



Finance and Administration Committee
London, United Kingdom

Premises update

RESTRICTED

Background

1. At the most recent meeting of the Committee on 19 September 2016, the Secretariat reported on the status of negotiations to find new premises for the Organization upon the expiry of its lease at 22 Berners Street, London W1T 3DD on 31 March 2017 (please see document [FA-141/16](#)).
2. The Committee decided that its preference was for a location called Mill Harbour near Canary Wharf, but agreed to keep open the option of Gray's Inn Road which had previously been presented to the Committee at its intersessional meeting in July 2016 (see documents [FA-134/16](#) and [FA-136/16](#)). During the September 2016 Council Session, it was subsequently learned that Mill Harbour had already been let to another party and both the Committee and the Council asked the Executive Director to restart negotiations with the landlord of Gray's Inn Road (please see also document [ICC-117-16](#)).
3. This document is designed to update Members on the status of these negotiations.

Action

The Committee is requested to take note of this document.

PREMISES UPDATE

Current status

1. The Executive Director would like to report to Members that Heads of Terms have been agreed with the landlord of 222-236 Gray's Inn Road, London WC1X 8HB.

2. The Heads of Terms Agreement is attached as Annex I. It should be noted, however, that they differ from the Heads of Terms Agreement agreed on 23 June 2016 (see document [FA-131/16](#)). Firstly, the new Agreement relates to a different floor, the 4th floor as opposed to the second floor, although the building is the same. Secondly, the landlord is different: as opposed to News Corporation, the new landlord will be a property company which manages the building directly on behalf of the Secretary of State for Work and Pensions. This is believed to be advantageous in terms of gaining consents regarding planning and future maintenance because the ICO would be dealing directly with the landlord rather than with two levels of landlord, as would have been the case previously.

3. The material terms and conditions are as follows in the new Agreement. Those relating to the former Agreement with News Corporation are shown in **red type in brackets**:

Term: From 25 March 2017 until 16 June 2025 – eight and a quarter years
(1 October 2016 until 30 April 2025 – eight and a half years).

Rent: £42 per square foot **(£42).**

Rent free period: 30 months at half rent from 25 March 2017, which equates to an effective 15 months rent free **(11 months from 1 October 2016).**

Rent review: Capped at £47 per square foot from 25 March 2022 **(capped at £47 from 31 March 2021).** A further 6 months at half rent will be granted following the rent review **(none).**

Refurbishment: The ICO will be given early access to the premises in order that refurbishment may take place **(this was not allowed in the previous Heads of Terms).**

4. The propose new Heads of Terms are marginally less expensive than those agreed on 23 June 2016 because of the longer rent free period, because of the timing of the negotiation and probable signing of the lease, and because the ICO will be granted early access for refurbishment.

5. Members are requested to note that the transaction is still subject to a successful conclusion to the lease itself. The Executive Director is aiming to finalise plans for the refurbishment of the new premises as soon as possible, in view of the time constraints involved. He would like to point out that these refurbishment plans are also subject to the approval of the landlord. Although the timing for the completion of such works is tight, it is believed that there are reasonable grounds for optimism that they will be completed on time to enable the Organization to move into new premises in April 2017.



AGREED HEADS OF TERMS

PART 4TH FLOOR, 222 GRAY'S INN ROAD, LONDON, WC1

SUBJECT TO CONTRACT

14th December 2016

1.0 THE PARTIES

1.1 SUPERIOR LESSOR

New Printing House Square Limited

1.2 SUB LESSOR

The Secretary Of State For Work And Pensions c/o Trillium (PRIME) Property GP Ltd.

1.3 SUB LESSEE

International Coffee Organisation
22 Berners Street,
London, W1T 3DD

Due to the diplomatic status of the Sub Lessee, the Sub Lessor requires the Sub Lessee to provide appropriate comfort that the covenants of the lease can be enforced under UK law.

2.0 DEMISE

The part 4th floor south offices within the building known as 222-236 Gray's Inn Road, WC1 comprising a net internal floor area (NIA) of 6,778 sq ft (629.7 sq m) to be verified and agreed by the parties' surveyors in accordance with the 6th edition of the RICS Code of Measuring Practice. Access is via the reception of 222 Gray's Inn Road. For the avoidance of doubt WAP's installation of showers is included within the NIA.

The right to use 3 car parking spaces will be included in the lease. Bike racks belonging to the Sub Lessor are available on a first come first serve basis.

Further car parking spaces are available by way of a separate licence, to be agreed by negotiation.

3.0 USER

The definition of use is offices within B1(A).

4.0 LEASE & AGREEMENT FOR LEASE

A new effective full repairing and insuring underlease for a term commencing on March 25th 2017 until 16 June 2025 contracted outside the security of tenure and compensation provisions of the Landlord and Tenant Act 1954 part II (as amended).

5.0 RENT REVIEW

The lease will provide for the initial annual rent and the initial annual car parking rent to be reviewed on the 5th anniversary of the term commencement. The rent at review will be the higher of the rent payable immediately prior to the relevant review date or the then open market rent with the standard assumptions agreed. Annual rent from the first review date will be capped at £47.00 per sq ft.

6.0 INITIAL RENT

The initial annual rent for the office space is estimated at £284,676 equating to £42.00 per sq ft per annum exclusive based on the net internal area of the Demise (subject to amendment of the total sum following measurement in accordance with paragraph 2.0 above). Rent to be paid by Standing Order quarterly in advance.

The initial annual car parking space rent will be charged at a rate of £1,750 per annum exclusive (£5,250 per annum).

7.0 VAT

The building is elected for VAT purposes.

8.0 RENT FREE

The Sub Lessee will be granted 30 months half rent from the commencement of the term for both the offices and car parking. The Sub Lessee will benefit from a further 6 months of half rent immediately following the rent review.

9.0 ALIENATION

In accordance with the stipulated covenants of the superior lease and supplementary documents and subject to obtaining the Superior Lessor's and Sub Lessor's prior written consents, which are not to be unreasonably withheld or delayed, the Lessee will be permitted the following:

- i) To assign the sub-lease as a whole only. The Assignor will enter into an Authorised Guarantee Agreement.
- ii) To sublet the whole only outside the security of tenure and compensation provisions of the Landlord and Tenant Act 1954 part II (as amended). Due to restrictions within the headlease, it is not possible to permit subletting in part in respect of this demise.
- ii) To share occupation of the demised area with wholly owned Group or associated companies providing that no Landlord and Tenant relationship is created without the need to obtain Landlord's consent.

10.0 REPAIRS AND INSURANCE

Under the terms of the lease the Sub Lessee will be responsible for the maintenance and repair of the interior of the demised area.

The Sub Lessor will be responsible for maintaining and repairing the common parts, the versatemp units and their associated M & E within the Demise and exterior and structure of the building and the cost of this maintenance and repair is to be borne proportionately by the Sub Lessee, by way of the service charge as provided for in the Lease and at the rate set out in paragraph 16 of these Head of Terms.

The Sub Lessee will be responsible for bearing the proportionate cost of the annual building insurance premium applicable to the Demise as provided for in the Lease and at the rate set out in paragraph 16 of these Head of Terms.

The Sub Lessee will be responsible for bearing the cost of electricity supplied to and consumed at Demise.

11.0 OUTGOINGS

Payment (save for clause 8.0) will commence upon the term commencement.

12.0 REINSTATEMENT

The Sub Lessee will fully return the demise in a condition no worse than at the completion of the Lease or at the time of taking possession if earlier. This will be documented by a schedule of condition and appended to the Lease and the cost of which will be borne by the Sub Lessee.

The Sub Lessee will be required to reinstate alterations made under the terms of the Lease and during the term save that the Sub Lessee will not be required to reinstate any existing partitions left behind by WAP at the end of the term.

13.0 ALTERATIONS

The Sub Lessee will be permitted to erect, alter, or remove internal partitions without prior consent providing the landlord is notified of the works and drawings are supplied within 28 days of its installation and subject to the partitioning not having any detrimental effect on the building or services provided thereto.

Other internal non-structural alterations will be permitted with the Sub-Lessor's and (if required by the superior lease) the Superior Lessor's consent, such consent not to be unreasonably withheld or delayed.

Structural alterations will not be permitted.

14.0 SIGNAGE

The Sub Lessee will have the right to signage in the 'house format' in the ground floor reception area of 222 Gray's Inn Road and in a form to be agreed within the 4th floor 222 Gray's Inn Road lift lobby.

15.0 ACCESS

24 hour access will be provided 365 days a year.

16.0 SERVICE CHARGE AND INSURANCE

The initial service charge for the year commencing January 2017 will be fixed at £9.15 per sq ft per annum and will be adjusted at the beginning of each calendar year in line with the difference between the all items RPI index for the year previous and the RPI index for that year as measured by the Office of National Statistics.

The service charge will include the Sub Lessors costs of providing the following principal items / services to the tenants of the building between the hours of 7am and 7pm Monday to Friday and excluding Bank and Public Holidays:

- I. Heating, cleaning, repair and maintenance and lighting of retained and common parts, i.e. to include reception area, stairways, lift lobbies and WC's within common parts.
- II. Maintenance and repair of the structure and exterior of the building and building services, including, for example, air conditioning and passenger lift systems.
- III. Provision of ground floor reception / security services.
- IV. Heating and cooling to the demised premises via the Landlords retained plant systems only.

The Sub Lessee will repay to the Sub Lessor all costs related to the supply of small power and lighting including any tenant installed plant and HVAC systems used within the Demise.

The Sub Lessor will charge an electricity budget quarterly in advance.

In addition the Sub Lessee will reimburse the Sub Lessor a fair proportion of the insurance premium charged by CLS the Superior Landlord for the building. The cost for the current calendar year equates to approximately £2,500 per annum.

17.0 BUSINESS RATES

We understand the rates payable for the part 4th floor are approximately £14.34 per sq ft for the current financial year. The Sub Lessee should make their own enquiries with the local rating authority to qualify the accuracy of this figure.

The Sub Lessee will be required to pay any business rates applicable to car parking spaces or storage.

18.0 LEGAL AND PROFESSIONAL COSTS

Each party is to be responsible for their own legal costs incurred in this transaction.

The Sub Lessor will bear any legal costs and surveyor's fees incurred by the Superior Landlord in approving the underlease and granting the licence to underlet.

With regards to the initial licence for alterations required, the Sub Lessor is to be responsible for the Sub Lessor's and Superior Lessors's surveyor's and architect's costs incurred in the

approval and monitoring of the Sub-Lessee's fitting out works, any subsequent approval costs will be borne by the Sub Lessee with such costs to be reasonably and appropriately incurred and is only to be paid if the Sub Lessee's alterations affect the building services and therefore warrant a licence for alterations.

19.0 EXCLUSIVITY & TIMING

Both parties shall endeavour to exchange contracts for the agreement for Lease within 20 working days of receipt of full legal documentation. For the period of 20 working days from receipt of the legal pack following agreement of these Heads of Terms the Sub Lessor and the WAP will cease to and not enter into any discussions, negotiations or agreements (whether expressed as being a conditional agreement or option or otherwise) with any third party and not treat with any other party in respect of the premises intended to be demised to the Sub Lessee and the Sub Lessee will not treat with any other party in respect of any alternative London office accommodation until the 20 working day period ends.

The Sub Lessor shall procure the Sub Lessor's solicitors provide the Sub Lessee's solicitors with the draft agreement for lease, lease, CPSE replies as well as details of the Lessor's title to the Building within three days of agreeing these heads of terms

20.0 CONFIDENTIALITY

These terms are to be treated as private and confidential to the parties and their advisors and are not to be discussed with any third parties without prior agreement.

21.0 CONDITIONS

These heads of terms are subject to the following conditions:-

- a) Contract
- b) Sub Lessor Board Approval
- c) Superior Lessor's Consent
- d) Surrender of WAP lease

22.0 PARTIES' REPRESENTATIVES

22.1 Sub-Lessor's Solicitors

Company Name: White and Case
Address: 5 Old Broad, London, EC2N 1DW
For the attention of: Sally Martin
Telephone: +44 20 7532 2144
Email: SMartin@London.Whitecase.com

22.2 Sub-Lessor's Agents

Company Name: GVA
Address: 65 Gresham Street, London, EC2V 7NQ
For the attention of: Jeremy Prosser
Telephone: 020 7911 2865
Email: Jeremy.prosser@gva.co.uk

22.3 Sub-Lessee's Solicitors

Company Name: Collyer Bristow LLP
Address: 4 Bedford Row
London
WC1R 4TF
For the attention of: Jane Lindop
Telephone: 020 7468 7350
Email: jane.lindop@collyerbristow.com

22.4 Sub-Lessee's Agents

Company Name: Savills
Address: 33 Margaret Street
London
W1G OJD
For the attention of: Mark Gilbert Smith
Telephone: 020 7409 5925
Email: mgsmith@savills.com