

Decision maker: Planning, regeneration and economic development, 13th June 2014

Subject: The Camber - East Street and Broad Street, Old Portsmouth

Report by: Alan Cufley, Head of Corporate Assets, Business & Standards

Wards affected: St Thomas

Key decision (over £250k): Yes

1. Purpose of report:

- 1.1 The report is to advise the Cabinet Member of an opportunity that has arisen for the City Council as Freeholder to negotiate the surrender of the existing leasehold interests on the Camber Quay site, to potentially enable the authority in future to enter into a new lease with Ben Ainslie Racing Ltd (BAR) to develop the site, and to request authority to enter into the necessary legal and financial agreements with the existing leaseholders. As a necessary consequence of entering into those agreements and to making the sites available within the necessary timescales, to also incur expenditure at the Council's risk but on the premise of such expenditure being reimbursed.

2. Recommendations:

- 2.1 It is recommended that the Cabinet Member agrees:

(a) surrenders of the existing leasehold interests on the Camber Quay site, consequential grants of new leases, and financial settlements as set out in exempt appendix 1 are authorised

(b) the City Solicitor and Head of Corporate Assets, Business & Standards be authorised to complete all legal documentation in order to give effect to the above recommendation.

3. Background:

- 3.1 The City Council is the freehold owner of the site, taking in land either side of East Street. The land comprising the Camber is largely operated as port land, and Ken Brown Boats acts as an agent for the Port as well as operating their own commercial interest on the site. This provides good value for money for the authority. In summary, the three main interests that exist on the site are:
- Johnsons Fish Enterprises
 - Ken Brown Boats

- Portsmouth City Council - port land operated as car park by Parking Services.
- 3.2 Off-site but nearby and related, we hold the freehold on 96 Broad Street a mixed use building occupied by the Ports Pilots, a Café, offices, a small retail unit, & storage unit.
 - 3.3 As reported to the Corporate Projects Board on 30th April, early in 2014 Ben Ainslie Racing Ltd (BAR) approached PCC with a view to locating a team base on the site in order to develop and build a boat for the next Americas Cup challenge in 2017; and if successful to host the subsequent race in the UK based in Portsmouth. The team have been clear that the Camber is a preference scheme for their investment and have made a compelling case in terms of the economic development benefits they would deliver, including approximately 100 permanent jobs in the city, many more temporary jobs, others through the supply chain, and a significant boost to the regional economy through visitor spend. The scheme is fully aligned with sub-regional economic development objectives as set out by the Solent Local Enterprise Partnership (SLEP), and is specifically referenced in the Maritime Supplement commissioned by Government and produced for the SLEP by retired Rear Admiral Rob Stevens CB. However, to achieve the challenging timescales for the project, building on site must commence June 2014. BAR have submitted an application to the Department of Business, Innovation and Skills (BIS) for exceptional Regional Growth Funding (eRGF) to support the scheme, and have submitted a planning application to the city council as the Planning Authority.
 - 3.4 To facilitate the scheme as the landowner, PCC need to provide vacant possession of the site immediately following granting of planning consent. The scheme is currently scheduled for consideration by the Planning Committee in June. As the tenants occupy by way of a legal contract, negotiations ensued to relocate them with minimum detriment to the business, including to within the Broad Street premises. As the matters are essentially subject to negotiation, PCC adopted acquiring by way of compulsory purchase as a guide for settlement figures, to include relocation and loss of business estimates.
 - 3.5 The current rent passing under the existing leases for both The Camber & Broad Street is approximately £140,000 per annum exclusive. These rents are considered to reflect the current value.
 - 3.6 Johnsons Fish Enterprises have a statutory right to renew their lease when it expires in 2015. They could be granted a maximum term of 14 years, unless a firm redevelopment scheme with funding was in place. Ken Brown Boats lease expires in 2019 and they had indicated a preference to renew, if possible.
 - 3.7 This site is outside the current seafront strategy and not explicitly referenced within any other planning documents, except to confirm that it is a conservation area and within a flood zone. In 2011 the site, as part of a larger land package, was considered as part of the Local Asset Backed Vehicle proposal and valued by external consultants, who considered that there was an open market value

for the whole of the Camber and Broad Street premises, for development as a mixed retail residential scheme of around £14,000,000. Setting aside whether retail or residential is an appropriate use for the site, officers considered this was overly optimistic due to a combination of factors including likely market interest, the challenging nature of the site for development and the ability to bring a development of the type suggested to fruition. It is worth noting that a site in close proximity to, and half the size of the subject premises is currently available at the Point, and is being marketed inviting offers in excess of £1.4 million. To date we are not aware that this has attracted market interest.

- 3.8 It is worth noting that there is an outstanding litigation in respect of failed ground anchors which prevent development on the land fronting the Quayside alongside the Bridge Tavern.

4. Options

- 4.1 In order to help facilitate the BAR scheme, the City Council as landowner needs to negotiate the early surrender of their leases with the existing tenants to achieve a vacant site in anticipation of a successful bid for funding for the scheme and granting of planning consent for the BAR building. However, this does not presuppose that planning consent would be granted and represents an element of risk to the local authority.
- 4.2 The long-term benefits of the scheme to the city and the region are potentially such that the view of officers and the Corporate Projects Board is that this opportunity should be pursued vigorously. If we do not do this, then the scheme, and the lion's share of associated benefits could be taken to an alternative, less preferred, site in Southampton or elsewhere. Furthermore, there would be options to consider in terms of disposal or development of the vacated Camber site which could bring enhanced value and again support the regeneration of the city.
- 4.3 The alternative option would be for the City Council to consider the future of the site as each lease expires, with a view to obtaining vacant possession in 2019. The implications of this would be that we could not accommodate the BAR scheme and this would be taken elsewhere. Therefore, to enable vacant possession in the required timescales, some spend at risk has taken place to commence relocating the tenants. This work is now at an advanced stage and agreement with the existing tenants in place, meaning vacant possession will be obtained on the north Side of East Street.

5. Reasons for recommendations

- 5.1 There are great benefits for Portsmouth providing the home to the BAR team. The scheme will bring the city 100 direct jobs, as well as indirect employment in construction, events management, the visitor economy and the supply chain. It will directly support jobs & development in the Camber area, retaining its use as

a commercial dock focusing on marine and maritime industries. The scheme is in direct support of sub-regional economic development objectives.

- 5.2 The opportunity has arisen at an opportune time for the Council to give consideration to the future of this area. If the opportunity is not taken then the Council have a legal obligation to renew the lease with one of the tenants for a 14 year term, delaying and potentially severely compromising any development potential.
- 5.3 The acquisition of the premises will result in expenditure for the Council, but will also provide opportunities for long-term income generation and growth potential for existing businesses, who will benefit from renewed lease arrangements and improved trading premises.

5. Equality impact assessment (EIA)

- 5.1 The acquisition of the property will not adversely affect any of the equality groups protected under the Equality Act 2010 and therefore an Equalities Impact Assessment is not required

6. City Solicitor comments

- 6.1 The City Council is authorised to acquire the properties by Section 120 of the Local Government Act 1972. This permits local authorities to acquire land for the purposes of the benefit, improvement or development of their area.
- 6.2 If the City Council does not negotiate the early surrender of leases to acquire the properties it cannot guarantee that the tenant will agree terms for a surrender in the future.
- 6.3 This decision was not included in the Forward Plan for the period from 13 May 2014 until 31 July 2014 (published on 13 May 2014) and is therefore an omission from the Forward Plan and also an omission of explanation of exempt information contained in the exempt appendix.
- 6.4 The Chair of the City Council's Scrutiny Management Panel has been notified of and agreed to the decision being made, in accordance with the City Council's Constitution (General Exceptions, Section 15) and (Special Urgency, Section 16). As the decision must be taken by such a date that it is impracticable to defer the decision until it has been included in the next forward plan, this decision will not be subject to call-in.

7. Head of Finance's comments

- 7.1 It is expected that the costs to the council of terminating existing relocating leaseholders will be funded through the eRGF funding granted to BAR. Should the BAR application for eRGF bid be unsuccessful, then it will be necessary for

the s151 officer to find a solution to cover these costs, which could include a request to Solent LEP for a capital grant under the Solent Futures scheme, and/or a release from corporate contingency.

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Signed by: Alan Cufley, Head of Corporate Assets, Business & Standards

Appendices: Exempt Appendix 1 - East Street and Broad Street

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by on

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Signed by Cllr Luke Stubbs, Executive Member for Planning, Regeneration and Economic Development