

TRAFFORD COUNCIL

Report to: Executive
Date: 24th January 2022
Report for: Decision
Report of: Executive Member for Housing and Regeneration

Report Title

Update on the Grafton Centre, Altrincham

Summary

The report provides an update on the Grafton Centre Altrincham

Recommendation(s)

The Executive is recommended to:

1. Note the update since the development was acquired
2. Approve the proposed Centre / interim Asset Management Strategy
3. Approve £400k capital investment, funded from borrowing, for necessary repairs to the site to prevent further deterioration in the income stream
4. Delegate authority to the Corporate Director of Place to procure and agree the relevant contracts to implement the Centre / Asset Management Strategy and commission the Project team to develop future site options
5. Delegate authority to the Corporate Director of Governance and Community Strategy to finalise and enter into any documents in order to give effect to the contents of this report

Contact person for access to background papers and further information:

Name: Richard Roe
Extension: 4265

Background Papers: none

Implications:

Relationship to Policy Framework/Corporate Priorities	The redevelopment of the Grafton Centre supports the new vision for Trafford and the related outcome where 'All our businesses and town centres will be supported to recover and flourish for the benefit of everyone'. It also complements the Council's Corporate Priority of 'Addressing our Climate Crisis' and policies in the Draft Trafford Local Plan
Relationship to GM Policy or Strategy Framework	At a Greater Manchester level, the redevelopment of the Grafton Centre supports the GM Strategy and GM Local Industrial Strategy 2019.
Financial	As set out in the report
Legal Implications:	As set out in the report
Equality/Diversity Implications	None
Sustainability Implications	None
Carbon Reduction	Carbon assessments will be commissioned as part of any redevelopment proposals.
Resource Implications e.g. Staffing / ICT / Assets	The Director of Development will appoint a small Centre Management Team to deliver the medium term Centre / Asset Management Strategy outlined in this report. In addition the Property Team will arrange for the proposed repairs to be carried out to the Centre.
Risk Management Implications	As set out in the report.
Health & Wellbeing Implications	No direct implications
Health and Safety Implications	No direct implications

1.0 Background

1. In July 2017 the Council approved an Investment Strategy with the objective of delivering new income streams to help bridge the budget gaps in later years.
2. Trafford Council acquired the Grafton Centre as an investment in February 2018 to enable them to take a strategic lead in reshaping the town centre and kick start the next phase of Altrincham town centre's transformation.
3. The Grafton Centre comprises a mixed-use retail and hotel scheme occupying a prominent corner site at the junction of George St and Regent Road. Major retailers in the vicinity of the Grafton Centre include Marks and Spencer and H&M. At the opposite end of George Street is The Stamford Quarter which is in the ownership of the Council's JV LLP with Bruntwood Development and is the subject of redevelopment proposals.
4. The Grafton Centre property provides a 7 storey 91 bedroom hotel tower leased to Travelodge. The hotel has a dedicated guest entrance lobby on Stamford New Road and was comprehensively refurbished in 2011. The car park which is used by residents of the hotel along with the other members of the public is accessed off Central Way. Tenants in the scheme include Home Bargains and Subway with a number of independent retailers.

2.0 Proposed Strategy

1. In late 2019, the Council and STAR procurement undertook a procurement exercise seeking to appoint a Joint Venture Development Partner to refurbish / redevelop the Grafton Centre. The procurement exercise resulted in two bids being received. During final negotiations with the preferred bidder, the Council failed to conclude a satisfactory outcome to enable the Council to progress the scheme and with COVID introducing a new level of risk to the proposed partnership, the decision was made to postpone any redevelopment.
2. In December 2020 the Council commissioned CBRE to undertake a Development Assessment which looked at a range of options for the future of the Centre. The proposed strategy includes exploring the options in the report further.
3. Following on from this report, the Council and AMEY Estates Team have produced an interim Asset Management strategy for the Centre. This includes managing the tenants and rent collection, looking at re lettings of void units, undertaking required surveys and building and property management services.
4. The Council still has clear ambitions to redevelop the Centre; deliver a Regenerative benefit to the wider Altrincham area and produce further income to the Council.
5. Options for the redevelopment of the Centre are to be produced and the Council will work up proposals to bring back to Executive for consideration. The proposals will be in line with the options included in the CBRE report, these include:
 - a. Reconfiguration / Part new build – Deliver alternate uses where possible such as residential / workspace etc.
 - b. Major redevelopment – A wholesale redevelopment of the whole site
 - c. Masterplan of the Upper George Street Area – whilst the Council own the Grafton Centre, there are also pockets of land in the surrounding vicinity which could form part of any redevelopment and therefore provide a greater regeneration benefit.
6. While this work is underway, and in line with the recommendations of the CBRE report to undertake moderate improvements and re-let as much of void aspects of the Grafton Centre as possible, the Council is recommending the following interim Centre / Asset Management strategy be approved. Measures include:
 - a. The appointment of a Centre Manager to provide dedicated resource to managing tenants and reducing voids, bringing new tenants to the scheme. The Council has budget to appoint a dedicated Centre Manager to ensure a safe and compliant response to current tenants ensuring landlord obligations are fulfilled and providing proactive asset management.
 - b. The delivery of an Events Programme to animate the Centre, increase footfall and improve the quality of the offer. The Council will commission an events programme to generate footfall and activity. Working with local business to ensure a joined up approach to events in the town. The programme will enhance the offer of the Centre and encourage new businesses / uses to the Centre.

- c. Continue to undertake capital repairs to ensure the building is compliant with building regulations and minor repairs and improvements to improve the image of the Centre. The Council has conducted a number of condition surveys and will carry out those urgent repairs.
 - i. There are a number of ongoing property management and repair issues at the Centre. Discussions and investigations have been ongoing to resolve these issues. Further investigation and remedial work to the Centre is required in order to ensure that the Council meets its obligations in relation to the existing tenants.
 - ii. There are also a number of minor cosmetic, but important improvements to the Centre that will make it more appealing to future tenants / uses.
 - d. Maintain existing rental income and seek to increase income through letting of void units /attracting new occupiers which will be supported by points 1) to 3) above.
7. Within the Grafton Centre, there are currently 23 various tenancies to be managed and as a responsible Landlord, the Council has legal obligations to its tenants on building fabric, repairs and maintenance. It is imperative that the Council keeps the centre to a certain standard to help retain existing tenants and attract new tenants.
 8. The Council’s Development team will monitor the interim strategy to ensure it is delivering on its objectives whilst working on redevelopment options. The proposal is to have the interim strategy in place by March 2022.
 9. Following approval of the recommendations, The Council’s Development team will commission a small project team to look at the development options, timetable as follows:

Project team procurement	January to March 2022
Stakeholder discussions, market research, consultation	March to August 2022
Production of options, costing and business planning	September to March 2023
Update to Executive	Summer 2023

3.0 Finance

1. The Council acquired the Grafton Centre for an outlay of £10.8m, inclusive of all fees, in February 2017. This acquisition was funded through an external loan from the PWLB, the related costs of which are funded from the net income at the Centre.
2. The original budgeted assumption for the site was for it to make a net contribution, after costs, to support the revenue budget of £84k per annum. Due to poor trading, increased maintenance costs and pressures due to COVID, it has struggled to meet this target, and is forecast to have a revenue cost to the budget of £159k this year. This figure is reported as part of the overall returns on the Asset Investment Strategy and included in the regular revenue budget monitoring reports to Executive.

Grafton Centre Historic Performance	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22* £000
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Rental Income	(92)	(639)	(590)	(431)	(495)
Non Service Charge Costs	11	4	12	11	19
Vacancy Costs	5	66	67	78	78
Gross Income	(76)	(569)	(511)	(341)	(398)
External Consultant Fees	2	25	(6)	34	14
Financing Costs	37	488	488	488	488
Contribution to Risk Reserve	0	54	54	54	54
Tenant Litigation	0	0	0	128	0
Net (Income)/Loss	(37)	(2)	26	363	159

3. The Council will seek to improve the revenue return from the centre by filling vacant units and reducing maintenance costs. This will be achieved through the appointment of a Centre Manager, to provide proactive asset management, and capital expenditure to bring empty units into a usable condition, as well as giving the site a cosmetic uplift. The Centre Manager will be funded through the service charge which tenants pay in addition to their rent. The capital expenditure is estimated to be £400k and will be financed from the Asset Investment Strategy budget, and will be funded through borrowing with the associated financing costs of £16k p.a. met from the increased rental turnover. The effect of these changes will be a forecast increase in net rent of £84k over two years from the current position, which would bring the site a net position of an £8k surplus.

Grafton Centre Future Performance	2022/23 £000	2023/24 £000	2024/25 £000
Rental Income	(597)	(642)	(642)
Non Service Charge Costs	19	19	19
Vacancy Costs	78	43	43
Gross Income	(500)	(580)	(580)
External Consultant Fees	14	14	14
Financing Costs	504	504	504
Contribution to Risk Reserve	54	54	54
Net (Income)/Loss	72	(8)	(8)

Other Options

The Council could do nothing but this would not address the necessary repairs and improvement needed to maintain the Centre and its obligations as landlord to the various tenants. Without a dedicated Centre Manager the Centre will continue to decline and there is a risk further tenants could leave.

Consultation

No consultation is required at this stage. The proposal is in line with the Council's investment strategy.

Reasons for Recommendation

It is recommended that the Executive agree to the proposals outlined in this report to:-

- Ensure that the Council continues with its legal obligations for the Grafton Centre

- Maintain the revenue for the Centre so that the Council can continue to make the repayments on their loan
- Make improvements not only to benefit the existing tenants at the Centre and also the members of the public.
- Delivers an appropriate interim asset management strategy providing a stable period for a careful consideration of the longer term redevelopment options available to the Council

Key Decision (as defined in the Constitution): No

Exempt Information

By virtue of Paragraphs 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended by The Local Government (Access to Information) (Variation) Order, the following information has been excluded from Part 1 of this report and included in Part 2 of the report:


- ~~1. Information relating to any individual.~~
- ~~2. Information which is likely to reveal the identity of an individual~~
3. Information relating to the financial or business affairs of any particular person (including the authority holding that information)
- ~~4. Information relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matter arising between the Council and employees of the Council.~~
- ~~5. Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.~~
- ~~6. Information which reveals that the authority proposes —~~
 - ~~(a) to give under any enactment a notice under or by virtue of which requirements are imposed on a person; or~~
 - ~~(b) to make an order or direction under any enactment~~
- ~~7. Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.~~

In all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Finance Officer Clearance: *FF*

Legal Officer Clearance: *TR*

[CORPORATE] DIRECTOR'S SIGNATURE (*electronic*)



To confirm that the Financial and Legal Implications have been considered and the Executive Member has cleared the report.