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A separate report is submitted in the private part of the agenda in respect of this item, as it contains details of financial information required to be kept private in accordance with Schedule 12A of the Local Government Act 1972. The grounds for privacy are that it refers to the identity, financial and business affairs of an organisation and the amount of expenditure proposed to be incurred by the Council under a particular contract for the supply of goods or services.

29 March 2016

**Name of Cabinet Member:**

Cabinet Member for Business, Enterprise and Employment –Councillor Maton

**Director Approving Submission of the report:**

Executive Director of Place

**Ward(s) affected:**

Longford

**Title:**

Proposal to Enter Into an Exclusivity Agreement For Riley Square Shopping Centre

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**Is this a key decision?**

No

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**Executive Summary:**

Riley Square Shopping Centre is part of the Bell Green District Centre that was built in the 1960's.

The shopping centre has an outdated design and suffers from a lack of significant investment and now appears in a poor drab physical condition.

It has been recognised that the shopping centre is in gradual decline and this has been accelerated with the changing habits of shoppers and the competing retail centres in the vicinity of the Arena, Courthouse Green and the Gallagher Retail Park.

A report was taken to Cabinet Member for City Development in November 2008 to authorise officers to market and secure new external investment in Riley Square shopping centre and a development partner. Since 2008 there have been repeated attempts and discussions to attract potential retailers, developers and investors but nothing was forthcoming.

In October 2015, the Council were approached by a “Developer” about the potential for investment by way of refurbishment and partial redevelopment of Riley Square. They have requested a six month period of exclusivity that will enable them to work up proposals for the centre, undertake a retail impact study to identify established retail operators and agree terms with the Council for the transfer of the centre by way of a long leasehold interest. They have agreed to commit up to £100,000 to fund the study with the findings to be shared at the end of the exclusivity period.

**Recommendations:**

The Cabinet Member for Business, Enterprise and Employment is recommended to:

- (1) Delegate authority for the Assistant Director- Property Asset Management for the Council to enter into an Exclusivity Agreement with the Developer for a maximum period of six months to enable them to work up a detailed feasibility study and proposal for Riley Square Shopping Centre including public consultation with Whitefriars Housing Association and other stakeholders on the emerging proposals for the shopping centre.
2. Request that the Assistant Director – Property Asset Management submits a report to Cabinet Member at the end of the six month exclusivity period setting out the findings of the Retail Impact Study, proposals for investment and refurbishment of the centre and terms for the disposal of the centre by way of a long lease.

**List of Appendices included:**

Appendix A – Location Plan

**Other useful background papers:**

*Cabinet Member (City Development) 27<sup>th</sup> November 2008 “Proposals for Riley Square District Shopping Centre”*

**Has it been or will it be considered by Scrutiny?**

No

**Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?**

No

**Will this report go to Council?**

No

**Report title: Proposal to Enter into an Exclusivity Agreement for Riley Square Shopping Centre**

**1. Context (or background)**

- 1.1 Riley Square was built in the 1960's consisting of a mixture of ground floor retail units with some residential units situated above. The residential units are owned and managed under a long lease from the Council by Whitefriars under the housing stock transfer in 2000.
- 1.2 Due to a gradual decline this has led to a lack of significant investment at Riley Square Shopping Centre, accelerated due to the development of competing centres in the vicinity such as the Arena, Courthouse Green and the Gallagher Retail Park but also changing shopping habits.
- 1.3 There is a variety of retailers in the shopping centre ranging from local independent traders to multiple retailers such as Farmfoods and Lloyds Pharmacy however it is recognised that for the shopping centre to flourish, more established names need to be attracted to Riley Centre to increase the footfall. Currently there are 32 units and at the time of writing 10 are vacant. Most of the retail units are let on short leases to independent traders.
- 1.4 Previous independently commissioned reports for Riley Square Shopping Centre, Chestertons in 2003 and the Nuneaton & Bedworth Neighbourhood Centre Appraisal 2007 recognised that Riley Square Shopping Centre continues to be an important focus for the Bell Green community and the Moat House Community Trust areas (formerly known as a New Deal for Communities area) The key findings from these reports which are still relevant at the time of writing are:
  - Income from assets represents poor financial return
  - Poor income security with short leases and poor covenant strength
  - Outdated design and poor condition of fabric
  - Need for substantial investment and intervention
- 1.5 A report in 2008 approved officers to market the opportunity to secure new investment in Riley Square Shopping Centre and seek a development partner. It has proved difficult to secure interest as the credit crunch and subsequent recession meant early involvement with a development partner was not possible and the opportunity was not deemed an attractive proposition within the market. Major retail supermarket operators were contacted in addition to developers and investors about the opportunity to redevelop but as stated above there was no appetite. In addition, the Whitefriars residential blocks above the ground floor retail units was viewed as a major development obstacle as any development partner would have to negotiate with them if major remodelling or refurbishment of the new shopping centre was required.
- 1.6 Riley Square has been identified in the emerging Draft Local Plan with Policy R1 making provision for the complete redevelopment of the area to ensure that the centre is suitable to meet future local needs. Due to the existing constraints, there is an expectation of a comprehensive masterplan which may result in changes to the layout of the District Centre boundary and retail footprint.
- 1.7 There is now an understanding with Whitefriars to participate in the redevelopment of Riley Square Shopping Centre. It was recognised in the report "Partnership working with Whitefriars Housing Group Ltd" approved by Cabinet on the 26 November 2015, land was identified within the vicinity of Riley Square that could be used for the future decant of

residents from the centre. The sites identified in the project matrix were land at Roseberry Avenue and Hall Green Road.

- 1.8 Despite the obstacles listed in paragraphs 1.4 & 1.5, following discussions with the Developer during autumn/winter 2015, they have recognised the long term potential in Riley Square Shopping Centre and are willing to commit investment of up to £100,000 to undertake a retail impact study in the Centre to identify a significant retailer partner(s) and consult with stakeholders to work up possible refurbishment/redevelopment plans. The findings from the retail impact study will be shared with the Council.
- 1.9 Due diligence will be undertaken during the exclusivity period but officers are satisfied at this stage that the Developer have satisfied by way of a confidential agreement the identified funders to implement a successful long term development.
- 1.10 To commit to this initial investment, the Developer is seeking an exclusivity agreement from the Council for a maximum period of 6 months. During this period, the Developer will work with the Council to:
  - Produce a clear and detailed refurbishment/development programme including a medium and long term strategy to identify key milestones in the programme including confirmation that funding is secured to accomplish these aims
  - Agree an asset management strategy with the Council for interests within its control
  - Develop a land assembly strategy for third party interests including long leasehold interests
  - Consult with Whitefriars and other stakeholders including members of the public over redevelopment/refurbishment plans
  - Agree a financial model with the Council and proposed terms relating to the transfer of Riley Square Shopping Centre by way of a long leasehold interest and with a rental income share arrangement.
- 1.10 At the end of the exclusivity period a report will be submitted to the Cabinet Member setting out the outcomes. It is envisaged that the report will detail the full financial implications and level of investment into Riley Square by the Developer subject to agreeing proposed terms on length of lease, rental share and the proposed transfer of the shopping centre. It should be acknowledged that at the end of the exclusivity period, the Developer may withdraw from any further involvement as the proposal may be considered unviable.

## **2. Options considered and recommended proposal**

- 2.1 The Council has two options for the future of Riley Square:
  - Enter into an exclusivity agreement with the Developer
  - Continue with Status Quo and continue to seek a development partner
- 2.2 If the Council enters into an exclusivity agreement with the Developer, it will allow both parties to properly assess the viability of any refurbishment/development proposal. The Council will have access to their resources and expertise and a retail impact study funded and commissioned by the Developer will identify established high street retailers who may be willing to locate to Riley Square. In addition the Developer will actively engage with Stakeholders (Whitefriars/retailers/local community) and within this exclusivity period terms for the disposal of the shopping centre will be worked up with the commitment to invest over the six month period. Depending on the findings of the study, they have stated subject

to the viability they could secure funding from their partner(s) for the long term development of the shopping centre.

- 2.3 If this exclusivity agreement is not entered into then it would be a missed opportunity to explore the regeneration (costs being funded by a third party) of the shopping centre further exacerbating its decline and continuing to be an on-going liability for the Council.
- 2.4 It is recommended that the Council enters into an exclusivity agreement with the Developer for a maximum period of six months.

### **3. Results of consultation undertaken**

- 3.1 There has been no formal consultation but informal discussions have been held with Batra and Ward Councillors regarding the interest shown by the Developer. As stated earlier in the report the partner will engage with Stakeholders during the exclusivity period to understand their views.

### **4. Timetable for implementing this decision**

- 4.1 If approved the Council will seek to enter into the Exclusivity Period by the end of May.

### **5. Comments from Executive Director of Resources**

#### **5.1 Financial implications**

The Centre is management intensive and there is a high turnover of tenants and income security is weak. It has been recognised that the Centre requires significant capital investment into its fabric and in the absence of a partner this would fall to the Council or the centre could close.

#### **5.2 Legal implications**

The exclusivity agreement is a document that enables the Developer to consider negotiate and agree terms for the development of Riley Square Shopping Centre at its own cost and expense. It gives the Developer the assurance that the Council will not negotiate with another party within the maximum 6 month exclusivity period.

The exclusivity agreement will not commit the Council to enter into a binding development agreement with the Developer as this will be subject to further Cabinet Member approval in respect of the proposed terms (if any) for a binding agreement between parties.

### **6. Other implications**

*Any other specific implications*

#### **6.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / Local Area Agreement (or Coventry Sustainable Community Strategy)?**

The proposal could result in the refurbishment/redevelopment of the centre, which will benefit the local community and neighbourhood.

#### **6.2 How is risk being managed?**

The key risk at this stage is that at the end of the exclusivity period, the Developer is unable to attract further retail interest and any refurbishment would not be financially viable. The Council will work closely with the Developer but the risk cannot be entirely mitigated as

the investment decision will ultimately rest with them. The results of any viability work will be shared with the Council.

### **6.3 What is the impact on the organisation?**

In the short term, staff in Place Directorate will support the Developer with information to assist their work and effect introductions to stakeholders. If the project is viable to proceed then the management of the centre would pass to the company. No member of staff is wholly or mainly employed at Riley Square so there will be no TUPE impact if this occurred.

### **6.4 Equalities / EIA**

No equality impact assessment has been carried out as the recommendations do not constitute a change in service or policy.

### **6.5 Implications for (or impact on) the environment**

There will be no impact from the exclusivity period on the environment. The outcome of the study and a decision to invest may impact on the environment. The outcome of the study and a decision to invest may impact on the environment and this will be reported at the next approval stage.

### **6.6 Implications for partner organisations**

The most obvious partners affected by this proposal will be local traders and Whitefriars Housing Group. The Developer will consult both stakeholders as part of their viability study, in addition to local residents during the exclusivity period.

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