

COMMERCIAL PROPERTY MANAGEMENT POLICY

1. Purpose

- 1.1. Red Kite Community Housing owns and manages a portfolio of commercial properties.
- 1.2. This policy sets out our approach to the management of our commercial property portfolio to ensure we meet our business objectives to maximise financial return on our investments.
- 1.3. This policy is to be read and acted upon in conjunction with the Commercial Properties Management and Lettings Procedures.

2. References

- 2.1. The policy has been drafted having regard to our vision and values, relevant legislation and best practice.

3. Responsibilities

- 3.1. The Head of Relationship is responsible for ensuring this policy is adhered to through the development and application of robust procedures and auditable documentation.
- 3.2. The Home Ownership Manager is responsible for ensuring this policy is implemented and monitoring its effectiveness.
- 3.3. The Assistant Director Finance, and in their absence the Senior Finance Manager, is responsible for signing off the financial reference checks and reviews
- 3.4. The Health & Safety Manager is responsible for annually reviewing health and safety evidence documents from the commercial leaseholders with the Home Safety Manager maintaining oversight and providing assurance.

4. Legal framework - Commercial Property Legislation

- 4.1. Commercial leases differ from residential leases, largely due to the legislation that regulates their use and letting of commercial property. There are notable differences to the term, frequency of rent increases, repairing obligations and security of tenure in commercial leases.
- 4.2. Commercial property rents are typically invoiced quarterly in advance rather than monthly.
- 4.3. The rights and statutory duties of commercial landlords and tenants are set out in the following legislation:
 - Law of Property Act 1925
 - Landlord & Tenant Act 1927

- Landlord & Tenant Act of 1954
- Competition Act 1998

4.4. These Acts set out the provisions for both landlords and tenants in relation to the ways in which leases should be drafted, the rights and responsibilities of the parties concerned both during the life of the lease and upon its expiry and the authorities and remedies for each in relation to the enforcement and compliance with the lease requirements. In addition, both ourselves and all tenants must comply with the relevant provisions of the Equality Act 2010 and the Competition Act 1998.

4.5. In the management of the commercial property portfolio, we will comply with all relevant legislation and regulatory guidance.

5. Definitions

5.1. For the purposes of this policy, a Commercial Property is defined as any property that is not for a primary residential use excluding garages. Such properties include but are not limited to shops (which may have ancillary residential accommodation attached to them or as part of the commercial arrangement).

6. Policy statement

6.1. Management of the portfolio

6.1.1. A register of commercial properties will be maintained in order to ensure that all lease renewals and rent reviews are conducted in compliance with the terms of the lease and the requirements of the Landlord and Tenant Act 1954.

6.1.2. Through effective management, we will seek to ensure a thriving, diverse and sustainable commercial portfolio which supports the economic and social requirements of local communities.

6.1.3. The use and viability of the portfolio will be assessed as part of our asset management strategy, and at the anniversary of any lease review.

6.1.4. We will promote interaction with commercial leaseholders and involvement around decisions about commercial property management. We will encourage commercial leaseholders to choose sustainable solutions for repairs and maintenance and promote sustainable practices.

6.1.5. We will endeavour to meet relevant legal and good practice guidance. (For Example, the RICS Code of Practice: (*service charges in commercial property*). https://www.rics.org/content/dam/ricsglobal/documents/standards/January_2022/Service_Charges_In_Commercial_Property_1st_Edition.pdf)

6.2. **Granting of leases**

- 6.2.1. Any application for the grant of a new lease from a new applicant will require a formal application which, as a minimum, will require:
- Full details of the proposed tenant including details of the proposed use.
 - Three references including one from a bank or financial institution to verify that the rent payable is within the means of the proposed tenant as well as a reference from a previous commercial landlord. If a reference from a previous landlord is not available, we may seek a guarantor from the proposed tenant.
 - In the case of a limited company, accounts for the past three years prior to the date of application.
- 6.2.2. All financial information will be reviewed by the Assistant Director Finance, and in their absence the Senior Finance Manager for approval or rejection.
- 6.2.3. Applications will be rejected where a reference is negative, the financial status of the trader is considered insufficiently robust or stable to ensure viability or the nature/size of the business is considered inappropriate to the local community and other nearby commercial units.
- 6.2.4. We will not normally grant a lease to a business where we have already granted one to a similar business in close proximity as competing businesses are not in the best commercial interests of our revenue.
- 6.2.5. Where appropriate and possible we will not offer residential accommodation in conjunction with a commercial property. Any existing leases which contain both commercial and residential units may not be offered as a combined letting at the time of a new letting.
- 6.2.6. We will visit each property annually to carry out a Lease Compliance Inspection. This will assess whether the obligations and liabilities of both leaseholder and landlords are being met.
- 6.2.7. We will work with colleagues in our Income Collection Team in the Finance Pod, Tenancy Management Team in the Community Pod and our external Legal Partners to deal with lease breaches effectively and in a timely manner including all appropriate action to recover arrears of rent or any other outstanding charges.
- 6.2.8. We will let commercial properties wherever possible on a standard Red Kite lease which accords with all legislative requirements. Deposits will be sought to reduce our risk of rent arrears. New leases will be drafted using a Red Kite Standard Lease.
- 6.2.9. In accordance with the terms of the lease, we will seek to maximise recovery of all charges due to the organisation arising from service charges including

maintenance and repair costs as well as major works. The provisions of each lease prescribe when service charges are payable and the methods of charging and recovery.

- 6.2.10. At the end of the lease, tenants are required to return the property in a good condition as specified in the lease. In addition, we will require the removal of any tenant's fixtures and fittings and to make good damage caused by the tenant during the period of the lease. In line with the lease, we will seek to recover from the deposit or through other means any costs that we incur should the property is not left in the required condition.

6.3. **Terms of leases**

- 6.3.1. Lettings will be made on a full market commercial basis unless otherwise agreed by the Executive Leadership Team. Market valuations will be sought from approved RICS valuers. Approval to let a commercial property for less than full market rent or on terms materially different to our standard lease must be obtained from the Executive Leadership Team prior to making an offer in those terms.
- 6.3.2. Where a commercial property has been unoccupied for more than 6 months applications to rent at less than a full market rent or on terms materially different to our standard lease will be considered. The application must include a measurable benefit to our tenants and the local community. Local Performance Indicators will be agreed with the shop leaseholder prior to the letting of the lease and will be monitored quarterly. In these cases, the lease will only be granted for a maximum of 12 months. A decision will be made at the end of the 12 months around the renewal of the lease. If the agreed targets are not met the lease will not be renewed.
- 6.3.3. Applications to rent at less than a full market rent will only be considered from community groups and /or charities supporting our Corporate Vision and Values.
- 6.3.4. For vacant units, a review of the previous use and the mix of other uses will be undertaken prior to granting a new lease to ensure that the new let is the most appropriate for the community especially in relation to other uses. On re-letting of vacant units or when applications are received for consent to assign or sub-let, we will review whether the proposed tenant and proposed business are suitable and appropriate for the location of the unit taking into account the mix of business use in the immediate locality.
- 6.3.5. On each renewal of a lease, a commercial survey and valuation will be undertaken to ensure that terms offered for the renewal are beneficial to our income stream without reducing the asset value.
- 6.3.6. We will work towards standardising leases on renewal where possible.

6.4. **Assignment and change of use**

6.4.1. Any application for consent to assign or to sublet a lease in accordance with the terms of the lease will require a formal application to Red Kite Community Housing. This will include providing full details of the proposed assignee/sub-lessee

6.4.2. Three references including one from a bank or financial institution to verify that the rent payable is within the means of the proposed assignee as well as

- A quarterly rent payable in advance.
- In the case of a limited company, accounts for the past three years prior to the date of application.

6.4.3. All financial information will be reviewed by the Assistant Director Finance in his absence the Senior Finance Manager for approval or rejection.

6.4.4. We will reject any applications where either the references are negative, the nature and or size of the business is inappropriate to the community, or the company is deemed to be insufficiently stable financially.

6.4.5. We do not accept change in use applications from current or prospective leaseholders unless we can maintain our commercial interest. If granted, the leaseholder would need to cover the costs of any application.

6.4.6. We will not consider applications from groups who aim to use the property for religious purposes such as worship as this would constitute a change of use in planning terms from Class E to Class F1 – we do not grant permissions for change of use applications to be made on our commercial properties.

6.5. **Alterations to property**

6.5.1. Any application for a licence granting consent to undertake alterations to a commercial property will be considered by the Home Ownership Team Manager, in conjunction with the Head of Development.

6.5.2. Copies of detailed plans showing the proposed changes to the commercial property will be required before consent is granted. It will be the tenant's responsibility to seek and obtain the appropriate planning and building regulation approval. Any granting of consent by us will be subject to the tenant providing satisfactory proof of the necessary consents having been obtained as appropriate and demonstrating that completed works meet the required standards. If works are started and not completed or do not meet the required standard the commercial tenant will be required to return the property to the original condition at their cost.

In accordance with the terms of the lease, commercial leaseholders are responsible for maintenance, repairs and compliance items affecting the interior of the premises. All repairs undertaken by the tenant must be to the standard as specified within the lease and any requirements for regular maintenance works including decoration must be undertaken in a timely manner and to a standard as detailed in the lease. Repairs to the structure and exterior of the premises will be the responsibility of the party as specified in the lease.

6.5.3. We will maintain a register of leases for commercial properties. This will be used to anticipate potential voids, manage rent reviews and lease renewals and take appropriate action to minimise losses and maximise income.

6.6. **Health and Safety**

6.6.1. We will ensure that leaseholders comply with their statutory responsibilities as far as reasonably possible in order to provide safe and healthy work environments.

6.6.2. Accordingly, both ourselves and our commercial leaseholders need to be aware of and comply with all current health and safety legislation. We will request to see evidence annually of the following documents for reassurance purposes:

- Contents and Public Liability Insurance
- Testing and Safety documents:
 - Gas Safety Checks
 - Electrical Installation Condition Reports
 - Fire Risk Assessments
 - Fire Alarm/Emergency lighting checks (where necessary)
 - Water Hygiene Risk Assessments
 - Asbestos Management Risk Assessments
 - COSHH Risk Assessments (where necessary)

6.6.3. We will maintain an active interest in the type of commercial enterprise undertaken within and from the property and thereby ensures that no activity shall put at risk the health and safety of residents, visitors and our employees and that no activities shall cause to be brought into question the good name of Red Kite.

6.7. **Disposals**

6.7.1. From time to time, we may receive requests from commercial leaseholders wishing to purchase the freehold or long-leasehold of the premises. It is important for us to retain overall control of retail parades. This is to ensure

suitable tenant use and mix, maintain adequate insurance, carry out maintenance and repairs including major works, and facilitate improvements and scheme regeneration in due course. We may review our position on this as part of our Asset Management Strategy.

- 6.7.2. Sales of individual units within retail parades will generally be resisted. However, each request will be considered on a case-by-case basis.
- 6.7.3. Potential disposals of commercial units will be considered in accordance with the Asset Management Strategy and Disposals Policy.

Document Controls			
Version	5	Effective date	January 2025
Subject matter expert drafter	Head of Relationships	Process owner	Head of Relationships
Related Pod	Relationships	Related Policy	<ul style="list-style-type: none"> • Disposal Policy • Asset Management Strategy • Development Strategy • Rent Collection & Debt Recovery Policy
Review period	12 months	Next review due by	December 2027
Delegated approvals			
Approved by ELT	Sarah North-Customer Services Director	Approved Date	23 January 2025
Approved by Board/ Committee/ RRT	N/A	Approved Date	N/A