

TOWN CENTRE REGENERATION – DEBENHAMS REDEVELOPMENT - CABINET REPORT JUNE 2022

Report of the Head of Development & Regeneration

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. PURPOSE OF REPORT

- 1.1 This report sets out the Council's strategy for the vacant, former Debenhams building located on the A6 in Stockport Town Centre, and seeks approval for investment in the Council's preferred option for the building.
- 1.2 This follows a number of discussions at Town Centre Task Force which have looked at a variety of options for the building and covered in more detail in 2.5 below.
- 1.3 The redevelopment is proposed on the basis of initial investment being made to bring the building up to a standard that would enable one or more commercial uses to occupy in the former department store. The proposed uses have been considered in the context of current market demand and include repurposing of the large floor-plates available to provide space for potential occupiers.

2. BACKGROUND

- 2.1. The Council acquired the building in 2012 with Debenhams as the tenant. The store closed in May 2021 when Debenhams went into administration and Stockport was part of the second phase of store disposals. Despite being marketed, the building has not attracted any commercial interest and has latterly been used by the Council as a storage facility.
- 2.2. The building occupies a key strategic position, connecting Merseyway and Redrock via the rooftop car park but externally presents very poorly to the A6, and West Coast Mainline and will also detract from the new Interchange development currently under construction. Therefore, it is crucial that a physical change is made and a beneficial use brought to the site.
- 2.3. The Foundation Trust working with the Council have put forward the site to the Government be considered under the New Hospitals Programme as part of a relocation of Stepping Hill Hospital. This would see a range of partners to bring a major new hospital development to the site, requiring the demolition of the former Debenhams building. This level of development would be likely to unlock further regeneration options in the surrounds at Merseyway and parts of Prince's Street. However, plans for the new hospital are at a very early stage and any development of the site is unlikely to happen in the short to medium term. Significant design and

planning will be required before any construction or demolition work could begin and the Council still require a medium term solution for the building which could be anywhere from five to seven years.

- 2.4. The benefits and costs of demolishing the building have been considered previously. Clearance and remediation of the site will be required to enable NHS facilities to be developed in the future. However, significant work will be required to the rooftop car park to mitigate against the loss of the Debenhams link to Redrock and Merseyway. Clearing the site at this stage would be unlikely to deliver any financial value and would not deliver the ancillary benefits identified in this report.
- 2.5. The building has been subject to a number of discussions at Town Centre Task Force over the last twelve months. The Task Force has considered a range of potential options for the building including demolition and re-use for a meanwhile use such as surface car parking, leisure uses and food and beverage uses. The costs of these uses have been significant not least due to requiring the demolition of the existing building and the relatively short payback period. These discussions are covered more fully in Confidential Appendix 4.
- 2.6. The most cost-effective solution is the retention of the existing structure and the conversion of this to the meanwhile use set out in Section 4 below and the Appendices.
- 2.7. Longer term uses for the site were also considered through the Task Force such as residential or commercial space. The viability of these uses would require certainty and a long-term commitment to this course of action. Whilst the site is still part of the New Hospitals Programme, it was determined that it would not be possible to undertake a long-term development of the site but this can be revisited in the future if this changes.
- 2.8. The attached Confidential Appendix sets out a number of options that have been considered as a medium term solution, along with the estimated levels of investment that would be required. A preferred option has been identified that could provide a commercial letting, generating income, and realise the additional benefits associated with bringing animation to this part of the town and the building back into use.

3. REDEVELOPMENT STRATEGY

- 3.1. Stockport Council has taken a proactive approach to attempt to address the challenges faced by the town that has been caused by a variety of macro factors combining over time. These include the advent of out of town shopping centres, the 2008 economic recession, the ever increasing prevalence of internet shopping, and more recently the COVID -19 pandemic
- 3.2. Stockport has demonstrated how informed local authority investment in key areas can begin a transformation of fortunes of the wider town. The investment in development projects inherently contains risk but the decisions based on prudent independent advice and financial modelling have contributed to real tangible improvements and economic benefits.

3.3. Completed projects that demonstrate the Council's successful investment are:

- Stockport Exchange first three phases comprising 1,000 space multi-storey car park, 115 bed Holiday Inn Express, and c.120,000 sqft Grade A office across two new high quality buildings, significant public realm improvements.
- The modern light industrial estate at Aurora, fully let, providing 150,000 sq ft space across 10 units.
- The development of Redrock with The Light Cinema along with associated public realm improvements.
- The Marketplace developed as a new food and beverage destination
- Working to secure funding with Glenbrook to redevelop the former M&S building as new Grade A office space, Stok.

3.4. The former Debenhams building is located in a prominent position on the A6 in the heart of the Town centre. The building connects to both Merseyway and Redrock through the rooftop car park with the main entrance presenting onto Mersey Square.

3.5. The large floor-plate of the building (30,000 sq.ft – 90,000 sq.ft. in total) provides an opportunity, subject to reconfiguration and refurbishment, to deliver a number of uses.

3.6. Significant work has been done to understand the costs of works required to the building to facilitate a commercial letting that would act as a 'medium-term' solution. Further details of the proposed uses and the investment required are contained in Confidential Appendix 1.

3.7. The redevelopment of the former Debenhams building would reinforce the message to the market that Stockport is a desirable location. The additional footfall and positive PR generated by the redevelopment would help to boost the local economy and would demonstrate Stockport's determination to find new uses for the three former department stores that are located in the town centre.

3.8. The preferred option for the building would contribute to making Mersey Square more animated and help to create jobs in the Town Centre

4. REDEVELOPMENT OPTIONS

4.1. The attached confidential appendices provide details of the options being considered for the building after the original options considered by Town Centre Task Force. The potential uses have been set out along with the likely investment required to attract commercial lettings.

- 4.2. The Council's preferred option would be to redevelop part of the building to enable a commercial letting/s to be secured. Confidential Appendix 1 sets out the preferred use for the building and the level of investment required now to support attempts to secure a letting.
- 4.3. The initial investment sought in this report would enable the Council to undertake works to part of the building to test, demonstrate and prove the demand for the uses set out in the Appendix. Should the occupational demand manifest into prolonged and additional letting requirements then further investment to capitalise on this would be sought to redevelop more of the floorspace. The concept of uses set out in Confidential Appendix 1 could be applicable across different sites in the Town centre and beyond.
- 4.4. It is proposed that a prudent use of reserves would be applicable at this stage to undertake the initial works to assess the success of the intervention and future demand. Should this prove successful then further requests for investment to redevelop more of the building could be made to Cabinet.
- 4.5. A plan showing how the building could be refurbished is contained in Confidential Appendix 3.
- 4.6. A programme showing key milestones for the redevelopment is contained in Confidential Appendix 2. It is anticipated that work will start later this year to redevelop the building with marketing of the opportunities commencing through the Council's agents.
- 4.7. The investment proposed in the building consists, in the main, of the creation of open plan areas that strip back to the building structure with works to provide services and ancillary space. The works to remove internal fixtures and fittings will be required prior to any future demolition of the building.
- 4.8. The additional benefits that a commercial letting of the type identified could bring would help to support a strategic area of the town centre. Work with GMCA has shown that it is likely that the preferred option for the building would help to support a number of new jobs both in the building itself and in the ancillary businesses expected to cluster around a new facility. The attached Confidential Appendix 1 identifies examples of this type of development that Stockport could emulate.
- 4.9. A range of models for the management of the refurbished space will be considered, including management as part of the Council's wider portfolio of assets. Further details of how the space could be managed are set out in Confidential Appendix 1, and these will be refined and costed prior to investment taking place.

5. RISKS

- 5.1. Currently the vacant building has significant holding costs. These empty property costs are an ongoing call on resources with no return. The building contributes little to the streetscape and provides no animation at this strategic location in the town.

It is likely that the building will continue to deteriorate without investment and will contribute to additional maintenance costs as faults with the building are managed. Redevelopment and the securing of a letting for all or part of the building would mitigate against an increase in the holding costs and provide more animation in the location.

- 5.2. Despite a number of recent and historic surveys and information about the building structure, risks remain around the overall condition of the building and what issues may be found as construction works are undertaken. The limited scope of the proposed intervention should be able to work within the existing condition of the structure to provide the refurbishment required.
- 5.3. There is a prevalent risk of inflation in all capital projects at present. The works proposed would be internal works and requirement for construction materials, which are a key driver of build cost inflation, are mainly limited to internal fit out aspects.
- 5.4. The key commercial risks for the project centre on the demand from users for the building. As set out in the Confidential Appendix 1 market testing has been undertaken to identify potential users and strategic negotiations at a Greater Manchester level have been encouraging in relation to potential demand. The Council is confident that given the prominence and location of the building occupational uses for a 5 – 10 year period can be found.
- 5.5. A full risk register can be found in Confidential Appendix 2

6. FINANCIAL IMPLICATIONS

- 6.1. The Council acquired the former Debenhams building in 2012.
- 6.2. Currently the vacant building has significant holding costs. The aim of the proposed investment would be to improve the value of the asset, even to a small degree, whilst realising the ancillary benefits that the strategic redevelopment and letting of the building would bring in terms of activation.
- 6.3. It should be noted that the proposed works to the building will require capital outlay. The initial cost of this is set out in detail in Confidential Appendix 2. In future further investment in the building may be required to secure additional letting and a solution for the building in the medium term. This capital outlay has not yet been included in the Capital Programme.
- 6.4. The proposed uses and likely returns for each have been considered on a medium term, i.e. 5-8 year basis. Financial modelling demonstrates that the investment should make a small return during this timeframe. It is proposed that this capital expenditure is financed by borrowing with the costs being met by this return. Any risk will be mitigated by the use of revenue reserves held for capital expenditure which would be deployed to finance the expenditure ensuring that any borrowing was sustainable, prudent and affordable in relation to the additional return the investment provides.

6.5. The Council have been successful at recent Government funding rounds. Recent bids for schemes such as Stockport Exchange Phase 4, Stok, Stockroom and the Innovation Centre have leveraged in significant amounts of external funding on the back of match funding by the Council or partners. This scheme will be considered for future applicable funding opportunities.

7. LEGAL IMPLICATIONS

7.1. The procurement of any goods, works or services by the Council must and will be undertaken in accordance with all relevant provisions of the Council's Constitution, including its Contract Procedure Rules, the subsidy control regime and all other applicable legislation.

8. HUMAN RESOURCES IMPACT

8.1. Not directly applicable to the report and the recommendations.

9. EQUALITIES IMPACT

9.1. Not directly applicable to the report and the recommendations.

9.2. The works to the building could create lettable floorspace that could offer a range of affordability for potential occupation.

10. ENVIRONMENTAL IMPACT

10.1. The proposed retention of the building, at least in the short-medium term, makes best use of the existing property and ensures the embodied carbon contained within the structure is retained in situ.

11. RECOMMENDATIONS

11.1. That Cabinet are recommended to;

11.1.1. Give approval to the funding for the preferred redevelopment option for the former Debenhams building as outlined in the above report and confidential appendices and

11.1.2. Delegate authority to the Deputy Chief Executive and the Director of Development & Regeneration in consultation with the Cabinet Member for Economy and Regeneration to;

- appoint a contractor and appropriate professional team as required to deliver the refurbishment works and execute any necessary letter of intent, pre-construction services agreement or other agreement, pending resolution of the final contract;

- agree the detailed initial investment mix for the building;
- agree the terms of occupational leases for the building;
- take such other steps as are appropriate and necessary to implement the strategy set out in this report

11.1.3. Delegate authority to the Strategic Head of Service (Legal and Democratic Governance) to do such things as are necessary or incidental to implementation of the above recommendations.

BACKGROUND PAPERS

None

APPENDICES

Appendix 1 – Confidential report from CBRE

Appendix 2 – Confidential building information, cost plan, risk register and programme

Appendix 3 – Confidential designs

Appendix 4 – Confidential Financial Summary

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