

## TRAFFORD COUNCIL

**Report to:** Executive  
**Date:** 19th June  
**Report for:** Decision  
**Report of:** Executive Member for Economy 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 progress made since January 2022
2. Approve the proposed future Centre/ Asset Management Strategy
3. Approve the future management strategy

Contact person for access to background papers and further information:

Name: Clare Huber

Background Papers: none

*Implications:*

Relationship to Policy Framework/Corporate Priorities	The work on 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 in an inclusive way'.
Relationship to GM Policy or Strategy Framework	At a Greater Manchester level, 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
Climate Change / Carbon Reduction Implications	Carbon reduction options will be reviewed as part of any works to the centre
Resource Implications e.g. Staffing / ICT / Assets	No direct implications
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**

1.1 In January 2022 the Executive approved a capital investment of £400k for repairs and to prevent further deterioration of the income stream for the Grafton Centre. In addition, the Executive approved an interim asset management strategy that focused on the following 4 outcomes:

- The appointment of a Centre Manager
- The delivery of an Events Programme
- Undertake capital repairs to ensure compliancy
- Maintain existing rental income and seek to increase income

1.2 The Executive also approved the commissioning of a project team to look at future site options.

1.3 This report will provide an update on progress made and a proposal for the future of the Grafton Centre.

## **2.0 Progress**

2.1 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.

2.2 The Council acquired the Grafton Centre as an investment in February 2018 to enable the Council to take a strategic lead in reshaping the town centre and kick start the next phase of Altrincham town centre's transformation.

- 2.3 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 several independent retailers.
- 2.4 In March 2022 The Council appointed Oakfield Asset Management to provide Centre Management and Asset Management to the Centre. This provided a dedicated resource to manage tenants, reduce voids, bring new tenants to the centre and to support the Capital Works to ensure landlord obligations are fulfilled.
- 2.5 The appointment of this dedicated Asset (Centre) Manager has delivered the following outcomes:
1. Vacant Unit 2 & 4a Regent road has been let to Bayse Fitness.
  2. Vacant unit 104 George Street has been let to British Military Fitness.
  3. Vacant unit 102 Stamford New Road has been let to Lakes Doors Architectural.
  4. The lease to Bap (127 George Street) has been renewed
  5. Solicitors have been instructed on a new letting of vacant 90 Stamford New Road.
  6. Solicitors have been instructed on the renewal of Headway (4a Regent Road)
  7. Closer working relationship with all tenants at the Centre
  8. At the time of writing there is one unit unlet in the main centre (former Pixie unit). This excludes the units in the mothballed mall area.
- 2.6 This activity has increased the Net Property Income (the income generated by the centre after running costs excl. financing costs) by £105k pa. (20.7%)

### **Void Space and Meanwhile Uses**

- 2.7 The Council has reviewed the options for events and meanwhile uses at the Grafton Centre. Following a review of the available space and access/ safety, the Centre was not deemed to be a viable space for such use. This is due to the significant costs involved in converting the premises to accommodate temporary users or pop up space (including toilets, electrical and fire safety works). In addition, such uses would not generate sufficient income to cover the ongoing annual cost of providing services (cleaning, security, utilities etc.)
- 2.8 Whilst the option to provide events was not viable, Oakfield Asset Management has been working closely with a local creative agency A Cunning Plan to develop an identity for the “Grafton Quarter”. Working with The Bid, local businesses, and schools a “Brighter Futures” campaign was launched Spring 2023 to coincide with the physical improvements planned for the centre (described below). The campaign centres around sustainability, inclusivity, and community. It will help to create a space that generates positive PR and makes people want to visit this area of the town.
- 2.9 The campaign focuses on art and an artist and the creative team will deliver art installations around the centre and within the public realm. Four local schools are taking part in workshops with the artist and their designs and ideas will be incorporated into key pieces of artwork. The campaign includes the following:-

- Workshops

- Competitions
- School initiatives
- Influencer partnerships
- Press releases
- Community stories
- Digital campaigns
- Photography and video for social media
- Media launch/reveal

2.10 The artwork will be located at the two entrances to the former mall and the former Smiths unit on George Street.

### **Repairs and Improvements**

2.11 Following a tender process Armstrong Construction were appointed to deliver a programme of repairs and works which are on site and due to complete by early June 2023. The objectives are to improve the vibrancy and visual appeal of the Grafton Centre and surrounding roads as well as addressing essential repair works. This is in line with the Asset Management Strategy to improve perceptions of the centre and to make it more in keeping with Stamford Quarter and other prime locations in the town.

Works include :-

- Removal and replacement of rotten timber fascia's/hoardings
- Removal of redundant centre signage
- Decoration of several elements including metal railings, timber fascia and isolated areas of render.
- Cleaning of external elevations throughout the building.
- Concrete patch repairs
- Replacement of damaged windows
- Replacement of timber shop fronts with aluminium equivalent.
- Addressing tenant water ingress issues
- Decoration of bridge link
- Hoarding of entrances ready for creative art pieces.

2.12 The works have been programmed around the Public Realm works now extending to Upper George Street. Armstrong Construction are working collaboratively with Aligned who are delivering the Town Centre public realm improvements.

### **3.0 The future of the Centre**

- 3.1 Whilst we have been successful in reversing the declining rent since acquisition, the Grafton Centre still faces some substantial challenges. A significant proportion of the rent is paid by the two biggest tenants – Travelodge and Home Bargains, whilst the overall physical condition of many aspects of the centre is poor, even after the cosmetic improvements that are being made in 2023.
- 3.2 A comprehensive redevelopment around the existing tenants would be a substantial, complex and expensive process, therefore, the Council will look to commission a future feasibility for partial redevelopment in 2025/26. This will allow the Council to further understand the emerging town centre trends, and the broader economic recovery post pandemic.
- 3.4 The proposal is therefore that the Council will continue with the current Centre management arrangements which will focus on retaining existing tenants and attracting new tenants into vacant space with flexibility for redevelopment incorporated into any new leases. There are some opportunities that will be further explored as part of this management strategy:
- The potential to lease redundant office and residential space at car park and first floor level
  - Feasibility study on the potential to convert unused space within the Grafton Centre into residential units.
  - The potential to create value out of the redundant mall for non retail uses, for example, storage.
  - Leasing of the former Pixie unit.
  - Working with existing tenants to secure reinvestment in the premises and an improved offer.

#### 4.0 Finance

- 4.1 The Council acquired the Grafton Centre for an outlay of £10.8m, inclusive of all fees, in February 2018. 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. In recent years, the income from the site has been insufficient to cover the costs of financing, with a loss after financing costs of £122k reported in 2021/22.

Grafton Centre Historic Performance	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Rental Income	(92)	(639)	(590)	(431)	(493)
Non Service Charge Costs	11	4	12	11	26
Vacancy Costs	5	66	67	78	87
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	0
Net (Income)/Loss	(37)	(2)	26	234	122

- 4.2 Since January 2022, the Council has improved the revenue return from the centre by filling vacant units and reducing maintenance costs. This has been achieved through proactive asset management and capital expenditure to bring empty units into a usable condition, as well as giving the site a cosmetic uplift.
- 4.3 The effect of these changes has led to an increase in the forecast in net rent in future years, with a surplus expected in 2023/24.

<b>Grafton Centre Future Performance</b>	<b>2022/23 £000 (Actual)</b>	<b>2023/24 £000</b>	<b>2024/25 £000</b>	<b>2024/25 £000</b>
Rental Income	(636)	(662)	(687)	(687)
Non Service Charge Costs	6	19	19	19
Vacancy Costs	136	43	23	23
<b>Gross Income</b>	<b>(494)</b>	<b>(600)</b>	<b>(645)</b>	<b>(645)</b>
External Consultant Fees	14	14	14	14
Financing Costs	488	504	504	504
Contribution to Risk Reserve	0	54	54	54
<b>Net (Income)/Loss</b>	<b>8</b>	<b>(28)</b>	<b>(73)</b>	<b>(73)</b>

- 4.4 In January 2022, Executive gave approval for £400k capital spend at the site, funded from borrowing. Of this fund, £75k has been spent up to the end of 2022/23.

### **Other Options**

The Council could do nothing but this would be a backward step following on from the improvements made and the fact that the Council is now ahead of business plan and the centre is generating improved income.

The Council could chose to progress with redevelopment, however, given the constraints noted in the report this would not be recommended at this time.

### **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:-

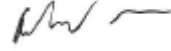
- Ensure that the Council continues with its legal obligations for the Grafton Centre
- Maintain the revenue for the Centre so that the Council can continue to make the repayments on their loan
- Where necessary, make improvements not only to benefit the existing tenants at the Centre and also the members of the public.
- Deliver a continued asset management strategy providing a stable income for the Council in the medium term until it is the right time to consider further redevelopment.

**Key Decision** (as defined in the Constitution): No

**Finance Officer Clearance: FF**

**Legal Officer Clearance: TR**

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

A handwritten signature in black ink, appearing to be a stylized name followed by a horizontal line.

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