

<b>Cabinet Meeting</b>	
<b>Meeting Date</b>	13 <sup>th</sup> April 2022
<b>Report Title</b>	Approval to Let Retail/Leisure Units on the Bourne Place Scheme Sittingbourne Town Centre.
<b>Cabinet Member</b>	Cllr Monique Bonney Cabinet Member for Economy & Property
<b>SMT Lead</b>	Emma Wiggins Director for Regeneration & Neighbourhoods
<b>Head of Service</b>	Joanne Johnson Head of Regeneration & Economic Development
<b>Lead Officer</b>	Jeremy Pilgrim Interim Property Manager
<b>Key Decision</b>	Yes
<b>Classification</b>	<b>Open</b>
<b>Recommendations</b>	<ol style="list-style-type: none"> <li>1. To approve the proposed letting as set out within Appendix One (commercially sensitive)</li> <li>2. To give delegated authority to the Director of Regeneration &amp; Neighbourhoods and the Director of Finance, in consultation with the Cabinet Member for Finance and the Cabinet Member for Economy &amp; Property, or the chairs of the relevant service committees in future municipal years, to negotiate, agree and complete leases in relation to remaining units on Bourne Place, in the event that the letting proposed in this report does not proceed.</li> </ol>

## **1 Purpose of Report and Executive Summary**

- 1.1 Swale Borough Council has appointed letting agents to seek tenants for the last remaining units on the Bourne Place, Spirit of Sittingbourne Scheme. Three Units Unit 1, Unit 2, and Unit 3a totalling 9,975 ft sq remain vacant. The Council has received an offer to lease all three units upon terms subject to contract and agreement on outstanding issues.

## **2 Background**

- 2.1 Previous lettings on the scheme were let under the former agreement and previous funding arrangements and led by the development partner Spirit of Sittingbourne. In 2016 the Council became the funding partner to the development which was based on a financially viable funding model. The council is the freehold owner of the scheme.

- 2.2 A number of units on the scheme were either pre-let or let prior to completion including Travel Lodge; Loungers; The Light Cinema and Bowling Alley and Nando's Chicken Lounge. In order to secure these lettings, it was necessary to provide rent free periods and capital contributions.
- 2.3 At the time of completion of the development and handover to Swale Borough Council, there remained three units un-let and vacant. As part of the funding agreement, the developer is responsible for the payment of rent/ service charge for a two-year period from date of completion of the scheme until 26<sup>th</sup> June 2022 whereafter the Council is responsible for void costs.
- 2.4 Since 2020 work has been underway to secure tenants for the unlet units working with the appointed letting agents. Due to the covid pandemic and economic uncertainty caused by these global events and the continuing economic uncertainty caused by the tragic events in Ukraine, companies remain nervous on future plans and any growth. As such there has been limited market interest and any offers represent a discount against rental values of three years ago. It has been difficult in securing tenant(s) on appropriate terms.
- 2.5 Officers together with the Council's Professional Advisers, believe that the proposed offer detailed in the exempt Appendix One represents the best terms that can be achieved currently and propose subject to approval to conclude terms as quickly as possible.
- 2.6 There are significant benefits to letting the units as proposed;
- All 3 units will be let and so completing the Bourne Place scheme;
  - The council is not at risk of paying for unlet units once the developers void costs term ends;
  - A strong covenant and a boost to the investment value of the scheme;
  - Supports health and well being offer in the town; and
  - Increases footfall.

### **3 Proposals**

- 3.1 To approve the proposed letting as set out within Appendix One (commercially sensitive).
- 3.2 To give delegated authority to the Director of Regeneration & Neighbourhoods and the Director of Finance, in consultation with the Cabinet Member for Finance and the Cabinet Member for Economy & Property, or the chairs of the relevant service committees in future municipal years, to negotiate, agree and complete leases in relation to remaining units on Bourne Place, in the event that the letting proposed in this report does not proceed.

## 4 Alternative Options

- 4.1 It is considered that this offer represents the best consideration currently available. Not to proceed would severely delay the possibility of letting the remaining units and in the current economic climate that uncertainty will increase holding costs to the Council.
- 4.2 Seeking alternative occupiers particularly restaurant operators is not considered appropriate as it is unlikely to find a tenant willing to take all three remaining units and to agree terms without offering extensive rent-free periods and capital expenditure contributions.

## 5 Consultation Undertaken or Proposed

- 5.1 As part of the Development programme Property advisers are appointed to act on behalf of the Council in provision of marketing services and consultation advice in respect to the market conditions and evaluations of offers. This consultation is on-going until completion of the all the lettings on the scheme.

## 6 Implications

Issue	Implications
Corporate Plan	It supports the corporate objectives of investing in our environment and responding positively to global challenges, tackling deprivation and creating equal opportunities for everyone and building the right homes in the right places and supporting quality jobs for all.
Financial, Resource and Property	Completing this letting will not only provide the Council with a significant income but substantially improve the Developments investment profile. Completion of this proposal for the end of June 2022 will substantially reduce the Council's risk to void costs and unsightly empty units. The rents that are achievable in the current market are below the assumptions within the budget and so shortfalls in the target rents will lead to forecast overspends within the current year. Assumptions within the in MTFP will need to be updated in line with current market rents.
Legal, Statutory and Procurement	There are no known legal issues associated with this proposal. There are no Procurement requirements associated with this proposal as the units have been extensively marketed in the open market.
Crime and Disorder	It is considered that the letting of these units to this specific tenant will assist in reducing crime and disorder in the area due to their on-site present increase footfall and nature of their operation on a 24/7 basis

Environment and Climate/Ecological Emergency	Not applicable to this proposal
Health and Wellbeing	This proposal is expected to have a beneficial impact on health inequality within the borough by providing leisure and health facilities.
Safeguarding of Children, Young People and Vulnerable Adults	Not applicable to this proposal
Risk Management and Health and Safety	Not applicable to this proposal
Equality and Diversity	Not applicable to this proposal
Privacy and Data Protection	None at this stage

## 7 Appendices

7.1 The following documents are to be published with this report and form part of the report:

- Appendix I: Exempt report summarising terms

The exempt appendices contain information relating to the financial and business affairs of particular persons. The public interest in the council being able to conduct this negotiation in a commercially confidential manner outweighs the general public interest in disclosure. The information is therefore exempt under paragraphs 3 and 10 of Schedule 12A to the Local Government Act 1972.

## 8 Background Papers

None