

Subject:	Bartholomew Square, Moshimo Lease Alteration and Skylight Development Proposal		
Date of Meeting:	13 July 2017		
Report of:	Executive Director for Economy Environment & Culture.		
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Ward(s) affected:	Regency		

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 To note and agree the proposed extension of the lease demise for the ground floor Moshimo restaurant in Bartholomew Square, which will enable the implementation of planning permission already granted under reference BH2016/03008.
- 1.2 To note and agree the terms for the proposed Skylight extension; for a lease of the airspace of Bartholomew Square and Roof Space at Bartholomew House to enable the development of a new restaurant as proposed under the consented planning permission BH2016/03008. This report is complemented by a part two report of this Agenda.

2. RECOMMENDATIONS:

That Committee:

- 2.1 Approves the grant of a new lease for the skylight extension including use of roof space at Bartholomew House. In principle terms are summarised in Part 2 of this report.
- 2.2 Approves the extension of the ground floor demise of the existing restaurant by way of a lease surrender and re-grant, to enable the expansion of the existing restaurant. In principle terms are summarised in Part 2 of this report.
- 2.3 Delegates authority to the Executive Director of Economy, Environment & Culture, Assistant Director Property & Design and Head of Legal Services to approve detailed lease terms.

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 Brighton & Hove City Council owns the freehold of Bartholomew Square, Brighton Town Hall, and Bartholomew House, occupied by the council as operational offices and customer service centre.
- 3.2 A number of long leases of land have been sold, including the Jury's Inn Waterfront Hotel (formerly Thistle Hotel) and Moshimo Restaurant in the centre of the square.
- 3.3 The Moshimo restaurant was recently granted planning permission under reference BH2016/03008 for an extension to the restaurant at ground floor level as well as a 'skylight' extension adjoining the roof of Bartholomew House (Appendix 1).
- 3.4 Given the potential impact of the proposed skylight development on the council's retained ownership and operational offices, Brighton & Hove City Council commissioned a report from Savills to advise on the benefits and impacts of granting a lease to enable such a development.
- 3.5 The findings of the report recommended against granting a lease on the grounds of prudent commercial property management. Introducing third party property interests into our existing ownership would likely stymie future development opportunities and reduce the attractiveness of the site in the market, should the council ever choose to dispose of their interest or smaller interests within the site (i.e. lease out single floors of Bartholomew House).
- 3.6 No plans to date have been considered in detail by the council for the re-development of Bartholomew House as its current operation is as offices for council staff. Analysis of development and regeneration options is considered in paragraph 4 of this report.
- 3.8 Notwithstanding the advice received, the council undertook negotiations with the leaseholders/developers to reach an in principle agreement on lease terms which would enable the skylight development to be undertaken, as well as terms for the extension to the ground floor lease demise shown in appendix 2. The terms of these agreements are set out in Part 2 of this report
- 3.9 It is considered that the wider benefits of granting the leases to enable the skylight development of a new restaurant would outweigh the property disadvantages of granting such a lease and include:
- The generation of employment both during and after the construction (estimated at 55 permanent jobs).
 - New business rates generation.
 - Investment into and regeneration of Bartholomew Square.
- 3.11 The issues raised by the proposed development include:
- The impact on the future occupation and/or re-development of the Bartholomew House for the duration of the lease, as the site would be less attractive to third party occupiers, whether seeking to lease or purchase the

site. It will restrict any re-development of the site including change of use; reduce the ability to add additional floors to the site; and remove the opportunity for demolition and re-development of the site.

- The council would be liable to pay compensation of twice the rateable value at the end of the lease if it wishes to receive the site back in accordance with the statutory conditions.
- There will be implications for the security of Bartholomew House as the emergency egress from the restaurant will use one of its stair cores. This will require additional security improvements to Bartholomew House and will be off-putting to any potential third party occupiers.
- The development will affect the daylight shading of the existing offices, compromising the outlook and amenity, with potential for overlooking from the restaurant.
- Expansion of the ground floor demise may reduce the opportunity to convert the existing customer service centre into retail frontages in the future due to proximity of expanded restaurant.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 The council could refuse to grant a lease of the airspace and/or not agree to an extension to the existing ground floor lease demise, which would make the planning permission un-implementable. This would prevent the skylight development and associated benefits of economic investment, job creation and business rates:
- 4.2 Option 1 – Do nothing. This would maintain the status quo, prevent the development of the new restaurant and restrict the expansion at ground floor level. This will prevent investment into the square and the City, and would not yield the income and capital payments for the council. The council would retain flexibility over future re-development opportunities for the retained ownership.
- 4.3 Option 2 – Grant permission to expand the ground floor but not grant the lease for the skylight development. This will allow expansion of the existing ground floor restaurant, increasing their sustainability with modest economic benefit to the council, with the drawbacks as listed in Option 1.
- 4.4 Option 3 – Grant permission for the skylight new air and roof space lease, but refuse to extend the ground floor demise. This is not an option as the development of Skylight is dependent on an increased ground floor restaurant for funding and access to the new building.

5. COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 Consultation has been carried out with the tenants and relevant internal teams. No community engagement has been undertaken outside the planning consultation process.

6. CONCLUSION

- 6.1 In summary, this is an opportunity for the council to enable the development of a unique new restaurant in Brighton & Hove, whilst generating income from the

development which will contribute towards the council's Medium Term Financial Strategy.

- 6.2 In contrast to the advice provided by external consultants not to proceed terms have been negotiated for lease terms in order to achieve the wider benefits for Brighton & Hove. The council's consultants confirm that the terms negotiated, if the council wishes to proceed with the proposal, meet the council's obligations under S123a of the Local Government Act 1972 to achieve best consideration..
- 6.3 Granting the leases will allow the current restaurant to expand and develop a totally unique new restaurant above the square with sea views, creating additional employment. It will support a valued local business to expand in Brighton & Hove, generating income and wider economic benefits.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 The council will receive a one off lease premium for the demise of the ground floor lease and an annual rental associated with the skylight development. The one off lease premium will be incorporated into the council's corporate capital strategy to support strategic capital priorities. The income associated with the skylight extension will support the council's property rental income targets and assist with the Integrated Service and Financial Plans to generate increased property related income streams.

Finance Officer Consulted: Rob Allen

Date: 15/06/17

Legal Implications:

- 7.2 Section 123 of the Local Government Act 1972 places the council under a statutory duty to sell land at the best price reasonably obtainable. Savills have certified this disposal as best value and the council has therefore met its obligation.

Lawyer Consulted: Alice Rowland

Date: 03/07/17

Equalities Implications:

- 7.3 There are none

Sustainability Implications:

- 7.4 These will be dealt with through the planning conditions

SUPPORTING DOCUMENTATION

Appendices:

1. Plans to show proposed Skylight Development

2. Plan of land to be added to current demise

Documents in Members' Rooms

1. None

Background Documents

1. Planning BH2016/03008:
http://ww3.brighton-hove.gov.uk/index.cfm?request=c1199915&action=showDetail&application_number=BH2016%2F03008
2. Plan of increased ground floor demise

