

TITLE	Wokingham Town Centre Regeneration (WTCR) – Tenant Lettings
FOR CONSIDERATION BY	The Executive on 26 October 2017
WARD	Emmbrook, Wescott
DIRECTOR	Graham Ebers, Director of Corporate Services
LEAD MEMBER	Stuart Munro, Executive Member for Business and Economic Development and Regeneration

OUTCOME / BENEFITS TO THE COMMUNITY

A key project towards a regenerated town centre which is aligned with the Council's Core Strategy and will provide:

- Improved public spaces
- A better retail experience
- An improved entertainment offer
- Better sports and leisure facilities
- Improved access and transport
- Improved sustainable community
- A rental income which can be used unencumbered for provision of services across the Borough

RECOMMENDATION

The Executive is recommended to:

- 1) confirm the specific tenant letting as set out in Part 2 of this report
- 2) delegate decisions around further individual tenant lettings, aligned with the agreed Letting Strategy and its specific criteria as set out in the attached report, to the Director of Corporate Services in consultation with the Leader and the Executive Member for Business, Economic Development and Regeneration

SUMMARY OF REPORT

The report proposes a specific tenant letting for the Peach Place scheme, details of which, because of commercial sensitivity until the Agreement is reached, is contained within Part 2 of this report.

It also proposes that all future tenant lettings in accordance with the approved Letting Strategy for the WTCR programme are delegated to the Director of Corporate Services in conjunction with the Lead Member for Business, Economic Development and Regeneration, which will lead to a swifter and more flexible process and give confidence to the market in general and individual tenants/advisors in particular.

Background

Regenerating Wokingham Town Centre is one of the Council's top priorities under the adopted Vision, and will work towards achieving the objectives as set out previously.

The Regeneration Programme is well underway with Peach Place phase 1 being completed in 2014, Carnival Phase 1 completed in June this year and peach place on site since January 2017, with completion programmed for November 2018.

The Peach Place scheme includes 26 residential units together with a series of retail units, some identified for A1 retail (such as fashion, clothing) and some as A3 retail (restaurants and cafes). Interest in the new units being created remain at a good level and will increase as the site nears completion. Included in Part 2 of this paper, are details of a proposed letting to a good quality tenant, aligned with the Letting Strategy

Analysis of Issues

The report deals with two issues – the letting of one unit within the Peach Place scheme and a proposal to delegate further lettings (within all schemes in the WTCR programme) to the Director of Corporate Services in conjunction with the Lead Member for Business, Economic Development and Regeneration

Details of the proposed tenant including rental income are contained within Part 2 of this report, as this will remain commercially sensitive until the Agreement is reached. However, the tenant, use and proposed rental income are all aligned with the WTCR objectives.

The proposal to delegate further lettings in line with the Letting Strategy will allow for a swifter process, giving confidence to the market and individual tenants/advisors of our ability to trade, thus improving opportunities in the market.

The Letting Strategy (2016) sets out the Council's vision for the mix of tenants and letting contracts for all regeneration schemes to ensure delivery of:

- A thriving Town Centre
- An eighteen hour economy
- Scheme viability

In addition the Strategy sets out Objectives and Targets to be achieved within each scheme. The Letting Strategy reflects the dynamic market in which the schemes are being delivered and therefore it needs to evolve in response to ever changing macro and micro market conditions. The evolution of the Strategy is subject to formal Governance as set out in the approved Strategy document.

Delivery of the Letting Strategy is being achieved one deal at a time. Each deal is individually negotiated by our retained letting agent Strutt and Parker (national experts in retail property) in conjunction with our development partner Wilson Bowden Developments (WBD) reporting directly to our in house property professionals within the Regeneration team.

Each letting transaction reflects a unique and optimum balance of many interrelated contractual and commercial terms to suit the specific unit, scheme and tenant. In all cases letting terms will reflect fair market value in the opinion of all three professional

teams (Strutt, WBD and Regeneration) and also align with the overall scheme Letting Strategy.

Individual lettings will be checked in every respect by Strutt and Parker, WBD and the Regeneration property professionals before being recommended for delegated approval. This is a more rigorous preparatory process than is required for all other Council property transactions that are delegated directly to the Head of Operational Property under the Councils Constitution (para 11.3.9).

The part two report attached shows the range of key considerations that will be assessed before a new letting is recommended for delegated approval. In some cases additional or alternative considerations will be relevant but in all cases the key issues will include:

- a) Tenant – retail offer, trading profile, comparator stores/towns
- b) Tenant Mix – Contribution to overall scheme mix and vitality reflecting existing tenant commitments and those not yet committed but under discussion
- c) Tenure – Key contractual terms including the right balance of term certain, break options (either way), alienation and user clause with or without any exclusivity,
- d) Rent – The optimum balance of initial rent, rent free period, inducements (where appropriate), fixed rent steps or indexed/open market reviews having regard to all other lease terms and overall scheme rental tone, all to deliver fair market value appropriate to the scheme, unit, lease and tenant.
- e) Covenant – A review of the covenant strength of the chosen tenant having regard to their current financial position and trading profile/business plan in conjunction with relevant lease terms including deposits, guarantors, legal charges and pre-emption rights where appropriate. The approach to covenant strength has to be flexible and sometimes creative so that a wide variety of deals can be progressed prudently with a range of tenant entities ranging from mature PLC's with AAA credit references to local independent start-ups with little more than a good idea and a sound business plan.

This analytical approach to property transactions has underpinned the successful delivery of a very wide range of lettings by the Council's Regeneration team since the purchase of the Peach Place Regeneration portfolio in 2010.

In each case when a new letting is ready for delegated approval a report will be presented by the Regeneration Team similar to the Part 2 report attached. The report will summarise the scrutiny process and compliance with the current Letting Strategy by means of the key letting terms as set out above.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe financial challenges over the coming years as a result of the austerity measures implemented by the Government and subsequent reductions to public sector funding. It is estimated that Wokingham Borough Council will be required to make budget reductions in excess of £20m over the next three years and all Executive decisions should be made in this context.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	See Part 2	Yes	Revenue
Next Financial Year (Year 2)	See Part 2	Yes	Revenue
Following Financial Year (Year 3)	See Part 2	Yes	Revenue

Other financial information relevant to the Recommendation/Decision
--

None

Cross-Council Implications

This scheme forms part of the Regeneration programme of Wokingham town centre and is aligned with the Place-making policies of the Council. In achieving the benefits identified it will provide an income stream for the benefit of all residents across the borough together with improving the facilities and community of Wokingham town
--

Reasons for considering the report in Part 2

Financial information included which is deemed commercially sensitive

List of Background Papers

WTCR Letting Strategy

Contact Bernie Pich	Service Strategic Property
Telephone No 0118974 6700	Email Bernie.pich@wokingham.gov.uk
Date 12 September 2017	Version No. 1