Item 3

24th January 2024

Glasgow City Council

Finance and Audit Scrutiny Committee

Report by Director of Financial and Business Services

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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 31st December 2023

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 2023, following the report that was submitted to Committee on 23rd August 2023.

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 Humbie 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 31st December 2023 is £292,492 (net of VAT). This is an increase of £12,852 since the last report.

2.6. The total non-recoverable costs, primarily non-domestic rates, for the 6 month period from 1st July 2023 to 31st December 2023 was £7,147, an increase of £354 since the August 2023 report.

2.7. Total rent arrears across the portfolio as at 31st December 2023 stood at £72,569 which is a reduction of £18,352 since the August 2023 report.

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

3.1. <u>53-67 Byres Road</u>

3.1.1. There are six shop units at this location, five of which are currently leased.

3.1.2. A rent of £44,500 per annum is generated from this range.

3.1.3. The lease of 59 Byres Road was recently terminated and the unit is currently being marketed for let.

3.1.4. The lease at 65/67 Byres Road is to be extended for a further 10 years for a beverage and confectionary take away shop. Delegated Authority Approval has now been received and Legal Services instructed to conclude.

3.2. 4-6 Dowanhill Street

3.2.1. There are two shop units at this location, both are let and generating a combined rent of £18,000 per annum.

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 company holding the lease at 180 Dumbarton Road has become dissolved and rent is no longer being received. Legal Services have been instructed to obtain a Decree for Eviction in order to secure vacant possession. Thereafter City Property will arrange for the property to be marketed

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

3.4.1. All ten properties are currently leased and generate a rental income of £180,350 per annum.

3.5. 33-37 Riverford Road

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

3.5.2. The proposed lease of the subjects at 33 Riverford Road to the Bookmakers William Hill did not progress due to the refusal of planning consent for a change of use.

3.5.3. The property will now be remarketed by our letting agents Graham and Sibbald following the installation of a new gas boiler.

3.5.4. As previously reported, our letting agents re-marketed the subjects at 37 Riverford Road following which the property has now been let on an annual lease at a rental of £7,500 per annum to Paul Chambers for a studio workshop/gallery use.

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. As reported previously approval was granted under the Glasgow City Council's (GCC) scheme of delegations for a long term lease to Glasgow East Opco Company Limited (SC677626) as a secure yard and general storage. Legal Services had confirmed that the site is alienable common good hence not requiring the court's permission before entering into any lease, however there was a requirement for consultation in terms of the Community Empowerment Act 2015. This has now been completed and Property & Consultancy Services have duly confirmed their support for an industrial/commercial-type of use such as that proposed for this site.

3.7.3. Following a GCC review of its operational requirements for the site, the lease has now been completed with a date of entry of 15th November 2023. The rent is £6,750 per annum to be reviewed annually to open market rent, subject to a cap & collar of 1 and 3%.

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. <u>254-290 Sauchiehall Street</u>

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

4.2.2. The head lease for the property is currently held by Larkhill Properties Limited and runs until 2160. The passing rent is peppercorn but a grassum was paid at the beginning of the lease, and a further premium was secured recently for Landlord's consent for a change of lease condition and works. The tenant sub-lets the individual shops and offices to various occupiers.

4.3. <u>McLellan Galleries, 270 Sauchiehall Street</u>

4.3.1. The Glasgow School of Art determined that the accommodation within the McLellan Galleries no longer meets their requirements and have vacated as of early November 2023. City Property has served a dilapidations schedule and the Glasgow School of Art have appointed an external firm to act on their behalf to discuss the dilapidation requirements.

4.3.2. Discussion with GCC are now ongoing as to the next steps for this property, and potential tenants and uses going forward. Further updates will be provided once agreement on future strategy has been reached.

4.4. <u>Citizen's Theatre, 119A-123 Gorbals Street</u>

4.4.1. The 99-year lease from GCC to the Citizens Theatre Limited at a rent of £1,250 per annum commenced in 2019.

4.5. Pollok Country Park

4.5.1. Hutcheson Grammar School wish to purchase the vacant and dilapidated cottage at 132 Dumbreck Road in order that they can demolish the building to extend the car park and entrance way serving Norwood Playing Fields. At present vehicle access to Norwood Playing Fields is tight and parking is limited.

4.5.2. Property and Consultancy Services have no operational need or budget to refurbish the property and have agreed in principle to the sale. City Property have now received an instruction to commence negotiations with Hutcheson Grammar School.

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 Humbie Farm is £1,150 per annum and there are no non-recoverable costs.

4.6.3. The adjacent seasonal grazing let remains 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 being coordinated by Neighbourhoods, Regeneration and Sustainability (People Make Glasgow Communities) (PMGC). PMGC has since confirmed that the client organisation involved in this Initiative has withdrawn its interest.

4.6.4. Neighbourhoods, Regeneration and Sustainability (NRS) has advised that all efforts are now being focussed on unlocking access to this land with an adjacent landowner, this being with a view to maximising potential of the site. City Property is continuing to liaise with NRS in terms of how this is progressing.

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) Endeavour to complete all outstanding transactions/negotiations and secure lettings following marketing of those subjects which remain vacant.

2) Continue to monitor repair and maintenance expenditure to protect asset value.

3) Continue to maximise income through increased rental by undertaking rent reviews and lease renewals where appropriate.

4) Continue to pursue debt and implement payment plans and legal action as appropriate.

5) Continue with a programme of regular inspection to ensure tenant compliance with leasehold obligations.

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:	Grand Challenge 4 - Enable staff to deliver essential services in a sustainable, innovative and efficient way for our communities. Mission 3 - Enable staff to deliver a sustainable and innovative council structure that delivers value for money.

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.