

Bath & North East Somerset Council

MEETING:	Resources Policy Development & Scrutiny Panel
MEETING DATE:	12 May 2014
TITLE:	Keynsham New Build – Retail units
WARD:	Keynsham
List of attachments to this report: Appendix One – Marketing brochure	

1 THE ISSUE

- 1.1 To provide an update to the Panel on the marketing of the retail units within the Keynsham New Build, including the governance arrangements for tenant selection.

2 RECOMMENDATION

- 2.1 To note the content of the report.

3 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

- 3.1 The current quoting rent for the retail element of the development is set out in the main body of the report.

4 STATUTORY CONSIDERATIONS AND BASIS FOR PROPOSAL

- 4.1 None.

5 THE REPORT

5.1 Introduction

The principal objectives of the letting strategy have not changed during the life of the project and remain as follows:

- Create an attractive environment that will prove to be a desirable place to live, work and shop
- Maximise income in line with target rents
- Maximise medium/long term value
- Control tenant mix
- Maximise flexibility to subdivide or amalgamate units.

The initial marketing strategy promoted the capture of a food retailer (convenience store) to act as an anchor to drive footfall towards Temple Street and the

development. The Council have been successful in attracting an anchor convenience store operator and legal negotiations are taking place to secure the tenant.

5.2 Accommodation

The design of the buildings allows flexibility in terms of the size and configuration of ground floorspace.

Whilst marketing material will identify that flexibility is available, an indicative layout has been shown. That layout is enclosed in the marketing brochure attached in Appendix One.

5.3 Rental levels

Keynsham currently has few vacant shops and recent activity in the prime retailing location has included lettings to Peacocks (relocation), Poundland and Costa Coffee.

The current anticipated rental income from the retail element of the development, after expiry of appropriate rent frees, is estimated to be in the region of £220,000 per annum.

At an early stage, it was anticipated that the accommodation would be suitable for a mix of uses and a mix of local independent and national retailers.

The retail and restaurant accommodation is being built to a shell specification with glazed shop fronts.

The ability to fit out the units will differ from retailer to retailer, and some may request that the Council provides "white box" units. A "white box" specification would include painted plaster walls, lighting, WC, kitchen area and ceiling and floor finishes.

5.4 Marketing

Prior to openly marketing the development a number of enquiries had already been received from both existing retailers in Keynsham and new entrants to the town.

The Council have appointed DTZ to act as its agent and deal with all marketing.

Marketing is being conducted in three key parts:

- *Open marketing*

This relates to general marketing of the development using websites and traditional marketing boards located around the development.

A marketing brochure has been produced and placed on both DTZ's and the Council's website, together with specialist retail website such as ShopProperty.

The aim of this marketing is to make retailers generally aware of the opportunity and enable them to make contact with DTZ for further information.

- *Target marketing*
This is more focused marketing to specific retailers and agents with DTZ taking the initiative to approach retailers direct. It has included a mailshot to all active agents and retailers. DTZ will use their extensive database or retailers with accommodation requirements that match this development.

A full GAP analysis has been undertaken by DTZ identifying further targets. The GAP analysis compared Keynsham to similar locations in the region and captured retailers who are present in these locations but not in Keynsham.

Direct marketing included those parties that have previously expressed an interest in the development, with a database of those enquiries being managed by DTZ.

- *For information marketing*
Keynsham is a busy town and has a good representation of retailers along the High Street. It is possible that some of those retailers have requirements to upsize their stores or to relocate to premises in a different location. A number of expressions have been received from existing retailers in Keynsham.

Formal marketing of the site commenced during the first week of November 13. A closing date for initial offers was set for the end of April 2014 and a good level of interest has been generated, the majority of which has come from local independent retailers.

National retailers are often reluctant to commit to new developments until the latter stages of the construction programme; this is partly due to uncertainty in the economy and pressures on their acquisition programmes.

5.5 Tenant selection process

The selection of tenants will be carried out under the following stages, as set out below:

1. DTZ to set closing date for offers, using a pro-forma for initial offers.
2. DTZ to provide a copy of all offers and an initial recommendation to the Council, setting out which bids they recommend proceeding to the next stage. This will include consideration of the rental offer, the length of lease and lease conditions, tenant mix and tenant's specific requirements. The aim of this exercise is to establish an appropriate tenant mix, rather than signing off actual / individual deals.
3. Council to consider the recommendation, making decisions using appropriate governance arrangements.
4. DTZ to carry out financial due diligence for selected tenants and agree full terms of the transaction and detailed Heads of Terms.
5. Council to consider any financial implications of tenant requirements in more detail. This relates to any work requested over and above a shell condition.

6. DTZ to present formal recommendations of the proposed transaction on a case by case basis. This stage of decision making relates to the specific elements of the individual property transactions.
7. Council to consider the recommendations, including the cost of satisfying tenant's requirements in accordance with the appropriate governance structure.
8. DTZ advised of the Council decision and solicitors instructed to prepare draft documentation.

Throughout, DTZ will continue to market the retail units that have attracted no interest, setting further dates for offers to be received.

There is the potential for tenants not being short-listed on the grounds of a competing and/or better offer for a particular unit. If the use proposed is attractive to the Council, the unsuccessful party's interest will be kept live to determine if other premises would be suitable and they will be invited to re-submit any revised offers at a later date.

5.6 Timetable

With the initial evaluation of offers to be carried out during May, it is envisaged that announcements regarding successful bids will be made in June in anticipation of occupation in September prior to offices opening in October.

6 RATIONALE

- 6.1 The letting of rental units is an integral part of the regeneration of that part of Keynsham.

7 OTHER OPTIONS CONSIDERED

- 7.1 None

8 CONSULTATION

- 8.1 None

9 RISK MANAGEMENT

- 9.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

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Background papers	<i>None</i>
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