



## Report to Cabinet

<b>Date:</b>	<b>12<sup>th</sup> December 2023</b>
<b>Title:</b>	<b>Units 1-3, Vale Retail Park – Capital Works and New Lease</b>
<b>Relevant councillor(s):</b>	<b>Cllr John Chilver</b> – Cabinet Member for Accessible Housing and Resources
<b>Author:</b>	Ryder Sibley Paul Redstone
<b>Ward(s) affected:</b>	Aylesbury North
<b>Recommendations:</b>	<b>That Cabinet:</b>  <b>(1) Approve that the Council enters into an Agreement for Lease on Units 1-3 Vale Retail Park, which is in line with the MTFP income target. Furthermore, to grant delegated authority to the Director of Property Assets, in consultation with the Cabinet Member for Accessible Housing and Resources, to enter into the Agreement for Lease, including the commitment of a capital sum of funding for the enabling works.</b>  <b>(2) Approve a supplementary budget change to the Capital Programme to use a capital sum from the Investment Property Reserve to fund enabling works on units 1-3 in Vale Retail Park.</b>
<b>Reason for decision:</b>	The property requires enabling works to achieve a market rent with the level of return set out in the report. The proposed works and letting deliver a high-quality covenant, reduces existing budget pressure by creating a

secure income stream and improves the profile of the Retail Park.

## **1. Executive Summary**

- 1.1 The property was acquired in 2015. The recession in the retail market together with the move to online shopping has resulted in some tenants not renewing their lease or in the case of Mothercare entering administration. This has led to a loss of income and voids creating pressure on the forecasted rental budget. Marketing for commercial uses has continued and a prospective tenant for parts of the retail park has been found and terms negotiated.

## **2. Background Information & New Lease Requirements**

- 2.1 There had previously been negotiations with a Supermarket Occupier to secure tenancies on Units 1-3, and the Vale Retail Park revenue budget was set on the assumption that they would be in place by October 2023, providing rental income and picking up rates and utilities costs. As the deal did not happen there is an in-year Revenue pressure in Property budgets, currently being met by a Voids contingency.
- 2.2 Units 1-3 have been re-marketed for over 6 months, following the previous prospective tenant walking away from the transaction as a result of a change in the company's acquisition criteria. In total the three units have been vacant for over 2 years. Units 4 and 5 are let to tenants with good quality covenants.
- 2.3 Following the remarketing of the site, there has been limited interest in the property being let as individual units as well as a whole block. Negotiations had been undertaken with a supermarket occupier for Units 1, 2 and part of 3, however the terms were appearing unviable in respect of the proposed income and capital expenditure, along issues in agreeing the enabling works. Heads of Terms have been agreed in principle (subject to Council approval and contract) with B&M to take all the available space.
- 2.4 The Managing Agents (Carter Jonas) have advised that Units 4-5 have indicated that they would be inclined to exercise their right to break unless there is progress in letting the vacant units. Without complimentary occupiers on the Estate, the lack of footfall could result in the Tenant's reviewing their options and vacating, resulting in further pressures on the Property Budget's. The focus is to secure new leases on the Retail Park to further reduce the voids, loss of income and holding costs.
- 2.5 Securing the tenant will require the Council to undertake capital works to the property to reconfigure the existing retail space, providing a shell-and-core unit

ready for the Tenant to take occupation and undertake their fit-out. Additionally, the Council will be providing a garden centre to the side elevation of the unit. Outline detail of the works including costs are included in the confidential annex at Part 2.

- 2.6 B&M are currently in positive discussions with the Planning Department, who are providing a helpful steer in order to achieve full permission to go ahead with the proposed works.

### **3 Other Options Considered**

- 3.1 Do nothing – This would result in the property remaining vacant with the Council incurring holding costs. The property would remain a drain on financial resources.
- 3.2 Continue to market the property – It is unlikely that the Council would secure a better-quality covenant and/or a higher rent in the current market. Rental values for the property are very unlikely to rise in the short to medium term. Our Letting Agents (Curson Sowerby Partners/Harvey Spackfield) have advised that the market is currently plateauing and that any further delays could result in other offers received being lower than that of B&M's. The property would remain vacant with the Council incurring holding costs and a revenue budget shortfall. In any instance, the properties would still need to be refurbished to remain an attractive proposition for new tenants.
- 3.3 Require B&M to undertake the conversion works – In principle this would result in either granting a longer rent-free period or making a capital payment. An extended rent-free period to cover the works would defer rental income on the site for over 6 years. An obligation for the tenant to undertake the works is not appropriate as the property is not a 'stand-alone' unit and the works extend beyond the immediate area to be demised.
- 3.4 Redevelop the property – With the large number of voids the option of fully vacating the retail park and redeveloping is a possibility. However, Pets-at-Home and Bensons for Beds have security of tenure – giving legal rights to a new lease at the end of their term. The Council would be required to demonstrate clear plans to redevelop and pay compensation to them to deliver vacant possession. The estimated value of the property as a development site is below that of improved value following the B&M letting.
- 3.5 High Street Retailer – Due to a change in business strategy and potential relocation of their existing unit in Aylesbury town centre, they have expressed a late interest in the site. It should be noted that if this occupier is unable to secure the whole of Vale Retail Park to build a 58,000 sq ft store, they have verbally indicated to our Letting Agents an intention to potentially vacate Aylesbury town centre. At the time of writing, they have not yet submitted a firm or detailed proposal for the site. This

occupier is aware that the Council is in advanced negotiations with B&M. If an offer is received, prior to Cabinet, the relevant Heads of Service will be updated.

#### **4 Legal & Financial Implications**

- 4.1 The proposed agreement for lease will commit the Council to a lease of up to 15 years, plus any statutory continuation thereof, from practical completion of the works. The proposed Landlord's enabling works will be subject to satisfactory planning and procurement rules.
- 4.2 The detailed financial breakdown is set out in Part 2 of this report (confidential annex).

#### **5. Corporate implications**

- a) Property – The proposal secures a high quality covenant at a market rent to an existing Investment Asset.
- b) HR – n/a
- c) Climate change – The enabling works will be in compliance with EPC and energy efficiency regulations.
- d) Sustainability – n/a
- e) Equality – n/a
- f) Data – It should be noted that the Heads of Terms are confidential.
- g) Value for money – The proposal provides an improved return on the investment as set out in the body of the report.
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#### **6. Consultation with local councillors & community boards**

- 6.1 Local Councillors were sent this paper on 17<sup>th</sup> November. To date no replies have been received, nor any objections raised.

## **7. Communication, engagement & further consultation**

- 7.1 A headline report outlining the Heads of Terms and potential costs has been presented to and approved by the relevant internal boards.

## **8. Next steps and review**

- 8.1 The tenant has been given internal board approval to proceed. In order to meet similar timescales, it is required that the report goes to Cabinet in December.
- 8.2 Solicitors have been appointed and are progressing legal documentation. The appointed Project Manager/Architects have been progressing negotiations with the Specifications and Planning Application. They are to review the cost enabling works and negotiate any savings to the scheme design.

## **9. Your questions and views (for key decisions)**

- 9.1 If you have any questions about the matters contained in this report please get in touch with the author. If you have any views that you would like the cabinet member to consider please inform democratic services [democracy@buckinghamshire.gov.uk](mailto:democracy@buckinghamshire.gov.uk)

