

CABINET MEMBERS REPORT TO COUNCIL

6 September 2018

COUNCILLOR ALISTAIR BEALES - CABINET MEMBER FOR CORPORATE PROJECTS & ASSETS

For the period 19 July to 6 September 2018

1 Progress on Portfolio Matters.

The co-investment with the Vancouver Centre to deliver a new H&M clothing retail outlet plus four other shop units has moved forward significantly with the structural steel work now in place. The development is somewhat behind schedule owing mainly to the original 1960's/70's building being constructed over utility apparatus and services that were not identified on the utility providers mapping information systems. These issues now seem to be resolved and I understand that hand-over for H&M to carry out their internal fit-out will take place later in the year with store opening happening during the first quarter of 2019.

This initiative shows the Council's proactive and can-do attitude towards shaping the environment in which we all live for the benefit of residents and Council tax payers. As Members will be aware, there are a number of such projects and the Councils overall programme is significant, so I thought it would be worth laying out some of the factors that are evaluated in the course of recommending any particular proposal. I apologise for the length of what follows but I hope it is useful. Specific figures have been removed due to commercial sensitivity, but of course, members can have these details outside of the public domain should they wish.

Vancouver Centre redevelopment – background.

The Council entered into an Agreement for Surrender and Lease and a Development Funding Agreement in February 2017 following Cabinet Approval to facilitate the redevelopment of the former Co-op Westgate/Beales Department store site. The site was vacant and formed part of the original 1960's/1970's shopping centre development. The Council was already involved with this site as it owns the freehold of the site and it was leased to the Vancouver Centre operators on a long ground lease arrangement with the Council receiving 25% of the rents arising from the occupational leases for the building.

The building became vacant when Beales Department Store went into a

Company Voluntary Administration (CVA) and subsequently the site looked somewhat derelict and was having an adverse impact upon the town centre.

The ground lease provided that if the Vancouver Centre wanted to undertake improvements to the building to make it more lettable or to improve the rental income levels then the Council had the opportunity to co-invest on the capital required in order to maintain its income percentage from the site. It is important to note that if the Council had not committed to the co-investment it would only receive the rents passing prior to the redevelopment – these ended up being zero following the CVA of Beales Department store. The Council engaged with the Vancouver Centre operators and entered into the above-mentioned agreements on the basis that the site would be redeveloped on the back of a Pre-Let Agreement with H&M – a significant clothing retailer. In addition to the two storey unit to be built for H&M four other smaller retail units would be constructed. It was considered that the presence of H&M would drive footfall and make not only the four other units more marketable – but it would also enhance the overall retail offer within the town and hopefully help to sustain the town.

The contract documentation is quite complicated.

Agreement for Surrender & Lease

- Rather than try to make use of the original lease documentation it was agreed that the relevant part would be surrendered, and a new lease granted.
- This documentation also ties in the H&M Pre-Let Agreement
- This documentation also provided for a variation to the Walkways Agreement* so that the floor space could be extended to accommodate the corporate store format required by H&M. [*the pedestrianised areas were formerly adopted Highway maintained by NCC – however during the mid-2000's Vancouver Centre redevelopment this highway was "stopped up" and the Walkways Agreement was created to make sure that the Vancouver Centre operators managed and maintained the space appropriately].
- Lease Term BCKLWN & Vancouver Centre - 200 years
- Lease Term Vancouver Centre & H&M - *available on request*.
- Rent share for Council - 25%
- Rent from H&M – *details of rent levels available on request* but represents circa 3.9% return on the Council's total investment plus there are the rents to come from the other units.

Development Funding Agreement

- Council's contribution to development costs is 25% Construction costs had already been tendered by time DFA signed so the Council is sharing the risk and the reward. The Council has a budgeted figure for its share of construction costs, this is probably a matter of public record in the Capital Programme *but is also available on request*.
- There are step-in rights if the Vancouver Centre fails, first option to the

- Vancouver Centres financial institutions and then BCKLWN.
- All collateral warranties for the Professional Team and project management team.

2 Forthcoming Activities and Developments.

The Council's appointed consultants, Aecom, are working towards the preparation of a hybrid planning application for the Nelson Quay project.

A series of stakeholder meetings/workshops and public consultation events are planned, leading up to the planning submission and to help shape the application.

The first phase will involve stakeholder workshops for two specific groups as follows:

- Statutory stakeholders
- Non Statutory stakeholders (local interest groups)

The workshops are planned for September (both probably held on the same day) and officers are looking at potential dates which the team, venue etc. can all accommodate.

Cabinet will receive a report for consideration on 13 November 2018.

Subject to Cabinet approval, a public consultation event will follow, to be held on the Tuesday Market Place at the end of November to tie in with the Christmas Market and late night shopping (29th-30th November).

3 Meetings Attended and Meetings Scheduled

Meeting attendance is limited during the harvest period but is as follows:

31st July – Regeneration and Development Panel

13th August – portfolio meeting

16th August – meeting with Leader, Deputy Chief Exec & Property Services Manager

21st August – Cabinet

5th Sept – Custom Build Task Group

6th Sept – Council