



**Glasgow City Council**

**Finance and Audit Scrutiny Committee  
Committee**

**Report by Director of Financial and Business Services**

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**Item 5**

13th February 2019

**Update Report on Common Good Fund Property Portfolio**

**Purpose of Report:**

To provide the Finance & Audit Scrutiny Committee with an update on the management of the Common Good Property portfolio by City Property.

**Recommendations:**

The Committee is asked to note the contents of the report.

Ward No(s):

Citywide: ✓

Local member(s) advised: Yes  No  consulted: Yes  No

## **Update Report on Common Good Fund Property Portfolio**

### **1. INTRODUCTION**

- 1.1 The purpose of this report is to update Committee on the management of the Common Good Fund Property Portfolio following the report that was submitted to Committee on 11<sup>th</sup> September 2018.

### **2. BACKGROUND**

- 2.1 As previously advised the portfolio comprises a mixture of income from leases and servitudes primarily from within the City of Glasgow boundary however one property Humble Farm sits out with the city boundary.
- 2.2 The portfolio is heavily weighted to retail use with the balance split between ground lease income derived from general business, agricultural and leisure uses.
- 2.3 City Property is responsible for maximising rental income from the portfolio and ensuring that the physical condition of the properties is protected by arranging, as appropriate, maintenance and repairs.
- 2.4 The factoring costs are recovered via service charge from the commercial tenants in the portfolio.
- 2.5 The portfolio is managed in line with the process set out in the Policy on Common Good approved by the Executive Committee on 5<sup>th</sup> February 2015.

### **3. CURRENT POSITION - COMMERCIAL PROPERTIES HELD FOR INCOME GENERATION**

- 3.1 The annual passing rent for the occupied premises is currently £257,491 (net of VAT) as previously reported.
- 3.2 Total factoring costs recoverable for the period from 1<sup>st</sup> April 2018 to 30<sup>th</sup> September 2018 via service charge amounted to £948.38, this being in relation to the commonly factored properties at 53-67 Byres Road and 407-439 Great Western Road.

This is subject to change per 6-monthly period due to different charges arising from previous works carried out to variable units.

- 3.4 Details of commercial premises are as follows:

#### 53-67 Byres Road

There are 6 shop units at this location, 4 of which are currently occupied.

The two vacant units are currently awaiting final certification before they can be marketed. City Property's agents are preparing marketing documentation.

A total rent of £32,501 per annum is currently generated from this range.

#### 4-6 Dowanhill Street

Total rental income for the 2 occupied shops amounts to £15,150 per annum.

There are currently no vacant units at this location.

#### 174-182 Dumbarton Road

Total rental income for the 3 shops currently amounts to £29,650 per annum as previously reported.

#### 407- 439 Great Western Road and 6 Park Road

There are 10 shops at this location, all of which are currently let.

This range currently generates a total rental income of £170,300, the same figure as previously reported.

#### 33-37 Riverford Road

These 2 ground floor units are located at the junction of Riverford Road, Ashtree Street and MacDougal Street.

Both units are currently unoccupied. 33 Riverford Road, however, is now under offer for a rent of £8,000 per annum on the basis of a 20-year lease. This is currently with legal services to conclude the lease.

37 Riverford Road requires refurbishment before it can be marketed. City Property has finalised a revised scope of works with City Building, and now has agreement from Corporate Finance for funding of £15,000 to provide the required upgrade to a basic shell unit. The contractor is now to be instructed.

#### 1284 Dumbarton Road

As previously reported this consists of a long term ground lease (1990 – 2050) to Victoria Park Bowling Club. An annual equity rent of £3,190 is currently payable.

#### 120 Woodville Street

This small vacant ground site is located 75 metres from Ibrox Underground Station. The Glasgow Underground line runs beneath the site.

The site remains on the market with City Property's agent, Graham & Sibbald, however there is no interest at present. The most recent interest was for car parking was withdrawn due to the fact that this site lacks services.

Given its corner location, and the Underground tunnel beneath it, the site has limited development potential. In addition to this, the site is subject to potential Planning constraints for development.

In order to further stimulate interest, City Property is now consulting with Graham & Sibbald with a view to formulating a more informed marketing approach, outlining possible uses which may be approved, and advising of outline lease terms.

#### **4. CURRENT POSITION – NON COMMERCIAL PROPERTIES**

4.1 Outwith the aforementioned "core" retail element of the portfolio are a number of sites where income is derived from ground leases, these include long term ground leases for business use, regulated agricultural tenancies and regulated residential tenancies.

4.2 Details of ground leases, agricultural tenancies and residential tenancies are as follows:

##### 254-290 Sauchiehall Street

This property, known as Breckenridge House, occupies the ground and upper floors of a rebuilt Victorian office block.

As advised in previous reports, the head lease for the property is held by Larkhill Properties Limited for a period of 103 years from 21<sup>st</sup> November 2007 at a peppercorn rent. The tenant sub-lets the individual shops and offices to various occupiers.

##### McLellan Galleries, 270 Sauchiehall Street

As also reported previously heads of terms as provisionally agreed in respect of the proposed long lease of the galleries to The Glasgow School of Art (GSA) were subsequently approved by the Executive Committee on 11<sup>th</sup> December 2014.

There has been no update since the previous report in terms of this transaction by virtue of the fact that GSA's long term plans for the property have yet to be submitted to DRS.

##### Citizen's Theatre, 119A-123 Gorbals Street

The lease is in the process of completion as referred to in the last report with the draft being updated on terms being finalised between the Citizens and Glasgow City Council. Discussions are focusing on amendments required relating to the redevelopment of the Theatre.

## Pollok Country Park

As previously reported there are two cottages at this location. One known is the subject of a 60 year lease, expiring in 2024 at £50 per annum and the other, at 132 Dumbreck Road, which has been vacant since 2010 is in considerable disrepair.

There is also a lease to Police Scotland at a peppercorn rent, for use of ground as a car park in connection with the dog training facility in Pollok Park, which expired on 20<sup>th</sup> April 2015. The tenant has continued to occupy this site, which extends to 1.78 acres or thereby, on tacit relocation. This is being kept under review while the Council is considering a masterplan for the Park.

## Humbie Farm

Humbie Farm, as previously reported, is located out with the GCC boundary in East Renfrewshire. It comprises two areas of farmland held under separate leases, that in total provide approximately 40 acres of grazing land.

The total rental income currently generated from Humbie Farm is £2,400 per annum, £1,150 per annum in terms of a long term agricultural let from 1971 and £1,250 per annum passing from an adjacent grazing let which has been renewing for a number of years. The agricultural let is a Protected tenancy in terms of the Agricultural Holdings (Scotland) Acts, hence continues indefinitely.

Agricultural specialists have been commissioned by City Property to negotiate the rents for Humbie Farm, and to engage with the tenants directly in this regard. The agricultural agent has intimated, however, that there may be limited scope in the foreseeable future for enhancing the income from the site.

Should either tenant wish to terminate their lease in future, however, this may generate a substantial capital receipt by virtue of the fact that the land could then be promoted for potential development opportunities.

## Cathkin Braes Country Park

As previously reported the Council has granted a 25-year lease of 2 plots within Cathkin Braes Country Park, in favour of SSE Generation Limited for the purpose of a windfarm. This lease expires in 2037.

## **5. CONCLUSIONS**

5.1 Over the next 6 month period it is the intention that City Property shall:

- (1) Progress the marketing of the 2 vacant units at Byres Road
- (2) Revise the marketing brief and re-launch the letting of Woodville Street, Govan.

- (3) Progress remedial works to the longer term vacant unit at 37 Riverford Road, with a view to marketing this property at the earliest practicable opportunity.
- (4) Conclude the new Lease to the Citizen's Theatre.
- (5) Progress the new Lease to GSA in respect of McLellan Galleries, following instruction from DRS, and in consultation with Legal Services.
- (6) Continue to monitor repair and maintenance expenditure to protect the assets value.
- (7) Continue to maximise income through increased rental by undertaking rent reviews and lease renewals where necessary.
- (8) Continue with a programme of regular inspection to ensure tenant compliance with leasehold obligations.

## 2 Policy and Resource Implications

### Resource Implications:

*Financial:* There are currently no financial implications from the proposals.

*Legal:* There are no legal implications from the proposals.

*Personnel:* There are no personnel implications.

*Procurement:* Not applicable.

**Council Strategic Plan:** Various transactions within the Common Good Portfolio are in accordance with the Council's Strategic Plan.

### Equality and Socio-Economic Impacts:

*Does the proposal support the Council's Equality Outcomes 2017-22* Not applicable

*What are the potential equality impacts as a result of this report?* No impact

*Please highlight if the policy/proposal will help address socio economic disadvantage.*

Not applicable

**Sustainability Impacts:**

*Environmental:*

Not applicable

*Social, including Article 19 opportunities:*

*Economic:*

**Privacy and Data Protection impacts:**

No data protection impacts have been identified

**3 Recommendation**

The Committee is asked to note the contents of the report.