Appendix 2

The sale of commercial/industrial premises let to commercial tenants at commercial rents

The policy is that:-

1. The Chief Officer Economic Development decides what commercial premises, let to commercial tenants at commercial rents, is surplus to the Council's economic development needs and declares it so. Table 1 details the factors that the Chief Officer Economic Development would take into account in arriving at his recommendations.

2. The Chief Financial Officer and Service Director Commercial Services would then evaluate the commercial premises declared surplus by the Chief Officer Economic Development to determine whether to retain or sell. Retention would usually occur where the future rental income exceeds projected income/savings if the capital receipt were re-invested elsewhere or is used to reduce revenue outgoings such as loan repayments.

   The Service Director Commercial Services would advise the local Members and the Executive Members for Economic Development and Finance of the recommendation.

3. If a decision is made to sell, the price would be the greater of the market value or the price needed to offset the loss of rental income or the price required to offset any outstanding loan debt and grant aid repayments etc. The capital receipt from the sale would be used to offset the loss of rental income such that the Council is not financially disadvantaged because of the sale.

4. There may be special circumstances where there are evidenced wider economic development considerations, or site or business specific considerations. If the Service Director Commercial Services, the Chief Financial Officer and the Chief Officer Economic Development agree that these are over-riding economic development considerations for selling at market value as opposed to a greater price needed to offset the loss of rental income, then the sale may proceed at market value. Examples of over-riding economic development considerations include the scale of local employment involved, the impact of the business on the local economy or the potential growth enabled by the proposal. The budgetary implications will be addressed as part of the revenue and capital budget processes.

   In taking forward the sale of individual premises, first opportunity to purchase would be given to the sitting tenant and if the latter did not wish to buy, the premises would be put on the open market for sale, subject to the lease. For blocks of neighbouring properties, the usual practice would be to sell them together as a single lot, either jointly to the sitting tenants or if they were not interested in buying, on the open market subject to the existing leases. This would be subject to the Criteria and Principles in Table 1.

For sales with a capital market value in excess of £0.5M or a market rental value in excess of £50,000 per annum the Service Director Commercial Services would seek Executive approval, otherwise, he would progress the sales through to conclusion in consultation with the Chief Financial Officer and the Chief Legal Officer (in line with his existing delegated powers).

The exceptions to the above are where the sitting tenant has a legally enforceable option to purchase in which case the premises would be sold to the tenant on the basis prescribed in the option.

Table 1	
Criteria	**Principles**
The following criteria should be used to assess whether a particular premises could be sold or not:- • The need to retain a viable commercial estate to support the economic development needs of the Scottish Borders. • The importance of the individual premises from a strategic perspective such as its future redevelopment prospects, appropriateness of location for business use, access constraints, higher alternative use value such as housing etc. • The age, suitability and condition of the premises and likely future maintenance burden, including the need for major repairs and upgrading over the premise's estimated remaining life. • Generally only premises would be considered for sale that has no outstanding disproportionate loan debt or obligation to repay substantial EU, or other significant grants, if sold. • The length of occupation of the existing tenant or total period as a Council tenant would be considered where sitting tenants apply to buy. Usually the tenant would need to have been a Council tenant for at least 5 years. • The linkage to and/or enabling of other Council priorities and/or Community Planning Partner's priorities.	• Generally, only premises older than 20 years old should be considered for sale. • Individual premises should be considered for sale first. • If a terraced block of 2 or more properties is considered then all units should ideally be sold together. • Shared forecourts or communal space or utility services, not publicly adoptable, must be included in the sale. • Where communal landscaping exists, maintenance responsibility or a share of the costs must be passed on to the purchaser. • If the purchaser / ex-tenant wish to sell within 5 years of the date of entry in the disposition, the Council retains the option to buy back the premises at market value. • If the purchaser / ex-tenant wish to sell the premises / site for an alternative use the Council shall retain a right to receive at least 50% of any increased value resulting from the alternative use. • Empty premises which have been difficult to let and do not conflict with the above criteria should also be considered for sale.

The list of premises that could be considered for sale would be reviewed no less than annually.