

DECISION-MAKER:	CABINET
SUBJECT:	NORTHERN ABOVE BAR PROPERTIES
DATE OF DECISION:	18 TH OCTOBER 2022
REPORT OF:	COUNCILLOR BOGLE CABINET MEMBER FOR ECONOMIC DEVELOPMENT

<u>CONTACT DETAILS</u>			
Executive Director	Title	Interim Executive Director of Growth	
	Name:	Adam Wilkinson	Tel: 023 8254 5853
	E-mail	Adam.wilkinson@southampton.gov.uk	
Author:	Title	Team Manager Valuation and Estates	
	Name:	Joanna Rust	Tel: 023 8083 4813
	E-mail	Joanna.rust@southampton.gov.uk	

STATEMENT OF CONFIDENTIALITY	
Appendix 2 contains confidential information based on Categories 3 and 7(A) of paragraph 10.4 of the Council's Access to Information Procedure Rules. It contains valuation advice and details of proposed transactions which could put the council or other parties at a commercial disadvantage.	
BRIEF SUMMARY	
The purpose of this report is to review the strategy relating to the council properties located at the northern end of Above Bar Street and agree a new approach.	
RECOMMENDATIONS:	
Having complied with paragraph 15 of the Council's Access to Information Procedure Rules.	
	(i) Agree to cease the sales of nos.186, 188, 190-192 and 194-196A Above Bar Street.
	(ii) Authorise the Executive Director of Growth to carry out a soft market testing exercise of the site (shown edged in red on Appendix 1) to identify the level of developer interest and to help inform masterplanning of the area.
	(iii) Delegate to the Executive Director of Growth to determine whether the adjacent 164-174 Above Bar Street should be included in the soft market testing.
	(iiii) Subject to completion of the masterplan, the Executive Director of Growth will bring forward a further report to Cabinet to update on the strategy for the area.
REASONS FOR REPORT RECOMMENDATIONS	
1.	This report is submitted for consideration as a General Exception under paragraph 15 of the Access to Information Procedure Rules in Part 4 of the City Council's Constitution, notice having been given to the Chair of the

	relevant Scrutiny Panel and the public. This is being presented under the General Exception due to an administrative error resulting in the item not appearing on the Forward Plan and the statutory 28 day's notice was therefore not complied with.
2.	The Council owns a significant area at the northern end of Above Bar Street, this report states that before decisions are taken regarding the future of this site (in Appendix 1) a vision and strategy will be developed through a master planning process and this will form a development brief. Once completed this will be reported back to Cabinet but in the meantime the sales of the properties on this site that were proceeding will cease. This will ensure that the long term interests of the city and its economic development are best served.
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED	
3.	Continue with the sales of the freeholds to the long leasehold tenants where terms have been agreed. This will make site assembly for comprehensive development of this area in the future more difficult to achieve in terms of cost, staff resource and timescale. This is because the tenant's interest will have increased in value as a result of the purchase and they may be less interested in the option of redevelopment due to their improved security of tenure. This could result in the need to use compulsory purchase powers to bring forward re-development in the future.
4.	Do Nothing. The buildings will require significant investment in the future so the council will need to either divest itself of these properties or promote re-development, doing nothing in the longer term is not a viable option.
DETAIL (Including consultation carried out)	
5.	The council owns the majority of the freehold of properties on the northern end of Above Bar Street (176-202) as outlined in Appendix 1 together with the depot to the rear. The properties form a parade of shops together with other uses above in many cases. Please see a list of the properties together with the length and expiry date of the leases and rental details in Appendix 2.
6.	The properties are identified in the City Centre Action Plan (Adopted 2015) as a major development site within the Cultural Quarter (See Policy AP31 and Appendix 1). The emerging Strategic Land Availability Assessment (SLAA) which will be used to guide the allocations for the new Southampton City Vision also identifies this site as appropriate for future housing development. https://www.southampton.gov.uk/planning/planning-policy/adopted-plans/city-centre-action-plan.aspx . https://www.southampton.gov.uk/planning/planning-policy/emerging-plans/cityvision/documentslibrary/
7.	Prior to May 2021 these properties were being retained in line with the Action Plan with a view to a long-term development proposal when the leases either neared or reached their end. On this basis requests to extend leases in this parade or acquire freeholds from tenants in this parade had been resisted.
8.	In October 2021 Cabinet considered a report which set out two options, to either extend leases or freehold disposal of the properties to individual tenants or to continue not to extend leases or dispose to individual tenants on the basis that this will remain a redevelopment area as outlined in the City

	Centre Action Plan. Cabinet resolved to pursue a strategy of disposing of the properties to the existing long leaseholders.
9.	Terms for the sale of the Council's freehold interests were agreed with 5 out of 7 long leaseholders. The sale of one of these properties completed in April 2022 and the remaining sales were advancing. Following the change of administration in May 2022 the new Cabinet Member requested that all current disposals be paused pending a review and leaseholders were subsequently advised. This is a lawful option as landowner.
10.	Council officers will be developing proposals for masterplanning in key areas across the City which will set out the Council's vision and development objectives. The area of northern Above Bar Street where these properties are situated will form part of this process.
11.	Consideration is being given to whether to include 164-174 Above Bar Street in the soft market testing as it is adjacent to those properties listed in recommendation (i).
RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
12.	The prices to be paid by the long leaseholders were established by an independent valuation report prepared by Eddisons Chartered Surveyors who were commissioned by the Council to provide valuation advice on the options for disposal. Appendix 2 details the individual valuations of these properties. Ceasing the sales will mean that there will be no capital receipts from these properties in 2022/23. The Council will continue to receive rental income as detailed.
13.	Development of the site has the potential to deliver increased financial returns though this would be in the longer term, particularly from increased council tax and business rate income.
14.	A budget carry forward of £0.20M was approved by Council in July 2022 for carrying out masterplanning activity in 2022/23. It is proposed that the Northern Above Bar masterplanning work is funded from this budget.
15.	A provisional budget of £15,000 is recommended for soft market testing. This will be met from existing resources within the Property team budget.
<u>Property/Other</u>	
16.	The properties at 176-202 Above Bar Street are owned freehold by Southampton City Council. Individual properties are let on a mixture of long ground leases and shorter term occupational leases at market rents. A schedule of these leases is provided at Appendix 2.
17.	The Council has the necessary statutory powers under section 123 of the Local Government Act 1972 to dispose of properties in any manner it wishes. The only constraint is that a disposal must be for the best consideration reasonably obtainable (excluding short tenancies). However, it is recognised that there may be circumstances where a council considers it appropriate to dispose of land at an undervalue. The Local Government Act 1972 General Disposal Consent 2003 permits disposal at less than best consideration where the Council considers it will help it to secure the promotion or improvement of the economic, social or environmental well-being of its area and the undervalue does not exceed two million pounds.

18.	Any future decisions to dispose of any of these properties will be subject to obtaining valuation advice including if there is a return to a strategy of individual disposals.
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report:</u>	
19.	S.111 and 123 Local Government Act 1972, S.1 Localism Act 2011. The Council can lawfully hold a commercial property portfolio. There is no obligation to dispose of properties, that is a discretion. Whilst the Council as landlord entered into prospective negotiations with tenants for them to acquire the freehold of their property all negotiations are “subject to contract”. Save for the one property disposed of no sales had proceeded to exchange of contracts and thus bound the Council into a contractual situation. Lawfully the Council as private landowner can withdraw from any prospective sales
20.	The council’s ability to undertake master planning for its area lies in the Town and Country Planning Act 1990
RISK MANAGEMENT IMPLICATIONS	
21.	Bringing forward a further report once the masterplan work is completed will ensure that informed decisions on the future of these properties are made.
22.	There is a risk that until re-development of the properties takes place there will be little investment in them and this can have a negative impact on the attractiveness of the area and businesses.
POLICY FRAMEWORK IMPLICATIONS	
23.	The properties are identified in the City Centre Action Plan (Adopted 2015) as a major development site within the Cultural Quarter. (See Policy AP31 and Appendix 1) https://www.southampton.gov.uk/planning/planning-policy/adopted-plans/city-centre-action-plan.aspx

KEY DECISION?	Yes
WARDS/COMMUNITIES AFFECTED:	Bargate
<u>SUPPORTING DOCUMENTATION</u>	
Appendices	
1.	A plan showing 176-202 Above Bar Street and the depot to the rear.
2.	Lease details and valuations relating to 176 -202 Above Bar Street (Confidential)
Documents In Members’ Rooms	
1.	ESIA
Equality Impact Assessment	
Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.	Yes

Data Protection Impact Assessment		
Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.		No
Other Background Documents Other Background documents available for inspection at: commercialproperty@southampton.gov.uk		
Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)	
1.	176 – 202 Above Bar Street & 164 – 174 Above Bar Street – Eddisons Independent Valuation and Disposal Advice January 2022	Categories 3 and 7(A) of paragraph 10.4 of the Council's Access to Information Procedure Rules