

REPORT TO ASSETS AND OPERATIONS COMMITTEE

60 KING STREET



Report Reference A-22-09
Meeting Date 21st November 2022
Agenda Item 7
Prepared by Town Clerk

1.0 BACKGROUND

60 King Street is a Grade II* listed property which was gifted to the former Urban District Council in the early 20th century. The property has predominantly been a commercial asset which generated a rental income, this changed in 2019 when the lease became forfeit due to the tenant's insolvency. The property was marketed with Savills, seeking to obtain a new tenant on a full repairing and insuring lease for an income of around £75k per annum. Negotiation with a prospective tenant failed in Spring 2021. In April 2021 the committee considered a report outlining four options:

- Readvertising the property
- Undertaking works before seeking to relet the property
- Offering an internal repairing insuring lease
- Sale of the property

At this meeting it was determined to pursue a fifth option of seeking grant funding to renovate the building and operate it on a hybrid community/commercial model.

Between June 2021 and summer 2022, the council worked with Tricolor consultants on the early stages of developing a NHLF bid. Funds were secured from the Architectural Heritage Fund for community consultation which was undertaken in Spring 2022. The consultation report has been circulated to the committee. In summary, there is support from the community for a community focused use of the building and a keenness for the building to be put back into use. However, further work on developing a NHLF bid is likely to cost in the region of £30,000 for which the council may not be able to secure grants. The consultants also advised that a council led scheme may be harder to fund and alternative governance models (such as the building being operated by a charity) would be more fundable.

At the October committee agreed to consider all options for the building at this meeting.

2.0 OPTIONS: BACKGROUND INFORMATION

In the time since the previous meeting, it has not been possible to test the grant consultancy market to ascertain the ongoing competitiveness of the proposal presented by Tricolor, it is noted that they were competitive in the original tendering (with most firms declining to tender at that stage). If the committee determines to continue this option a re-tendering can take place.

Since the previous meeting The Town Clerk has met with / spoken with Savills and three companies which had expressed an interest in the property. Two have stated they would be interested in acquiring the freehold but had no interest in a lease. Savills have advised they would recommend marketing the property with a guide price of £1.1m.

The third company is preparing an initial proposal for the council, during the discussions they were uncertain as to the tenure they would seek for the property. Once received this will be reported to the committee.

The Town Clerk also met with an individual who has expressed an interest in establishing a charity/CIC to operate the building as a community led initiative. This would likely be on a peppercorn rent and the council would have ability to appoint to the governing board. A meeting has been arranged for the committee with the individual prior to this committee meeting to discuss this option further.

At the previous committee meeting, it was suggested that the committee could look to utilise the Royal George Ballroom to provide a large community venue which was the key identified need from the community consultation. Fisher German is currently advertising the lease for the former ballroom at a restaurant rent (£65k pa), this comprises the ballroom (1,500 sqft) and ancillary rooms (1,605 sqft). The property requires renovation to make it presentable, the council could look to negotiate a community level rent for the property which has not been used as a commercial space for a number of years.

3.0 DECISION REQUIRED

The committee should consider how it wishes to manage the property.

Based on the options detailed overleaf, the ensuing workstreams for each option would be:

1. A new tendering exercise would be undertaken. Full Council would be required to consider funding the work in the event grants cannot be secured for this phase. Current operational management would continue.
2. Savills would be reengaged to commence advertising. Bids to be received by c. February/March.
3. Aim to establish body and agree lease by 31st March (end of financial year). Full Council would need to approve a disposal undervalue (peppercorn lease).
4. QS to be tendered for to develop a full tender for works. Savills to be engaged to secure tenant with a view to the essential work having been undertaken and agreement for lease sought. Borrowing approval to be sought from government, public consultation on borrowing would be required. Full Council would need to approve seeking borrowing approval.
5. Detailed proposal would need to be developed by third party. Majority of 4 also applies.
6. Savills to be engaged to put property on the market and secure bids. Full Council would need to approve sale of the asset.

OPTTIONS APPRAISAL

Option	Pros	Cons	Risks	Financial Impact
1. Continue NHLF Bid Project	<ul style="list-style-type: none"> • Secures community use, meeting established needs 	<ul style="list-style-type: none"> • Building continues to be empty for further years+ • Likely to require expenditure from council funds for next bid development work • Significant officer time requirement 	<ul style="list-style-type: none"> • Cost / time incurred but failure to secure required investment 	<ul style="list-style-type: none"> • Ongoing operational costs of c. £9k per year • Ongoing resource (staffing) cost • Ongoing risk of unoccupied building • Potential need to fund initial work phase c. £30k
2. Readvertise property to obtain new commercial tenant	<ul style="list-style-type: none"> • Generates ongoing revenue income 	<ul style="list-style-type: none"> • Likely to involve lengthy negotiations during which council continues to have liability 	<ul style="list-style-type: none"> • Previous marketing exercise failed to secure a tenant on agreeable terms, no reason to think a repeat would be any different 	<ul style="list-style-type: none"> • Ongoing operational costs of c. 9k per year whilst tenancy agreed, thereafter removed • Incur legal/professional fees involved with creating tenancy • Generates revenue income of up to £75k pa • Likely loan repayments of £62k pa on a 30 year term
3. Lease building to new charity/CIC for community led model	<ul style="list-style-type: none"> • Secures community use, meeting established needs • Transfers operational risk to third party • Positive community project, good for community governance and capacity building • Opens additional funding opportunities for small immediate improvements 	<ul style="list-style-type: none"> • Would be on peppercorn/non-commercial rent generating negligible revenue income 	<ul style="list-style-type: none"> • Charity fails to afford maintenance of building (can be mitigated by covenants in lease to some degree) resulting in building deteriorating and/or returning to the council • Requires on a strong delivery team to manage the asset 	<ul style="list-style-type: none"> • Initial legal costs involved in agreeing lease • No ongoing revenue income, but removal of ongoing operational costs (saving £9.3k in 2023)

Option	Pros	Cons	Risks	Financial Impact
4. Undertake works and then seek to let property	<ul style="list-style-type: none"> Generates ongoing revenue income Overcomes main obstacle of option two Ensures building is in good condition 	<ul style="list-style-type: none"> Ongoing revenue income would be required to cover loan repayments Interest rates currently high (compared to previous years) 	<ul style="list-style-type: none"> Unless an agreement for tenancy was secured prior to works, financial burden of works would be at risk 	<ul style="list-style-type: none"> Ongoing loan repayment liability
5. Joint venture operation	<ul style="list-style-type: none"> Working with established partner to operate the building for e.g. wedding use increases likelihood of sustainable operation Generates ongoing revenue income 	<ul style="list-style-type: none"> Likely to require upfront investment to renovate building Limitation on ongoing community use Unknown officer time requirement 	<ul style="list-style-type: none"> Likely to require significant at risk upfront investment Failure of partnership 	<ul style="list-style-type: none"> Uncertain, theoretically generating revenue income to cover cost
6. Sale of property	<ul style="list-style-type: none"> Removal of all ongoing management of the asset, releasing resource to other projects Generates a capital receipt which will generate interest in short term and fund major projects in longer term 	<ul style="list-style-type: none"> One off receipt, no ongoing revenue income. 	<ul style="list-style-type: none"> Council unable to find a purchaser at an agreeable value due to condition of building (noting a number of expressions of interest have already been received) 	<ul style="list-style-type: none"> Generates a capital receipt of approx. £1m, in short term this would generate interest (~20k pa on current rates), longer term could be utilised for works to Council Offices and/or Market Hall Removal of ongoing operational costs (saving £9.3k in 2023)