

ABERDEEN CITY COUNCIL

COMMITTEE Finance & Resources

DATE 28 January 2010

DIRECTOR Gordon McIntosh, Enterprise, Planning & Infrastructure

TITLE OF REPORT Retail Rocks! Aberdeen Property Acquisitions

REPORT NUMBER: EPI/10/025

1. PURPOSE OF REPORT

The purpose of this report is to seek authority for Asset Policy Management to undertake negotiations for property acquisitions in relation to the project Retail Rocks! Aberdeen, which is being funded by the Scottish Government through an award made under the Town Centre Regeneration Fund. The external funding must be legally committed by the 31 March 2010.

2. RECOMMENDATION(S)

1. To authorise the use of up to four empty retail units in Torry owned by the Aberdeen City Council as in kind match funding to the Town Centre Regeneration Fund.
2. To authorise the Head of Resources Development & Delivery to undertake immediate negotiations for the acquisition (through lease and/or purchase) of up to five additional privately owned properties for the project Retail Rocks! Aberdeen;
3. To authorise the Director of Enterprise, Planning and Infrastructure in consultation with the City Solicitor, City Chamberlain and Convener, to exercise delegated authority to acquire appropriate suitable property for the project, reporting back on the actions taken to a future meeting of this Committee;

4. To authorise the Director of Enterprise, Planning and Infrastructure in consultation with the City Solicitor, City Chamberlain and Convener, to exercise delegated authority to negotiate on any potential Joint Venture Partnership.
5. To agree that the City Solicitor report to a subsequent Committee on the proposed legal structure of Retail Rocks! Aberdeen and mechanism for making appropriate properties available to Retail Rocks Limited
6. To nominate an Elected Member to sit on the Project Steering Group of Retail Rocks! Aberdeen.

3. FINANCIAL IMPLICATIONS

Aberdeen City Council was awarded £573,500 by the Scottish Government under the 2009-2010 Town Centre Regeneration Fund for capital expenditure for the project Retail Rocks! Aberdeen. This funding is to be spent in the 2009-2010 financial year, which requires that expenditures are to be invoiced or at least legally committed by the 31 March 2010. If the whole of the grant is not spent by 31 March 2010, no carry-over will be permitted and the unspent portion will be required to be returned to the Scottish Ministers.

The Town Centre Regeneration Fund has been approved for the following main streams of capital investments:

1. Retail Property Acquisitions (up to 5 privately owned units) - £227,500;
2. Property Refurbishment and Shop Fitting (up to 9 units) – £180,000;
3. Additional CCTV Cameras, ShopSafe Radios and lighting - £158,000;
4. Design and set up a dedicated website - £8,000.

The Town Centre Regeneration Fund is to be matched with £584,150 in the form of in kind contributions and budget allocations from the Council, over three financial years, plus external funding allocations, in-kind contributions and sponsorships.

The table below demonstrates how the matching is to be made:

Activity/Task	TCRF	Matched funding		Notes (see below)
		Funding from ACC	Funding from other Sources	
Retail Property Acquisitions (up to 5 units)	£227,500	£92,500 (in kind contribution)		1.
Business Partnership on				

Property Advice				
Property Refurbishment and Shop Fitting (up to 9 units)	£180,000			2.
Business Partnership on Retail Advice				
Additional CCTV Cameras, ShopSafe Radios, Street Lighting	£158,000		£3,000 (Safer Aberdeen Funding Allocation)	3.
Business start up and running cost for 1year		£20,000 (Regeneration budget 09/10)		4.
			£60,000 (sponsorship from private sector 10/11)	
			£20,000 (sponsorship from private sector 11/12)	
Dedicated Website	£8,000			5.
Business Partnership on Retail Advice				
Business Mentoring			£162,000 (In kind contribution from retail companies)	6.
Co-ordination of Business Mentoring		£20,000 (Regeneration Budget 09/10)	£15,000 (sponsorship from private sectors 09/10)	7.
Retail Expertise and Business Partnership		£10,000 (Regeneration budget 09/10) £40,000 Economic Development budget 09/10	£25,000 (sponsorship from private sector 09/10)	8.
		£40,000 (Economic Development budget 10/11)	£50,000 (sponsorship from private sector 10/11)	

			£5,000 (sponsorship from private sector 11/12)	
Chair of Project Board		£1,673 (In kind contribution, time allocation)		9.
Project Sponsors		£4,447 (In kind contribution, time allocation)		10.
Project Manager		£20,525 (Econ. Dev. Budget)		11.

1. Town Centre Regeneration Fund is to be spent on retail property acquisitions up to five units £227,500 is allocated for that purpose.

The Retail Rocks Limited Business Partnership will provide expert support on property to identify and negotiate on the acquisition of the appropriate private retail units. This is subject to the approval of recommendation no. 2. The fee for this service is incorporated in the Business Partnership fee of £170,000.

In addition to the four Council owned properties, four privately owned retail units have so far been identified which are considered appropriate for use as part of the Retail Rocks! Aberdeen project.

Aberdeen City Council is to provide match funding in the form of up to four retail unit properties owned by Aberdeen City Council, as an in kind contribution. This is subject to the approval of recommendation no. 1. of this report. Three of the properties are empty and the fourth retail unit will reach the end of its leasing period during the next financial year and could be included in a rolling programme of works. However if the ongoing structural surveys indicate it is not viable to include any, or all, of these units, the City Council must either find additional monies up to a maximum value of £92,500 or be prepared to forego an equivalent amount of grant funding and make a case to the Town Centre Regeneration Fund for funding a smaller-scale project using the remainder of the agreed grant. The summary of structural surveys will be held by Asset Management and available for review.

2. The shops and the flats above these units are in poor condition and have been structurally surveyed to establish the nature of visible defects so that a repairs specification can be prepared to make the properties fit for purpose and ready to use. All works would be subject to competitive tendering in line

with Standing Orders of the City Council.

The Property Refurbishment and Shop Fitting sum of £180,000 includes provision for shop fittings and equipment required by the businesses. The design and fitting of the shops to operate a retail business will be under the guidance of the retail experts advice provided through the business partnership. The cost for the advice is included in the partnership fee.

3. To achieve a safer environment additional CCTV cameras and additional street lighting will be installed and additional Shopsafe radios will be in place. These items will be funded from the allocation of £158,000 from the Town Centre Regeneration Fund and £3,000 has been allocated from Safer Aberdeen ShopSafe Scheme external funding to match the grant for purchasing additional ShopSafe radios for the existing and new businesses.
4. Included in the Retail Rocks! Concept is support for the new businesses in the form of the running cost which will include water rates, business rates and energy cost, etc. of the retail units for one year. The estimated cost for up to 9 units is £100,000. The budget for this fee will be raised from a combination of the Council and private sponsorship, where £20,000 is allocate from the Regeneration budget and the rest will be raised from private sponsorship by Retail Rocks Limited.
5. A dedicated website will be set up for Retail Rocks! Aberdeen to run the competition. There is £8,000 allocated in the Town Centre Regeneration Fund for this purpose.

It has been agreed that setting up the website will be co-ordinated by Retail Rocks! Limited through the business partnership.

6. The business mentoring will be provided by retail organisations for 18months free of charge. The mentoring service is valued at £162,000.
7. Scottish Business in the Community (non-profit organisation), of which Aberdeen City Council is a member, has agreed to co-ordinate the Business Mentoring Scheme for 18 months for the fee of £35,000. The budget for this fee will be raised from a combination of Aberdeen City Council and private sponsorship in three financial years. Scottish Business in the Community will ensure the appropriate provision of mentoring from private sector retailers for 18 months.
8. The Retail Expertise and Business Partnership fee of £170,000 includes the use of the concept, support for the implementation of the concept, the provision of property and retail expertise, the cost of running the competition,

the cost of marketing, fundraising, etc. The budget for this fee will be raised from three financial years from a combination of existing Council budget and private sponsorship.

9. The time allocation of the Chief Executive, who has agreed to Chair the Project Steering Group is also being counted as in kind match funding (1 hour per month).
10. The time allocation of the Director of Economic and Business Development, and Head of Service of Economic and Environmental Sustainability, who are the Project Sponsors (1 hour per week), including on-cost, as in kind match funding.
11. The internal Project Manager post aligned to the project including the on-cost is also covered by existing budget resources within Economic Development.

4. SERVICE & COMMUNITY IMPACT

The project contributes significantly and directly to the achievement of six SOA National Outcomes:

- 2 We realise our full economic potential with more and better employment opportunities for our people;
- 9 We live our lives free from crime, disorder and danger;
- 10 We live in well-designed, sustainable places where we are able to access the amenities and services we need;
- 11 We have strong, resilient and supportive communities where people take responsibility for their own actions and how they affect others;
- 12 We value and enjoy our built and natural environment and enhance it for future generations;
- 14 We reduce the local and global environmental impact of our consumption and production.

Vibrant, Dynamic and Forward Looking emphasises continuing to drive regeneration opportunities, striving to buy goods and products locally, the adoption of ambitious recycling targets and measures to ensure safer communities.

The project directly supports the rejuvenation of Torry and evidence shows that communities like Torry rely on small, independent business for a healthy and vibrant local economy.

The retention of small businesses in the community and the need to make safe,

attractive and sustainable places for people to shop locally are key elements of Aberdeen City's Neighbourhood Community Action Plans 2009/2010.

No Equality Impact Assessment was carried out at this stage. This project/initiative will have purely positive impacts for the community in Torry since it is a regeneration area and this initiative is designed to increase employability/business in the area.

Equality Considerations will be taken into account at every stage of the process of organising the competition for leases and awarding the leases, for example in terms of access to the process by people whose first language is not English – ethnic minority communities, in terms of the retail units being fully accessible to wheelchairs, buggies etc

5. OTHER IMPLICATIONS

Legal – a clear structure on the constitution of the proposed joint venture company, Retail Rocks Aberdeen will require to be determined in the form of a sustainable arms length organisation. This organisation will need to be created before 31 March 2010.

There appear to be no State Aid issues as the public sector contribution is under the de minimis aid level of £200,000 over a rolling three year (fiscal) period per business entity, and it will not be used for export aid.

Property – detailed arrangements need to be put in place to either buy or lease appropriate retail units in Torry that have been identified for use by the project. Aberdeen City Council owns four retail units in Torry and detailed examination of their condition is underway to help with detailed cost estimates. Detailed consideration is also underway on options for acquisition of empty private units in consultation with the City Solicitor, City Chamberlain, and the Asset Management Team which is also linked with considering the potential options for a suitable mechanism for making any agreed properties available to Retail Rocks Aberdeen project. This would include agreement on any payments due by the City Council to Retail Rocks Limited before 31 March 2010.

There is also an opportunity to investigate the options for establishing a joint venture partnership to minimise the potential risks and capitalise on the potential opportunities of the project. This investigation will determine the potential for entering into a joint venture partnership with an investor who wishes to invest in

property and simultaneously generate significant economic benefits for one of our key regeneration areas.

The nature of any joint venture agreement will, naturally, have an impact upon the form of acquisition and the project's a long term strategy. Therefore this report seeks to get approval for delegated authority to approach potential joint venture partners and start a negotiation as soon as possible in order to agree the nature of the partnership at the earliest possible opportunity.

A risk register will be kept and managed by the Project Steering Group.

Personnel – The Council has put in place a project management approach to ensure delivery of the project. A Project Manager has been appointed within our Enterprise and Business Development Team and their work will be, overseen by ACC's Project Director Economic and Business Development. The Project Manager will work primarily with the following people to deliver the project:

- Chair of the Project Board: Chief Executive of Aberdeen City Council
- Project Sponsor: ACC Project Director Economic and Business Services
- Torry Regeneration: ACC, Local Regeneration Manager
- One Elected Member of the City Council
- Representative of The Federation of Small Business
- Retail Rocks!: Jane Wood, Founding Director of Retail Rocks Ltd
- Retail Rocks!: Tom Campbell, Consultant to Retail Rocks Ltd

Equipment – Funding from the Town Centre Regeneration Fund will be used to refurbish and fit out the up to 9 proposed retail units. Also the installation of additional CCTV cameras, with a dedicated budget of £70,000 will be funded from the grant, to enhance and extend the existing wireless CCTV scheme in Torry. This expenditure needs to be tendered to include an option for provision of a maintenance contract for a minimum period of one year. The cost of new, additional street lighting will also be paid for from the Town Centre Regeneration Fund grant. A budget of £38,780 has been allocated for this purpose. This expenditure will also be subject to competitive tender. This equipment will all remain after the completion of the project.

Environment - The project has an aim to minimise carbon emissions from its operations.

6. REPORT

Background

Retail Rocks! is a highly innovative concept for the regeneration of town centres by focusing on the creation of successful, local retail businesses.

Retail Rocks Limited (a private company, limited by guarantee) owns this innovative concept and worked with the City Council on the now successful award of funding from the Town Centre Regeneration Fund, and has offered to provide guidance for the implementation of the concept, the retail expertise and business networking.

Retail Rocks! is designed to revitalise town centres and communities by encouraging, enabling and supporting sustainable retail entrepreneurship. It also aims to break down existing socio-economic and demographic barriers, re-educate and create a positive mind-set and provide a catalyst for widespread regeneration, creating the confidence for further investments.

It is proposed to bring vacant retail units in Torry into use and this will involve acquisition (either through purchase or lease) and support a transformation into vibrant retail businesses providing much needed and evidenced amenity shopping, as well as specialist retailing, to enhance the existing customer base in the community, and develop a new customer base for Torry.

This retail-led regeneration project will provide initial support to aspiring entrepreneurs wishing to start up a retail business in Torry. This initial support will take the form of a rent-free retail unit for a year, plus mentoring support on both entrepreneurship and expert retail skills and techniques. This support will be provided by major high street retailers who have agreed to support the project of Retail Rocks! Aberdeen.

The Project

Retail Rocks! is a competition-based programme which will engage with the local community by giving aspiring entrepreneurs from within the community the chance to open retail businesses in Torry. Applicants with a retail business idea will be asked to compete for the opportunity to receive the proposed support package from Retail Rocks! Aberdeen.

The competition will have a very high media profile and will be led by Retail Rocks Limited with the assistance of Scottish Business in the Community.

The main objectives and expected outcomes of the project are to:

1. Reduce the number of empty shops and develop new retail businesses in Torry through the acquisition of properties and the refurbishment of retail units in Victoria Road and surrounds.
2. Provide an enhanced built environment for Torry that looks and feels safer, assisted by the installation of CCTV, lighting and introduction of ShopSafe radios for up to nine new businesses in Victoria Road and surrounds.
3. Create successful, sustainable retail businesses operating from premises that were previously derelict, which stimulates other forms of entrepreneurial activity within the local community.
4. Provide the local community of Torry with much improved shopping in a safer and brighter traditional high street environment.
5. Encourage the extension of commercial activity from the centre of Aberdeen across the Dee into Torry

The capital expenditure which is being provided by the Scottish Government through the Town Centre Regeneration Fund is for the start up of businesses. Sponsorship and in kind support will be provided by other organisations and companies through Scottish Business in the Communities. The proposed contribution by the Aberdeen City Council is mainly in kind support rather than cash as detailed above.

The project will begin in January 2010 and run for 18 months. The competition will be launched in spring 2010, and the new businesses are due to be up and running by summer of 2010. The project as a whole will be supported by its own website.

The initial briefing on the project Retail Rocks! Aberdeen for Admin Leaders took place on 14 January. A more detailed briefing for Local Members was also provided later on the same day. A presentation is to be made to Torry Community Council at its next meeting on the 21 January 2010.

Property Acquisition

The project's success relies on a critical number of new businesses being set up

in Torry. The properties for these new businesses will be a mix of Council owned and privately owned retail units. Up to nine identified properties will be at the core of this project.

This means that a number of existing retail units need to be acquired or leased by the City Council, so that all potential units in the project can be made available in due course to the Retail Rocks! Aberdeen project. At this point in time it is envisaged that the five privately owned units could be either leased or acquired. However, Officers of the City Council do not have the authority to enter into negotiations to acquire property without first obtaining Committee approval and, in order to comply with the conditions of the grant, it is necessary that up to nine properties are either owned by the City Council by 31 March or are secured legally by missives or an equivalent legal mechanism.

In order to meet this very tight timescale, and thereby meet the terms of the Town Centre Regeneration Fund Grant, appropriate Council officers will need to be given delegated authority to negotiate/acquire the necessary premises, subject to advising this Committee on the actions taken. Without delegated authority it will be impossible to secure the properties in time to meet the conditions of the Town Centre Regeneration Fund grant i.e. that the Council and Retail Rocks Limited have entered into a commitment to acquire all required properties, and make them available to the Torry Retail Rocks project, by 31 March 2010.

It must be noted that due to the tight time pressures, Retail Rocks are identifying the private shops required and entering into negotiations with their owners. The Asset Policy Manager and the Council's external property advisor, Ryden, will subsequently satisfy themselves that any proposed purchase complies with Best Value and all statutory regulations/legislation. The cost of this will be funded from the Retail Property Acquisition heading. The City Council's standard Property Protocol, requiring Statutory Officers (i.e. the City Solicitor and City Chamberlain) to approve any proposed transaction, will be fully adhered to.

Project Management Arrangements

As previously noted, a project steering group will be established to oversee the project's implementation and to report on its progress. This project steering group will be Chaired by ACC's Chief Executive and will include:

- One Elected Member from ACC

- ACC's Project Director Economic and Business Development.
- ACC's Project Manager, who will be in attendance at all meeting
- ACC's Torry Regeneration Manager

Additionally, representation will be included from the following external organisations:

- Retail Rocks Ltd
- The Federation of Small Business

7. REPORT AUTHOR DETAILS

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8. BACKGROUND PAPERS

Town Centre Regeneration Fund Application to Scottish Government.

Signed Offer of Grant: Town Centre Regeneration Fund 2009-10 from Scottish Government dated 19 November 2009