



Glasgow City Council

Finance and Audit Scrutiny Committee

Report by Director of Financial and Business Services

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Item 5

25th January 2023

Update Report on Common Good Fund Property Portfolio

Purpose of Report:

To provide the Finance and Audit Scrutiny Committee with an update on the management of the Common Good Property Portfolio by City Property Glasgow (Investments) LLP, as at the end of Quarter 3, 31 December 2022.

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

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1. INTRODUCTION

- 1.1. The purpose of this report is to update Committee on the management of the Common Good Fund Property Portfolio by City Property Glasgow (Investments) LLP (CPGI) as at end of December 2022, following the report that was submitted to Committee on 31 August 2022.

2. SUMMARY

- 2.1. The portfolio comprises a mixture of income from leases primarily from within the City of Glasgow boundary, however, one area of ground at Humble Farm is located out with the city boundary.
- 2.2. The portfolio has a majority of retail use with the remaining balance split between ground lease income derived from general business, agricultural and leisure uses.
- 2.3. CPGI is responsible for maximising rental income from the portfolio and managing the condition of the properties and instructing as necessary any repairs and maintenance.
- 2.4. The portfolio is managed in line with the process set out in the Policy on Common Good approved by the Executive Committee on 5 February 2015.
- 2.5. The total annual rent from the portfolio as at 31 December 2022 is £242,092 (net of VAT).
- 2.6. The total non-recoverable costs, primarily rates costs, for the 6 month period from June to December 2022, is £9,937.
- 2.7. Total arrears across the portfolio as at 31 December 2022 are £73,083, which is a reduction of £46,500 since the last report in 31 August 2022.

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

3.1. 53-67 Byres Road

- 3.1.1. There are six shop units at this location, all of which are currently leased.
- 3.1.2. A rent of some £57,000 per annum is generated from this range.
- 3.1.3. The lease at 65/67 Byres Road is being assigned and the lease extended for a further 10 years for a proposed beverage and confectionary take away shop.

3.2. 4-6 Dowanhill Street

- 3.2.1. There are two shop units at this location. One is trading as a Hairdressers and the other is vacant.

3.2.2. The shop at 6 Dowanhill Street has been refurbished, and marketed for let. Heads of terms are being agreed with the successful bidder.

3.3. 174-182 Dumbarton Road

3.3.1. There are three shop units at this location with two generating a combined rent of £18,900 per annum.

3.3.2. The remaining unit is a pending vacancy following the dissolution of the company which held the lease. Legal Services is currently progressing with the process of obtaining vacant possession and it is anticipated that this will be completed in the coming months.

3.4. 407- 439 Great Western Road and 6 Park Road

3.4.1. Eight of the ten properties are currently leased that generate a rental income of £143,850 per annum. One unit is at Legal Services to evict the tenant for non-payment of rent, the other is a vacant unit which was marketed and heads of terms are being agreed with the successful bidder.

3.5. 33-37 Riverford Road

3.5.1. The subjects comprise two vacant ground floor retail units located at the junction of Riverford Road, Ashtree Street and MacDougal Street.

3.5.2. 33 Riverford Road. As previously reported, the offer to let the subjects was suspensively conditional upon the tenant obtaining planning, a licence and their Board approval. A licence and Board approval were both obtained but planning consent was refused and the prospective tenant subsequently appealed the decision. The planning appeal was refused and has now passed the longstop date for purifying the suspensive condition of tenant having achieved the necessary consents and either party is entitled to resile from the missives. The solicitor has been instructed by the prospective tenant to do so and the property will be re-marketed.

3.5.3. The prospective tenant of 37 Riverford Road failed to secure planning permission to operate as Sit-In Coffee House/Café and subsequently withdrew their offer to lease the subjects.

3.5.4. Graham and Sibbald re-marketed the subjects and are currently in the process of agreeing Heads of Terms for a proposed annual lease of the property for a proposed studio workshop/gallery use which will be subject of a delegated report seeking authority to transact.

3.6. 1284 Dumbarton Road

3.6.1. As previously reported, this comprises a long term ground lease (1990 – 2050) to Victoria Park Bowling Club, generating an annual equity rent of £3,190.

3.7. 120 Woodville Street

- 3.7.1. The subjects comprise vacant ground located 75 metres from Ibrox Underground Station. The Glasgow Underground line runs beneath the site, thus restricting its use.
- 3.7.2. Approval has been granted under the Glasgow City Council's (GCC) scheme of delegations for a long term lease as a secure yard and general storage. As previously reported, Legal Services confirmed that the site is alienable common good hence not requiring the court's permission before entering into any lease, however there is a requirement for consultation in terms of the Community Empowerment Act 2015.
- 3.7.3. Legal Services drafted a Consultation Notice, for Neighbourhoods, Regeneration and Sustainability, Property & Consultancy Services (PCS) approval, under Part 8 of the Community Empowerment Act 2015. The consultation closed on 11th September 2022. Three responses were received, all from the local community and principally relating to the merits of the proposals for the site. It has been necessary to assess these responses before the lease can be finalised, and in this regard the views of PCS have been sought in terms of the merits and suitability concerning industrial/commercial versus community-related uses for the site. A response from PCS is still awaited at this time.

4. **CURRENT POSITION - NON COMMERCIAL PROPERTIES.**

- 4.1. The portfolio has 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, the details of which are as follows.
- 4.2. 254-290 Sauchiehall Street
 - 4.2.1. This property, known as Breckenridge House, occupies the ground and upper floors of a rebuilt Victorian office block.
 - 4.2.2. As advised in previous reports, the head lease for the property is currently held by Larkhill Properties Limited (the tenant) for a remaining period of 103 years from 21st November 2007 following an assignation of the lease from the original tenant. The passing rent is peppercorn but a grassum was paid at the beginning of the lease. The tenant sub-lets the individual shops and offices to various occupiers.
 - 4.2.3. Approval was given for Landlord's consent to vary the use from Retail to a Café for one of the ground floor units, refurbish the 1st and 3rd floor, re-clad the shop fronts and in return for a premium of £50,000, extend the lease term by a period of 50 years, therefore the lease will now expire in November 2160. This transaction has now concluded.

4.2.4. As part of the tenant's on-going improvement works three further requests for Landlord's consent have been made to remove the dividing partition between units 9 & 10, change the use of these units from Retail to Financial & Professional Services and internal layout changes and refurbishment of 2nd floor offices. These latter three requests have been approved.

4.3. McLellan Galleries, 270 Sauchiehall Street

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

4.3.2. GSA are progressing with its Strategic Outline Business case for the Mackintosh Building together with its wider estate and in this regard the McLellan Galleries has been designated as a property they would intend to withdraw from in due course. GSA will therefore not be progressing with the proposed long lease of the property. City Property will keep in contact with the GSA in respect of their proposed removal from the property.

4.4. Citizen's Theatre, 119A-123 Gorbals Street

4.4.1. As previously reported the new 99-year lease from GCC to the Citizens Theatre Limited completed on 3rd June 2019. The rent is £1,250 per annum.

4.5. Pollok Country Park

4.5.1. There is one cottage at the subjects at 132 Dumbreck Road, which has been vacant since 2010 due to the condition. Another cottage was demolished to make way for an improved entrance to the park.

4.5.2. NRS Property & Consultancy Services are in discussions with Hutchesons Grammar School (HSG) who wish to buy the vacant dilapidated cottage at 132 Dumbreck Road. HSG have had a land swap with Giffnock Soccer, extending the lease of their ground to 60 years. HSG now propose to demolish the cottage which will improve access to and from Norwood Playing Fields. This will be subject of local member consultation by Property & Consultancy Services and public consultation in terms of the Common Good.

4.5.3. GCC continue to work on the proposed masterplan for Pollok Park. This will impact Police Scotland's occupation of the car park. NRS Property & Consultancy Services are to take the lead on these discussions with City Property assisting where necessary.

4.6. Humbie Farm

4.6.1. 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 which provide approximately 27 acres in total of grazing land.

4.6.2. The gross rent currently generated from Humble Farm is £1,150 per annum and there are no non-recoverable costs.

4.6.3. As previously reported the adjacent seasonal grazing let, which was not renewed by the previous tenant, is currently vacant and whilst City Property was attempting to secure a suitable letting, GCC identified this land as potentially suitable for an Urban Farm/Food Growing Initiative. This initiative is being coordinated by Neighbourhoods, Regeneration and Sustainability (People Make Glasgow Communities Programme Office). The land is hence still being retained at this time in relation to this ongoing proposal.

4.7. Cathkin Braes Country Park

4.7.1. Cathkin Braes Country Park, is let to SSE Generation Limited as a windfarm. This lease expires in 2037. There is a base rent of £3,000 per annum, with Glasgow City Council entitled to an additional equity share of income generated in terms of a Co-venture agreement between GCC and the tenant.

5. **CONCLUSION**

5.1. Over the next 6-month period CPGI will:

- 1) Complete the 10 year lease of the shop unit at Byres Road which is subject of an assignation.
- 2) Endeavour to secure the completion of the letting of the subjects at Woodville Street, Govan once consultation has been concluded by NRS Property & Consultancy Services.
- 3) Endeavour to complete all outstanding transactions/negotiations and secure lettings following marketing of those subjects which remain vacant.
- 4) Continue to monitor repair and maintenance expenditure to protect asset value.
- 5) Continue to maximise income through increased rental by undertaking rent reviews and lease renewals where appropriate.
- 6) Continue to pursue debt and implement payment plans and legal action as appropriate.
- 7) Continue with a programme of regular inspection to ensure tenant compliance with leasehold obligations.
- 8) Subject to the consultation at Pollok Park, assist NRS Property & Consultancy Service to negotiate the disposal of 132 Dumbreck Road.

6. 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: No relevant procurement issues.

Council Strategic Plan: In the Council Strategic Plan 2022-27 the proposals:
Enable staff to deliver essential services in a sustainable, innovative and efficient way for our communities.
Enable staff to deliver a sustainable and innovative council structure that delivers value for money
Citizen engagement has been carried out for the site at Woodville Street by way of Public Consultation and planned for Pollok Country Park.

Equality and Socio-Economic Impacts:

Does the proposal support the Council's Equality Outcomes 2021-25? Please specify. No specific equality related outcomes.

What are the potential equality impacts as a result of this report? No equality impacts identified.

Please highlight if the policy/proposal will help address socio-economic disadvantage. The proposal has no impact on socio economic disadvantage.

Climate Impacts:

Does the proposal support any Climate Plan actions? Please specify:

No direct support

What are the potential climate impacts as a result of this proposal?

Impact deemed as neutral

Will the proposal contribute to Glasgow's net zero carbon target?

No specific contribution

Privacy and Data Protection Impacts:

No Privacy and Data Protection impacts identified

7. Recommendation

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