

DECISION-MAKER:	CABINET
SUBJECT:	EAST STREET CENTRE – RESTRUCTURE OF GROUND LEASE TO FACILITATE REDEVELOPMENT
DATE OF DECISION:	4 JULY 2011
REPORT OF:	HEAD OF PROPERTY AND PROCUREMENT

STATEMENT OF CONFIDENTIALITY

The Confidential Appendix 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 Legal contract, could put the Council at a commercial disadvantage. In applying the public interest test it is not considered appropriate to make public the bids received as this could lead to a revision of bids and, in the event of the transaction failing to complete, prejudice re-tendering of the property, therefore reducing the amount receivable by the Council

BRIEF SUMMARY

This report seeks authority to restructure the head lease of the East Street Centre. This will facilitate redevelopment, including the demolition of the existing shopping centre and car park, replacing it with a supermarket and decked car park. Capital House, the adjoining office block and the public house remain, and may be part of a future development. The restructured lease will be put on modern lease terms, increasing the minimum base rent, increase review pattern, and enhance the yield by the addition of the supermarket.

RECOMMENDATIONS:

- (i) To approve the terms for the surrender and renewal of the East Street Centre Headlease as set out in the Confidential Appendix.
- (ii) That the Solicitor to the Council be authorised to enter into any legal documentation necessary in respect of the variations.

REASONS FOR REPORT RECOMMENDATIONS

1. To facilitate a significant regeneration project. The demolition of the shopping centre and car park will open up East Street, recreating the link to St Marys Street. This will deliver significant environmental improvements.
2. A new Morrison's Supermarket will not only bring a much needed additional supermarket to the City Centre, but will create 350 jobs. With Debenhams it will create an anchor to this part of the city, increasing footfall and improving the prospects of businesses in East Street.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

4. Rejecting the proposal was considered, but this is an opportunity that may not present itself again for some time to bring regeneration to this part of the City Centre.
5. Selling the freehold was considered, but in the current market the level of receipt would not be acceptable. It was considered preferable to promote a redevelopment by way of lease and benefit from improved long term income.

DETAIL (Including consultation carried out)

6. The Council own the freehold of the East Street Centre which is let on a 99 year lease to Arcadian Estates. The lease includes the Shopping Centre, Car Park, Capital House and a Public House. A redevelopment is proposed by Arcadian who has requested revised terms for the head lease. Negotiations have taken place and the principal terms proposed are set out in the Confidential Appendix. The attached plan no V3149 identifies the existing lease boundaries, whilst indicating additional land required, and land released by the proposal.
7. The scheme proposals include the demolition of the shops and car park, replacing it with a 58,000 sq ft supermarket with a 280 space car park on the upper floors. Morrisons have signed a conditional pre let agreement with Arcadian Estates for the food store. Neither Capital House, nor the Public House is part of this phase of development. Demolition of the shops and car park, reprovision of the office car parking and new Public realm, will be works undertaken by the developer as part of the scheme.
8. The development will result a link being reopened between East Street and St Marys Street. The new supermarket will be accessed off this link. There will be other environmental, public realm and highways improvements associated with the scheme. Morrisons will be creating 350 jobs, and the s106 agreement will include a training provision. A Morrisons store and Debenhams will provide a strong anchor to East Street and will result in an increase in footfall.
9. A replacement car park of 280 spaces will be provided above the supermarket, and it will be managed initially by the Council as a shoppers car park, which will be principally be used by Morrisons customers although other users will not be restricted from use. A new lease will include appropriate clauses relating to the future management of the car park. There will be the loss of Public Car Park at Lime Street although there is alternative long stay provision at College Street and Eastgate Street Car Parks.
10. Work will start on the preparation of a Planning Application following approval of terms to restructure the lease. It is anticipated the Planning Application be made later this year, with an anticipated planning decision early 2012, followed by a road closure application. Start on site is schedule for late 2012. The development period will be 18 months with an anticipated opening date of spring 2014.

RESOURCE IMPLICATIONS

Capital/Revenue

11. Implications are to be included in the confidential appendix

Property/Other

12. A lease restructure will improve the value of the Councils property interest. The lease to the Lime Street Car Park will be surrendered, and whilst there will be a loss of income, this will be balanced by the removal of a future obligation to undertake significant structural repairs as identified in the confidential appendix and income from managing the car park.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

14. The site comprises a number of legal titles. Some of the titles are held under the Housing Act 1933 whilst the remainder will be under the Local Government Act 1972. It is proposed that all those interests not held under Local Government Act powers be appropriated to those powers. The disposal will then be under section 123 Local Government Act 1972.

Other Legal Implications:

15. The Traffic Regulation Order will need to be removed to permit the closure of the Public Car Park.

POLICY FRAMEWORK IMPLICATIONS

16. The proposals are in accordance with the Councils Policy Framework.

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KEY DECISION? Yes

WARDS/COMMUNITIES AFFECTED:	Bargate
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SUPPORTING DOCUMENTATION

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

Appendices

1.	Plan V3149
2.	Confidential appendix

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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