

Notice of	EXECUTIVE
Decision Number:	EX41/2022
Relevant Officer:	Alan Cavill, Director of Communications and Regeneration
Relevant Cabinet Member:	Councillor Mark Smith, Cabinet Member for Business, Enterprise and Job Creation
Date of Meeting:	10 October 2022

INVESTMENT IN THE TOWN CENTRE

1.0 Purpose of the report:

- 1.1 To consider proposals for the future letting of the former Debenhams unit (N4) within the Houndshill Shopping Centre, Blackpool.

2.0 Recommendations:

- 2.1 To agree to use the Council's Prudential Borrowing Powers to fund the fit out.
- 2.2 To authorise the Head of Legal Services to prepare legal documentation and enter into and complete appropriate documents/contracts as necessary to complete the transaction/s.

3.0 Reasons for recommendations:

- 3.1 Like many towns and cities the departure of Debenhams from the UK high streets and shopping centres has left a major void within the Blackpool Council owned Houndshill Shopping Centre. In other towns we have seen former Debenhams stores let for health, leisure, residential and retail, and indeed, many of the former Debenhams stores remain vacant, and without a significant capital contribution from the landlords that situation is highly unlikely to change.

For the Houndshill Centre, as the primary shopping centre in Blackpool Town Centre it is vital to retain this store for retail use, a position confirmed by the Council's retail consultants, and finding a replacement department store to anchor the Centre has been a critical part of the strategy. This will not only re-anchor the Houndshill but also strengthen the wider town centre offer and will help grow occupational demand for space and rental growth within the Houndshill and wider town centre. For Blackpool residents this will provide new employment

opportunities and also provide for a wider choice of products previously not available in the locality, thus increasing the attractiveness of the town centre. It will also provide for additional reasons for residents to visit the town centre including additional and/or new visitors from out of town.

3.2 Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

3.3 Is the recommendation in accordance with the Council's approved budget? Yes

4.0 Other alternative options to be considered:

- 4.1
- (a) To do nothing is not an option which can be recommended, as the unit represents one third of the space within the Houndshill and would not only continue to be detrimental to the centre but would also represent a void cost of over £600,000 (Service Charge, NNDR, Insurance) per year.
 - (b) Convert the space into smaller units; this was considered for which the cost is estimated to be at a broadly similar level with no guarantee that the spaces would be let, nor let for anchor type uses and therefore presents a greater risk.
 - (c) To seek alternative retailers to take most/all of the space; the following were considered TK Maxx, B&M, Boots, Matalan, Range and Next. Some of these would create void challenges in other parts of the town, and also these would not be able to produce the turnover levels expected on a contribution cost benefit ratio.
 - (d) Change the use to leisure/food hall; this was considered however not progressed as again it would require significant re-modelling and capital contribution. In addition, this proposal would not support anchoring the retail and fashion element of the Houndshill and town centre and therefore would be less favourable.

The proposed option in paragraph 6.4 is the best option, is deliverable in a timely manner, and is unequivocally recommended by Ellandi who manage the Houndshill for the Council as the best option to pursue to make the biggest positive impact on the Shopping Centre and the Town Centre.

5.0 Council priority:

5.1 The relevant Council priority is: "The economy: Maximising growth and opportunity across Blackpool".

6.0 Background information

6.1 The Council purchased the Houndshill Shopping Centre in 2019. At that time it was evident Debenhams nationally was in trouble and had already been through a Company Voluntary Arrangement. The price the Council paid reflected this risk and from that time officers were aware forward planning for the future would be required.

- 6.2 Through the Council's recent procurement and appointment of new Asset and Property Managers for the Houndshell, one of the main questions addressed was the replacement options for the Debenhams store. Consistently the message was to re-anchor the Houndshell with a fashion-led scheme and to replace the department store with the party with which the Council is now engaged.
- 6.3 The Council's consultants have actively been marketing the former Debenhams space and have spoken to many retailers and other end users. They have been engaged with the proposed business for many months to reach a commercial deal which the other party's Board have now signed off the terms. By the time the Executive meets the Agreement for Lease will have been signed, conditional on this report being approved which would release the capital contribution required to complete a high quality store fit out. This transaction is in-line with other similar deals in other towns/cities and recommended by the Council's consultants.
- 6.4 The key terms for the proposal are for a new 15 year Lease with a turnover only rent and other charges. Fit out is expected to commence early in 2023 with the store opening in late 2023 allowing for a circa 8 month fit out programme. The department store will have as part of its offer, beauty and perfume counters, high-end luxury designer clothing and other goods, sportswear, and high street fashion. Whilst the letting does not make a good economic case in its own right it does however, significantly elevate the Blackpool retail offer and provides for a very strong anchor proposition which will strengthen the Council's position when renewing leases or arranging new deals and which will strengthen the position of the whole town. It is also a stronger overall financial offer than any alternative.
- 6.5 The Council's consultants have benchmarked this proposal against a town in the West Midlands where a similar store opened in 2021. The results are positive, the town has gone up in the national rankings by 13 places (according to CACI, the data specialists). The town now attracts a higher footfall and there has been a shift in visitor profile. The ratio of key higher spending Mosaic groups visiting the town has increased from 26% to 33%. Therefore, the evidence suggests the wider benefits outweigh the immediate financial pressure by taking a wider town centre view. This investment also adds to the commitment the Council has already made including delivering one of the largest cinema screens in the UK and one of only 80 towns/cities in the UK and Ireland to have a full IMAX experience.
- 6.6 This report is currently exempt from publication by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered on balance that the public interest would not be served by publishing information at this stage as this information would undermine the Council's position in future negotiations and could risk the scheme not being able to proceed.
- 6.7 Does the information submitted include any exempt information? Yes

7.0 List of Appendices:

7.1 Appendix 5a – 10 year cash flow
(not for publication)

8.0 Financial considerations:

8.1 Refer to Appendix 5a for 10 year cash flow comparisons.

The fit out contribution is to be paid in two instalments, proposed as follows;

- a) Payment 1: 50% to be paid when the Lease is signed and access is commenced, subject to a full shop fit proposal having been formally approved by the Council (assumed to be early 2023).
- b) Payment 2: 50% on completion of the pre-agreed fit-out and the unit opening for trade.

9.0 Legal considerations:

9.1 By the time the Executive meets the Agreement for Lease conditional on the Council providing the fit out contribution will have been signed. The Lease will be completed once the condition is satisfied subject to Executive approval.

9.2 The Head of Legal Services is to complete any agreement and contracts as necessary to facilitate the letting.

10.0 Risk management considerations:

10.1 No payments will be made until the Lease is signed and thereafter the Council's consultants will monitor the fit out programme to ensure the works are being completed, on time, and as per the agreed fit put plan.

11.0 Equalities considerations:

11.1 There are no anticipated equalities issues with the proposals outlined. Full equalities and accessibility requirements will be taken into account at the design stage and in line with building control requirements.

12.0 Sustainability, climate change and environmental considerations:

12.1 The fit out proposal will include new mechanical and electrical installations, this will help towards reducing energy use within the unit. This will assist towards reducing the impact of climate change and ensuring sustainability has been taken into account through the design stages.

13.0 Internal/external consultation undertaken:

13.1 Internal - Chief Executive, Director of Resources, Growth and Prosperity Programme Director, Head of Investment, Growth and Prosperity Board.

External – Ellandi, Barker Proudlove, Lunson Mitchenall, CBRE, DAC Beachcroft.

14.0 Background papers:

14.1 Advice from Ellandi (exempt)

15.0 Key decision information:

15.1 Is this a key decision? Yes

15.2 If so, Forward Plan reference number: 1/2021

15.3 If a key decision, is the decision required in less than five days?

15.4 If **yes**, please describe the reason for urgency:

16.0 Call-in information:

16.1 Are there any grounds for urgency, which would cause this decision to be exempt from the call-in process? No

16.2 If **yes**, please give reason:

TO BE COMPLETED BY THE HEAD OF DEMOCRATIC GOVERNANCE

17.0 Scrutiny Committee Chairman (where appropriate):

Date informed: 30 September 2022 Date approved:

18.0 Declarations of interest (if applicable):

18.1 None.

19.0 Summary of Discussion:

19.1 Mr Alan Cavill, Director of Communications and Regeneration, presented the report to the Executive. Mr Cavill emphasised that this option had been unequivocally recommended by Ellandi who manage the Houndshill for the Council as the best option to pursue to make the biggest positive impact on the Shopping Centre and the Town Centre. The need to ensure an anchor tenant for the vacant Debenhams unit was emphasised along with the costs of holding that unit empty and the potential impact on the rents achievable from other tenants along with car parking income. The potential positive impact on the town centre was also noted.

The Executive expressed positive support for the recommendation noting the need to ensure the town centre remained sustainable. In response to questions, Mr Cavill emphasised that due diligence had been undertaken and the tenant was considered a relatively low risk.

20.0 Executive decision:

20.1 The Executive resolved as follows:

1. That the public and press be excluded from the consideration of Agenda Item 5 Investment in the Town Centre. This is on the grounds that this item contains the likely disclosure of information not for publication by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972. This information contains details of ongoing negotiations with third parties and the public interest would not be served by making this information public at the point, once the negotiations are concluded parts of that information would be published.
2. To agree to use the Council's Prudential Borrowing Powers to fund the fit out.
3. To authorise the Head of Legal Services to prepare legal documentation and enter into and complete appropriate documents/contracts as necessary to complete the transaction/s.

21.0 Date of Decision:

21.1 10 October 2022

22.0 Reason(s) for decision:

22.1 Like many towns and cities the departure of Debenhams from the UK high streets and shopping centres has left a major void within the Blackpool Council owned Houndshell Shopping Centre. In other towns former Debenhams stores have been let for health, leisure, residential and retail, and indeed, many of the former Debenhams stores remain vacant, and without a significant capital contribution from the landlords that situation is highly unlikely to change.

For the Houndshell Centre, as the primary shopping centre in Blackpool Town Centre it is vital to retain this store for retail use, a position confirmed by the Council's retail consultants, and finding a replacement department store to anchor the Centre has been a critical part of the strategy. This will not only re-anchor the Houndshell but also strengthen the wider town centre offer and will help grow occupational demand for space and rental growth within the Houndshell and wider town centre. For Blackpool residents this will provide new employment opportunities and also provide for a wider choice of products previously not available in the locality, thus increasing the attractiveness of the town centre. It will also provide for additional reasons for residents to visit the town centre including additional and/or new visitors from out of town.

23.0 Date Decision published:

23.1 11 October 2022

24.0 Alternative Options Considered and Rejected:

24.1 The Executive considered the following alternative options:

- (a) To do nothing is not an option which can be recommended, as the unit represents one third of the space within the Houndshell and would not only continue to be detrimental to the centre but would also represent a void cost of £688,000 (Service Charge, NNDR, Insurance) per year.
- (b) Convert the space into smaller units; this was considered for which the cost is estimated to be at a broadly similar level with no guarantee that the spaces would be let, nor let for anchor type uses and therefore presents a greater risk.

- (c) To seek alternative retailers to take most/all of the space; the following were considered TK Maxx, B&M, Boots, Matalan, Range and Next. Some of these would create void challenges in other parts of the town, and also these would not be able to produce the turnover levels expected on a contribution cost benefit ratio.
- (d) Change the use to leisure/food hall; this was considered however not progressed as again it would require significant re-modelling and capital contribution. In addition, this proposal would not support anchoring the retail and fashion element of the Houndshill and town centre and therefore would be less favourable.

However it noted that these four alternative option all had significant issues and were not supported by Ellandi who manage the Houndshill for the Council.

25.0 Executive Members in attendance:

25.1 Councillor L Williams, in the Chair

Councillors Brookes, Campbell, Farrell, Hobson, Hugo and Smith

26.0 Call-in:

26.1

27.0 Notes:

27.1 The following non-Executive member was in attendance: Councillor Hunter