

<b>DECISION-MAKER:</b>	CABINET
<b>SUBJECT:</b>	DISPOSAL OF 2-8 QUEENSWAY
<b>DATE OF DECISION:</b>	4 JULY 2011
<b>REPORT OF:</b>	CABINET MEMBER FOR RESOURCES, LEISURE AND CULTURE

#### **STATEMENT OF CONFIDENTIALITY**

Confidential Appendix 2 to this report contains information deemed to be exempt from general publication based on Category 3 of Paragraph 10.4 of the Council's Access to Information Procedure Rules. The appendix includes details of a proposed transaction which, if disclosed prior to entering into a contract, could put the Council at a commercial disadvantage. In applying the public interest test it is not considered appropriate to publish this information as it could influence bids for a property which may be to the Council's financial detriment.

#### **BRIEF SUMMARY**

This report seeks authority for the sale of the Council's freehold interest of 2-8 Queensway jointly with the long leaseholder's interest. The property is currently unutilised and the sale offers the opportunity to realise a capital receipt and contribute to the regeneration of the Fruit and Vegetable Market area

#### **RECOMMENDATIONS:**

- (i) To approve the principle of the sale of the Council's freehold interest jointly with the long leasehold interest, and
- (ii) To delegate authority to the Head of Property and Procurement to approve the preferred tender, agree the terms of the sale and carry out all ancillary matters to dispose of the site.
- (iii) To note that the capital receipt will be used to reduce the current funding deficit in the capital programme

#### **REASONS FOR REPORT RECOMMENDATIONS**

1. To facilitate the redevelopment of a vacant unattractive city centre property thereby delivering significant environmental improvements and the promotion of the regeneration of the area.
2. To realise a significant capital receipt.

#### **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

3. Sell the Council's freehold interest in isolation. Without the simultaneous sale of the long leasehold interest, vacant possession cannot be offered, which is essential to allow redevelopment.
4. Do nothing. While the property produces a rental income for the Council and could be held for sale at a later date, it is a vacant and prominent property that is unlikely to be improved in the near future. The opportunity for a joint sale may not present itself again in the near future.

## **DETAIL (Including consultation carried out)**

5. 2-8 Queensway comprises the former New Yorks Nightclub and McCluskeys Bar. The bar and nightclub ceased trading several years ago and are currently unlicensed. Southampton City Council is the freehold owner of the property which is let under 3 ground leases, one of which expires in 2055 and two in 2120.
6. The property lies within the “Fruit and Vegetable Market” area of the Old Town which is now in need of investment to match the architectural and working heritage of the Old Town. The draft Fruit and Vegetable Market Development Brief produced in 2008 identifies the subject property as suitable for residential development.
7. Negotiations with the long leaseholder, Mindfulglance Ltd, have taken place relating to a joint sale of the freehold and the long leasehold interest in the interests of delivering a capital receipt and kick starting the regeneration of the Fruit and Vegetable Market area. Agreement has been reached between the City Council and Mindfulglance Ltd for the joint marketing of the property and the sale of the freehold and leasehold interests simultaneously. This will allow the sale of the freehold interest with vacant possession thereby providing the opportunity for redevelopment and maximising site value through the release of “marriage value” (the additional value created by the merger of the freehold and leasehold values over their existing values). The terms of the agreement are set out in the confidential Appendix 2.
8. Whilst agreement has been reached with Mindfulglance Ltd as to the structure of the joint sale, the City Council can withdraw from the arrangement at any time, as may Mindfulglance Ltd.
9. The property is being offered for sale by informal tender. The selected purchaser will be required to submit an application for detailed planning permission for their proposed scheme and completion of the sale will be conditional on the selected purchaser obtaining such planning permission.
10. Approval is sought to delegate authority to the Head of Property and Procurement to approve the acceptance of the selected tender for the property and to negotiate the terms of the land sale conditional on planning permission being obtained.

## **RESOURCE IMPLICATIONS**

### **Capital/Revenue**

11. The sale will realise a capital receipt to the General Fund as set out in the confidential Appendix 2.
12. The disposal will result in a £12,160 pa loss of income per annum to the Resources Portfolio Investment Property Account. This loss of income has not been built into the 2011/12 or subsequent approved estimates. As completion is subject to obtaining planning permission, it is expected that the sale will not complete until 2012/13 financial year.

**Property/Other**

13. The opportunity for significant increase in rental income from these properties is limited. The sale allows the opportunity to realise marriage value and to promote the regeneration of the Fruit and Vegetable Market area of the Old Town.

**LEGAL IMPLICATIONS**

**Statutory power to undertake proposals in the report:**

14. The relevant power of disposal is Section 123 of the Local Government Act 1972.

**Other Legal Implications:**

15. n/a

**POLICY FRAMEWORK IMPLICATIONS**

16. The disposal of a council property for a capital receipt supports the Councils capital programme.

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**KEY DECISION?** Yes

<b>WARDS/COMMUNITIES AFFECTED:</b>	Bargate
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**SUPPORTING DOCUMENTATION**

**Non-confidential appendices are in the Members' Rooms and can be accessed on-line**

**Appendices**

1.	Site Plan
2.	Confidential

**Documents In Members' Rooms**

1.	None
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**Integrated Impact Assessment**

Do the implications/subject of the report require an Integrated Impact Assessment (IIA) to be carried out.	No
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**Other Background Documents**

**Integrated Impact Assessment and Other Background documents available for inspection at:**

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.	None	
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