

## **CABINET**

<b>DATE</b>	30 November 2023
<b>REPORT OF</b>	Councillor Philip Jackson, Leader of the Council and Portfolio Holder for Economy, Net Zero, Skills and Housing, and Councillor Stephen Harness, Portfolio Holder for Finance, Resources and Assets
<b>RESPONSIBLE OFFICER</b>	Sharon Wroot, Executive Director Place and Resources
<b>SUBJECT</b>	Town Centre acquisition
<b>STATUS</b>	Open
<b>FORWARD PLAN REF NO.</b>	Not included on the Forward Plan therefore, to be considered as an urgent item under the Special Urgency provisions of the Constitution and with the permission of the Economy Scrutiny Panel Chair.

### **CONTRIBUTION TO OUR AIMS**

Acquiring the former House of Fraser building aligns with the outcomes of the Grimsby Town Centre Masterplan and will support the priority of Stronger Economy by better enabling the reuse of the property which, in turn, will support the operation of Victoria Street, the Council's interests in Freshney Place, and the planned leisure development.

### **EXECUTIVE SUMMARY**

The Council adopted the Grimsby Town Centre Masterplan in October 2020. Since then, a variety of funding totalling over £58m has been secured and the Council has also acquired Freshney Place. There are significant developments either happening, or planned, in Grimsby town centre and the first year of ownership of Freshney Place has been successful.

The House of Fraser building has significant frontages within Freshney Place and on Victoria Street. Moreover, it is adjacent to the planned leisure scheme where there is a pre-let in place to Parkway Cinemas and plans for a revitalised progressive market.

### **RECOMMENDATIONS**

It is recommended that Cabinet:

1. Approves the acquisition of the property known as 19/21 Victoria Street, Grimsby, being the former House of Fraser store.

2. Delegates authority to the Executive Director, Place and Resources in consultation with the Leader of the Council to settle all terms and conditions relating to the acquisition and thereafter immediately exchange and complete the acquisition.
3. Authorises the Assistant Director Law and Governance (Monitoring Officer) to execute all documentation arising.

## **REASONS FOR DECISION**

The decision allows the Council to proceed with the acquisition of the former House of Fraser building to better allow complementarity with Freshney Place and the wider town centre. Specifically, the decision will allow the Council to enhance the Victoria Street frontage, strategically review the mix of retail/culture/leisure to support a vibrant town centre and mitigate the risk of an opportunistic investor that may not be aligned to the Grimsby Town Centre Masterplan or the importance of the historic frontage.

### **1. BACKGROUND**

- 1.1 The Council is focused on enabling a stronger economy in North East Lincolnshire. A key element of this is striving for high performing town centres and, in this regard, there has been much focus on the delivery of key aspects of the Grimsby Town Centre Masterplan 2020 (the Masterplan). Over £58m of funding has been secured for Grimsby town centre (the town centre) and having acquired Freshney Place in August 2022, the Council has seen positive activity including bringing New Look back to the centre, agreeing terms for a new Community Diagnostic Centre, and seeing a number of tenants recommit. Occupancy, rent arrears, and footfall have all seen a positive trajectory.
- 1.2 The Masterplan sets out the long-term vision for the town centre with three strategic areas of focus being Riverhead and Garth Lane, St James and Freshney, and Alexandra Dockside, with a focus on the following activities:
  - Introducing more diverse uses into the town centre
  - Reconnecting with the waterfront
  - Celebrating and enhancing our heritage assets
  - Promoting and supporting community ownership and participation
  - Improving permeability of the town centre
  - Identifying development opportunities
- 1.3 The former House of Fraser building (the building) comprises a long and prominent Victorian frontage onto Victoria Street together with a slightly shorter, but nonetheless equally prominent, frontage to Freshney Place. The property covers 92,318 sq. ft as indicated in the attached sales details at Appendix 1.0, which also provide a wider overview of the building.

- 1.4 The building is owned by a local authority pension fund and in April 2017, whilst House of Fraser was still trading, the property was taken to the market for offers in excess of £12,750,000.
- 1.5 Since then, as is well known, the retail environment has changed and House of Fraser fell into administration. The new owners initially traded from the building but ultimately left and the building has since remained vacant and started to show the signs of being empty long term. This has had a detrimental impact on nearby properties due to the substantial 'dead' frontage.
- 1.6 The Council has engaged with the pension fund for some while given the fact the building occupies a substantial site in the town centre, has a direct interaction with Freshney Place, and also, is adjacent to the proposed leisure scheme. The sense was that should the Council progress its scheme, then that would add value to the building and make it more appealing to the market. As it happens, the property was taken to the market earlier this year for offers in excess of £500,000.
- 1.7 As was the case with Freshney Place, given the substantial reduction in values, property such as this is now becoming appealing to opportunistic purchasers. Of course, investors that have a clear strategy to add mutual benefit to the town and their own asset are to be welcomed and that is naturally the ideal scenario. However, as the marketing continued, it became more and more likely there was a very real risk that cash-rich investors, with no ties to the area, would seek to acquire the property, not make sufficient plans to address the outstanding repairs to the historic but aging structure, and thereafter consider how best to exploit the opportunity. That represents significant risks to the ongoing operation and, moreover, rental tone and yield of Freshney Place together with the High Street and its environs.
- 1.8 On this basis, the Council had initial confidential discussions with a number of government agency partners to garner their views on the property. Without exception, they all viewed the property as a strategic asset and one which, ideally, they would see the Council owning. As would be expected, questions were asked of them around potential funding support and whilst the timescales were too tight for capital commitments, there was a view that there would be at least a reasonable chance of some funding being secured. In terms of revenue, Historic England suggested an application for £15,000 be submitted to support appraisal work. This was both developed and processed at pace and is now secured.
- 1.9 At the same time, the asset managers of Freshney Place assessed likely to be demand for the building. The view was that uses that align to the strategy for Freshney Place should be pursued and the advice was that it could be reasonably expected, with the right layout, that there would be opportunities for leisure, commercial, cultural and complementary uses on the ground floor and, if utilised, the upper floors would likely be public sector led.
- 1.10 On this basis, the Council engaged with the pension fund's asset managers to explore the opportunity of acquiring the building. On the basis the Council could

perform quickly, terms were agreed at £350,000.

- 1.11 The Council has undertaken high level due diligence in the timescales available, including internal and drone surveys of the property. As expected, given the scale and age of the building together with the fact it has been vacant for some time, there are a variety of works and repairs required to enable beneficial occupation. Initial high-level costs, including risk allowances, have been prepared by cost consultants and these will need to be refined and also, aligned to specific future uses as business cases develop.

## **1.12 NEXT STEPS**

- 1.13 Should the Council resolve to acquire, there will be an immediate completion of the transaction as required by the seller.
- 1.14 As will have been seen, there have been works undertaken on the Victoria Street frontage over the past few weeks, which have just completed. These have been a product of the Town Centre Property Scheme where the Council, given the wider investment it has secured for improving the town centre, is working proactively with owners and tenants to encourage them to undertake repairs to their premises. In this instance, this includes cleaning, replacing rotten timber gutters, replacing and repairing timber windows, and replacing broken glazing, all of which have been at the current owners' expense.
- 1.15 Aligned to the scheme referred to above, the Council has an initiative to support owners and tenants to improve the frontages of vacant units through the installation of high-quality vinyl window coverings. Prior to the property coming to the market, a scheme had been developed for the building to include a Grimbarians vinyl across the full Victoria Street frontage. Should Cabinet resolve to purchase the building, it would be expected that, subject to raising the shutters, the vinyls would be installed early in the new year following the lead-in time for production. Alongside the works completed by the current owners, this would see a significant and demonstrable improvement to this significant frontage on Victoria Street.
- 1.16 In terms of the use of the building, together with the asset managers for Freshney Place, a more detailed appraisal of potential uses will be prepared alongside engagement with Historic England, Heritage Lottery Fund, Arts Council England, and Homes England. Thereafter, it is expected a business case and potential funding bids will be developed with the aim of bringing, as a minimum, the ground floor back into beneficial and viable occupation. That would reasonably be along the same principles as have been followed in Freshney Place where diversification and prudent rental models have yielded benefits.
- 1.17 Officers did hold a further meeting with Historic England, Heritage Lottery Fund, Arts Council England as recently as 24 November where they were updated that terms had been agreed and again, all parties were keen to reiterate the fact they felt this was strategically important and would like to explore potential opportunities to support the project.

- 1.18 It is considered prudent that the management of the building falls in line with that of Freshney Place and it effectively becomes one asset.

## **2. RISKS AND OPPORTUNITIES**

- 2.1 There is a risk that reuse cannot take place in the near future and that may bring both reputational and financial challenges. However, the opportunity to acquire the site has presented itself now and the risks of not progressing need to be balanced against the risks of acquisition. The fact the building frontage has recently seen substantial repair works together with the fact the vinyl scheme will significantly enhance the property will bring a far greater feel to the area in any event.
- 2.2 High level due diligence has been undertaken on the fabric of the building. As expected, this has identified a list of essential work which will be required to stop deterioration of the structure and also further works required to return the building into active use. Works will be both specified and managed by appropriate professionals but as with any construction works, there remains a risk that costs are greater than anticipated.
- 2.3 Notwithstanding positive discussions, there is no guarantee further funding will be forthcoming. However, having recently had priority place status or equivalent reaffirmed across several of the bodies referred to, there is a credible case for funding. Moreover, with the recently announced Long Term Plan for Towns together with the Greater Lincolnshire Devolution Deal (subject to consultation), there are further opportunities likely to present themselves in the foreseeable future.
- 2.4 As mentioned in the main body of the report, the main value of the building rests in the ground floor. All opportunities will be explored for the upper floors, but, if they do not support viable occupation at this time, it would not be uncommon to effectively mothball them and seek to minimise outgoings.

## **3. OTHER OPTIONS CONSIDERED**

- 3.1 The Council does not have to acquire the property and the balance of risks has been outlined above. At present, it is not felt a third party purchaser will have the commitment to invest in a historic town centre building that is currently required as various aspects of the masterplan continue to be delivered.

## **4. REPUTATION AND COMMUNICATIONS CONSIDERATIONS**

- 4.1 The acquisition will significantly enhance the chances of the building being brought back into a use that adds value to the town centre. However, if funding is not forthcoming or refurbishment is not viable, there can be negative implications of owning property that is in need of investment.

## **5. FINANCIAL CONSIDERATIONS**

- 5.1 The costs of acquisition will initially be funded from corporate resources although there are potential opportunities from partner agencies and devolution.
- 5.2 Borrowing costs for the acquisition will be in the region of £24,500 per annum and will be managed within existing corporate budgets. Works to the building will be subject to business case(s) and any income will, in the first instance, need to contribute to any borrowing costs over and above any grant funding that may be secured.
- 5.3 Once established, the income and expenditure would be reported as part of the Freshney Place budget.

## **6. CHILDREN AND YOUNG PEOPLE IMPLICATIONS**

- 6.1 Acquisition of the site will support the enhancement of a town centre building and its environs which is nearby the Horizon Youth Zone that is currently under construction.

## **7. CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS**

- 7.1 The scope to minimise the impact on the environment is considered in all capital schemes.

## **8. CONSULTATION WITH SCRUTINY**

- 8.1 Scrutiny have been consulted in the development of the Grimsby Masterplan and there will be continued engagement on the development of funding bids and the design of town centre projects.

## **9. FINANCIAL IMPLICATIONS**

- 9.1 The annual cost of borrowing as a result of the purchase is estimated at £24,500 which will be funded through corporate resource. These costs may be offset by any rental income generated from the site.
- 9.2 There will be a need for further investment in the site and additional costs will be incurred as plans are further developed. The financial case would benefit from any external funding opportunities.

## **10. LEGAL IMPLICATIONS**

- 10.1 A range of statutory provisions enable the Council to acquire property through agreement for either the delivery of its services and functions or for the benefit, improvement, or development of the borough (s120 Local Government Act 1972. S227 Town and Country Planning Act 1990).

10.2 Such provisions specifically permit acquisition, notwithstanding that the property may not be immediately required. The proposed acquisition clearly ties in and aligns itself with Freshney Place and the wider town centre ambition.

## **11. HUMAN RESOURCES IMPLICATIONS**

11.1 There are no direct HR implications contained within this report.

## **12. WARD IMPLICATIONS**

12.1 The scheme is within the West Marsh ward but is also expected to benefit residents from across all wards of North East Lincolnshire as the social and economic benefits resulting from this will be borough-wide.

## **13. BACKGROUND PAPERS**

13.1 Grimsby Town Centre Masterplan  
<https://www.nelincs.gov.uk/assets/uploads/2020/12/Grimsby-Masterplan-Report.pdf>

## **14. CONTACT OFFICERS**

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Keith Thompson, Lead Solicitor

**COUNCILLOR PHILIP JACKSON**  
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**COUNCILLOR STEPHEN HARNESS**  
**PORTFOLIO HOLDER FOR FINANCE, RESOURCES AND ASSETS**



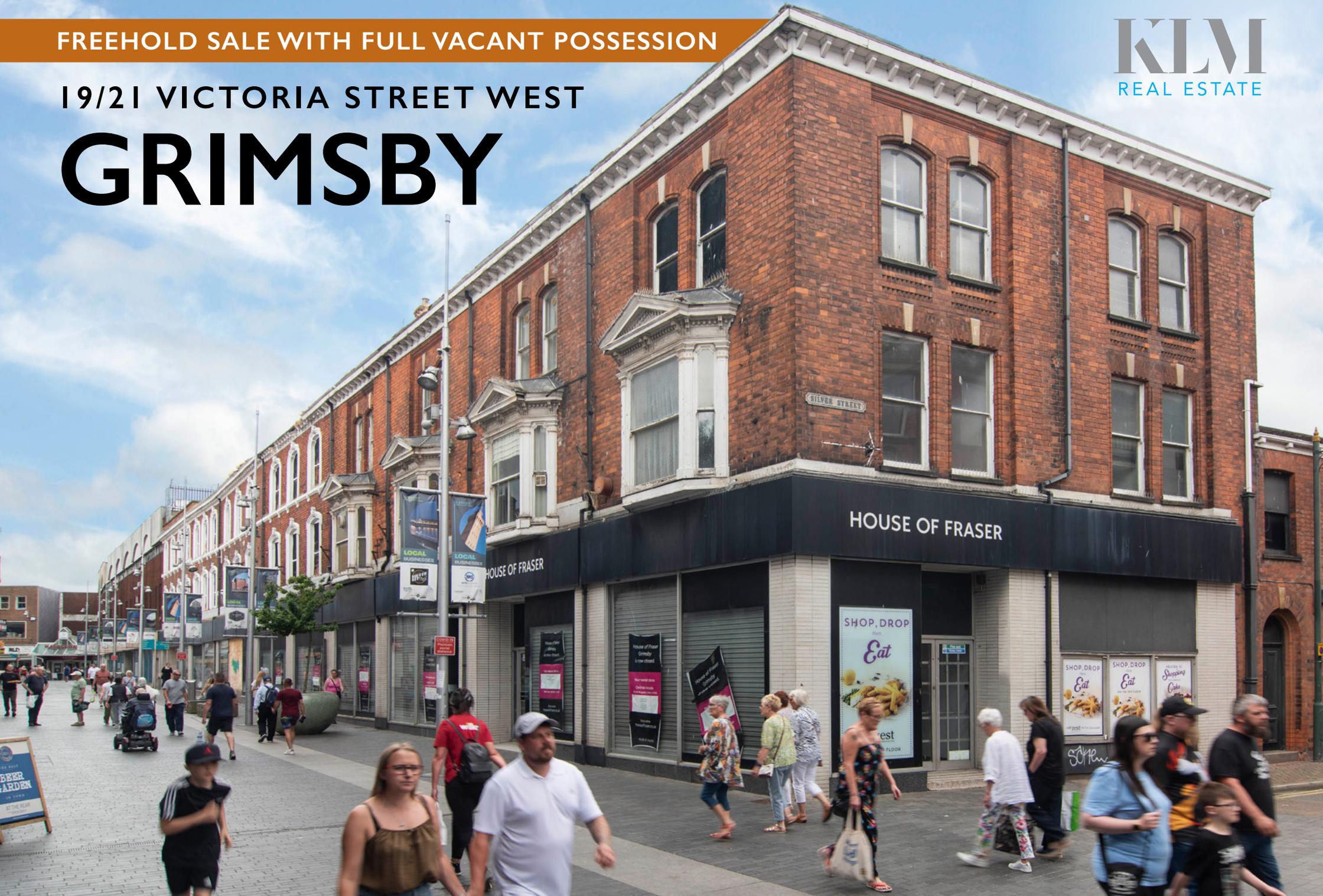
# **Appendix 1.0**

FREEHOLD SALE WITH FULL VACANT POSSESSION

19/21 VICTORIA STREET WEST

**GRIMSBY**

**KLM**  
REAL ESTATE





## INVESTMENT SUMMARY

- Grimsby is a key commercial, administrative town and port located in the county of Lincolnshire with a primary catchment area of 285,000 people
- The town is set to benefit from major Government investment from the High Streets Fund
- The property occupies a highly prominent position within Freshney Place Shopping Centre, which is the dominant retail offer within the town. The property also has the benefit of a frontage onto Victoria Street West.
- The property is available with full vacant possession.
- A significant cinema led leisure development is being planned by North Lincolnshire Council adjacent to the subject property
- Opportunity to refurbish the property and let it to a new retail or leisure use
- The property totals 92,318 sq ft arranged over five floors which equates to a low capital value of £5.40 psf

### FREEHOLD WITH FULL VACANT POSSESSION

Offers are sought in excess of **£500,000** (Five Hundred Thousand Pounds), subject to contract and exclusive of VAT, for our clients freehold interest which equates to £5.40 psf capital value.



## CATCHMENT

The total population within the Grimsby primary catchment area is extensive at 285,000 with an estimated shopping population of 180,000.

The catchment population is:

-  10 minute drive time: 114,464
-  20 minute drive time: 171,031

## LOCAL ECONOMY

Grimsby is the UK's largest port in terms of tonnage and meets the needs of a diverse range of industries. It provides a key international gateway to the Northern Powerhouse, the UK and Europe.

The town is home to approximately 500 food related businesses ranging from its markets, modernised fish docks and the global headquarters of brands such as Youngs who employ approximately 2,500 people. Other major employers include Icelandic, Seachill, Two Sisters, Country Style Foods, Siemens and Morrisons.

Grimsby has developed as a major energy provider for the North East. It already generates more electricity from renewable solar, wind, biomass and landfill gas than anywhere in England. The town's proximity to the biggest cluster of offshore wind farms in Europe has brought around 1,500 jobs to the area a large proportion of them in turbine installation and maintenance.

## LOCATION

Grimsby is the principle commercial and retailing centre of north east Lincolnshire. The town is situated approximately 70 miles east of Leeds, 50 miles south east of York and 44 miles north east of Lincoln.



The town is easily accessible via road links to the M62, M1, A1 (M).



There are also regular train services to Doncaster which provides direct links to London in a fastest journey time of 1 hour 37 minutes.





## ACCOMMODATION

The property is arranged over five floors comprising the following approximate floor areas:

	sq ft	sq m
Ground Floor	34,907	3,243
First Floor	27,450	2,550
Second Floor	24,816	2,305
Third Floor	2,843	264
Fourth Floor	2,302	213
<b>Total</b>	<b>92,318</b>	<b>8,575</b>

Servicing is from the first floor service deck. Plans are available on request.



## BUSINESS RATES

The business rates have been significantly reduced from the period 1st April 2023

Business rates value 2023	£236,000
Rates payable 2023/24	£120,832

## SURVEY

A building survey is available upon request.

## RETAILING IN GRIMSBY

The property sits on a prime position fronting the pedestrianised Victoria Street West and Friargate within Freshney Place Shopping Centre, adjacent to JD Sports. Other occupiers in close proximity include:



The pedestrianised Victoria Street provides the town's main retail pitch outside of Freshney Place with retailers including McDonalds, Poundland and Marks and Spencer.

The property occupies a highly prominent position within Freshney Place Shopping Centre



For indicative purposes only; ▲ N

## A Cinema led leisure development is planned adjacent to the subject property

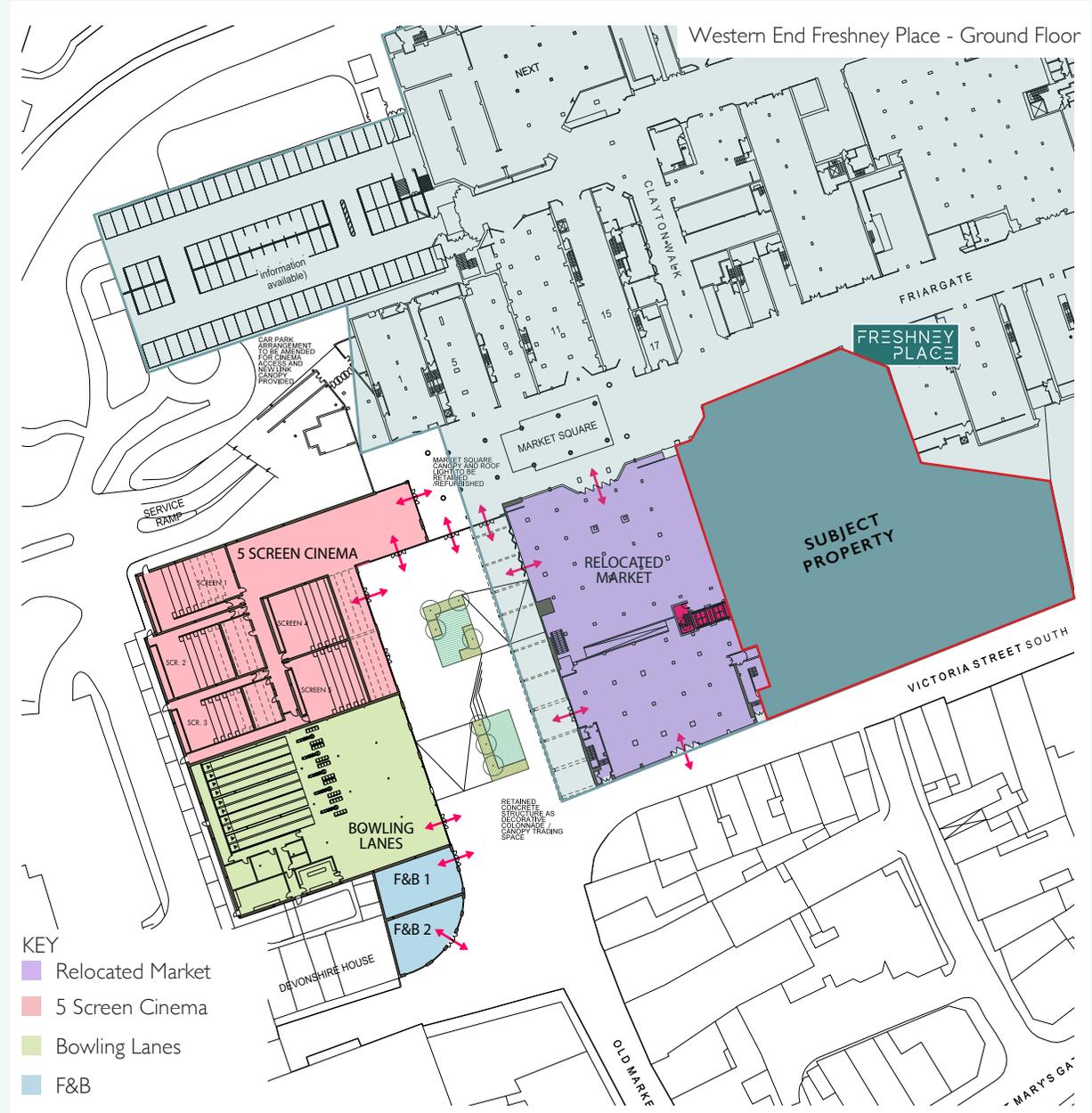


### FUTURE OPPORTUNITY

North East Lincolnshire have recently purchased Freshney Place and are working up proposals for a major redevelopment of the western end of the shopping centre to accommodate a cinema led leisure scheme. This would sit directly adjacent to the subject property and will greatly enhance the prospects of securing a leisure or alternative use occupier.



CGI Fronting Victoria Street West





## PRICE

Offers are sought in excess of **£500,000** (Five Hundred Thousand Pounds) for the freehold interest, subject to contract and exclusive of VAT.

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