

<b>DECISION-MAKER:</b>	CABINET
<b>SUBJECT:</b>	Development Site Opportunity
<b>DATE OF DECISION:</b>	25 March 2025
<b>REPORT OF:</b>	<b>COUNCILLOR BOGLE, CABINET MEMBER FOR ECONOMIC DEVELOPMENT</b>

<b><u>CONTACT DETAILS</u></b>			
<b>Executive Director</b>	<b>Title</b>	Executive Director for Growth and Prosperity	
	<b>Name:</b>	Stephen Haynes	Tel: 023 80832400
	<b>E-mail</b>	<a href="mailto:Stephen.Haynes@southampton.gov.UK">Stephen.Haynes@southampton.gov.UK</a>	
<b>Author:</b>	<b>Title</b>	Director of Economic Development & Regeneration &	
	<b>Name:</b>	Nawaz Khan	Tel: 023 8091 7648
	<b>E-mail</b>	Nawaz.Khan@southampton.gov.uk	

<b>STATEMENT OF CONFIDENTIALITY</b>
Not Applicable

<b>BRIEF SUMMARY</b>
<p>The report advises Cabinet on proposals by a third-party joint venture seeking to acquire the Toys R Us lease. The aim of acquisition is to facilitate the stalled regeneration of this key city centre site, which has planning permission for new homes, public spaces, leisure, and commercial uses. This would involve ending the Development Agreement with the current leaseholder, reviewing lease terms to be offered to any new entity leading on the development of the site, and exploring opportunities for greater Council involvement in the site's redevelopment in the future.</p>
<p>Development Agreement: The Cabinet resolved in April 2024 to grant a year long extension to the current Development Agreement expiring June 2025 with discretionary extensions thereafter. The extension was not formally implemented and the conditions and milestones agreed with the Council have not been met. The Council have not yet taken action to terminate the agreement but has the relevant grounds to do so. A number of conditions of the Development Agreement relating principally to funding and the letting of a building contract have not occurred and are insufficiently advanced to be capable of being achieved within the remaining time set out in the Agreement.</p>
<p>Proposed Redevelopment: The Council have been made aware of a proposal for the acquisition of the current lease owners interest by a third party joint venture. This interest is contingent on the regearing (lease extension and other revised terms) of the headlease that the Council has granted in relation to the Toys R Us Site that is currently owned/leased by an entity called Packaged Living. The proposal is that the third party, on acquisition of the site from Packaged Living would receive a regearred headlease from the Council with certain revised terms but substantially in accordance with that previously negotiated with Packaged Living. However, the revised clauses would be in accordance with the Council's aspirations for the area as reflected in the updated Renaissance masterplan proposals for the site.</p>

The Council may consider participating in the regeneration proposals for the site as this proposal is further developed and wish to explore possible means of collaboration and engagement in order to maximise regeneration opportunities for both the Toys R Us Site and potentially other strategic landholdings in the vicinity.

**RECOMMENDATIONS:**

Having complied with paragraph 15 of the Council’s Access to Information Procedure Rules.

	(i)	To delegate authority to the Executive Director, Growth and Prosperity following consultation with the Leader and Cabinet Member for Economic Development.
	(ii)	To take such steps as are necessary to terminate the existing Development Agreement with Packaged Living in order to ensure that the site is unencumbered should a third party elect to proceed and agree terms to acquire the site and / or in the event the proposed acquisition does not proceed, to take such action may be necessary to confirm no further extensions to the existing Development Agreement be granted after the existing longstop date in the Agreement.
	(iii)	Enter into discussions with any interested third party to <ul style="list-style-type: none"> <li>• seek to agree lease regear terms for the site which would allow a third party to acquire the Toys R Us lease from Packaged Living. Any such terms being conditional upon the site's acquisition and ensuring the proposed uses were consistent with the masterplan</li> <li>• consider whether there are close working options either alongside or with, third party entities moving forward whereby the Council would collaborate in relation to the realisation of the opportunities presented by any proposed redevelopment</li> </ul>
	(iv)	To complete analysis of regulatory issues that are a pre-condition to any agreed disposal of any interest in the site or collaboration with any third party to further progress master planning and regeneration opportunities in the area, including but not limited to, s.123 best consideration disposal tests, Best Value, procurement compliance and subsidy control considerations for follow-on approval by Cabinet
	(v)	To note that a further decision by Cabinet on final proposals, subject to satisfactory progress by interested parties on acquiring the relevant land interests, is anticipated to return to Cabinet in April 2025.

**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. The matter requires a decision in line with timescales put forward by the parties seeking to acquire the site and the existing owner, both of whom have sufficiently developed their negotiations to now wish to move at speed to fix
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	commercial terms and avoid further market fluctuations that may impact on agreed financial terms etc. The Council's decision on supporting the proposals and providing the relevant freeholder consents is required slightly faster than normal forward plan notice periods as a result of the third parties agreeing terms that are subject to moving at speed to conclude their related transactions.
2.	The Cabinet decision of April 2024 ( <a href="#">SUBJECT:</a> ) acknowledged the impact of macroeconomic challenges faced by construction projects over recent years and allowed the development scheme additional time to move forward with delivery as set out in the original Development Agreement. However, this has not resulted in a positive outcome, and the development has not progressed to delivery within a reasonable timeframe. Revised proposals are needed to unlock this key development and regeneration site to drive the economic, social and environmental benefits visualised in the Council's regeneration and master plans for the area.
3.	To allow sufficient delegated authority to enable the redevelopment of the stalled former Toys R Us site on Harbour Parade which is a key strategic site at one of the gateways to the city.
4.	To utilise the Council's position as freehold landowner to support the delivery of the former Toys R Us site for a mix of uses consistent with its ambitions for the inclusive growth of Southampton. It is a key gateway city centre site.
5.	To enable a way forward through potential third party purchase of leasehold and delivery of the stalled Toy R Us site that supports the vision for the City Centre as set out in the Cabinet report of 28 January 2025 ( <a href="#">SUBJECT:</a> ) by delivering an innovation-led scheme focused on health, science and engineering type occupiers.
6.	Modern city centres function as residential, cultural, and business hubs, contributing to economic activity and socio-economic change. A robust city centre supports regional growth and links local individuals and businesses to new opportunities. City centres increasingly serve as places of collaboration, where networks of knowledge-producing organisations (such as universities, government, the voluntary sector, cultural institutions, start-ups, and private sector organisations) converge to foster innovation.
7.	Therefore, the Council aims to demonstrate its intentions and commitment to the comprehensive regeneration of the City Centre. This involves ensuring that developments are not hindered by delays or prolonged negotiations, by approving the resolution above (subject to further approvals and regulatory tests being met) for the City Centre's regeneration, in consultation with landowners and occupiers.
<b>ALTERNATIVE OPTIONS CONSIDERED AND REJECTED</b>	
8.	Do nothing. The Development agreement was originally due to expire in June 2024. The Council tried to support the delivery of the scheme through the granting of an additional 12 month extension with the option for further incremental extensions, subject to conditions being met. This was in acknowledgement of the construction industry difficulties over the

	<p>recent years. As the current developer is the leaseholder of the site, the development of the site is subject to the current ownership arrangements and would require the support of all parties having a legal interest in the property. Therefore, doing nothing will continue to allow an unviable development scheme to blight the city centre.</p>
9.	<p>The lack of progress on delivery of the original consented scheme risks the site remaining vacant for the foreseeable future, which is not in the interests of city regeneration. Commencing negotiations to formally terminate the agreement would incur additional costs, time and delay to the Council.</p> <p>Additionally, significant increases in construction costs have made viability a significant challenge in delivery becoming highly unlikely of the original consented scheme, and, at best, there will be limited delivery of residential uses focused on the Build to Rent market. This will prevent the current leaseholder from bringing forward meaningful development on the Site, despite having secured a planning consent.</p>
<b>DETAIL (Including consultation carried out)</b>	
10.	<p>Southampton aspires to lead the way as a regional economic capital by driving sustainable growth. The Council envisions the City Centre as a vibrant hub where people come to work, visit, enjoy, and live, offering an array of services, shops, skills, and training that contribute to a high quality of life.</p> <p>Leading cities prioritise people and excellence. For a City Centre to flourish, it must evoke a sense of belonging and excitement, becoming a place where people love to live, work, and spend their time. Quality of design and public realm are crucial to achieving this vision.</p>
11.	<p>It is acknowledged that the role and purpose of city centres are evolving rapidly, influenced by convenience retail parks and online shopping. These changing habits continue to affect national retailers, as reduced transactions in city centre stores decrease the viability of maintaining the store, buildings, and staff. This issue has been evident since 2018 when Toys R Us went into administration. These changes are altering the image and reputation of the city centre, leading to associated negative perceptions.</p>
12.	<p>The Cabinet report of 28 January 2025 on the Masterplanning Programme set out the future direction for the Southampton City Centre: a vision that is aligned with national, regional and local strategic priorities and has a clear rationale, narrative and focus for everyone (residents, businesses, officers, stakeholders, politicians, partners et al) to embrace and own, to help drive forward the necessary changes through dedicated accountability and a strategic leadership. The report also highlighted the priority areas with an associated city centre prospectus in order to instigate the catalytic transformation of the city centre with the ambition for economic growth at its core.</p>
13.	<p>The Council is committed to building an inclusive economy for Southampton, focussing on inclusive growth and shared prosperity. Our ability to achieve these objectives will be heavily influenced by the</p>

	<p>regeneration of the City Centre. To deliver change, particularly in a competitive market for private sector investment, it is vital that Southampton continues to develop different models of investment to support sustainable employment and business growth and to take a 'community wealth building' role, to encourage retention of income and wealth within the local economy. In short, this is about maximising the impact of Council spend (both direct and indirect) to retain money in the local economy (the concept of the 'Southampton Pound', to generate opportunities for local employment and skills development for residents of all ages.</p>
14.	<p>Private sector funding of city centre schemes, aligning with the Council's own approach to impactful investment, is to be encouraged and supported. The role of the public sector in facilitating private sector investment is to de-risk the investment process by removing uncertainty and constraints so that the market can function in a way that a return on investment can be made in one place as it would in other places. Southampton city centre has interest and activity from a range of private investors and should continue working towards creating the conditions for investment and discussing opportunities with potential investors as they arise.</p>
15.	<p>The Toys R Us site is the key gateway site in the City Centre located to the south of Southampton Central train station. The Council is the freeholder of the site, which currently comprises a large vacant superstore structure with open surface car parking. Following the collapse of Toys R Us in 2018, Packaged Living acquired the leasehold interest of the site in May 2021. There are circa 85 years remaining on the existing lease.</p>
16.	<p>On November 15, 2021, Cabinet approved the key commercial terms of a Development Agreement and new lease to Packaged Living (the Developer). A Development Agreement was signed on the December 23, 2021, between the Council and the Developer. The Development Agreement set out a number of conditions (the 'Conditions Precedent') that need to be met before the expiry of the agreement on the 23rd of June 2024 (the 'Long Stop' date).</p>
17.	<p>In accordance with the conditions of the Development Agreement, the developer submitted an application for development (ref. 21/01837/FUL) and a decision notice was issued on December 8, 2022, granting permission.</p> <p>The application was for: Hybrid planning permission for a major mixed-use development comprising:</p> <p>(1) Full planning permission for:</p> <ol style="list-style-type: none"> <li>a. Demolition of existing buildings and structures.</li> <li>b. Construction of 4 buildings (Blocks A, B, C, and D)</li> <li>c. Block A: Comprising 6,816 sqm of commercial floorspace (Class E).</li> <li>d. Blocks B, C, and D: Comprising 603 residential units (Class C3).</li> <li>e. Ground floor commercial floorspace (Class E).</li> </ol>

	<p>(2) Outline planning permission for:</p> <ul style="list-style-type: none"> <li>a. Construction of 1 building (Block E).</li> <li>b. Up to 8 storeys. Flexible commercial/residential/overnight accommodation (C1/C3/Class E Uses). Co-living (Sui-Generis).</li> </ul> <p>The permission includes associated access, parking and public realm, including the Maritime Promenade, a new pedestrian link between the station and Harbour Parade.</p> <p>Unless implemented, this permission expires on the December 8, 2025. Any party would need to act and invest soon to preserve this permission.</p>
18.	<p><b>Southampton Renaissance Vision – Innovation District</b></p> <p>Redeveloping this site aligns with the Southampton Renaissance Vision for an innovation district, enhancing educational, research, and innovation assets. Innovation Districts unite knowledge firms, academic institutions, hospitals, and research bodies to support innovation. Anchor institutions provide access to research expertise and technology, driving economic growth and creating high-skilled jobs locally. An Innovation District in Southampton could promote enterprise and growth, leveraging the city’s strengths for future investment.</p> <p>Southampton's academic and medical institutions have the potential to act as anchor points for an Innovation District. By leveraging these assets, it is possible to support clusters in life sciences, advanced manufacturing, digital, creative, and marine &amp; maritime sectors, thereby fostering the development of new businesses and the creation of job opportunities.</p>
19.	<p>As a key economic hub in the region, Southampton contributes £6.8bn to the UK economy, with the city centre generating 46% of this and employing 45,500 people (40% of the city’s total jobs). However, despite its strengths, the city centre has experienced economic decline in recent years, with a 6% drop in employment (2,800 jobs) since 2015 and a 10% decrease in economic contribution over the past decade.</p> <p>While the city centre population has grown, key employment sectors remain low value, and job losses have been driven by reduced employment space due to permitted development rights. This decline threatens high street vibrancy, making it more challenging to attract talent and investment. However, growth in public administration, IT, and professional services offers new opportunities.</p>
20.	<p>Southampton has a strong foundation for innovation and higher economic productivity, with a rich history in trade and commerce and a long-standing role as a regional employment centre. The Southampton Renaissance Vision, led by the Southampton Renaissance Board, identifies the Toys R Us site within the West Bay Renaissance Area as a key location for long-term redevelopment. This area includes Southampton Central Station, the former Pirelli site (now big-box retail and commercial space), and key connections to the Port, West Quay Shopping Centre, and the western Old Town Walls.</p>

21.	<p>With significant potential for regeneration, the delivery of this site could fundamentally reshape the City’s built environment. The vision highlights the creation of an “innovation district” that supports a dynamic and enterprising economy.</p> <p>As outlined in the Southampton Renaissance Vision, the key ambitions for Innovation and West Bay include delivering:</p> <ul style="list-style-type: none"> <li>- A globally significant “Innovation District” at West Bay which builds on existing educational and innovation assets to encourages innovation and enterprise within a thriving urban environment.</li> <li>- Improved city centre gateway at Southampton Central Station: Providing enhanced arrival experience and connection between transport links and the city centre through West Bay redevelopment.</li> <li>- Expansion of education and university assets: Supporting the long-term investment by Southampton and Solent Universities within the City Centre.</li> <li>- A series of creative and enterprise hubs.</li> </ul> <p>Best practice is to provide these uses as part of an attractive mix, therefore including homes and commercials spaces that together create a liveable, sustainable neighbourhood.</p>
22.	<p>In February 2025, Cabinet approved the 2025/26 Budget and Medium-Term Financial Strategy. Within this, the strategy sets out to support the growth of the city with the aim of increasing the Councils revenue base, while ensuring prosperity is shared across our communities. This is identified as a critical mission for the organisation over the next 10 years.</p>
23.	<p>The 2025/26 budget sets out a range of measures that will support these aspirations. For example, purposeful investment, through the Revolving Regeneration Fund in the capital programme, will allow the Council to intervene and secure long term benefit for the city when and where development and regeneration opportunities arise. Additionally, there is a renewed focus on achieving inclusive growth, be it in the context of the skills development and pathways, or wider socio-economic interventions, will also be a key focus of activity.</p>
24.	<p>In the longer term the council sets out to be ambitious to create economic prosperity through growth. The Council’s growth strategy aims at unlocking residential and commercial developments in the pipeline and bringing forward further developments, generating growth in council tax and business rates income which provides a route to maintaining a balanced budget over the medium term.</p>
<b>RESOURCE IMPLICATIONS</b>	
<b><u>Capital/Revenue</u></b>	
25.	<p>It would be expected that costs would be incurred by the Council to terminate original agreement with Packaged Living and the possible regearing of the lease to a third party. The costs will be met from the City Development &amp; Regeneration budget.</p>
<b><u>Property/Other</u></b>	
26.	<p>There are no direct property implications.</p>

<b>LEGAL IMPLICATIONS</b>	
<b><u>Statutory power to undertake proposals in the report:</u></b>	
27.	The Council powers to promote this development s.1 Localism Act (General Power of Competence) and any disposal of an interest in the site (lease re-gear etc) would be subject to Section 123 Local Government Act 1972 (obtaining best consideration for the Council's property interests)
<b><u>Other Legal Implications:</u></b>	
28.	Significant work is underway to assess the proposals against s.123 Local Government Act 1972 (best consideration) , the Council's Best Value duties contained in the Local Government & Housing Act 1989, relevant Uk procurement legislation and the Subsidy Control Act in so far as it relates to use of Council owned assets to support the delivery of public / private regeneration schemes. These assessments will be concluded before the Council is asked to agree any final terms for either the site or participation in any collaborative working arrangements with any third party
<b>RISK MANAGEMENT IMPLICATIONS</b>	
29.	By not taking further action and allowing the market to take the site forward is unlikely to generate any significant economic benefits, particularly if no meaningful development comes forward. This will result in further delays in development and regeneration of keys sites in the city centre to deliver economic growth and environmental improvements. It will also not enable the Council to meet its clear aspirations to drive innovation and economic growth in the City Centre.  The redevelopment of the site will help to act as a catalyst for further regeneration in the City.
<b>POLICY FRAMEWORK IMPLICATIONS</b>	
30.	This scheme supports many of the Council's strategic objectives around housing, environment, sustainability, Green City and economic development. The emerging Southampton Renaissance master planning work also recognises this site's potential to contribute to a vision for the City's future prosperity. The development proposals are consistent with the key growth and regeneration ambitions for the City.  The scheme has planning permission ref: 21/01837/FUL demonstrating its compliance with planning policy

<b>KEY DECISION?</b>	<b>Yes</b>
<b>WARDS/COMMUNITIES AFFECTED:</b>	All
<b><u>SUPPORTING DOCUMENTATION</u></b>	



<b>Appendices</b>	
1.	Site Plan
<b>Documents In Members' Rooms</b>	
1.	None.
<b>Equality Impact Assessment</b>	
Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.	No
<b>Data Protection Impact Assessment</b>	
Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.	No
<b>Other Background Documents</b>	
Other Background documents available for inspection at:	
<b>Title of Background Paper(s)</b>	<b>Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)</b>
1.	<a href="https://www.southampton.gov.uk/modernGov/ieDecisionDetails.aspx?AllId=30359">https://www.southampton.gov.uk/modernGov/ieDecisionDetails.aspx?AllId=30359</a>
2.	<a href="https://www.southampton.gov.uk/moderngov/documents/s71128/Toys%20R%20Us%20Development%20Agreement.pdf">https://www.southampton.gov.uk/moderngov/documents/s71128/Toys%20R%20Us%20Development%20Agreement.pdf</a>
3.	<a href="https://www.southampton.gov.uk/modernGov/documents/s77488/Report.pdf">https://www.southampton.gov.uk/modernGov/documents/s77488/Report.pdf</a>