

vacantspace.com

*Solutions for empty
buildings*

VACANT SPACE MANAGEMENT LIMITED

Experts in legal, ethical and cost-effective solutions for
Landlords with vacant premises



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THE PROBLEM

Vacant properties pose a significant financial burden due to a lack of income and increased costs, such as insurance premiums and security expenses. The most substantial cost, however, is Empty Property Rates (EPR) - the charging of full business rates on vacant commercial properties, exacerbated by successive legislation changes.

Since 2010 Vacant Space Management (VSM) have provided legal, ethical and cost-effective solutions for Landlords to mitigate holding costs and in some cases create income from empty buildings.

Despite challenges posed by increasingly stringent criteria, VSM's attention to detail consistently reduces clients' costs, having provided interim solutions for millions of square feet of commercial property on behalf of pension funds, property companies and private landlords. This success stems from a combination of entrepreneurial spirit and decades of commercial real estate experience among VSM directors and expertise within the team.

VSM believes there's a solution for every building.

THE SOLUTIONS

VSM offers a range of tailored solutions to mitigate Empty Property Rates (EPR), each designed to suit different types of vacant properties.

- **Intermittent Occupation:** Utilising a sister company for short-term occupation, typically for storage purposes
- **Charity Occupation:** Involving one or more registered charities to physically occupy the premises
- **Charity Exhibition:** Allowing charities to occupy the premises for short-term exhibition purposes
- **Guardian Occupation:** Engaging residential guardians to occupy the premises for security purposes, resulting in some EPR savings



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335 South Row, Milton Keynes, MK9 2FY

t: 01908 660 552 e: info@vacantspace.com w: vacantspace.com

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INTERMITTENT OCCUPATION

This is the occupation of the premises by a short-term tenant for a period of 13 weeks or more, effectively “resetting” the EPR relief clock to provide a further 3 months of exemption (or 6 months for industrial/warehouse premises).

The tenant for intermittent occupation would be one of our associated organisations, which depending on the type of property, would utilise the premises for short-term storage. Generally, the items stored are consumables used and sold to the catering trade, which are stored in solid plastic ‘tote’ boxes.

The lease is for 6 months less a day (therefore outside the Landlord and Tenant act) at a nominal rent of £1 per month, with a Landlord and Tenant break option at any time on 7 days’ notice. The Landlord pays for Business Rates, utilities and all other expenses for the first 13 weeks only, after which the lease is broken by the Tenant.

The Landlord then receives 3 months of EPR relief (6 months in the case of industrial/warehouse premises).

At the end of the period of EPR relief granted, should the premises remain empty, the process is repeated and delivers an annualised saving of 50% of the EPR liability. This is calculated on 13 weeks of rates paid by the Landlord followed by 13 weeks of nil payments, comprising a cycle of 26 weeks.

In the case of industrial/warehouse properties, the annualised saving is 66% in a cycle of 39 weeks (13 weeks occupation, followed by 26 weeks of nil payments).



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CHARITY OCCUPATION

A registered charity occupying commercial premises is entitled to 80% mandatory reduction of their business rates. We work alongside a nationwide charity, Centric Community Projects (CCP) who act as a lead charity “umbrella” tenant of the property. CCP offer space to smaller charities, community interest groups and not for profit organisations, who will in turn occupy by way of a Licence.

The occupation of the premises by CCP and other charities, results in an 80% (and in some cases up to 100%) reduction of business rates liabilities. In this way our clients EPR liabilities are mitigated with an ethical and socially responsible use of their vacant properties.

Through our work with CCP we have been instrumental in providing space to over 500 charities, these include;



The occupying charity utilise at least half of the premises floor area for offices, trading, meeting, display, training areas, storage, etc. through allocating the space to the smaller charities and community organisations.

The general terms of an occupational lease for the Charity tenancy are;

- Between 2 to 3 years (according to Landlords preference) outside Landlord & Tenant Act at a peppercorn rent
- Mutual break option at any time on 30 days' notice
- The Landlord indemnifies the Tenant for the payment of business rates and all outgoings for the duration of the lease
- The Landlord will continue to pay utilities, but the charity agrees a contribution if there is a material increase in these costs
- The charity tenant undertakes to maintain the premises in no worse condition than at the beginning of the Lease, as evidenced by a photographic Schedule of Condition.

We have standard forms of lease and Tenancy at Will, but Landlords may wish to employ their own form to incorporate these general terms.



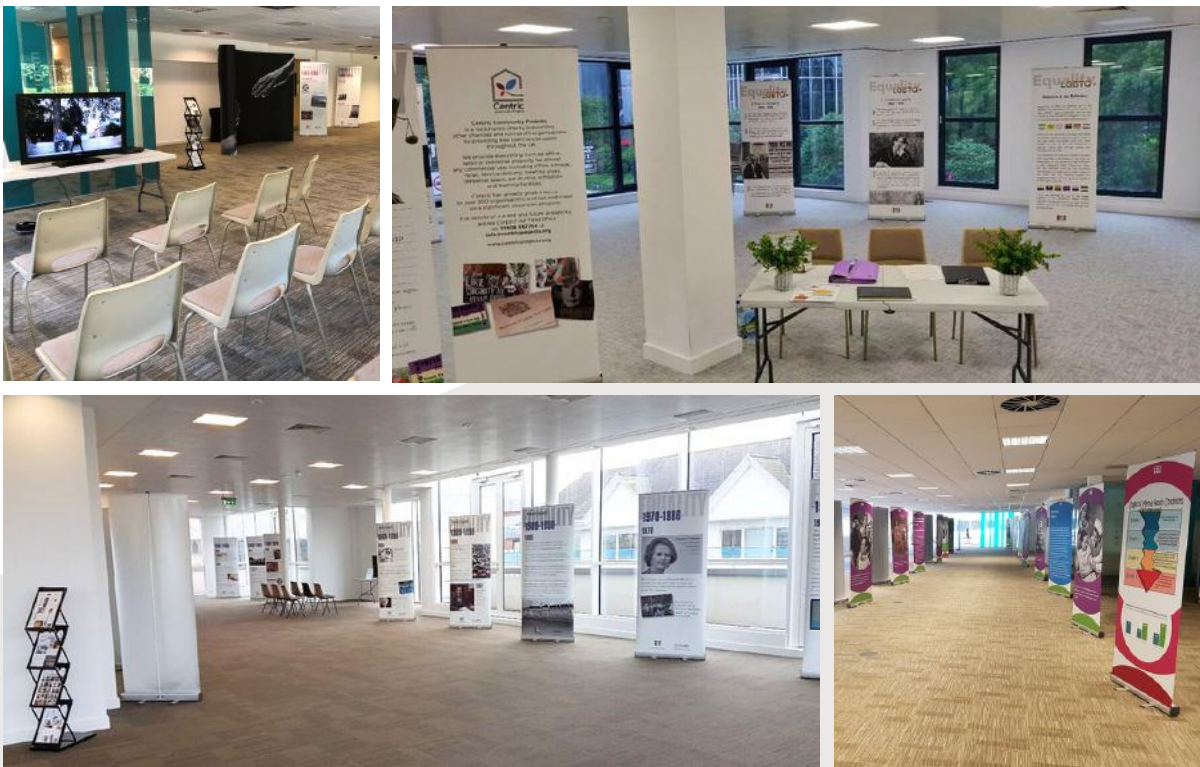
CHARITY EXHIBITION

Centric Community Projects (CCP) sponsor and promote touring exhibitions by other charities, as well as working with universities and colleges.

The touring exhibition is open to the public for 2 weeks, repeated every 3 months. During these 2 weeks, the premises are managed and attended by contracted personnel on behalf of CCP, with opening times typically 5 hours a day, for the 5 weekdays of each week.

Charity Exhibitions deliver EPR savings of over 95% per annum, as full rate relief is granted for the 3-month period between exhibitions and 80% charity rate relief for the 2 weeks of the exhibition itself. This is due to legislation exempting charities from paying EPR, provided that when the premises are next used, it is by a charity.

The Tenant would be CCP, who would utilise at least half of the premises floor area for the display of the exhibition. The terms of the Lease are identical to Charity Occupation.



COMMUNITY INFRASTRUCTURE LEVY

Community Infrastructure Levy ("CIL") has been introduced under the Community Infrastructure Regulations 2010 (and subsequent amendments). It is a system for raising funds from developers towards the cost of infrastructure works in a local authority area and is intended to be a fairer system than the individual negotiation of Section 106 payments.

Each local planning authority decides their charging rates, which range from zero (for desired development in a particular area) up to £750 per square metre (for residential development in parts of Kensington & Chelsea). Additionally, for London Boroughs there is a further Mayoral CIL of £50 per sq mt. Most local authorities have now adopted CIL.

The method of charge is set at a rate per square metre of the gross internal area of a building for which permission is given, with certain permitted deductions. One such deduction is a notional offset of the area of buildings previously on the site with the effect of reducing the amount of CIL payable accordingly. To qualify for the deduction, the building must "contain a part that has been in lawful use for a continuous period of at least six months within the period of three years ending on the day planning permission first permits the chargeable development".

In situations where a building has not been in lawful use for the minimum six-month period within the three years prior to planning permission being granted, VSM are able to organise a business operation to run for the required minimum six-month period. This does of course delay the planning process by at least the six months, however in many instances, the CIL savings are significant when measured against the cost of such a delay.

VSM maintain their knowledge base of CIL and Empty Property Rates legislation by ensuring awareness of enacted legislative changes and the effects of case law.



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CASE STUDIES

OFFICE BLOCK Milton Keynes

Our clients owned an office building of some 100,000 square feet of which all but 18,000 was vacant and awaiting refurbishment.

We installed an “umbrella” charity that then shared and managed the use of the building for charitable and not-for-profit purposes, instituting several community projects some of which involved the local authority.

Total savings for the Landlord: **£680,000**

BOOKSHOP Downham Market, Norfolk

The property has been a long term vacant for a Real Estate Investment Trust client of ours who specialises in community shopping. Via CCP, the shop was let on a Charity Meanwhile Lease to the West Norfolk Deaf Association who refurbished the premises, delivering a community benefit from a previously empty high street shop.

The rates savings for the client were several thousand, but the resulting positive local public relations and council praise for this unit and others undertaken for the same client, were as important as the reduction of liabilities.

OFFICE BLOCK South East

Our clients own a large office block in a major South East town, comprising some 75,000 sq ft of vacant space. The building is part of a larger town development so cannot be re-let in the short term.

For two years VSM have instituted a rolling program of intermittent occupation with the premises being utilised for short term storage. Due to the size of the building, the rateable value is high so savings are considerable.

Savings to date for the Landlord: **£1,250,000**



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CASE STUDIES (CONTINUED)

CIL MITIGATION ON RETAIL DEVELOPMENT Lincolnshire

Working on behalf of our client we installed a trading business into a previously empty industrial premises. Initially the planning authority claimed a £1.1M charge for the new development. This was reduced on appeal to £100,000.

Community Infrastructure saving for the Developer: **£1,000,000**

SHOPPING CENTRE Stratford-Upon-Avon

Our clients were redeveloping their shopping centre and several of the units were left vacant whilst pre-lets were agreed for the new scheme. VSM installed charity and arts groups into the vacant units on a rolling program as other retail units fell vacant.

Total savings for the Landlord: **£350,000**

RETAIL WAREHOUSE Wembley, London

Owned by a large Plc developer, the units were marked for redevelopment of the whole retail park. Two large vacant retail warehouses were occupied by a national charity, who used one unit for the sale of donated sports equipment and training courses whilst the other was an art gallery displaying and selling donated art works and providing ancillary studio and workspace.

Annual savings for the Landlord: **£162,000**

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