



A Guide to Commercial Lease Alterations

If you own a commercial leasehold property and wish to make alterations, this guidance note is designed to guide you through the process of obtaining landlord's consent.

If the information set out in this guidance note does not answer your questions, you can contact us at the addresses below, where we have a dedicated team to provide assistance.

1. An Introduction to Homeground and Commercial Lease Alterations

Homeground Management Ltd ("Homeground") acts as an agent for a large number of landlords across England and Wales. The landlords are predominantly freehold property owners, however they also own leasehold properties, and in such circumstances this may restrict the types of alterations they are able to agree to.

Depending on the terms of your lease, most alterations to the property (including signage) will need landlord's prior written approval (a "Licence for Alterations"). Some alterations are entirely prohibited (in which case the landlord has no obligation to grant consent). Others may be permitted subject to the landlord's consent, and in some cases this consent cannot be unreasonably withheld or delayed.

When a commercial leaseholder applies to the landlord for a Licence for Alterations, Homeground deals with these applications on behalf of the landlord. The Leasehold Management Team within Homeground's Legal Department are responsible for dealing with these applications on a day-to-day basis.

You can get in touch with the Leasehold Management Team in writing either by email to legal@homegroundonline.com or by post at:

**Homeground Management Ltd
PO Box 6433**

In the interests of speed, we highly recommend that you write in by email rather than by post.

2. How Homeground Consider Requests for Alterations

In order for Homeground to consider your application for consent to alterations, you will need to complete and return our Commercial Alterations Request Form.

The Form can be found on our website or alternatively you can write in to request one at the email or postal address given above. This Form will ask you to provide a more detailed summary of the proposed alterations, including:

- The full property address and tenant reference number;
- A clear description of the alterations you wish to carry out;
- Any plans or drawings you may have/supporting documents (such as a method statement, structural report and photographs);
- A copy of the existing layout plan and a copy of the proposed layout plan as altered by the proposed works.

You should aim to provide all of the necessary information in a single package so that Homeground can consider all the materials supporting your application as a whole. We charge a non-refundable fee of £200 (the “Initial Assessment Fee”) to review your Commercial Alterations Request Form and supporting documents.

As part of the review process, we send the application together with all supporting documents to our client’s surveyors to evaluate and report to us (“the Due Diligence Report”). The surveyors’ Due Diligence Report will attract a fee of £650 plus VAT. We will need both these fees (£980 in total) paid in full at the same time as you submit the Form to us. If it becomes apparent that a Letter Licence is appropriate, we will refund you the £650 plus VAT Due Diligence Report fee.

We will look at the details of the proposed works (including any plans and drawings) to determine whether they are within the demised property, whether the alterations are structural or non-structural, the terms of your lease, the title to your property and also the title to the landlord’s property. If the landlord owns a headlease, we will also need to review this to see what its own alterations terms are.

This initial assessment is vital in order to determine whether the landlord can grant consent to the alterations, and if it can, what conditions are attached to the consent.

3. What Happens Next?

Homeground will only respond substantively to the application once it has received adequate information about the proposed alterations.

When responding, Homeground will confirm any of the following:

- That the landlord agrees in principle with the proposed alterations and whether there are any conditions to be attached to the consent;
- Whether a superior landlord, management company and/or guarantor need to be joined as a party to the Licence for Alterations;
- The estimated costs for providing the Licence for Alterations;
- Whether any premium is applicable (see below);
- That in accordance with the lease terms, landlord’s consent is not required;
- That the landlord is unable to grant a Licence for Alterations and the reasons why we have reached this decision. At this stage no further sums will be due and we will be unable to proceed further with your application.

4. The Licence for Alterations

If the landlord agrees in principle to grant a Licence for Alterations, it will usually need to instruct its solicitors to prepare a Licence for Alterations, which is a legally binding document and will need to be executed by all parties as a deed.

Occasionally, where the works are minor e.g. signage, we are able to issue a letter licence, which is drafted by Homeground. It is a shorter form document to reflect the minor nature of the works, although it is still a legally binding document and will set out the terms of the consent.

Each request for alterations is treated on a case-by-case basis and Homeground and the landlord reserve their rights to decide which form of Licence is the most appropriate for the particular alterations you wish to carry out.

5. When a Landlord Will Need to Appoint Surveyors

As noted above, the landlord will appoint a surveyor to review the proposed alterations in the majority of circumstances. Only where the intended works are very minor or non-structural, will it occasionally (and at its sole discretion) waive its right to obtain a Due Diligence Report. In such cases, the Due Diligence Report fee paid on submission of the Commercial Alterations Request Form will be refunded to you.

Any recommendations made by the surveyor will be incorporated into the Licence for Alterations.

Should the surveyors deem it appropriate to carry out a site visit or ongoing monitoring, their reasonable costs in this regard will be payable by you in addition to the Due Diligence Report fee. We will obtain a further quote from the surveyors should this be the case and will advise you of the quote as soon as we receive it. Please see our general comments under section 7 Fees, below.

6. Third Party Consents

As explained above, it may sometimes be necessary to obtain consent to alterations from other third parties, in addition to landlord's consent.

For example, this could be where the landlord owns a leasehold interest in the property and may need to get consent to the alterations from its superior landlord, where there is a management company in place and/or where there is a guarantor in your lease.

In these circumstances, in addition to the payment of the landlord's reasonable costs, you will also be responsible for meeting any third party's costs.

As a condition of the grant of the Licence for Alterations, you will also be expected to ensure that you have acquired all relevant planning permission, building control approval, CDM Regulations compliance, insurer's consent and any other consent required under statute. Again, this will be entirely at your cost.

Neither Homeground nor the landlord are qualified to advise you on this and you will need to seek independent professional advice.

7. Fees

The landlord is entitled to recover its reasonable legal and other costs in connection with the application for and grant of the Licence for Alterations, which include but are not limited to third party professional fees, such as surveyors' fees and/or Homeground's fees.

As stated above, the Initial Assessment Fee and Due Diligence Report fee are payable on submission of the Commercial Alterations Request Form. In circumstances where it is appropriate to grant a Letter Licence, the Due Diligence Report fee paid on submission of the Commercial Alterations Request Form will be refunded to you.

Further surveyors fees in relation to site inspections/ongoing monitoring will be quoted to you separately.

Depending on whether our client requires a Licence by way of deed or a letter licence, the legal fees (if applicable) and Homeground's further fees will vary. This following table summarises the estimated overall fees payable in each case:

| Form of Licence | Homeground Administration Fee | Surveyor's Costs | Solicitor's Costs | Total |
|-----------------|--|--|---|--|
| Letter Licence | £200 Initial Assessment Fee £300 Administration Fee | N/A | N/A | £500 |
| Licence by Deed | £200 Initial Assessment Fee £600 Administration Fee | £650 plus VAT* Due Diligence Report Fee *Further costs to be advised | From £850 plus VAT* *Further costs based on the complexity of the case | £2,600* *Additional fees may be required as advised |

8. Circumstances where a Premium May Be Charged for Providing Consent to the Proposed Alterations

If the alterations that you wish to carry out are outside of the demise of your Property or require interference with landlord's reserved structures (for example mounting air conditioning condensers on an external structural wall, creating mezzanine levels or creating openings in structural walls), these will be outside of the scope of the lease and therefore consent may be granted at the landlord's discretion.

In such cases, the landlord may request a premium as a condition for granting consent, to reflect the additional rights and value being granted to you over and above the terms of your lease.

9. Retrospective consent

It is extremely important that you get any consent to alterations required by your lease before you start works. If you carry out alterations without getting prior consent, where this is a requirement under your lease, you will be in breach. This can have serious consequences for you, as in addition to increased costs, failure to remedy the breach could result in the lease being forfeited.

If you have carried out unauthorised alterations, you will need to contact us with information on the works and we will then investigate the matter and report back to you on the landlord's position.

How to pay fees and costs for applications

By Cheque

Make your cheque payable to 'Homeground'. Please write the address of the property payment refers to and your unique 12-digit Customer Reference Number on the back of the cheque, and send it by post to: Homeground Management Ltd, PO Box 6433, London, W1A 2UZ

Via our Website – Tenant Portal

Using the tenant portal to log-in to your online account, it is easy to send a payment straight to us. For this you need to have registered your account first, using your 12-digit Customer Reference Number and Security Key (originally provided to you with your Homeground Welcome Pack). Once logged-in you'll find the link to the form in the navigation panel on the left-hand side of the page. Please include your unique 12-digit Customer Reference Number with your payment.

By Electronic Bank Transfer

Account Name: Homeground Management Limited

Account Number: 04046315

Sort Code: 18-00-02

Bank Address: Coutts & Co, 440 Strand, London WC2R 0QS

Reference to quote: "LH/(your unique 12- digit Customer Reference Number)"