



Glasgow City Council

Finance and Audit Scrutiny Committee

Report by Director of Financial and Business Services

Contact Morag Johnston Ext: 74316

Item 3

18th September 2024

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 30th June 2024

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 30th June 2024, following the report that was submitted to Committee on 24th January 2024.

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 30th June 2024 is £287,780 (net of VAT). This is a reduction of £4,712 from the previous report.
- 2.6. The total non-recoverable costs, primarily non-domestic rates, for the 6 month period from 1st January 2024 to 30th June 2024 was £6,944.07, a reduction of £202.93 from the previous report.
- 2.7. Total rent arrears across the portfolio as of 30th June 2023 stood at £95,129 which is an increase of £22,560 since the previous report.

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

3.1. 53-67 Byres Road

- 3.1.2 There are six shop units at this location, five of which are currently leased, generating a rental income of £44,500 per annum.
- 3.1.3 A specification is being prepared for the vacant unit at 63 Byres Road with a view to appointing City Building to undertake the general improvement works. Once complete the unit will be marketed for let.

3.2. 4-6 Dowanhill Street

3.2.1 There are two shop units at this location, both are leased 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 leased and generating a combined rent of £22,090 per annum.

3.3.2. As previously reported, the tenant at 180 Dumbarton Road became dissolved. Legal Services obtained a Decree for Eviction to secure vacant possession and an eviction was carried out by which time the tenant had absconded.

3.3.3. A specification for works is being prepared for the vacant unit and City Building will be instructed to undertake the works.

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

3.4.1 The retail range consists of 10 retail units 9 of which are currently leased producing a combined rental income of £180,350 per annum.

3.4.2 Number 427 Great Western Road is currently vacant and is in the process of being prepared for marketing.

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. One of the units is currently leased at £7,500 per annum and the remaining unit is under offer at a rental of £8,160 per annum.

3.6. 1284 Dumbarton Road

3.6.1. This comprises a ground lease to Victoria Park Bowling Club for a duration of 60 years expiring in 2050. The current rent is £3,190 per annum.

3.7. 120 Woodville Street

3.7.1. The subjects comprise an area of ground leased by way of a 125 year ground lease expiring in 2148 at a rental of £6,750 per annum. The site is used by the tenant as a secure yard and for general storage.

4. CURRENT POSITION - NON COMMERCIAL PROPERTIES.

4.1. The portfolio has several 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. 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. McLellan Galleries, 270 Sauchiehall Street

4.3.1. The Glasgow School of Art vacated the McLellan Galleries during November 2023. City Property has served a dilapidations schedule and The Glasgow School of Art subsequently appointed an external firm to act on their behalf. A settlement has yet to be reached and negotiations are ongoing.

4.3.2. Property and Consultancy Services have taken the lead on developing a strategy on how best to utilise the vacant space. Further updates will be provided once a definitive outcome has been reached.

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

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. Property and Consultancy Services has advised that there is no operational need or budget to refurbish the vacant cottage at 132 Dumbreck Road and have agreed in principle to a sale.

4.5.2. As previously reported, Hutchesons' Grammar expressed an interest in acquiring the cottage however have yet to make a formal offer.

4.6. Humbie Farm

4.6.1. Humbie Farm 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 whilst City Property attempts to secure a suitable letting via their property Agent.

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.