

Report Title:	<b>Nicholson's Walk Shopping Centre</b>
Contains Confidential or Exempt Information?	Yes- Appendices A, B and C - <b>Part II Not for publication by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.</b>
Member reporting:	Councillor Dudley – Leader of the Council and Cabinet Member for Maidenhead Regeneration and Maidenhead
Meeting and Date:	Full Council – 23 July 2019
Responsible Officer(s):	Russell O'Keefe – Executive Director
Wards affected:	All

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Royal Borough  
of Windsor &  
Maidenhead

## REPORT SUMMARY

1. In February 2019 Tikehau Capital in partnership with Areli Real Estate completed the purchase of Nicholson's shopping centre. In March 2019 Areli undertook an extensive public consultation to explore options for the comprehensive redevelopment of the shopping centre and presented initial options at a subsequent public meeting.
2. At the Cabinet Meeting on 25<sup>th</sup> April 2019 approval was given for heads of terms with Tikehau and Areli which will form the basis of a development agreement to include the re-provision of a new town centre car park and the Council's ownerships within a future redevelopment in order to enable the best outcome for the regeneration of Maidenhead whilst ensuring best value is delivered from the sale of Council assets.
3. Following extensive negotiations with Areli and Tikehau and input from surveyors, valuers and solicitors acting on behalf of the Council this report outlines the principle terms to be agreed with Tikehau Capital and Areli Real Estate to sell the Council's freehold interest in Nicholson's Shopping Centre and the freehold of the Central House office building for combined price of £6,000,000

## 1. DETAILS OF RECOMMENDATION(S)

**RECOMMENDATION:** That Council notes the report and:

- i) Approves the sale of the freehold interest in the Nicholson's Walk Shopping Centre for £1,000,000
- ii) Approves the sale of the freehold interest of Central House, Maidenhead for a total consideration of £5,000,000.
- iii) Delegates' authority to the Executive Director – Place in consultation with the Leader of the Council and Cabinet Member for Maidenhead Regeneration and Maidenhead to negotiate and agree a contract with Tikehau Capital and Areli for sale of the Council's assets above.

## 2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

- 2.1 Nicholson's Shopping Centre currently provides approximately 190,000 square feet of retail space over 4.5 acres in Maidenhead Town centre.
- 2.2 In line with shopping centres across the country the Nicholson's Shopping Centre has seen a decline in footfall and consumer spending as consumer habits have been changing and consequently seen increasing vacancy levels and declining rental values as it has struggled to attract and retain retailers to an outmoded shopping destination.
- 2.3 Nicholson's Shopping Centre was previously owned by Vixcroft and hedge fund Cheyne Capital. In October 2018 BDO were appointed as receivers with CBRE brought in to sell the centre.
- 2.4 In February 2019 Tikehau Capital in partnership with Areli Real Estate completed the purchase of Nicholson's shopping centre. Tikehau Capital is an asset management and investment group, which manages €22.0 billion of assets (as at 31 December 2018), with shareholders' equity of €2.3 billion (as at 30 June 2018).
- 2.5 Areli Real Estate is a UK based urban regeneration specialist which accompanies Tikehau Capital as an operating partner. The resources and expertise brought by the new owner and their partner provides a tremendous opportunity to regenerate this key town centre location for the benefit of local residents and businesses and is a fundamental part of the overall regeneration of Maidenhead. The new owner carried out a community planning weekend from the 22 – 26 March to give the local community the opportunity to help shape the future of the centre and contribute to shaping a new vision for the area.
- 2.6 Following discussions with the new owner heads of term were agreed and approved at the Cabinet meeting on 25<sup>th</sup> April which would form the basis for an agreement to include the Council's ownerships within a future redevelopment. The heads of terms are included in Appendix A.
- 2.7 The Council owns circa 50% of the freehold interest of the shopping centre with a lease to the long leaseholders with 117 years remaining. The Council is entitled to 15% of the net rental. However this income is not fixed and varies with the fortunes of the centre. The leaseholder is able to make various deductions from the income under the terms of its lease and where these deductions exceed the rental income the deficit can be carried over to subsequent years. The income over recent years has significantly declined and for a period was zero. The income for 2018/19 was £87,727. In the current retail environment it is highly probable that this could again drop to zero as the loss of only a couple of shops would see income fall and vacant cost rise by enough to remove this income.
- 2.8 The Council also owns Central House, a vacant 1970s office building totalling 38,000 sq ft of unrefurbished office accommodation over 6 floors. Central House sits above the Nicholson's Shopping Centre and is linked to the Broadway Car Park. The Council bought back the long leasehold in 2017 from

its former owners' administrators to facilitate redevelopment of the Broadway car park and the regeneration of the wider area.

- 2.9 The building structure has only 40 years of useful life remaining making a comprehensive refurbishment unviable. The building has been vacant for over 10 years and would require complete redevelopment to bring back into use. The Council is currently incurring the cost of empty business rates and building maintenance. The total purchase cost including SDLT and legal fees etc was £2,505,000.
- 2.10 The adjacent Broadway Car Park which is owned by the Council provides 734 spaces and is the main town centre car park. However, the car park is reaching the end of its lifespan and is in need of complete redevelopment. A replacement car park is essential and provides an opportunity to ensure current and future parking demand is met to support the wider regeneration of the town. As such, in September 2018 Council agreed a total capital budget of £35,313,163 for the development of a new car park.
- 2.11 The previously agreed heads of terms agreed to the re-provision of the Broadway Car Park being included in the wider masterplan to enable the best site layout for Maidenhead and the most efficient layout of the car park itself.
- 2.12 The final position of the car park is still to be identified as the master planning process is underway following the initial public consultation and the first confidential pre-app meeting with the local planning authority took place very recently. Future public consultations will also be held by the developers.
- 2.13 Negotiations have been ongoing with Areli to bring forward the detail required to agree a formal contract that set out the following:
  - Sale Price for the disposal of the Council's freehold interest in the Nicholson's Shopping Centre of £1,000,000 and Central House of £5,000,000 which will provide a capital receipt to the Council of £6,000,000. The sale is subject to Tikehau obtaining planning permission for the redevelopment of the shopping centre and surrounding area. The contract has a long stop date of 28 February 2024 by which Tikehau must serve notice to complete the purchase of Central House and the freehold of Nicholson's Shopping Centre after which the Council can withdraw.
  - The Council transferring the freehold of the Broadway Car Park in exchange for a like for like sized plot of land within the scheme to develop as a new car park to meet the current and future needs of the Town Centre.
  - Areli will procure the design and delivery of the new car park on behalf of the Council at the Council's cost.
  - It is forecast that building the new car park as a standalone building will significantly reduce the capital budget required to build a new car park on the existing Broadway, the saving is driven by the removal of the

requirement to adapt the new structure to the various adjoining buildings and the need to include significant fire protection to the boundary walls. Designing the car park as part of a new masterplan will enable the new car park to be efficiently laid out to maximise the number of parking bays. The exact location of the new car park is still to be determined as Areli's design team are still working up their proposals and have only had confidential pre-app meeting with planning officers. However from the output of the public consultation the most likely location is at the Queen Street end of Broadway. This would enable the car park to be closer to the civic centre and the rest of the town centre whilst removing a major impediment to access routes from the train station and links from the Landing that exiting Broadway car park presents.

- The car park will be built to the Council's specification and will provide a minimum of 1035 car parking spaces. Whilst Areli will deliver the car park the Council will be fully involved in the design process, contractor appointment and selection and will appoint a firm of specialist advisors to act as cost consultant and monitoring surveyors throughout the process. The contract to build the new car park will be fully tendered and will contain the usual provisions to protect the Council's interests such as step in rights, performance bond and full set of main contractor and sub-contractor warranties.

2.14 Lambert Smith Hampton (LSH) have been instructed by the Council as property advisors and valuers to advise on the valuation of the Council's assets. This information is set out in section 4 of the report. The heads of terms agreed between the Council and Areli/Tikehau set out the basis of valuation for each asset.

**Table 1: Options arising from this report**

Option	Comments
<p>To provide delegated authority to negotiate and agree a contract for the sale of the freehold interest in the shopping, and freehold interest in Central House, to facilitate the delivery of a new town centre master plan</p> <p><b>Recommended option</b></p>	<p>This will enable the Council to act swiftly with the new owners to progress the comprehensive regeneration of this key town centre area and generate significant capital receipts.</p> <p>Including the re-provision of the Broadway Car Park within the masterplan will aid the comprehensive regeneration of Maidenhead Town Centre and will significantly reduce the budget required which currently has to provide extensive fire protection measures and a compromised layout in order to link to existing buildings.</p>

<b>Option</b>	<b>Comments</b>
Do nothing <b>This is not the recommended option</b>	The opportunity to deliver the full regeneration of Maidenhead town centre will be lost if the sale of the Nicholson's Shopping Centre's freehold and Central House does not proceed the Council will continue to hold assets with a negative income stream

### 3. KEY IMPLICATIONS

3.1 The Council will sell the freehold of the Nicholson's Shopping Centre and Central House for £6,000,000.

3.2 The re-provision of the Broadway car Park as part of the masterplan being developed by Tickehau is expected to reduce cost to the Council, provide a much better located and designed car park and enable the delivery of a much better masterplan for the regeneration of Maidenhead.

3.3 Table 2: Key Implications

<b>Outcome</b>	<b>Unmet</b>	<b>Met</b>	<b>Exceeded</b>	<b>Significantly Exceeded</b>	<b>Date of delivery</b>
To agree a contract with the new owners	Agreements not signed	Final agreement signed within 12 week	N/A	N/A	October 2019

### 4. FINANCIAL DETAILS / VALUE FOR MONEY

4.1 LSH have valued each asset in accordance with this process set out in the agreed heads of terms and considers both the existing use value for each asset and also the development value based on the potential redevelopment value for each site based on known factors such as the Area Action Plan, comparable evidence from similar assets and transactions such as the Landings.

4.2 Both Central House and the freehold of the Nicholson's Centre are unusual assets to value and there are a number of variables that impact on their value which are sensitive to the assumptions adopted. LSH have confirmed that their opinion of value of the Nicholson's Freehold is £1,000,000 to £2,000,000 and for Central House £3,500,000 to £5,000,000. A copy of their report is included in Appendix B in Part II of this report.

4.3 These figures support the agreed sale price of £6m for the two assets and would meet the requirements of a s.123 report for fair value.

- 4.4 The previous asset valuation for the Nicholson’s freehold is £1,950,000 and for Central House is £5,100,000 for net book value. As such the sale price is below the current Net Book Value. The price agreed for Central House is 2% below the current Net Book Valuation undertaken over 12 months ago. The main difference is the reduction in value for the freehold of the Nicholson’s Centre. This is largely driven by the continued difficulties in the retail sector and its impact on retail asset values as rental values decline and the rental income falls as the number of vacant unit’s increases. This is particularly acute at the Nicholson’s Centre and for the Council’s income which is much reduced and carries a high probability of declining to zero in the short term and remaining at or close to zero for the foreseeable future. As such any purchaser interest will be limited with the only interest likely to come from parties who would be seeking to “interfere” with the regeneration plans for Maidenhead. However such investors would limit the amount of capital they would be willing to tie up in a non-income producing asset.
- 4.5 The Council bought back the long leasehold in 2017 from its former owners’ administrators to facilitate redevelopment of the Broadway car park and the regeneration of the wider area. The total purchase cost including SDLT, legal fees etc. was £2,505,000. Since purchase a further £531,600 have been incurred in vacant rates, surveys and maintenance costs. Holding the property for another year whilst the new owners of the shopping centre pursue the design of their masterplan and obtain planning permission will incur a further £250,000 of costs.

Purchase Costs	£2,505,000
Hold Costs Incurred to Date	£531,600
Future Hold Costs	£250,000
Sale Price	£5,000,000
Profit	£1,713,400

- 4.6 A sale of the asset for £5,000,000 to Takehau Capital on receipt of planning permission for the comprehensive regeneration of the Nicholson’s Shopping centre and the surrounding area effectively completes the Council’s strategy to acquire the building to facilitate the regeneration of Maidenhead whilst also crystallising a surplus of £1,713,400.
- 4.7 The Council’s interests in the Nicholson’s centre and Central House produce a negative income for the Council. In 2018/19 that deficit totalled £140,000. A sale of both assets will remove this annual deficit. This deficit will continue until the sale completes.
- 4.8 A copy of the full financial implications including the purchase of Sienna Court is included in Appendix C in the Part II section of the report.

## 5. LEGAL IMPLICATIONS

- 5.1 Gowling WLG have been appointed to act on behalf of the Council in conducting the necessary due diligence and preparing all required contract documentation. This will include advice on procurement and minimising SDLT involved in the various land transfers.

## 6. RISK MANAGEMENT

**Table 4: Impact of risk and mitigation**

<b>Risks</b>	<b>Uncontrolled risk</b>	<b>Controls</b>	<b>Controlled risk</b>
Current owners decide to sell prior to completion of new car park	Low	Contractual protection and covers in the contract including performance bond, LADs and parent company guarantee from contractor	Low
Planning permission not granted for scheme and sale of assets does not proceed	Medium	The assets are retained by the Council and can be redeveloped separately from the Nicholson's Centre.	Low
Planning permission is delayed or not granted and the sale of assets is delayed exposing the Council to the vacant property costs for an extended period	Medium	The Council is exposed to these costs in any event. If the planning process is extended and the longstop date passed the Council can redevelop its assets independently or renegotiate sale terms to reflect hold costs	Low

## 7. POTENTIAL IMPACTS

- 7.1 There are no equality issues raised by the proposed transactions.
- 7.2 The capital receipts and savings on the costs of building a new car park will support the Council's budget for the benefit of all residents.
- 7.3 No personal data has been processed during this process.

## 8. CONSULTATION

- 8.1 Heads of Terms for the transactions were approved at Cabinet on 25th April 2019 subject to the detailed financial terms being brought to Council for ratification

## 9. TIMETABLE FOR IMPLEMENTATION

- 9.1 The full implementation stages are set out in table 5. The future timetable will be developed as part of further discussions with Tikehau Capital and Areli.

**Table 5: Implementation timetable**

<b>Date</b>	<b>Details</b>
July 2019	Council approval to enter into a development agreement with Tikehau Capital and Areli
July 2019 – September 2019	Detailed negotiation of the development agreement and sales contract with Tikehau Capital for the conditional sale of Nicholson’s freehold and Central House and delivery of a new Broadway Car Park to the Council’s specification.
July 2019 - January 2020	Tikehau Capital and Areli continue to design regeneration masterplan in consultation with local planning authority and the public ahead of submitting a planning application.
March 2020	Planning application submitted by Tikehau Capital and Areli including the new Broadway Car Park
August 2020	Planning permission granted. Tikehau Capital complete purchase of Nicholson’s Freehold and Central House and reimburse cost for the purchase of Sienna Court
January 2021	Tikehau Capital and Areli complete purchase of Nicholson’s Freehold and Central House and commence on site with demolition of existing buildings and development of first phase to include the new car park
November 2022	New car park completed and handed over to the Council. There is potential to reduce the construction programme for the car park depending on design

## 10. APPENDICES

- 10.1 This report is supported by 3 appendices:
- Appendix A - Heads of Terms approved at Cabinet on 25<sup>th</sup> April 2019 - **Part II Not for publication by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972**
  - Appendix B - LSH Valuation Report - **Part II Not for publication by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.**



- Appendix C - Financial Implications and Development Appraisal - **Part II**  
**Not for publication by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.**

## 11. CONSULTATION (MANDATORY)

<b>Name of consultee</b>	<b>Post held</b>	<b>Date sent</b>	<b>Date returned</b>
Cllr Dudley	Leader of the Council and Lead Member for Maidenhead Regeneration and Maidenhead	14/7/2019	
Duncan Sharkey	Managing Director	14/7/2019	
Russell O'Keefe	Executive Director	14/7/2019	
Andy Jeffs	Executive Director	14/7/2019	
Rob Stubbs	Section 151 Officer	14/7/2019	
Kevin McDaniel	Director of Children's Services	14/7/2019	
Hilary Hall	Acting Director of Adult Social Services	14/7/2019	
Elaine Browne	Interim Head of Law and Governance	14/7/2019	
Nikki Craig	Head of HR and Corporate Projects	14/7/2019	
Louisa Dean	Communications	14/7/2019	
	Other e.g. external		

## REPORT HISTORY

<b>Decision type:</b> N/A	<b>Urgency item?</b> No	<b>To Follow item?</b> n/a
Report Author: Chris Pearse, Head of Capital Projects, RBWM Property Company Limited – 01628 796761		