

Response ID ANON-E5NH-8NKT-N

Submitted to High Street Rental Auctions Technical Consultation
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Introduction

High Street Rental Auctions

Introductory and characteristics questions

1 In what capacity are you responding to this consultation?

Other

2 In what location is your head office or main place of business based?

Greater London

Auction Process

Auction Process Consultation Questions

Level of detail of non-statutory guidance

11 On a scale of 1 to 10, how prescriptive should the legislation and guidance be for the auction process overall? (1 = not very prescriptive, only mandatory elements should be set out in guidance, 10 = very prescriptive, all aspects of the process should be set out in step-by-step guides for local authorities and other parties to follow.)

10

Auction Packs

12 Please consider the list of information we propose to include in the marketing brochure and the legal pack. This can be found in the High Street Rental Auction Consultation Document under the 'Auction packs' chapter. Will it be possible to provide this type of information for the auction pack within the timing window (minimum of 3-4 weeks) for the auction process?

No

13 From the above list of items to be included in the pack, are there any items that could be removed?

Nothing should be removed

14 Is there anything missing from the auction packs, which you think bidders would want to see? If so, please explain what is missing and why it should be included.

Is there anything missing from the auction packs? If so, please explain what is missing and why it should be included:

The landlord requires a schedule of condition to ensure that the property is returned in its original state.

It would be beneficial to include a provision that clarifies the expectations or limitations for bidders, including whom can bid, ensuring greater transparency and efficiency in the process.

Marketing Process

15 Please use the grid below to indicate which of the following marketing strategies should be:
• Mandatory (should be specified in the regulations)
• Recommended or optional (for use in the non-statutory guidance)

Marketing Strategy - Advertise the property on the internet (but not mandated to specific websites):

Mandatory

Marketing Strategy - Name specific websites to advertise the property on (e.g., Rightmove):

Mandatory

Marketing Strategy - Local authority to list all potential HSRA properties on their website (any property that has been served an initial notice):

Mandatory

Marketing Strategy - Promote the property using social media:
Mandatory

Marketing Strategy - List the property in local newspapers:
Mandatory

Marketing Strategy - Minimum length of time the property should be marketed for:
Mandatory

Marketing Strategy - Targeted marketing using local business and organisation membership groups (e.g., Business Improvement Districts):
Mandatory

Marketing Strategy - An offer for potential bidders to view the property:
Mandatory

Marketing Strategy - Professional photos of the property:
Mandatory

Marketing Strategy - A floor plan:
Mandatory

Marketing Strategy - A To Let board outside the property:
Mandatory

16 What should be the minimum marketing period for each High Street Rental Auction property?

More than 4 weeks

Reserve Price

18 Should there be a reserve price for properties that are subject to a High Street Rental Auction?

Depends on the property

19 If a reserve price was used, how should the reserve be set?

Based on external valuation advice

Proposed Auction Process

21 Do you agree that the proposed sealed-bid auction process outlined in Annex C should be used as the auction process for High Street Rental Auctions?

No

Proposed Auction Process 2

22 How do you propose the auction process should run?

explain your reasoning:

The opening bidder process should be consistent, meaning that the same procedure should be followed for all bidders. It should not be possible to have different contracts for different bidders.

Streamlining The Process

23 [Local authorities only] Do you consider the process as it currently stands as too burdensome for local authorities?

Not Answered

24 Are there any ways in which the process might be streamlined or simplified (especially for local authorities)? If so, please specify.

Ways in the process might be streamlined:

N/A

Outsourcing Options

25 Do you agree the local authority should have a choice whether to outsource the process?

Yes

The Standardised Lease

High Street Rental Auction Costs

26 Who should pay the costs associated with the following?

who should pay - Surveying the Property:
Landlord

who should pay - Marketing:
Landlord

who should pay - Running the auction:
Landlord

who should pay - Solicitor's fees (incurred by a local authority) for preparing the auction pack and preparing the legal agreements and completing these with the successful bidder:
Landlord

who should pay - Searches and surveys to be included in the auction pack:
Landlord

Landlord Works

The Minimum Standard

27 The standard proposed is sufficient to take the property to auction and encourage bids from prospective tenants. Do you agree?

Neither agree nor disagree

28 The list of works strikes a fair balance between what a landlord is expected to do to take the property to auction and encourage bids from prospective tenants, and what the tenant will need to do thereafter by way of fit out. Do you agree?

No, the burden on the landlord should be reduced.

Remedies

29 Do you agree with the proposed remedies to be included in the agreement for lease?

Yes, with the addition of liquidated damages being paid by the landlord in the event of delay

Subletting

32 Should tenants be able to sublet their tenancy?

No, not at all

Subdividing

33 A local authority should be able to divide larger premises up and auction off separate sections. Do you agree?

Agree

34 Please provide your reasoning for the above answer.

explain your reasoning:

We acknowledge that the current layout of the premise may not be suitable for today's occupiers, a chance could also maximise rental income.

Alterations and Tenant Fit Out

35 Do you agree with the proposal?

Yes

36 Please explain your answer (to the above question)

explain your reasoning:

The tenant must enter into an obligation to reinstate the premises on vacation.

37 In carrying out their fit out works, should the tenant be able to do works to, or which affect, the external parts (including shop front), or structural elements of the building?

No

38 Do you think the tenant should have a rent-free period for carrying out its fit out works?

Yes – for 4 + weeks

Definition of Premises

39 Where the property is the whole of a building, we propose to use a simple red line plan with a general description in words to define the tenant's demise. Do you agree with this proposal?

Yes

40 (If 'no' selected to previous question) Please explain your answer.

explain your reasoning:

41 Where the property forms part of a building, we propose that the tenant's demise will be of an interior demise only, with external and structural parts being retained by the landlord. Do you agree with this proposal?

Yes – but in appropriate cases parts of shop fronts (including glazing, frames, and entrance doors) should be demised to the tenant

42 (if no selected to previous question) Please explain your answer

explain your reasoning:

Definition of Premises 2

43 Where external and structural parts are retained by the landlord, we consider there may be need for the tenant to be granted additional rights which allow it to attach into such retained parts for the purpose of its fit out – do you agree the tenant should be given these rights?

Yes – with landlord's consent (not to be unreasonably withheld or delayed)

44 (If 'no' selected to previous question) Please explain your answer.

explain your reasoning:

Existing Fit Out

45 Do you agree with the proposal?

Yes

46 Please explain your answer (to the above question).

explain your reasoning:

Rent Deposit

47 Do you agree with the proposal?

Yes

48 Please explain your answer (to the above question).

explain your reasoning:

Repairs and Decoration

49 We recommend that the tenant should be liable to pay for repairs to its demised premises, but only to the standard shown by a schedule of condition taken after the landlord has carried out any works to bring the property up to the minimum standard- do you agree?

Strongly agree

50 Please provide your reasoning (for the answer provided to the above question).

explain your reasoning:

Service Charge

51 Do you agree with this proposal?

Yes

52 Please explain your answer (to the above question).

explain your reasoning:

The landlord would expect to recover costs that they have to bear as a result of the occupation such as insurance and common parts maintenance. There may be an issue if the landlord seeks to recover the service charge from their superior landlord charge if the superior landlord's service charge includes charges such as repairs and sinking fund that relate to a larger building of which the subject property forms a part.

Utilities

53 Which utilities do you think the landlord should be obliged to supply?

Water, Energy – Gas (if present), Energy – Electricity

Minimum Energy Efficiency Standard (MEES)

54 Do you agree this is a proportionate and sensible measure?

Agree

55 Please provide your reasoning (for your answer to the above question)

explain your reasoning:

One of the reasons why the property is empty may be that the landlord cannot afford the cost of upgrading from a F and G rating.

Permitted Development Rights

Consultation Questions for PDRs

56 Do you agree that a new Permitted Development Right should be introduced that would permit the change from the existing use of a high-street premises to a suitable high street use as determined by the local authority for the period of lease?

Yes

57 Please explain your answer (to the above question).

explain your reasoning:

58 As only uses suitable for the high street can be introduced, do you agree that this Permitted Development Right should not be subject to prior approval by the local authority?

Yes

59 Please explain your answer (to the above question).

explain your reasoning:

60 To align with the scope of high street rental auctions, it is proposed that the Permitted Development Right will not have a size limit on premises, exclude listed buildings or premises in Article 2(3) land. Do you agree?

Yes

61 Please explain your answer (to the above question).

explain your reasoning:

A further PDR for the ongoing use of the building after the HSRA period

Local Consideration Through Prior Approval

62 Where Permitted Development Rights enable the continued and permanent use of that premises, for the lease use, do you agree that it is subject to prior approval by the local authority enabling consideration of whether the continued use of the premises would have an adverse impact on the area?

Yes

63 Please explain your answer (to the above question).

explain your reasoning:

Prior Approval Application Fee

64 If introduced, do you agree that a fee of £96 (current figure) should be charged for a prior approval application for the permanent change of use?

Don't know/Not sure

65 Please explain your answer (to the above question)

explain your reasoning:

Public Sector Equality Duty and Impact Assessment

Sealed-Bid Auction Process

66 Do you believe the sealed-bid process outlined in Annex C of the High Street Rental Auctions Consultation Document may give rise to disproportionate impacts on groups with protected characteristics? (Age; Disability; Gender Reassignment; Pregnancy and Maternity; Race; Religion or Belief; Sex; and Sexual Orientation).

Yes

Sealed-Bid Auction Process 2

67 Please explain why you think that the sealed-bid process outlined in Annex C of the High Street Rental Auctions Consultation Document may give rise to disproportionate impacts on groups with protected characteristics? Please specify which group, and how this process might impact them. (Age; Disability; Gender Reassignment; Pregnancy and Maternity; Race; Religion or Belief; Sex; and Sexual Orientation).

explain your reasoning:

The benefit of an ascending bid auction is that it is transparent and the bidders can see what the other bids are. This drives competition. Sealed bid has fallen out of favour over the years for two main reasons. A bidder doesn't want to bid so much more than the next highest bidder (and therefore bids low) but at the same time doesn't want to lose out by a small amount had they known what the next highest bidder was. The process is opaque.

We acknowledge that the highest bid isn't necessarily the best bid. It might come in from a potential occupier who has no track record or financial resources or it might come in from someone who wants to spoil the process.

Our proposal therefore is to require the registered bidders to deposit some earnest money prior to the auction. The auction closes on the fall of the electronic hammer at a pre-determined time (which can be extended automatically if further bids are received close to the pre-determined time). The bidder whose bid is selected automatically acquires a legal binding option to enter into an agreement for a lease or the lease itself (depending on the circumstances). Failure to proceed with the lease or agreement for a lease will mean that they forfeit their earnest money. The earnest monies of the under-bidders are returned to them. This is a process that is used successfully for sales of property and bidding platforms are available.

Agreement for lease and standardised lease

68 Do you think that the proposed clauses within the agreement for lease and standardised lease for a High Street Rental Auction could give rise to disproportionate impacts on people who share a protected characteristic? (Age; Disability; Gender Reassignment; Pregnancy and Maternity; Race; Religion or Belief; Sex; and Sexual Orientation).

No

Initial Permitted Development Right

70 Do you think that any of the proposed changes in relation to a new Permitted Development Right for a High Street Rental Auction could impact on: a) businesses b) local planning authorities c) communities?

No

Initial Permitted Development Right 3

72 Do you think that proposed changes in relation to a new Permitted Development Right for a High Street Rental Auction could give rise to disproportionate impacts on people who share a protected characteristic? (Age; Disability; Gender Reassignment; Pregnancy and Maternity; Race; Religion or Belief; Sex; and Sexual Orientation).

No

Further Permitted Development Right

74 Do you think that any of the proposed changes in relation to a new Permitted Development Right to provide additional flexibility following the end of the High Street Rental Auction period could impact on: a) businesses b) local planning authorities c) communities?

No

Further Permitted Development Right 3

76 Do you think that proposed changes in relation to a new Permitted Development Right to provide additional flexibility following the end of the High Street Rental Auction period could give rise to any impacts on people who share a protected characteristic? (Age; Disability; Gender Reassignment; Pregnancy and Maternity; Race; Religion or Belief; Sex; and Sexual Orientation).

No

Safeguards for landlords

78 Do you consider there should be any other safeguards for landlords in the process?

No