

<b>DECISION-MAKER:</b>	CABINET	
<b>SUBJECT:</b>	Lease restructure on West Quay Retail Park	
<b>DATE OF DECISION:</b>	29 <sup>th</sup> October 2024	
<b>REPORT OF:</b>	<b>COUNCILLOR BOGLE, CABINET MEMBER FOR ECONOMIC DEVELOPMENT</b>	
<b><u>CONTACT DETAILS</u></b>		
	<b>Title</b>	Executive Director for Growth and Prosperity
	<b>Name:</b>	Stephen Haynes
	<b>E-mail:</b>	Stephen.haynes@southampton.gov.uk
<b>Author:</b>	<b>Title</b>	Interim City Development Manager
	<b>Name:</b>	James Lazarus
	<b>E-mail:</b>	James.lazarus@southampton.gov.uk
<b>STATEMENT OF CONFIDENTIALITY</b>		
<p>Appendices 1 and 3 of 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. This includes details of commercial terms which have not yet been finalised between parties and which if disclosed, could put the Council or other parties at a commercial disadvantage.</p>		
<b>BRIEF SUMMARY</b>		
<p>The report advises Cabinet of the proposals to make variations to the existing lease of the West Quay Retail Park. The proposed changes aim to support the delivery of this key regeneration site which has been long been identified as a priority for regeneration through various master planning exercises in the area.</p>		
<b>RECOMMENDATIONS:</b>		
	(i)	To approve the proposed changes to the existing lease and recommendations set out in Confidential Appendix 1.
	(ii)	To delegate authority to the Chief Executive following consultation with the Leader and Executive Director of Growth and Prosperity to finalise the detailed terms of the agreements required and all other ancillary legal documentation to support the delivery of the redevelopment of the area.
<b>REASONS FOR REPORT RECOMMENDATIONS</b>		
1.	<p>As freehold landowner, the Council wishes to support the delivery of the redevelopment of West Quay Retail Park (Plan attached at Appendix 2) over a period of time for a mix of uses consistent with its ambitions for the good growth of the city. The lease currently restricts opportunities for redevelopment and therefore needs to be altered to allow the leaseholder to develop schemes other than retail. Due to the considerable size of the area in question and the staggered expiries of the various occupational leases, comprehensive development in one phase poses significant challenges to delivery, so the leaseholder, Aviva has proposed an indicative redevelopment programme over a ten-year period in a number of phases.</p>	

2.	Allowing changes to the lease as recommended in Appendix 1 acknowledges the impacts of macroeconomic challenges faced by construction projects over the past few years, gives the leaseholder certainty that it can undertake Development over a period of time, but also allows the Council to continue to actively monitor and support progress towards delivery of redevelopment in this area. The arrangements envisage delivery of an initial phase commencing in the next 12/24 months. The S.123 report that forms Appendix 3 suggests that the proposals represent better value to the Council than the existing status quo.
----	--

**ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

3.	<p><b>Do nothing.</b> The existing buildings are nearing the end of their economic life and require investment, however the market for “retail sheds” is weak at present and many of the operators who would occupy are in a poor financial state. There is therefore a risk that as leases expire units will remain vacant impacting on the level of the Council’s rent share which will reduce and also adding to the general decline of the area. Aviva have also indicated that without this restructure they would be unable to justify further investment in the site and/or buildings which would result in further decline.</p> <p><b>Take a surrender of the existing Headlease.</b> This option would entail the Council acquiring the interest off Aviva. This option would involve a significant capital outlay and increase the Council’s exposure to risk as the condition of the buildings decline and the income falls away, together with the difficulties in dealing with a reluctant counter party.</p>
----	--

**DETAIL (Including consultation carried out)**

4.	The Council is the freeholder of the West Quay Retail Park (see Appendix 2 – Site Plan), which comprises two terraces of retail warehouses, a separate unit on an island site (currently Mamas & Papas) and the coach station together with associated surface parking and access roads, located to the south of Southampton Central train station. The entire area is let on a single lease for a term of 150 years from 1 <sup>st</sup> October 1994.
----	---

**RESOURCE IMPLICATIONS**

**Capital/Revenue**

5.	The details of the commercial terms are set out at Appendix 1.
6.	Aviva will pay SCC legal and surveyors fees in relation to these arrangements
7.	Details of capital receipts are set out in Appendix 1.

**Property/Other**

8.	The Council as freeholder will need to monitor Aviva’s progress in bringing forward their proposals; this is not envisaged to be significant. Over and above the estate management function, the City Development team will be need to monitor and comment on specific development proposals as and when they are presented.
----	--

<b>LEGAL IMPLICATIONS</b>	
<b><u>Statutory power to undertake proposals in the report:</u></b>	
9.	The Council powers to promote this development are Section 123 Local Government Act 1972 and Section 1 Localism Act 2011.
<b><u>Other Legal Implications:</u></b>	
10.	Not applicable.
<b>RISK MANAGEMENT IMPLICATIONS</b>	
11.	The Council is not taking any active participation in the re-development and (apart from timing of the projected revenue & capital receipts) no financial risks are involved. Whilst there is no guarantee that the site will be fully developed out as outlined there are some mitigations included in proposals which are outlined in Appendix 1.
12.	This scheme is subject to uncontrollable economic events which is normal for schemes with a long delivery timetable.
<b>POLICY FRAMEWORK IMPLICATIONS</b>	
13.	Redevelopment of the area supports many of the Council's strategic objectives around regeneration, 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 growth and regeneration ambitions for the City.

<b>KEY DECISION?</b>	<b>Yes</b>
<b>WARDS/COMMUNITIES AFFECTED:</b>	All
<b><u>SUPPORTING DOCUMENTATION</u></b>	
<b>Appendices</b>	
1.	Report on Commercial Terms Amendments (confidential)
2.	Site Plan
3.	S.123 report prepared by Independent Valuers (confidential)
<b>Documents In Members' Rooms</b>	
	None
<b>Equality Impact Assessment</b>	
<b>Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.</b>	<b>No</b>
<b>Data Protection Impact Assessment</b>	
<b>Do the implications/subject of the report require a Data Protection Im Assessment (DPIA) to be carried out.</b>	<b>No</b>
<b>Other Background Documents</b>	
<b>Other Background documents available for inspection at:</b>	

<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>
-------------------------------------	---