19. To approve the proposed letting on the provisionally agreed lease terms or to offer the property on the open market seeking other expressions of interest.

20. As an alternative, the site be retained for possible alternative future use or development. However, a brief feasibility study indicates the capital value of the premises let at a market rent exceeds the development value of the land less the uncertain cost of demolition of the existing Hangar. In addition, if the property becomes vacant, the Council, as landlord, will become responsible for maintaining it in a safe and weather tight condition at its own expense.

**Consultation undertaken:**

21. The premises have been marketed widely by the tenants letting agent seeking expressions of interest. That marketing exercise produced just one serious offer for consideration.

22. Planning, Leisure and Estates Services Officers have considered the planning, operational Airfield matters and letting issues.

**Resource implications:**

**Budget provision:** Rental income £85,000 per annum on the terms of a lease up to 2025 subject to five year rent reviews. Ongoing maintenance costs to be borne by the incoming tenant.

**Personnel:** Legal, Administration and Estates, Leisure and Planning Services.

**Land:** Hangar 1, North Weald Airfield (30,240 square feet/2,809 square metres).

**Community Plan/BVPP reference:** N/A.

**Relevant statutory powers:** Section 123 Local Government Act 1972 - best consideration for land and property assets.

**Background papers:** Property File EV/2202.E

**Environmental/Human Rights Act/Crime and Disorder Act Implications:** N/A.

**Key Decision reference (if required):** N/A.