

DECISION-MAKER:	CABINET
SUBJECT:	Restructure of Leases at Nelson Gate
DATE OF DECISION:	28 January 2025
REPORT OF:	COUNCILLOR BOGLE CABINET MEMBER FOR ECONOMIC DEVELOPMENT

<u>CONTACT DETAILS</u>			
Executive Director	Title	Executive Director for Growth and Prosperity	
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STATEMENT OF CONFIDENTIALITY	
<p>Appendices 1 and 2 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 if disclosed could put the Council or other parties at a commercial disadvantage.</p>	
BRIEF SUMMARY	
<p>The report advises Cabinet of the proposals to restructure the leases at Nelson Gate. The proposals aim to support the delivery of this key gateway regeneration site which has long been identified as a priority for regeneration through various master planning exercises in the area.</p>	
RECOMMENDATIONS:	
	(i) To approve the lease restructuring proposals and recommendations set out in exempt Appendix 1.
	(ii) To delegate authority to the Executive Director for Growth and Prosperity following consultation with the Leader of the Council to finalise the detailed terms of the arrangements required to support the delivery of the regeneration of the area.
REASONS FOR REPORT RECOMMENDATIONS	
1.	As freehold owner, the Council wishes to support the regeneration of the Nelson Gate "complex" including the recladding of the existing office buildings together with an upgrade of the surrounding public realm incorporating a mix of uses consistent with its ambitions for the good growth of the city. The current leases restrict opportunities for regeneration and therefore need altering to facilitate this.
2.	Allowing the changes to the leases as recommended in exempt Appendix 1 acknowledges the impacts of macroeconomic challenges faced by construction projects over recent years, gives the leaseholder certainty that it can undertake Development but also allows the Council to actively monitor

	<p>and support delivery of the regeneration required in this area. The scheme is expected to be delivered in two phases. The first phase, focusing on the existing buildings and their immediate surroundings, is projected for completion by September 2026. However, it is important to note that this timeline is a challenging target. The S.123 report prepared by external specialist valuers, confirms that the proposals represent best consideration to the Council than the existing status quo.</p>
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED	
3.	<p>Do nothing.</p> <p>The existing buildings and their immediate environment are run down and out dated and provide a poor impression of the City, given this is a key gateway site. The length of the existing leases provide no incentive for the leaseholder to take any action thus resulting in further neglect and decline.</p>
4.	<p>The Council sells its existing freehold interest.</p> <p>The Council has looked at the possibility of selling its interest in the open market although that would place the leaseholder in a strong position and would result in the Council losing any control both in terms of nature and timing over regeneration proposals, other than through Planning policy.</p> <p>Purchase the existing leasehold interest.</p> <p>Whilst this would give the Council total control over redevelopment of the site, it would come with the financial burdens of owning empty buildings and the management of those buildings whilst other options are considered.</p>
DETAIL (Including consultation carried out)	
5.	<p>The Council is the freeholder of Nelson Gate and the adjacent land to the west including Council owned surface car parking, which has been identified for sale. This property is leased on two separate leases: the primary lease has 78 years remaining, while the secondary lease has 8 years left.</p>
6.	<p>In 2019 Cabinet gave approval to progress negotiations in relation to the regeneration and redevelopment of Nelson Gate under the approved planning application ref (19/00038/OUT) and permitted development (17/01622/PA56) for conversion of offices. The scheme as previously permitted was subsequently considered not to be deliverable by the leaseholders, which has placed the redevelopment of the site on hold while alternative schemes have been considered.</p>
7.	<p>The new development proposals will be subject to planning permission which will be sought via the normal process and, subject to a separate decision from the Council as planning authority.</p>
RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
8.	<p>The details of the commercial terms are set out in exempt Appendix 1.</p>

9.	The leaseholder will pay the Council's legal and valuations fees in relation to these arrangements
10.	Details of the Capital receipt and rental payments are set out in detail in exempt Appendix 1.
<u>Property/Other</u>	
11.	The Council, in its capacity as freeholder/Lessor will need to monitor the leaseholder's progress in delivering the first phase in a timely fashion as anticipated but also monitor progress in respect of the delivery of the second phase on the land to the west. Over and above the usual estate management function, the City Development Team will need to monitor and comment on the specific development proposals
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report:</u>	
12.	The Council powers to promote this proposal are s.123 Local Government Act 1972 and Section 1 Localism Act 2011.
	S.123 empowers a local authority to dispose of an interest in land (including leasehold and option arrangements etc) in any manner they wish subject to a requirement to achieve 'Best Consideration' for the disposal.
	A report prepared by Independent Valuers in accordance with S.123 of the Local government Act 1972 confirms that the proposals represent best consideration for the Council. This report forms Appendix 2.
<u>Other Legal Implications:</u>	
13.	The proposals have been assessed as compliant against all relevant pervasive legislation including but not limited to Subsidy Control Act, Equalities Act (s.149 Public Sector Equality Duty) and Crime & Disorder Act together with relevant planning legislation.
RISK MANAGEMENT IMPLICATIONS	
14.	The Council is not taking any active participation in this regeneration and (apart from the timing of projected revenue and capital receipts) no financial risks are involved. Whilst there is no guarantee that the second phase will be developed as envisaged, there are some mitigations included within the proposals which are outlined in exempt Appendix 1.
15.	The scheme is subject to uncontrollable economic events which is normal for schemes of this nature.
POLICY FRAMEWORK IMPLICATIONS	
16.	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 the site's potential to contribute to a vision for the City's future growth and prosperity. The development proposals are consistent with the growth and regeneration ambitions for the City.

KEY DECISION?	Yes	
WARDS/COMMUNITIES AFFECTED:	Banister & Polygon	
<u>SUPPORTING DOCUMENTATION</u>		
Appendices		
1.	Report on Commercial Terms - exempt	
2.	S.123 report prepared by Independent Specialist Valuers - exempt	
Documents In Members' Rooms		
1.	None	
2.		
Equality Impact Assessment		
Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.		No
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		
Link to previous Cabinet decision in 2019: https://www.southampton.gov.uk/moderngov/ieDecisionDetails.aspx?ID=2047		
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.		
2.		