

Document 1 - Sittingbourne Town Centre Risks and Mitigation V2 24/2/2017

Risk Event	RAG	Risk Mitigation
1. Overrun on build costs	Green	Retail already tendered for. Build cost will be guaranteed by Spirit.
2. Unlet units	Green	Spirit are guaranteeing voids on the unlet units for 2 years from completion. Long leases signed for the cinema, hotel, retail units (2 that were outstanding now signed) and 2 restaurant operators representing 65% of the total restaurant rents. Ongoing discussions with other restaurants. Firming up minimum acceptable covenant for restaurants.
3. Rental growth assumptions in the financial model.	Green	Given that borrowing costs will be fixed when borrowing occurs even with no inflationary uplift there is a substantial buffer of income over borrowing costs. Retail and Leisure financial appraisals now decoupled. Rental growth assumptions for first appraisal, Retail, will be reviewed.
4. Management costs.	Green	Financial appraisal includes £150,000 per annum irrecoverable fee. Initial consideration will be for retail site.
5. Long term voids.	Green	£150,000 per annum allowance after year 10. Overall viability allow for a very good margin to cover voids.
6. Landlord repair costs.	Green	£150,000 per annum contribution to a sinking fund held by the Council.
7. Initial rent free periods.	Green	Built into the financial model.
8. Management of the property.	Orange	Professional advice will be sought on the appropriate options, initially for the Retail and then the Leisure.
9. U&I become insolvent.	Orange	In the build phase security over the assets. Exposure on 35% of the restaurant income through the 2 year post completion period.
10. Insolvency of occupiers.	Orange	Ability to re-let. Retain option to sell for capital sum on completion.
11. Major economic downturn.	Orange	This is a well diversified development which seeks to retain spend within the borough. Leisure spend has held up well in previous downturns. Long term development of Sittingbourne reflecting London/Thames Gateway expansion.
12. Failure of the cinema operator.	Orange	Detailed discussions with Spirit on the design to ensure alternative operators could utilise the building.
13. Valuation of properties	Green	Independent valuations will be commissioned for the Retail and Leisure.
14. Property investment/financial appraisal advice	Green	The Retail assessment will be undertaken by Turnberry Real Estate.

		Approach to appraisal for the Leisure to be determined.