

REPORT TO FULL COUNCIL

60 KING STREET

Report Reference C-22-36
Meeting Date 20th March 2023
Agenda Item 6
Prepared by Town Clerk



1.0 BACKGROUND

In January, Council considered a recommendation from the Assets and Operations Committee that 60 King Street be sold. The motion was lost on the casting vote of the Town Mayor. Following further debate, it was resolved to provide 60 days for community lead proposals to be put forward to the council and concurrently for bids for the purchase of the building to be submitted to the council; that the proposals include a business case and plan showing how the building would be used and that these be considered at a special meeting of the council.

The day-to-day oversight of the building is the responsibility of the Assets and Operations Committee. Once a decision is made by Full Council, the Committee would then oversee the implementation of that decision unless otherwise directed. It should be noted that terms of reference of the 60 King Street Project working group were solely to provide input and member oversight into the NHLF funding project.

Proposals were invited by Friday 10th March. Six proposals were received, one a community led proposal, a second a partnership proposal and four sale proposals.

2.0 PROPOSAL OVERVIEW

Detailed proposals have been provided to all members but at this stage are confidential. Debate of the proposals will take place in public by reference to the proposal letter rather than name to maintain the confidentiality of the companies involved.

2.1 PROPOSAL A – COMMUNITY LED PARTNERSHIP

This proposal is to establish a charitable incorporated organisation (a form of charity) which would lease the property and undertake incremental regeneration/restoration of the building. It proposes an initial peppercorn rent for the first five years with a revenue trigger point which would see a return to the Town Council for capital projects.

The proposal is to create a new Kings Coffee House with bookable event space and outdoor space. The proposal does not detail how the existing bedrooms to the first and second floors will be used.

2.2 PROPOSAL B – PARTNERSHIP

This proposal is for a partnership between the council and proposer to “reinststate the original vision of Richard Harding Watt to welcome people into the building to socialise, relax and bring the local community together”.

The proposal is for the reinstatement of the original coffee house concept or a using a partner local food and beverage operator. The upper floors would be an enterprise hub for local entrepreneurs, start ups and freelances with the existing bedrooms used for local makers and artists.

The proposal does not suggest terms or what the council's involvement would be but proposes a long-term partnership where the proposer would invest around £2m alongside long-term maintenance and reinvestment.

2.3 PROPOSAL C – SALE

This proposal is for a freehold sale at £650,000.

The proposed use is a high-end wedding and event venue with hotel accommodation and private dining whilst also operating as a daytime business facility.

2.4 PROPOSAL D – SALE

This proposal is for a freehold sale at £1,050,000.

The proposed use is an Italian bar and restaurant, function room and hotel accommodation.

2.5 PROPOSAL E – SALE

This proposal is for a freehold sale at £1,100,000, this proposal is explicitly not subject to further surveys.

The proposed use is for a ground floor retail/shopping area with residential accommodation to the first and second floors.

2.6 PROPOSAL F – SALE

This proposal is for a freehold sale, but the proposer has not indicated a value but has stated an offer will be subject to a further survey.

The proposed use is a private members club with work space/offices and restaurant/bar space.

3.0 POINTS FOR CONSIDERATION

3.1 PARTNERSHIP PROPOSALS

Proposals A and B are both partnership proposals where the Town Council will have some involvement in the building. In both options, it is envisaged the Town Council will maintain ownership of the building but a long lease will be issued to the partner which in A is a charity and in B a business. Both proposals are broadly inline with the council's objectives over the last two years when it was looking at a community/commercial hybrid model.

Proposal A has no financial backing and plans a more iterative approach to investment based on community support and ongoing fundraising. There is potential or rental receipt in the future if the charity is successful in reaching a net-surplus operation.

Proposal B has strong financial backing which would enable upfront investment in the building. It is

not clear from the outline proposal whether investment from the Town Council would be required or precisely what the council's involvement moving forward would be.

From the information provided at this stage, the council would not be able to make a firm decision on the progression of either proposal as the proposals are not sufficiently detailed from the proposers' side nor the council's. The council could choose a favoured option and meet with the proposer to develop more detail.

3.2 SALE PROPOSALS

Proposals D and E are in line with the guide price previously quoted by Savills. Proposal C has discounted the cost of the major repair needed to the kitchen roof from the cost in reaching their valuation. Proposal F was a late enquiry and does not include a proposed price.

Given the limited number of responses, if the council does wish to proceed with a sale it would be recommended that an open-market sale takes place. Whilst this will incur cost (c. 1% of a final sale cost) it would ensure the council can demonstrate best value was attained for the building.

4.0 DECISION REQUIRED

Council should the proposals and determine how to proceed with 60 King Street.

APPENDIX A: HISTORY AND BACKGROUND TO PROPERTY

This was included in the introduction of Report C-22-24 for the meeting held on 9th January.

HISTORY AND BACKGROUND

The Knutsford Urban District Council was gifted 60 King Street after the death of its creator, Richard Harding Watt. At that time (c.1914) it was the offices for the council as well as being a coffee house and including some residential accommodation. Since Knutsford Town Council was established in 1974, the building had been occupied by La Belle Epoque Limited. The lease with the company was terminated through insolvency of the tenant in 2019, after multiple years of legal disputes and rent arrears.

In 2019 the property was put on the market to obtain a new tenant on a full repairing and insuring lease. Efforts to obtain a new tenant were unsuccessful – of the three proposals received, one was considered suitable, but this prospective tenant withdrew from negotiation after several months due to the condition of the building. The council sought further negotiation on the terms of the lease, but this was rejected.

In April 2021 the Assets and Operations Committee agreed that the option of obtaining grant funding to renovate the building as a mixed use (commercial, community and potentially council offices) should be explored and in June consultants were appointed to support this on a pro-bono basis (with their remuneration to be secured through obtaining grants in the future). The objective was to secure a £2m+ grant from the National Heritage Lottery Fund which would require a great deal of advance work to prepare a strong application. In late 2021 funding from the Architectural Heritage Fund was secured to undertake public consultation which took place in March-May 2022.

The consultation indicated 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, the consultants advised that further work on developing a NHLF bid is likely to cost in the region of £30,000; £7,000 would be seek grants to fund the next £23,000. The larger stage would be identifying partners and completing the options appraisal including work on financial assumptions. This does not include preparation of the development stage grant so further expenditure would be required. The certainty of obtaining grants was not guaranteed and the consultants advised that a council led scheme is harder to fund and alternative governance models (such as the building being operated by a charity) would be more fundable.

At the November 2022 Assets and Operations Committee meeting, the committee discussed the future of the project. There was hesitancy in committing further, and potentially committing financial resource, with the uncertainty of securing grants in the longer term. The committee was also acutely aware of the fact that the property has been vacant for 3.5 years.

CONDITION OF PROPERTY

In 2018, Fisher German prepared a maintenance schedule for the 2020-2024 period. This was prepared in accordance with the council's then responsibilities as landlord under the lease. The programme was notably greater than previous years with a five year expenditure plan of £307k. This was limited to the external/fabric of the building (not internal repair or decoration which was a tenant responsibility). The substantial items included render repairs to various elevations, replacement of flat rooves and overhauling/replacement of tile rooves. A further £400k of expenditure was then likely

post 2024 (predominantly replacement of the concrete deck over the kitchen). Only responsive maintenance has been undertaken since 2019. To make the building habitable requires electrical works (making safe cables left by the former tenant when fixtures were removed), window repairs (following vandalism) and the installation of a new gas pipe and boiler (including the removal of asbestos) in addition to redecoration as needed for different uses.

APPENDIX B: HISTORY AND BACKGROUND TO PROPERTY

This was included in Report C-22-24 for the meeting held on 9th January.

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 £30k+
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 especially as economic environment now significantly worse than 2019 	<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
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
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 May still be a challenging building to let 	<ul style="list-style-type: none"> Ongoing loan repayment liability, likely loan repayments of £62k pa on a 30 year term, rental income of c. £75k pa.
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
Occupy building, undertake phased works over time.	<ul style="list-style-type: none"> Maintains ownership Delivers community use, meeting established needs Enables multi-use of the building e.g. council occupation, room lettings, shared work space, room hire Subject to funding (e.g. capital reserve, grants) could deliver use in the building more quickly than reliance on major grants 	<ul style="list-style-type: none"> Insufficient finances to restore building upfront, requires a phased approach Greater reliance on council funds e.g. reserve or income from building to fund works 	<ul style="list-style-type: none"> Requires a business case to be prepared to explore fully before it can be committed to Will require a significant amount of time resource Need to carefully plan building works with a risk of works being needed sooner than planned 	<ul style="list-style-type: none"> Would require an initial upfront investment to make building habitable (heating system etc) Ongoing and unknown operational costs for utilities Some potential for grants for some works e.g. from FCC for up to £100k if tied to community use Potential to generate income from room lettings/ shared work space / hire etc Income from sale of council offices (reduced by required payback to CEC)