



KNUTSFORD TOWN COUNCIL

DISCUSSION PAPER AND HIGH LEVEL

BUSINESS CASE FOR THE REDEVELOPMENT

OF KNUTSFORD MARKET HALL

SEPTEMBER 2021

Contents

| | |
|--|----|
| Introduction | 3 |
| Executive Summary..... | 3 |
| Background to Knutsford Market Hall | 3 |
| Background to Redevelopment | 3 |
| Case for Improvement | 4 |
| Redevelopment Proposals | 5 |
| Overview of Proposals | 5 |
| Redevelopment Costs | 5 |
| Market Relocation Costs..... | 5 |
| Apartments | 6 |
| Financial Forecast | 6 |
| Options..... | 8 |
| Option A - Progression of Current Proposals..... | 8 |
| Option B – Alternatives..... | 8 |
| Full Refurbishment..... | 8 |
| Incremental Refurbishment (not recommended) | 9 |
| Redevelopment – Alternative Scheme | 9 |
| Appendices..... | 11 |
| Appendix A: Floorplans | 11 |
| Ground Floor | 11 |
| First Floor | 12 |
| Second Floor | 13 |
| Appendix B - Planned Maintenance Schedule (2019) | 14 |
| Appendix C – Quantity Surveyor Cost Estimate..... | 15 |

INTRODUCTION

EXECUTIVE SUMMARY

This paper aims to enable the Assets and Operations Committee to make a decision on progression of the redevelopment of Knutsford Market Hall. It contains costings from a quality surveyor for the plans produced in 2019 and estimated operational costs.

The financial forecast shows the project has borderline financial viability in the short term but would be profitable in the medium to short term.

BACKGROUND TO KNUTSFORD MARKET HALL

Knutsford Market Hall opened in 1964 and was constructed by the former Knutsford Urban District Council. On local government reorganisation in 1974 operation of the market transferred to the new Macclesfield Borough Council (subsequently Cheshire East Council) and in 2014 was returned to local operation through an asset transfer to Knutsford Town Council. The structure of the Market Hall is largely as built in 1964, with a 1980s addition to improve its kerb appeal.

The Market Hall presently (September 2021) comprises 15 stalls occupied by 9 traders with one vacancy.

BACKGROUND TO REDEVELOPMENT

The Market Hall was transferred to the Town Council in 2014 as part of a programme of community asset transfers. The approved business case for the transfer recognised that the building required substantial modernisation and improvement after years of apparent neglect.

The Town Council had discussed options for improvements to the market and in 2017 commissioned NABMA (National Association of British Market Authorities) to provide advice on an idea to create a second floor retail area. The advice was this would be unlikely to work within the market and the council subsequently resolved to dismiss consideration of creating a first-floor trading area and to commit to a planned improvement scheme for the market.

The council considered the option of a full refurbishment of the existing building but in 2018 determined that the demolition and reconstruction of a multi-storey building would provide a better use of space. In January 2018 the Town Council commissioned SiCa Architects to develop plans for a redevelopment of a ground floor market with apartments to the first and second storeys. A pre-application consultation was undertaken in April 2018 which garnered positive feedback. Work on the redevelopment was paused in January 2019 to allow the incoming council to consider the scheme. SiCa Architects is no longer in business and a new architect would be required to further the project.

CASE FOR IMPROVEMENT

The Town Council has always recognised the need for investment in the Market Hall, with the business case for its transfer recognising that redevelopment or complete refurbishment was required in the short term.

The latest condition survey identified £40k of responsive maintenance required the majority of which would have a minor impact on the environment of the market. The more in-depth forward maintenance plan (pre transfer, in 2011) suggested works totalling approximately £250k.

The Market Hall has an aging customer base. This was highlighted in the 2017 NABMA Market Place consultancy report and has been echoed in the age profile of shoppers in the recent benchmarking programme. To ensure the future viability of the market it must attract new customers and the current offer and environment is not conducive to this.

There are limitations in recruiting new traders within the current building; prospective traders have been deterred due to the condition of the market and there is a lack of facilities (i.e. storage, water supply to stalls) which prohibits certain traders from being able to take space, for example there has been interest for the fishmonger to take a permanent indoor stall but the spaces available do not have running water.

The existing building is not energy efficient. There is no heating and, in the winter, can get extremely cold which deters, for example, café customers. Many traders use electric heaters which contribute to high electricity costs for the building and the building does not retain heat due to its construction.

Improving the Market Hall will also support the wider town centre by upgrading a poor-quality shopping area and making it more of a feature / reason to visit the town centre.

REDEVELOPMENT PROPOSALS

OVERVIEW OF PROPOSALS

The proposal is to demolish the existing market hall and construct a new three storey building in its place. The ground floor would comprise the market and access to the apartments which would occupy the first and second floors.

The market would comprise 13 stalls, six of which would have dedicated storage space. Three central stalls would be low level providing visibility across the hall to make a more welcoming environment. A single accessible toilet and baby change would be provided along with a shared cupboard and a caretaker's cupboard.

Access to the apartments would be by lift and stairs. Two apartments would occupy each floor with an outdoor courtyard shared on the first floor. Three apartments would be two-bedroom (73m²), one would be one-bedroom (52m²). The two apartments fronting Silk Mill Street would have a terrace/small balcony.

Floor plans for the proposal are contained in Appendix A.

REDEVELOPMENT COSTS

The prepared plans were submitted to a quantity surveyor to provide a RIBA Stage 2 Cost Estimate. Initial services connections costings have been estimated using cost data from similar sized projects. M&E provision has been included using BCIS rates for projects of a similar nature. The estimate is prepared to an accuracy of +/- 15%. The floor area has been based on measurements taken from the received drawings and it is assumed that the works will be let as one contract. Prelims have been priced at 15% as would be expected for a project of this nature within a confined town centre space. The estimated cost of the building works is £1.57m (£1.33m – £1.81m). The total includes professional fees. This is higher than the council's original intention of a £1m project.

The development of housing would trigger a Community Infrastructure Levy payment, based on the area of the development this would be £15,390

MARKET RELOCATION COSTS

It is considered imperative that the existing market traders are able to trade throughout the construction period to enable them to move back into the new market hall; the council would be looking to retain all existing traders who wish to continue trading.

The preferred option is to utilise the upper section of the Silk Mill Street car park and install a number of shipping containers for use by the traders. This will provide secure premises and a more weather resistant trading area than any alternative. The estimated cost for this is £100,000 which is for the provision of a number of fitted out containers under a buy-back scheme.

Discussions will need to take place with Cheshire East Council as the owner of the car park. It is likely that a license would be required to occupy sections of the rest of the car park too for a construction site compound. Cheshire East Council's standard fees for use of parking spaces indicate a fee in excess of £200,000 per year (based on 40 spaces) and it would therefore be necessary to seek a dispensation from the council on the basis that they would be supporting a town centre regeneration project.

APARTMENTS

The proposals include the provision of four apartments (3 no. two-bed, 1 no. one-bed). Advice from a Knutsford Estate Agent suggests the market values of the properties would be:

| Property | Market Sale | Market Rent (pcm) |
|----------|-------------|-------------------|
| Two Bed | £300,000 | £1,200 |
| One Bed | £250,000 | £1,200 |

The achievable value will depend on demand at the time they are brought to market and the lack of designated parking space may reduce values slightly.

The council has previously discussed below market rents to make the apartments affordable. Intermediate rents are often approximately 20% below market, making the apartments £960 PCM.

The development of market housing triggers a Community Infrastructure Levy payment of £15,390 (based on area of housing in the plans).

The housing would not have designated parking. Residents would be able to purchase a permit from Cheshire East Council for use on Silk Mill Street car park or utilise nearby public transport.

FINANCIAL FORECAST

The following table outlines the ongoing estimated costs for the operation of the building based on a number of assumptions around the ongoing operational costs for the building (including lift servicing, building alarm servicing etc). These include allowances for the cleaning of shared spaces within the market and the apartments and a small annual repairs budget. The forecast makes an assumption on the utilities usage attributable to traders (based on stalls paying costs through sub-meters).

An allowance of 10% income being committed to reserves is in line with the council's investments policy. The intention is the reserve would cover costs during periods where rental income is lower or where costs are higher e.g. costs involving the change of tenancies. It would also develop a reserve to pay for future maintenance costs. An allowance is made for a contribution to staffing costs to cover Caretaker cleaning of the market and some management cost. Insurance costs are an estimated based on reinstatement and loss of income insurances.

The loan repayment assumes a 50-year payment term on an equal instalments basis. The current interest rate from the Public Works Loan Board would be a fixed rate of 2.16%.

The table outlines the three budget figures based on the QS report.

| ITEM | 1.5M | 1.7M | 1.9M |
|--------------------------------|----------------|----------------|----------------|
| INSURANCE | 2,000 | 2,000 | 2,000 |
| OPERATION COSTS | 17,000 | 17,000 | 17,000 |
| MARKET HALL UTILITIES | 9,500 | 9,500 | 9,500 |
| WASTE | 5,000 | 5,000 | 5,000 |
| SUBTOTAL | 33,500 | 33,500 | 33,500 |
| MARKET HALL RENTAL INCOME | 40,000 | 40,000 | 40,000 |
| HOUSING RENTAL INCOME (MARKET) | 57,600 | 57,600 | 57,600 |
| MARKET HALL UTILITIES INCOME | 3,000 | 3,000 | 3,000 |
| SUBTOTAL | 100,600 | 100,600 | 100,600 |
| LOAN REPAYMENT | 49,206 | 55,768 | 62,330 |
| PROFIT/LOSS | 17,894 | 11,332 | 4,770 |
| 10% RENTS TO RESERVE | 9,760 | 9,760 | 9,760 |
| CONTRIBUTION TO STAFFING | 10,000 | 10,000 | 10,000 |
| NET PROFIT/LOSS | -1,866 | -8,428 | -14,990 |

Based on these estimates, the building would not cover costs once an allowance is made for reserves / general funds. These figures could naturally be adjusted to reach a net zero point however it would be important to ensure that funds are committed to reserves for future liabilities.

Both the market rents and housing rents could be increased annually to account for inflation. Applying a 2% inflationary increase would generate an additional £1,952 in year 2, £3,943 (compared to year 1) in year 3 etc. This would increase the profitability of the building over time due to the fixed loan repayments. Depending on costs and occupation, there may also be years where funds no longer require commitment to reserves.

Assuming inflationary increases of 2% to costs (excluding loan repayments) and income, a net surplus could be achieved in years 4 (1.5m project), 10 (1.7m project) or 16 (2m project).

OPTIONS

The assessed costs indicate there is borderline viability in the current redevelopment proposals if seeking to deliver the project on a net zero cost basis whilst developing a reserve for future expenditure, however, the building would deliver a profit in the short term.

The financial forecasts make a number of presumptions, not least the cost of the building works which has a +/- 15% uncertainty. The cost of licences for utilising Silk Mill Street car park for the building works is also unknown at this stage.

OPTION A - PROGRESSION OF CURRENT PROPOSALS

To progress the current proposals, a new architect would need to be appointed. The architect would be commissioned to develop the scheme in greater detail and work with a quantity surveyor to provide a more accurately costed scheme for consideration. The council could set a value at which it considers the scheme is approvable.

Alongside this, discussions would need to take place with Cheshire East Council on the use of Silk Mill Street car park for both a temporary market and building compound.

OPTION B – ALTERNATIVES

It should be accepted that do nothing is not a viable option; it would result in managed decline of the building leading to its eventual closure. It is presumed this is not the council's desire as it would be contrary to the original intentions of taking responsibility for the asset.

There are, therefore, three alternatives to the current redevelopment proposals.

FULL REFURBISHMENT

The council would decide not to progress the demolition and reconstruction of the market hall but instead undertake a thorough programme of refurbishment. This would likely include stripping the existing building to a shell and undertaking a complete new fit out of stall structures, flooring, ceiling and facilities. The roof would be renewed and the frontage of the building could be reconfigured to create a strong street presence. A temporary trading area would need to be provided.

Pros:

- Significantly lower upfront cost

- Simpler project with a less complicated construction phase and reduced need for Party Wall Act agreements.

Cons:

- Fails to utilise space on a first and second floor
- Does not provide increased income through apartments
- Depending on the structure of the building there is more limited scope for reconfiguration

INCREMENTAL REFURBISHMENT (NOT RECOMMENDED)

The council would develop a programme of refurbishment over a several year period undertaking improvements in phases. This would spread the costs over several years but the final market would largely be of the same configuration as the existing. The work would predominantly be undertaken whilst the market is open or through temporary (low season) closures.

Pros:

- Significantly lower upfront cost
- Simplest project

Cons:

- Fails to utilise space on first and second floor
- Does not provide increased income through apartments
- Limited scope for improvement
- Results in several years of disturbance to traders, likely to be several periods where traders cannot trade
- Will take several years to deliver a significant benefit
- May prove challenging to retain and recruit traders during the period
- More challenging to finance – requiring either multiple loans or delays until sufficient reserves built up to fund larger works

REDEVELOPMENT – ALTERNATIVE SCHEME

The council would decide not to progress the existing plans but commission a new architect to develop a scheme for redevelopment. The brief could be the same (first and second floor apartments) or different (e.g. second storey only, alternative uses for upper floors etc).

Pros:

- May be a more desirable commission for a new architect
- Enables a change of direction
- May be simpler from a cost engineering perspective

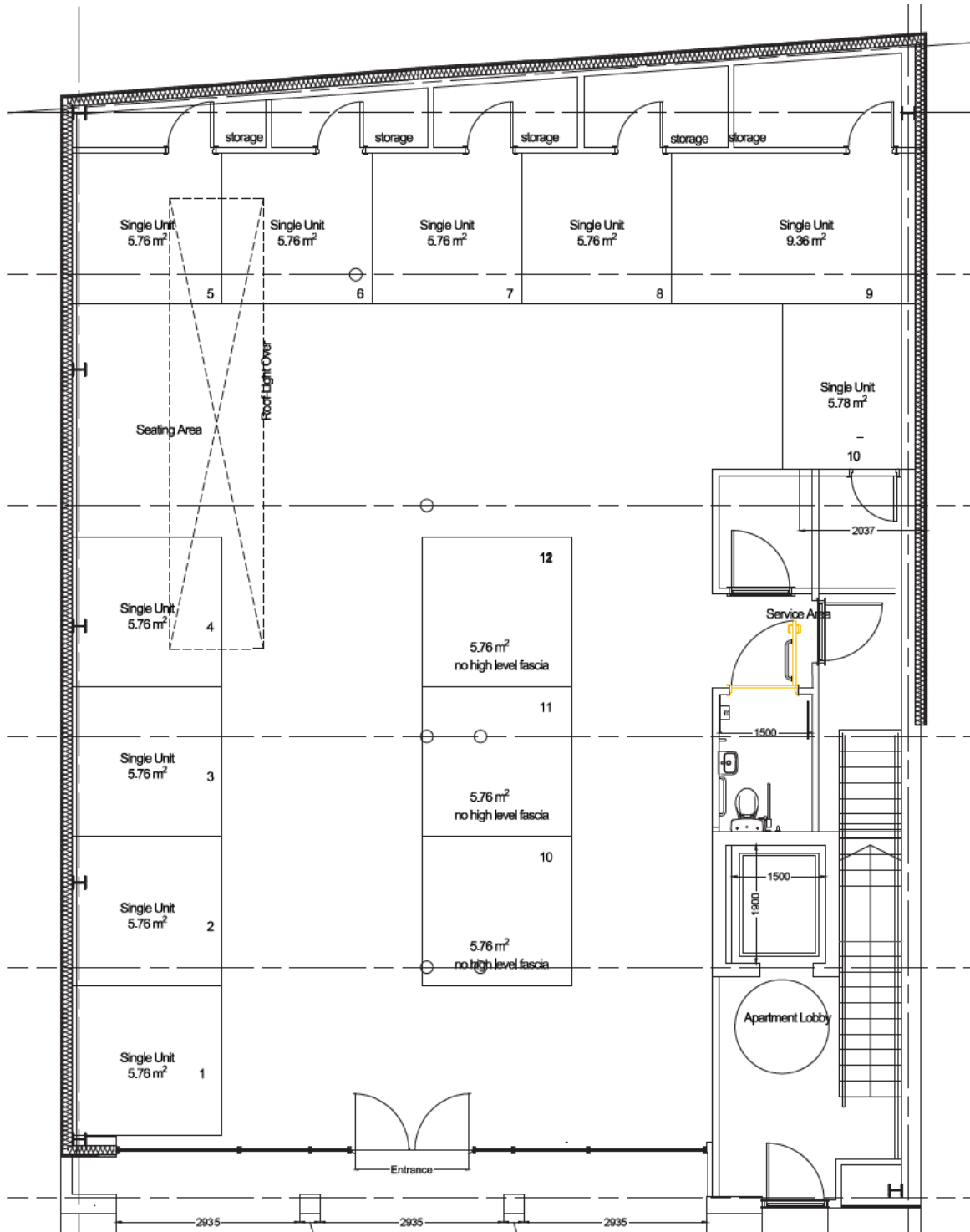
Cons:

- Accepts the previous work was largely abortive
- Repeats early design stage resulting in higher cost

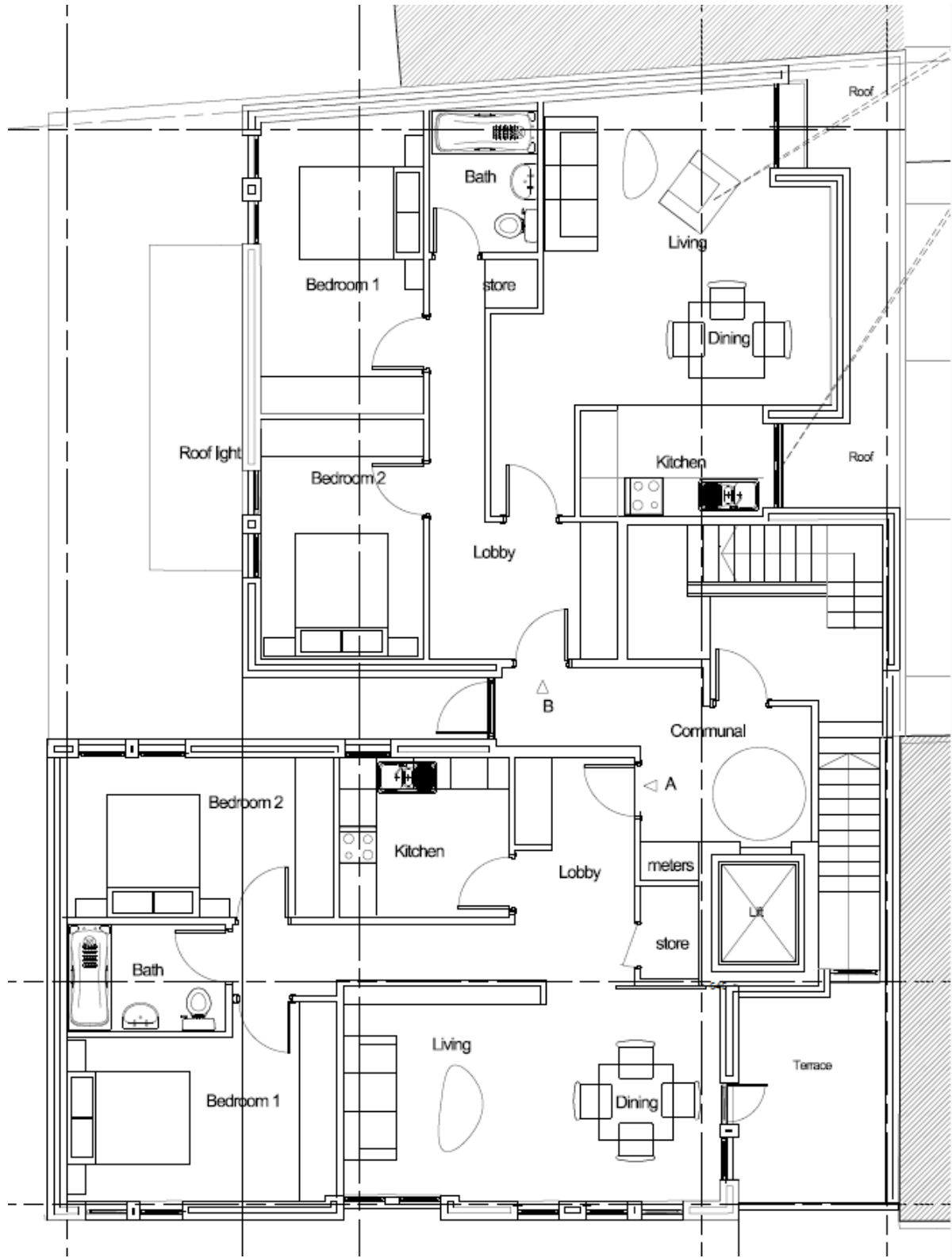
APPENDICES

APPENDIX A: FLOORPLANS

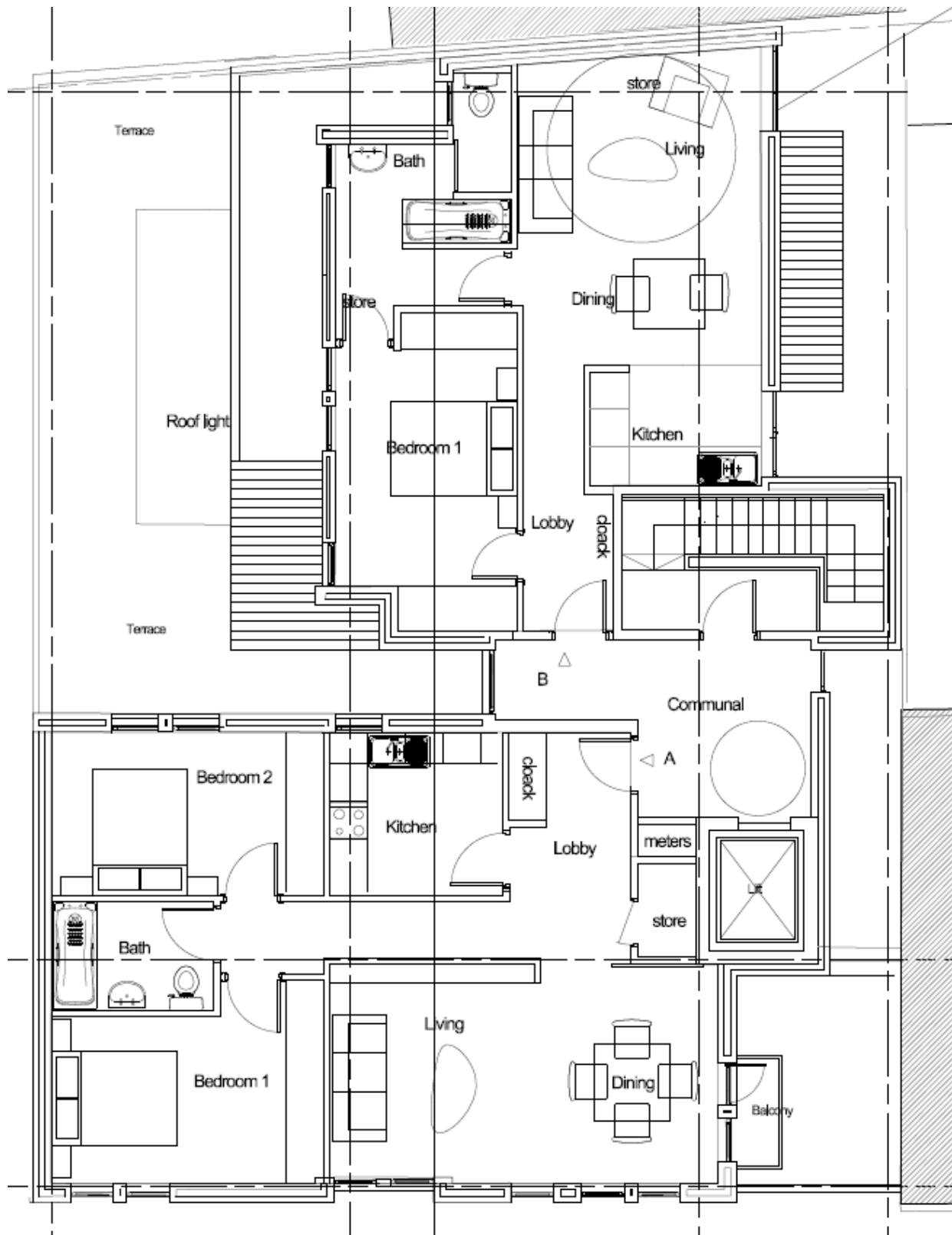
GROUND FLOOR



FIRST FLOOR



SECOND FLOOR



APPENDIX B - PLANNED MAINTENANCE SCHEDULE (2019)

| Ref | Defect | Priority | Cost |
|-----|---|----------|--------|
| 1 | Cracked/missing tiles to front entrance | 1 | 500 |
| 2 | Cracked/missing tiles to front entrance steps | 1 | 500 |
| 3 | Front elevation render cracked/cracking | 3 | 1,500 |
| 4 | Missing / cracked tiles in Male WC | 2 | 500 |
| 5 | Missing / cracked tiles in Female WC | 2 | 350 |
| 6 | Ceiling plaster flaking /peeling | 1 | 2,500 |
| 7 | Leak/damp to flat roof areas | 1 | 6,500 |
| 8 | Damaged linoleum | 1 | 500 |
| 9 | Renewal of flat roof covering | 1 | 25,000 |
| 10 | Open jointed brickwork / coping stones to front elevation | 1 | 2,500 |

APPENDIX C – QUANTITY SURVEYOR COST ESTIMATE

External Works

| Ref | Description | Qty | Unit | Rate | Total |
|------|--|-----|------|--------|------------|
| 1.01 | Demolition of existing Market Hall | 1 | Nr | 25,000 | £25,000.00 |
| 1.02 | Extra Over for possible asbestos removal | 1 | Item | 10,000 | £10,000.00 |
| 1.03 | Allowance for Balcony spaces | 23 | m2 | 1,250 | £28,750.00 |
| 1.04 | Incoming services | 1 | item | 17,500 | £17,500.00 |

Substructure

| Ref | Description | Qty | Unit | Rate | Total |
|------|---|-----|------|------|------------|
| 2.01 | Strip and slab foundation incl. excavation and removal of spoil | 504 | m2 | 125 | £63,000.00 |

Superstructure

| Ref | Description | Qty | Unit | Rate | Total |
|------|-----------------------------|-----|------|------|-------------|
| 3.01 | Frame | 504 | m2 | 120 | £60,480.00 |
| 3.02 | Upper Floors | 504 | m2 | 55 | £27,720.00 |
| 3.03 | Roof | 504 | m2 | 210 | £105,840.00 |
| 3.04 | Stairs | 504 | m2 | 25 | £12,600.00 |
| 3.05 | External Walls | 504 | m2 | 200 | £100,800.00 |
| 3.06 | External Windows & Doors | 504 | m2 | 110 | £55,440.00 |
| 3.07 | Internal Walls & Partitions | 504 | m2 | 77 | £38,808.00 |

Finishes

| Ref | Description | Qty | Unit | Rate | Total |
|------|------------------|-----|------|------|------------|
| 4.01 | Internal Doors | 504 | m2 | 36 | £18,144.00 |
| 4.02 | Wall Finishes | 504 | m2 | 50 | £25,200.00 |
| 4.03 | Floor Finishes | 504 | m2 | 69 | £34,776.00 |
| 4.04 | Ceiling Finishes | 504 | m2 | 40 | £20,160.00 |
| 4.05 | FFE | 504 | m2 | 166 | £83,664.00 |

Services

| Ref | Description | Qty | Unit | Rate | Total |
|------|---|-----|------|------|------------|
| 5.01 | Sanitary, Services, Disposal, Water Installations | 504 | m2 | 45 | £22,680.00 |
| 5.02 | Space Heating & Air Conditioning | 504 | m2 | 100 | £50,400.00 |
| 5.03 | Ventilation | 504 | m2 | 20 | £10,080.00 |

| | | | | | |
|------|-----------------------------|-----|----|-----|------------|
| 5.04 | Electrical Installation | 504 | m2 | 140 | £70,560.00 |
| 5.05 | Fire & Lightning Protection | 504 | m2 | 28 | £14,112.00 |
| 5.06 | Communications & Security | 504 | m2 | 32 | £16,128.00 |
| 5.07 | BWIC | 504 | m2 | 13 | £6,552.00 |
| 5.08 | Add Air Source Heat Pump | | | | £45,000.00 |
| 5.09 | Add Greywater Recycling | | | | £10,000.00 |

Preliminaries / OHP

| Ref | Description | % | Amount |
|------|-------------------------------------|-----|-------------|
| 6.01 | Main Contractor Preliminaries | 15% | £137,759.10 |
| 6.02 | Main Contractor Overhead and Profit | 10% | £105,615.31 |

Fees / Surveys

| Ref | Description | % | Amount |
|------|---|-----|-------------|
| 7.01 | Surveys (provisional sum) | | £10,000.00 |
| 7.02 | Professional Fees inc Party Wall ¹ | 15% | £193,341.79 |
| 7.03 | Contingency | 10% | £117,176.84 |

| Summary | Amount |
|--------------------------|---------------|
| Current Cost (3Q 2021) | £1,537,287.04 |
| Add Inflation to 3Q 2022 | £36,587.42 |
| Total (excluding VAT) | £1,573,874.46 |

¹ Estimated costs include Project Manager, Architect, Contract Administrator, Structural Engineer, Geotechnical Surveyor, M&E Services Engineer, Quantity Surveyor, Principal Designer / CDM Advisor, Party Wall Surveyor, and legal advice for Party Wall Matters.