

FORMER BHS REDEVELOPMENT PROPOSALS

Joint Report of the Deputy Chief Executive, Place, and the Deputy Chief Executive, Corporate and Support Services

Commercially Sensitive – The appendices to this report are confidential by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in respect of which the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

1. INTRODUCTION AND PURPOSE OF REPORT

- 1.1 This report seeks approval for redevelopment of the former BHS store, acquired by the Council in July 2019, into three units, with new public realm to provide grade level access to the front of the store, a rear access leading to a first floor unit and a new shopfront. The redevelopment is proposed on the basis of pre-lets to two national retailers having been secured. Draft Heads of Terms are contained as part of Confidential Appendix 4.
- 1.2 The appendices numbered 2, 3 and 4 are confidential by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in respect of which the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

2. BACKGROUND

- 2.1 The BHS store closed in September 2016 and following approval from the Cabinet in April 2019, the Council acquired the building in July 2019. The acquisition included the adjacent 18-20 Merseyway, and the freehold interest of 14-16 Merseyway where the Council already had the leasehold interest. A plan of the site is included as Appendix 1.
- 2.2 At the time of the acquisition the main store was leased to Poundland and the adjacent 18-20 Merseyway leased to Optical Express. Poundland are still in occupation but Optical Express gave notice in April 2020 and the unit is currently vacant.
- 2.3 Since the acquisition, the Council's letting agents have been marketing the opportunity at the former BHS to secure the two pre-lets to enable the refurbishment of the building as set out in the acquisition report approved by Cabinet in April 2019.
- 2.4 Occupational terms have been agreed in principle for two pre-lets, a summary of which is included as part of Confidential Appendix 4 and consequently approval is now being sought to refurbish the building to deliver the development.
- 2.5 CBRE have provided a recommendation report included as Confidential Appendix 3 detailing the benefits and have included an assessment of the impact of the project on the wider Merseyway Centre. A report in Confidential Appendix 2

further considers the setting of the development in the wider regeneration priorities of the town centre.

3. REDEVELOPMENT STRATEGY

- 3.1 The building currently presents a poor amenity to Merseyway and further, contributes to negative perceptions of the Merseyway Centre. The building is in a poor physical condition and looks dated and tired. However, the large floor-plate of the building does provide an opportunity, subject to reconfiguration and refurbishment, to deliver the size and style of unit attractive to those robust retailers still showing signs of growth in a very challenging market.
- 3.2 Alongside introducing new uses into the Centre, the strategy for Merseyway, as set out to Cabinet in November 2018 is to stabilise and support the retail environment. The creation of two new anchor tenants in the former BHS building would help to achieve this strategic objective.
- 3.4 It is hoped that the refurbishment of the former department store and subsequent new lettings will send a clear signal out to the market that Merseyway is a desirable location. Further details of wider positive commercial impacts of the proposed refurbishment are included in Confidential Appendices 2 and 3.
- 3.5 The proposed works include splitting the building into three separate units, re-fronting of the whole shopfront along Merseyway and provision of an additional entrance at ground floor on Princes Street.
- 3.6 The identified retailers will require an 'at grade' shop-front. This will require work to the public realm to facilitate and will need to be completed prior to occupation. It will necessitate a raised platform to be constructed that ramps up in front of the shopfront to provide level access for customers. A plan and images showing how the building will be refurbished are contained as part of Confidential Appendix 4.
- 3.7 Subject to approval of this report, the Council will seek to appoint a design team and contractor to progress the works. A programme showing key milestones for the redevelopment is contained as part of Confidential Appendix 3. It is anticipated that work will start early in 2021 to redevelop the store with a handover to the tenants estimated end of 2021 or early 2022 depending on the actual start date. It is intended that the design team be appointed via [the Property Alliance Framework] and the contractor pursuant to the Procure North West framework.

4. STRATEGIC BENEFITS

- 4.1 The property sits on Deanery Way, which is a key town centre link between the Underbanks and Redrock. This project will improve the links, particularly between Merseyway and Redrock, by redeveloping a cornerstone building, improve footfall between the two of the town's key assets, and generally improving navigation and legibility within the town centre.
- 4.2 When the former BHS store was opened in 1978, BHS commissioned a set of artistic murals for the side elevation of the store, along Deanery Way. These depict historic events associated with Stockport and celebrate the opening of the new BHS store in 1978. Negotiations with the proposed occupiers regarding retaining these

murals in their original location have been successful and it is proposed to protect and clean the murals as part of the redevelopment of the building.

5. RISKS

- 5.1 The continued uncertainty posed by the pandemic and the impact of further lockdowns presents a challenge to delivering the overall Merseyway redevelopment strategy. The impact of lockdown on the retail market has been considerable and it is to be expected that further CVAs and business failures will be seen in the new year. Although the strategy for the centre is to move away from being a purely retail scheme, the reliance on continued retail performance remains.
- 5.2 Whilst due diligence is completed on the potential lettings, the volatility of the market makes the risk of further closures and CVA's on the high street likely. The impact of the pandemic and the ongoing threat of further lockdowns exacerbates this risk. The identified tenants are among a select group of retailers that are performing well and are of a good covenant, operational strength and customer demand that it is envisaged would be successful in the redeveloped unit.
- 5.3 The proposed refurbishment will require vacant possession of the building to enable work to start. Negotiations are progressing with the current tenant to achieve this. The negotiations with current exit-ing and proposed incoming tenants are at an advanced stage and it is expected that appropriate agreements for lease will be in place prior to vacant possession, mitigating any future rates liability for the landlord on this building.

6. FINANCIAL IMPLICATIONS

- 6.1 The Cabinet Report approved in December 2017 approved funding to support the delivery of the redevelopment strategy for Merseyway and delegated responsibility for the progression of the strategy to the Corporate Director for Place & Regeneration and Borough Treasurer in consultation with the Leader of the Council and Cabinet Member for Economy and Regeneration.
- 6.2 A financial analysis is contained in Confidential Appendix 2.
- 6.3 The refurbishment will provide lease commitments not in place at the moment and therefore provides some protection to the value of the asset and reduced risk upon signing of the lease commitments. The intervention also incorporates much needed change in the appearance of this section of Merseyway.
- 6.4 It is expected that the refurbishment and letting of the former department store will help stabilise the wider Merseyway asset and potentially increase revenue in the long term. As such, it is recommended and prudent to identify resources to enable the delivery of the project.

7. LEGAL CONSIDERATIONS

- 7.1 The Council will need to enter into conditional agreements for lease with the proposed tenants to secure the pre-lets prior to carrying out any work.

- 7.2 The appointment of the main contractor will be undertaken through a fully compliant procurement route.

8. HUMAN RESOURCES IMPACT

- 8.1 Not applicable.

9. EQUALITIES IMPACT

- 9.1 Not applicable.

10. ENVIRONMENTAL IMPACT

- 10.1 Not directly applicable to the report however any environmental considerations for redevelopment at the property would be controlled through the Planning Application and Building Regulation processes and requirements.
- 10.2 The former BHS property has been identified as one of the Stockport proposals as part of a wider GMCA and ERDF programme for a solar energy project. This is still in early design and concept stage but could be delivered as part of a redeveloped unit.

11. RECOMMENDATION

- 11.1 That Cabinet approve the redevelopment of the former BHS store as outlined in the above report.
- 11.3 That Cabinet delegate authority to the Deputy Chief Executive, Place, and the Deputy Chief Executive, Corporate and Support Services, in consultation with the Leader of the Council and the Cabinet Member for Economy & Regeneration to:
- Appoint a contractor to deliver the refurbishment works and execute any necessary letter of intent or other agreement, pending resolution of the final contract, to maintain progress.
 - Take any action needed to resolve issues that may hinder the delivery of this project within the planned programme and budget.
 - Agree the final terms of the occupational interests with the proposed tenants.
- 11.4 That Cabinet delegated authority to the Strategic Head of Service (Legal & Democratic Governance) to do all things necessary or incidental to the implementation of the above-mentioned resolutions.

BACKGROUND PAPERS

Appendix 1	Plan of the site
Confidential Appendix 2	SMBC report on wider Town Centre development context
Confidential Appendix 3	CBRE report (inc draft programme for delivery)
Confidential Appendix 4	CBRE Appendices to above report inc; a. Proposed floor layout b. Heads of Terms c. Cost Estimate

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