
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.

Cabinet

29th August 2017

Name of Cabinet Member:

Cabinet Member for Jobs and Regeneration – Councillor J O’Boyle

Director Approving Submission of the report:

Deputy Chief Executive (Place)

Ward(s) affected:

Longford

Title:

The Regeneration of Riley Square

Is this a key decision?

No

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The shopping centre has an outdated design and suffers from a lack of significant investment and is in a poor physical condition. The decline in the shopping centre has been accelerated with changing shopping habits and nearby competing centres including the Arena Park, Courthouse Green and the Gallagher Retail Park

A report was taken to the former Cabinet Member for Business, Enterprise and Employment on 29th March 2016 (his minute 64/15 refers), to authorise officers to enter into an Exclusivity Agreement with Innovative Retail Development Limited (IRDL) for them to undertake a feasibility study for proposals for the investment and refurbishment of Riley Square and possible terms for disposal by way of a long lease.

Following lengthy discussions with the Council and Whitefriars Housing Association, IRDL are now in a position to enter into a 150 year lease with the Council, which will enable the refurbishment and redevelopment of the centre. The lease will include the whole of the shopping centre and the residential parts, which are subject to a long lease to Whitefriars.

The centre will need to be remodelled and it is essential that the visibility of the retail offer is improved. IRDL have undertaken negotiations with Whitefriars and in principle Whitefriars are supportive of the proposals. It has been proposed that Council owned land at Almond Tree Avenue has been identified for the development of affordable houses to compensate Whitefriars for any future loss.

IRDL have identified substantial capital investment is required to resolve outstanding repairs and maintenance, health and safety issues and public realm to modernise the centre. If the Council was to commit this capital spend over the medium term, any financial investment would not be worthwhile as it would not get the return on the investment.

Recommendations:

Cabinet is recommended to

- (1) Delegate authority to the Director of Project Management and Property Services to enter into a new 150 year lease with IRDL on a Full Repairing and Insuring Basis.
- (2) Approve that the land at Almond Tree Avenue is transferred from the Council to Whitefriars to assist in the regeneration of Riley Square.
- (3) Authorise the advertisement of the proposed disposal of the public open space in accordance with the requirements of Section 123 (2A) of the Local Government Act 1972 (as amended) and for any representations to be reported back to Cabinet Member for Jobs and Regeneration for consideration.
- (4) Delegate authority to the Legal Services to execute all the necessary documentation to give effect of the transfer and the lease.
- (5) Delegate authority to the Director of Project Management and Property Services following consultation with the Cabinet Member for Jobs and Regeneration, to make any subsequent variation in relation to the terms of the proposals in this report.

List of Appendices included:

Site plan

Background Papers

None

Other useful documents:

Cabinet Member (City Development) 27th November 2008 “Proposals for Riley Square District Shopping Centre” Report and associated minute

Cabinet Member (Business, Enterprise and Employment) 21st March 2016 – “Proposals to Enter into an Exclusivity Agreement (with Innovative Retail Development Limited) for Riley Square Shopping Centre” Report and associated minute

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: The Redevelopment of Riley Square

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 As a district centre, Riley Square has been in decline for a number of years and this has accelerated due to the development of competing centres in the vicinity such as the Arena, Courthouse Green and the Gallagher Retail Park and changing shopping habits. There has also been a lack of investment by the Council in Riley Square and if retained by the Council a back log of works would need to be undertaken.
- 1.3 There are 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 The centre currently produces an annual net income to the Council of circa £90,000. If the Council retains Riley Square significant spend is needed which would reduce the net annual income to nil for a number of years.
- 1.5 IRDL approached the Council in late 2015 and they identified the long term potential in the Centre and since the Cabinet Member for Jobs and Regeneration report in March 2016, have been assessing the viability. Their initial findings only confirmed the earlier reports undertaken by Chestertons in 2003 and the Nuneaton and Bedworth Neighbourhood Centre Appraisal 2007 that:
 - 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.
- 1.6 Due to the lack of investment by the Council, IRDL have identified that substantial capital will be needed to be spent on health and safety works, removal of canopies, lightening improvements, public realm, improving shop fronts, partial demolition etc. A four year phased programme of investment is proposed.
- 1.7 IRDL realised early in the period of study that to make a substantial change and to ensure that the shopping centre and hence their investment is viable and sustainable, the Centre needs to be reconfigured. The existing frontages are poor and dominated by the existing Whitefriar's flats acting as a barrier. Current entrances into the centre are narrow and unwelcoming with the centre itself an inward looking scheme.
- 1.8 To make a major transformation and to open up the vista of the centre, areas of the centre will need to be remodelled and/or demolished, which will require agreement with Whitefriars.
- 1.9 To ensure that Whitefriars are compensated for any loss, the land at Almond Tree Avenue will be transferred to Whitefriars. In return, the release of areas controlled by Whitefriars will provide the springboard for investment into the scheme from IRDL.

1.10 Following IRDL's period of due diligence, they are willing to enter into a 150 year full repairing and insuring lease with the Council. The terms are outlined in the private report

2. Options considered and recommended proposal

2.1 Proceed with Innovative Retail Development Limited

2.1.1 There is a prime opportunity for Riley Square to be remodelled and regenerated to better serve the local community. IRDL are willing to enter into a long lease subject to minimum rent. The terms are contained in the private report.

2.1.2 As part of the agreement with IRDL there will be a Schedule of Investment/Memorandum, which will outline key milestones in the development and works that will need to be accomplished to ensure that their obligation to invest in the centre is secured.

2.1.3 By transferring Riley Square to IRDL, the Council will be relinquished of a cost intensive and high asset management liability. The Council will not have to fund any major repairs programme thus making savings and off-setting liabilities. As soon as the lease is signed, IRDL will be responsible for the centre and IRDL have already stated that works will commence from the day the lease is completed.

2.1.4 IRDL have identified substantial investment is required to be spent on the centre to resolve health & safety issues, improving public realm, demolition, improving shops fronts, removing canopies etc.

2.1.5 With the centre being remodelled, the retail offer will improve as some units will be configured to allow the opportunity for more well-known retailers to take units in the Centre. However retail units will be set aside in the scheme for small independent retailers.

2.1.6 The Council have delayed committing substantial funds to repairs and maintenance and have only acted on a reactive basis. If we were to undertake the repairs and maintenance identified, the annual net income would be dramatically reduced. Without significant investment and modernisation, the on-going cycle of decline will continue and the centre will become obsolete.

2.1.7 Following lengthy negotiations IRDL have reached agreement with Whitefriars on areas of the centre to be remodelled and demolished.

2.1.8 Council owned land at Almond Tree Avenue has been identified to develop replacement affordable family housing units for Whitefriars.

2.1.9 The land at Almond Tree Avenue is currently open space and the Council will take the necessary steps in order to dispose of this site.

2.1.10 If IRDL cannot reach agreement to remodel and demolish areas of the centre, the development will not proceed as the lease to IRDL will not be granted.

2.2 Continue with the Status Quo/Redevelopment

2.2.1 The Council could invest its own capital resources and undertake the regeneration of Riley Square itself, however this is not a viable option as the Council does not have the expertise and market contacts to deliver a complex redevelopment of this nature.

2.2.2 If the opportunity is not taken, there will be an on-going liability for the Council and funds will have to be allocated to resolve any outstanding health and safety/ repairs and maintenance issues.

2.2.3 The asset will continue to underperform without any real outlook for change or improvement. The income from assets will continue to represent a poor financial return with most tenants on short tenancies and of poor covenant strength therefore providing the Council with little income security.

2.3 Recommendation

2.3.1 It is recommended that the Council enters into the long lease with IRDL for a term of 150 year and that the land at Almond Tree Avenue is sold to Whitefriars at a peppercorn rate to secure the investment by IRDL into Riley Square.

3. Results of consultation undertaken

3.1 No consultation has been undertaken

4. Timetable for implementing this decision

4.1 If approved the Council will enter into the lease with IRDL and they will become responsible for the management, refurbishment and redevelopment of Riley Square.

5. Comments from Director of Finance and Corporate Services

5.1 Financial implications

The Council currently yields a net annual income which is higher than would normally be expected as maintenance and any upgrade of the centre has been withheld, pending an investment partner. Any significant financial investment in the centre by the Council would not be worthwhile as we would be most unlikely to get the return on investment, nor do we have the expertise to undertake the regeneration of the centre ourselves.

The developer is proposing to invest in redeveloping the centre in return for a long leasehold interest of the whole site and WHG are in agreement with the proposals but would require compensation for their assets. It is proposed to compensate WHG with a site at Almond Tree Avenue, which together with the value of Riley Square is still somewhat lower than the investment proposed by the developer.

In addition, in return for the proposed 150 year lease, on an FRI basis, the Council would be guaranteed a minimum rental and be free of all future repair liabilities

5.2 Legal implications

Local authorities are able to dispose of land and buildings at less than the best consideration reasonably obtainable under the General Disposal Consent (England) 2003, where the 'undervalue' is less than £2million. The lease proposals contained in this report will be classified as a disposal. The Consent requires the local authority to be of the view that the disposal is likely to secure the promotion or improvement of the economic, social or environmental well-being of its area or residents in its area.

There is no requirement that local authorities undertake a tendering process within the General Disposal Consent. However, there is the general requirement for authorities to follow “normal and prudent commercial practices”. Where a local authority has undertaken a valuation of the asset to understand the level of the ‘undervalue’ and has established a robust business case for transfer, there would be no further requirement to ‘market test’ a transfer proposal to meet the General Consent criteria.

The Council has a fiduciary duty at all times to the taxpayers and must fulfil this duty in a way which is accountable to local people.

If the Council is minded to transfer the land to Whitefriars it needs to have rationalised why the disposal brings benefits that outweigh undertaking a market process and establish it is for community purposes not likely to distort State Aid.

The land to be transferred to Whitefriars is currently designated “open space”. An open space is defined as “any land, whether enclosed or not, on which there are no buildings or of which not more than one-twentieth part is covered with buildings and the whole of the remainder of which is laid out as a garden or is used for purposes of recreation, or lies waste and unoccupied.

Subsection 123(2A) of the Local Government Act 1972 requires the Local Authority to advertise the intention to dispose of open space land and consider objections.

The report therefore seeks authority to advertise the disposal of the land and to also report back to Cabinet Member for Jobs and Regeneration if any objections are received for them to be considered.

6. Other implications

6.1 How will this contribute to achievement of the Council's Plan?

The delivery of a regenerated Riley Square District Centre and new housing will help deliver a more vibrant and economically prosperous area, which will benefit the local community and neighbourhood.

6.2 How is risk being managed?

If IRDL cannot remodel/demolish areas of the centre, the lease to IRDL and the regeneration of Riley Square does not proceed. This risk has been identified earlier in the report.

6.3 What is the impact on the organisation?

The impact on the organisation will be minimum, apart from resources from Legal Services to complete the legal documentation.

6.4 Equalities / EIA

The proposal does not require an EIA because the position will remain unchanged in the short term however any longer term proposals may require an EIA as they may impact upon the groups using the local facilities and the local community.

6.5 Implications for (or impact on) the environment

There are no impacts on the environment.

6.6 Implications for partner organisations?

The most obvious partners affected by this proposal will be local traders and tenants of the Whitefriars Housing Group. IRDL will consult all stakeholders as part of the regeneration/development process.

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