

page 7

Briefing note on negotiations toward agreeing an agreement to lease on the Hoxton Square premises for LVA/LFMC, as at 15/6/94.

Nicholson Graham and Jones and Macfarlanes (Glasshouse's solicitors) have been negotiating on a draft lease and agreement to lease for the Hoxton Square building. Glasshouse are eager to get the agreement to lease signed as soon as possible, in order that they can commence negotiations with potential investors for the development funding. They are also keen to tie us securely into the deal in order to give confidence to their development partner (Farlane Property) and bankers, who are supporting the company's cash-flow the design and planning stage.

Broadly speaking, the lease will be as previously described, for a term of 25 years, within the scope of the Landlord and Tenant Act, at £8 per ft<sup>2</sup>. The agreement to lease will be conditional on three main issues, set out in the agreement to lease:

- x achieving planning consent and other licences (including the cinema 7 other public licenses)
- x securing public and private sector financing for the shell and core construction
- x detailed demise and fit-out specification being achieved/agreed

Negotiation on this has proceeded relatively smoothly with the exception of one main issue. Glasshouse are requesting that the lease should be on standard institutional terms, including privity of contract. Mark Phillips of NGJ is of the opinion that we should seek the right to assign the lease (and for the Institute to be released from its covenant on assignment). He says that this is unexceptional in leases currently being awarded.

David Nicholson of Glasshouse points to the proposed yield on the property to a potential investor. He argues that without privity of contract on a 25 year term the balance between the amount of private capital Glasshouse can attract and the likely level of City Grant will not produce enough money to complete construction, or at least without a commensurate increase in rent. With some reluctance he concedes that NGJ may well be correct when dealing with purchases of existing buildings in prime locations but that on a new build in a secondary location, investors will require greater security. He makes the point that our requirements are not for standard office accommodation and that the proposed building is being designed uniquely to our requirements, particularly in respect of the cinema space and that therefore reference to a general market for office accommodation are not valid. Glasshouse's stand on the privity issue is not, he says, one of principle but of economic necessity.

It is certainly true that Glasshouse has been more than usually co-operative so far in the design process, not least

having turned LVA/LFMC initial hostility into a constructive working relationship. The project offers an (arguably) unrivalled opportunity to rehouse these two groups not just adequately, but in conditions under which they can develop their fullest potential. There is some justification in approaching the project not just as creating a new home for LVA/LFMC but as creating a national centre for avant garde moving image culture in London. In terms of financing the fit-out and start up costs, discussions in Hackney are most promising, with a confident expectation of up to £400,000 from the European Regional Development Fund (pending final acceptance of Hackney's Community Support Framework) and a reasonable expectation of further support from City Challenge. This is in addition to the FSA money, our own contributions, and any lottery funding we are able to attract. Hackney Borough Council have also been enthusiastically helpful not just in this but in other film and video projects: if the project were to fail at this stage it would severely prejudice the LFVDA's relations with the authority. Other options for rehousing the groups are limited, with a planned development in Brixton (Media Works) being the only project which has received any real attention, although this would not proceed if Brixton City Challenge does collapse. In any case, Lambeth Council has no established committee structure and is unable to act for the foreseeable future.

NGJ advise that a decision to accept a lease with full privity of contract is ours to take, but that an inescapable 25 year commitment carries a self-evident risk (although a change in legislation, currently being considered by the Government, may weaken the landlord's position on privity). Glasshouse say that without agreement on privity of contract, the project is almost certainly dead: until we decide, no further work can be done on the project.

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A possible compromise exists which may be acceptable to to Glasshouse but would also offer reasonable flexibility and comfort to the Institute and LFVDA. Under this the initial few years of the lease will be offered with full privity of contract: for the balance of the lease no privity of contract would exist. NGJ recommend an initial period of 10 years: Glasshouse at this stage would prefer 15. I hope that a reply from Glasshouse as to whether 10 years with privity of contract followed by 15 without will be acceptable will be forthcoming tomorrow (Friday 17th).

Irene's guidance before going away was that a final decision on this issue should be taken by the Director of the Institute.

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