

STEP 3

SHORT TERM LEASING OF BUILDINGS

This guide outlines some of the main considerations involved in taking on a short term lease of land and building assets. Short term is defined as between 1 and 5 years.

YOU SHOULD ALWAYS SEEK LEGAL ADVICE WHEN ENTERING INTO LEASE AGREEMENTS.



WHEN CONSIDERING A SHORT TERM LEASE OF LAND OR BUILDING ASSETS, YOU SHOULD CONSIDER:

- **WHAT ARE YOUR ORGANISATION'S SHORT AND LONG TERM PLANS FOR THE ASSET?**
- **WHAT ARE THE ADVANTAGES FOR SHORT TERM LEASING AS OPPOSED TO PURCHASE?**
- **ARE THERE FUNDING ISSUES TO CONSIDER WITH SHORT TERM LEASING?**
- **DOES THE BUILDING OR PROPERTY NEED REPAIR OR UPGRADING PRIOR TO USE, IN WHICH CASE IS A SHORT TERM LEASE APPROPRIATE OR SUFFICIENT?**

The terms of the lease need to be examined in detail and discussed and agreed with the landlord (owner) of the building or land. The landlord and the tenant (your community group) are called the parties to the agreement. Some of the main issues are outlined below.

SCHEDULE OF CONDITION

Both parties need to agree the condition of the land or building asset prior to taking on the lease. This avoids any dispute about the condition when the asset is handed back or valued for the purpose of acquisition. Ideally this should be done in conjunction between the landlord and your community organisation, using photos and written documents or by a surveyor. This is called a Schedule of Condition and should be agreed by both parties and attached to the Lease.

SERVICES AND UTILITIES

The landlord should agree to provide written confirmation that all services and utilities are in working order and all bills paid to date. You can request copies of final readings and names of current providers of services and utilities.

REPAIRING AND MAINTENANCE LIABILITY

Ideally the landlord should retain liability and responsibility for all maintenance and repairs as the asset may be handed back to them at a later date. If your organisation does have liability and responsibility for any repairs and maintenance, clarity is required about the exact extent of your responsibility, as there may be different arrangements for different parts of the asset.

INSURANCE

Any agreement should stipulate who is responsible for which types of insurance (buildings, contents, employer's and public liability). Where some insurance remains the responsibility of the landlord, you should be aware of what is and isn't covered by any agreement and ensure adequate insurance cover.

RENT

The amount of rent will be affected by the condition of the land or building, the length of lease being offered and whether the landlord is offering any discount on the market value. Both parties must agree how often the rent is reviewed.

SUB-LETTING

Where you are considering sub-letting to a third party, the lease agreement should set out the conditions for this. You should consider retaining full right to sublet all or part of the building or land (including any external space) as this will give your organisation maximum flexibility.

As and when you sub-let to tenants, a tenancy agreement with each tenant will be required detailing all aspects relating to the sub-let lease. You should not sub-let any part or all of the premises without having the landlord's consent and a formal lease agreement in place.

CLEAR COMMUNICATION CHANNELS

Some landlords have a number of departments involved in arranging leases for properties. To ensure effective working and clarity of decision making, it is preferable to have a named contact in the landlord's organisation to co-ordinate all matters relating to the lease. This avoids multiple decision making and duplication.

Within your organisation, it is important to specify a named individual to be responsible for the coordination and administration of the lease and potential sub-lets.

FUTURE OPTIONS

You should consider including an option to renew for a further period of time after expiry of a short term lease. An option to buy at the end of the lease can also be included within the lease agreement. If there is an option to buy, the price payable should discount any improvements that your group has undertaken.

FOR FURTHER INFORMATION PLEASE SEE

www.hie.co.uk/ten-steps

or contact us on community.assets@hient.co.uk



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