

## Appendix A – Head of Terms



**MANCHESTER  
CITY COUNCIL**

Growth & Development Directorate  
Development  
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Dear XXX

### **Re: Final Heads of Terms, Lease of former Varna Street School**

Please find attached the final version of the Heads of Terms that will be used by legal to draft the lease. One solicitor's are engaged you'll be able to comment in more detail on the draft lease.

<b>Parties</b>	
The Landlord / Lessor	The Council of the City of Manchester Town Hall Albert Square Manchester M60 2LA
Landlords solicitor	Manchester City Council legal services
Tenant / Lessee	Rogue Artists' Studios Limited
Tenant's solicitor	Addleshaw Goddard 1 St. Peter's Square Manchester M2 3DE
<b>Definitions</b>	
The Property	The former Varna Street Primary and Nursery School, together with the associated former Caretaker's cottage and grounds, as shown edged red on the attached plan.
Term	A term of (125) years
Existing lease	The lease granted 2 August 2017 to the Tenant for a period of 5 years
Refurbishment Works	The works the Tenant is required to undertake to the Property as set out in Schedule 1
The Wall	Part of the boundary wall marked on the attached plan

	that adjoins the footpath leading to Gorton Railway station
Works Commencement Date	The date for commencement of the refurbishment works
Works Completion Date	The date for completion of the refurbishment works

## **1 Lease Terms**

### **1.1 Rent**

Rent will be a peppercorn

### **1.2 Term**

The term will be for a period of 125 years

The lease will fall outside the provisions of the Landlord & Tenant Act (excl 24-28 Part 2 of the Landlord & Tenant Act)

### **1.3 Refurbishment Works**

The Tenant is to carry out and complete the refurbishment works to the Property as listed on the attached Schedule at its own cost ("the Works"). The Works marked as priority works on the attached Schedule are to be implemented by the Tenant prior to the Works that are marked as lower priority works.

A detailed specification and the standard of the Works and materials to be used (or such part of the Works from time to time) is to be agreed in writing between the Landlord and Tenant prior to the commencement of the Works (or such part of the Works).

- (1) The Works are to be commenced within 6 months from the date the Tenant obtains funding for the undertaking of the Works or the relevant element(s) of those Works; or
- (2) 5 years from the date of the lease

whichever is the earlier

All such works in any event to be completed within 10 years of the date of the lease ("Works Completion Date").

The Tenant is to provide the Landlord with an annual progress report in respect of securing funding for the Works. As the funding is secured the Tenant shall commence the Works or such part of the Works for which funding has been received on the Works Commencement Date.

The extent of the Works together with the Works Commencement Date (if appropriate) and the Works Completion Date are to be reviewed after 5 years of the date of the lease and if it is agreed by both parties the extent of the

Works and the Works Commencement Date and/or the Works Completion Date shall be varied accordingly.

The Tenant is to be responsible for the submission of all planning, listed building and building regulation applications and complying with any other statutory requirements, including the cost of those requirements in order to secure the proposed use of the Property and the Works.

#### **1.4 Tenants covenants**

##### Permitted Use

The Property is to be used as affordable artists' studios and for use by community arts-based organisations, together with all ancillary offices and support infrastructure in connection with the Tenant's business.

The Property is not to be used for any other purpose

Use of the external areas of the property for storage is not permitted. Small scale storage that is wholly related to the activities taking place in the former school, infant school and caretakers house and is not in sight of the public highway will be permitted, subject to landlord's consent (consent not to be unreasonably withheld)

Use of the Property for the siting of telecommunication masts and related equipment is not permissible

##### Repairs

The Tenant is to undertake a photographic record of the Property prior to the grant of the lease and supply the same to the Landlord together with a Schedule of Conditions prepared and agreed with the Landlord

The Tenant shall take the Property in its existing condition as evidenced by the Schedule of Condition and shall be responsible for the repair and maintenance of the interior and exterior of the buildings situated on the Property together with the grounds and all boundary walls and fences (save for the Wall) throughout the Term.

At the end of the Term (howsoever determined) the Tenant shall yield up the Property in no worse a condition than as evidenced by the Schedule of Condition.

The Wall, as identified on the attached plan shall be excluded from this obligation until the Landlord has implemented a scheme of repairs that is acceptable to both parties (acting reasonably).

### Alterations

Not to make any structural alterations to the Property or any external addition nor any improvements or alterations nor any change in the character design or appearance of the same.

Non-structural minor internal alterations/decorating are permitted without the approval in writing of the Landlord.

The erection or attachment of advertisements on or to the Property is not permitted. The Tenant will be permitted to attach or erect advertisements that advertise the activities taking place within buildings on the Property, subject to Landlord's consent, which will not be unreasonably withheld

### Alienation

Assignment of the lease is not permitted until the Works have been carried out and completed.

Following the completion of the Works the whole of the Property may be assigned with the prior written consent of the Landlord.

Part assignments and sublettings of the whole are not permitted

The Tenant shall be permitted to sub-let or share possession of all parts of the Property except the Caretakers Lodge and Infant School without creating security of tenure and for a period not exceeding 3 years. This shall be for the purposes of hiring out individual studio spaces to members and associates of the CIC, and to partner organisations working in accordance with the Group's articles of association including publicly-funded arts businesses, creative businesses and those who provide associated support services for the artists. Details of all such agreements shall be supplied to the Landlord. The Tenant shall also supply in writing on an annual basis to be agreed with the Landlord, a schedule of tenancies and other occupiers within the Property.

Sub-letting of the Caretaker's Lodge and Infant School shall not be sub-let without the consent in writing of the Landlord

### Insurance

The Tenant shall insure the buildings and contents and pay the annual premium(s) to cover the full reinstatement cost updated as required on an annual basis. The insurance shall be in the joint names of the Landlord and the Tenant.

The Tenant shall maintain Public Liability Insurance of a minimum of £10 million.

## **1.5 Forfeiture**

The Landlord will have a right to re-enter and forfeit the lease in the event that:

- (a) the Tenant does not commence the Works by the Works Commencement Date; or
- (b) if the Works are not carried out and completed by the Tenant by the Works Completion Date; or
- (c) for any other material breach of the Tenant's covenants

## **1.6 Break option**

The Lessee is to have the benefit of a break option at the end of the 10<sup>th</sup> year. No less than 3 months' notice in writing is to be given by the Tenant to exercise the option. The break option is conditional upon the Tenant not being in material breach of any of the lease covenants and completion of the refurbishment works.

## **1.7 Rights & Reservations**

The Landlord will reserve a right to connect into any services, pipes, cables or conduits in under, over or upon the Property together with the right for itself, its agents, employees, contractors and tenants to enter onto such part of the Property as is necessary to connect to and / or to repair and maintain the same.

The Landlord retains the right for itself, its agents, employees, contractors and tenants to enter onto such part of the Property as is necessary to repair and maintain the Wall.

The Landlord will reserve a right to enter onto the site to undertake any works required to the surrounding paths and buildings adjoining the Property

## **2 Other Matters**

### Other approvals

The site is a former primary school and is protected for educational use by government legislation. The Landlord has previously declared the Property surplus for the period of the Existing lease but approval of the Director of Education (and potentially the DfE) will be required before the lease can be granted.

This is a disposal at less than best consideration. Government consent to the disposal might be required if the same does not come within the ambit of the Local Government Act 1972: General Disposal Consent (England) 2003.

### Business Plan

Rogue will be required to supply a Business Plan to the Landlord prior to the lease being granted. This should demonstrate the ability of the Tenant to maintain the Property, including its repair and refurbishment and ensure the Property will be occupied in a beneficial way in accordance with the Permitted use.

### Fees

Each side will pay its own legal and surveyors fees in this matter

I look forward to hearing from you.

Yours sincerely

Gillian Boyle  
Development Manager