

SIDNEY KIRKCALDIE examined. (No. 13.)

1. *Mr. Blair.*] You are a member of the firm of Kirkcaldie and Stains (Limited), and your company holds one of the Corporation leases?—Yes.

2. I will not bother you with regard to the leases generally, except upon one point: What is your personal view as to what sum would be necessary as a fair protection to the City Council in the event of the Council agreeing to a compensation clause—what proportion of the value of the improvements should be paid in order to ensure that the Council shall not be unduly burdened with bad properties?

The Chairman: And give the tenant some return?

Witness: I assume that the values of the properties at the time the valuation was made had nothing to do with the prime cost of the buildings. I think you would have to give above 60 per cent. to make it a fair and reasonable thing. A deduction of 40 per cent. over a twenty-one years period might be perfectly reasonable off the prime cost, but not twenty-one years hence. I should say you should give more than 60 per cent.—perhaps give up to 80 per cent. on the assessed values.

3. *The Chairman.*] The point is as to the position in the case of an obsolete building. Take that building that was instanced this morning—a two-story building that was built some time ago: if that lease were thrown up would not the Corporation have to pay for something that would simply have to be removed?—No, because, as I understand the position, it is not proposed to saddle the Corporation with any of these buildings unless the Corporation agrees with the tenant that it will accept a surrender of the existing lease and will not grant a renewal.

4. That applies, of course, to existing leases; but I am speaking now of old buildings that were at one time first class, but in the course of twenty-one or forty-two years they have ceased to be first class and have become obsolete. What proportion do you think the Corporation should be obliged to pay to prevent being saddled with an obsolete building?—As I have said, 80 per cent.

5. *Mr. Blair.*] You have made certain inquiries with regard to the terms of leasing in Nottingham?—Yes.

6. The reason you have selected Nottingham is because you have correspondents there?—Yes. I have received this letter from a personal friend living in Nottingham:—

“Notes on the System of granting Leases of Land in Nottingham.”

“The Corporation of Nottingham have for many years past disposed by public auction of portions of their corporate estate on lease. The term of years as a rule has been ninety-nine. The ground-rent, of course, has varied according to the position of the site and whether it has been for business premises or for residential purposes. In cases where land has been let on lease for business purposes as much as 7s. 6d. per square yard ground-rent per annum has been obtained, but for residential purposes the average has been about 4d. per square yard.

“As the town has extended land on the outskirts has gradually been developed for building purposes, and portions of the corporate estate have from time to time been laid down and offered on lease for ninety-nine years.

“The system of disposing of land on building leases has been in operation in Nottingham for more than two hundred years past. The Corporation have never entered into any covenants for the renewal of leases on the expiration of the terms. They have, as a rule, taken over the leaseholds and let the buildings thereon to the then existing tenants, on yearly tenancies, at the full rack-rentals. The lessees of the land have always paid the rates, taxes, and insurance, and other outgoings, during the term of the lease, and entered into covenants to keep the buildings in a proper state of repair, ordinary wear-and-tear excepted.

“I desire to point out, however, that the system of leasing land is becoming very unpopular with us, as the majority of people prefer to own their own freeholds. Then again a lessee of property for a limited term of years has very great difficulty in borrowing money on the security of the same, and this no doubt depreciates the value of the leasehold. I enclose a print of the conditions of leasing of the land above referred to, together with a plan, also a print of the form of lease.

“1. In the first place, the conditions that pertain with you differ entirely from those pertaining here. In the matter of length of lease, there is no such thing here as a lease for fourteen or twenty-one years, with right of renewal, subject to readjustment of ground-rent. Nearly all our Corporation leases are for ninety-nine years, and in some cases for 999 years, making it in the last case practically freehold. This is for the lease in chief from the Corporation. It does not preclude the chief lessee subletting on a short lease if he cares or can do so. If the chief lessee leases land he may put on it a building which he may lease to a tenant for any number of years they may agree upon, and the rent is also, of course, a matter of agreement between themselves. Beyond passing the plans of the building to be erected and drawing the ground-rent as agreed in the chief lease the Corporation has nothing to do with the lessee. The terms of the leases are such as are agreed upon between the parties concerned. We know nothing of short Corporation leases, nor such action as you name—if the lease is not renewed the lease and the building upon it are offered by auction in two lots—nothing of the kind is done here.

“2. This leads to the answer to your second question: ‘Are the ground-rents of such leases [ninety-nine years in our case, remember] such that a business man would undertake to build upon to be assured of a fair return?’ And remembering the terms of the lease the answer is Yes; and it has always been done. But I am assured that it would not be done if the term of lease were only fourteen or twenty-one years. The time would be considered altogether too short. As a matter of fact, in our case, if a lease of ninety-nine years has half-run its course, a man