

# Extraordinary Cabinet



St Edmundsbury  
BOROUGH COUNCIL

<b>Title of Report:</b>	<b>Investing in the Regeneration of Bury St Edmunds Town Centre: 17-18 Cornhill</b>	
<b>Report No:</b>	<b>CAB/SE/18/027</b>	
<b>Report to and dates:</b>	<b>Extraordinary Cabinet</b>	17 April 2018
	<b>Council</b>	24 April 2018
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<b>Purpose of report:</b>	To seek (1) endorsement for the project objectives of the site, (2) approval to carry forward the recommended option and (3) approve full funding for the scheme to take to completion stage.	
<b>Recommendation:</b>	<p><b>It is <u>RECOMMENDED</u> that, Members :</b></p> <p><b>(1) Endorse the project objectives set out at para 1.3.1 for the site;</b></p> <p><b>(2) Approve, as the preferred option and policy approach, the redevelopment (option 4) of 17-18 Cornhill.</b></p> <p><b>(3) Approve £8.24m capital budget (includes £1.68m purchase and redevelopment budget), funded through the Investing in our Growth agenda fund, in line with paragraph 1.9.</b></p> <p><b>(4) Acknowledgement that in line with recommendations (2) and (3) above, officers will proceed in development of the site in line with the Council's agreed Scheme of</b></p>	

	<p><b>Delegation.</b> <b>(5) The Council's Section 151 Officer make the necessary changes to the Council's prudential indicators as a result of Recommendation 3.</b></p>
<p><b>Key Decision:</b> <i>(Check the appropriate box and delete all those that <b>do not</b> apply.)</i></p>	<p><i>Is this a Key Decision and, if so, under which definition?</i> Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/></p>
<p><b>Consultation:</b></p>	<ul style="list-style-type: none"> <li>• The site is in the town centre which has been subject to extensive consultation undertaken as part of the development of the Bury St Edmunds Town Centre Masterplan.</li> <li>• Consultation has been undertaken with the newly formed Bury St Edmunds Town Centre Masterplan Advisory Group and will continue through the design and development phase.</li> <li>• Further consultation will need to be undertaken as part of any formal planning process.</li> </ul>
<p><b>Alternative option(s):</b></p>	<ul style="list-style-type: none"> <li>• Alternative options have been considered and are detailed below for consideration.</li> </ul>
<p><b>Implications:</b></p>	
<p><i>Are there any <b>financial</b> implications? If yes, please give details</i></p>	<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>  <ul style="list-style-type: none"> <li>• As set out within the main body of the report</li> </ul> </p>
<p><i>Are there any <b>staffing</b> implications? If yes, please give details</i></p>	<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>  <ul style="list-style-type: none"> <li>• In order to progress the project to planning/construction, internal and external capacity will be required. Provision has been included in the capital budget request for all external costs.</li> </ul> </p>
<p><i>Are there any <b>ICT</b> implications? If yes, please give details</i></p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>  <ul style="list-style-type: none"> <li>• None associated with this report.</li> </ul> </p>
<p><i>Are there any <b>legal and/or policy</b> implications? If yes, please give details</i></p>	<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>  <ul style="list-style-type: none"> <li>• Planning permission will need to be obtained before any redevelopment can be commenced.</li> <li>• Legal advice required to advise on neighbouring property rights and contract agreements.</li> <li>• Legal advice around the project continues.</li> </ul> </p>

<i>Are there any <b>equality</b> implications? If yes, please give details</i>		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> <li>The redevelopment of the building provides a potential opportunity to improve accessibility to the building and the surrounding site.</li> </ul>	
<b>Risk/opportunity assessment:</b>		<i>The risks below relate to the decision around doing nothing- the risk associated with the preferred option 4 – redevelopment is contained in appendix D.</i>	
<b>Risk area</b>	<b>Inherent level of risk (before controls)</b>	<b>Controls</b>	<b>Residual risk (after controls)</b>
Property remains empty and undeveloped. Negative impact on the Council's financial situation of the building remaining empty.	Medium	The potential for the disposal of the site in its current position is understood and the subsequent redevelopment opportunities have been developed.	Low
Negative public perception of investment in the acquisition of the building and the subsequent redevelopment.	High	Public exhibitions will be organised and dates have been agreed. Press/media releases made at the appropriate time in line with the communications plan.	Medium
<b>Ward(s) affected:</b>		All Wards	
<b>Background papers:</b> <i>(all background papers are to be published on the website and a link included)</i>		[Link to previous exempt paper on purchase] [Link to masterplan]	
<b>Documents attached:</b>		Appendix A: Existing Building Plans Appendix B: JLL Refurbishment Option Appendix C: Proposed Redevelopment Plans Appendix D: Risk Register Appendix E: Financial Assumptions	

## **1. Key issues and reasons for recommendation(s)**

### **1.1 Purpose of this Report**

The purpose of this report is to present the following key items to Members:

- (1) the project objectives to be achieved for the site;
- (2) the options for the site available to the Council; and
- (3) the recommended option to redevelop the 17-18 Cornhill site.

### **1.2 Background**

- 1.2.1 The site at 17-18 Cornhill, due to its relationship with Cornhill/Buttermarket, St Andrews Street South and Market Thoroughfare, was identified by the Council early on as having strategic importance in relation to the Local Plan Vision 2013 and further reinforced by Bury St Edmunds Town Centre Masterplan (adopted December 2017).
- 1.2.2 Our Investment Strategy, approved by Full Council in February 2018, outlines how we will look for opportunities that can not only deliver a financial return that can be used to help support our delivery of day to day services, but can also be used to achieve more for our communities by encouraging economic growth and social outcomes such as new housing. The site of 17-18 Cornhill offers an opportunity for this blended return with financial, economic and social outcomes all achievable.
- 1.2.3 Post Office Ltd announced in July 2016 that Bury St Edmund's main post office facility on 17-18 Cornhill would close. The post office subsequently closed on 17 November 2016 and the post office facility moved to the first floor of WH Smith on 15 Cornhill. Post Office Ltd subsequently offered a first right of refusal to St Edmundsbury Borough Council to purchase 17-18 Cornhill.
- 1.2.4 Following a recommendation from Cabinet on 8 December (CAB/SEE/16/069), St Edmundsbury Borough Council, on 20 December 2016, (report: EXEMPT Appendix 1 to Report No: COU/SE/16/021) resolved that:
  - (1) delegated authority be given to the Section 151 Officer and Chief Executive Officer, in consultation with the Leader of St Edmundsbury Borough Council and Portfolio Holder for Planning and Growth, to exercise the first right of refusal to purchase the Post Office building (including appropriate legal agreements) for £1.6 million (subject to contract, due diligence and full surveys);
  - (2) a capital budget of £1.680 million be established, including stamp duty land tax, funded from capital receipts for the purchase outlined in (1) above;
  - (3) the options due diligence costs of £30,000 and the holding costs associated with the purchase at (1) above (as outlined at paragraph 1.4.3 of Exempt Report No: CAB/SE/16/069) be funded from the strategic priorities and medium term financial strategy reserve; and
  - (4) it be noted that a further report, detailing options for the former post

office building, will be submitted, as outlined in paragraph 1.6.5 of Exempt Report No: CAB/SE/16/069.

1.2.5 The report went on to say that through securing ownership of the site, officers are to explore the options (recommendation 4 above) available to the Council including the potential to:

- enhance the environment, particularly around St Andrews Street South;
- improve the route from the arc to the historic town centre;
- attract high quality occupiers; and
- create a viable investment addition to our commercial asset portfolio.

1.2.6 Following informal engagements with Cabinet Members including the portfolio holder, a number of external experts (architect, cost consultants and commercial and residential estate agents) were engaged to assist with the development of this options appraisal in particular options 3 (refurbishment) and 4 (redevelopment).

### **1.3 Proposed Project Objectives**

1.3.1 The approved Bury St Edmunds Town Centre Masterplan has provided the context to develop a set of outcomes to explore options for the property. These have been shaped by the Stakeholder Advisory Group in consultation with the portfolio holder for growth and are now presented for consideration by Cabinet to shape the detailed design work going forward:

1. Enhance the transition between the historic town and the arc Shopping Centre
2. Create a 'retail' frontage on St Andrews Street South – exemplar for other St Andrews Street facades with the aim to promote wider social and economic benefits across the whole town centre
3. Provide a retail frontage to enhance Market Thoroughfare in order to add interest and vitality to the currently blank walls
4. Retain the existing Victorian frontage to Cornhill
5. Provide more retail opportunities within the town centre
6. Create activity on upper floor levels, preference residential in line with planning policy DM35
7. Delivery against our West Suffolk Strategic priorities, through our Strategic Plan, Medium Term Financial Strategy and Growth Investment Strategy

### **1.4 Site Description and Key Considerations**

1.4.1 17-18 Cornhill forms one side of Market Thoroughfare. This passage is only wide enough for walking three abreast, both sides are featureless walls and the elevation to St Andrews Street does not contribute to the vitality of the retail area. Together it creates a discouraging transitional area through the centre of the town.

1.4.2 The Cornhill elevation is part of the town's heritage and lies within the town centre conservation area. The rear of the property is a mixture of Victorian and 1950's structures.

### **1.5 Survey Work**

1.5.1 A number of surveys have been undertaken at this early stage to provide a detailed understanding of the building and its potential constraints, which could affect the considerations of options and their associated risks and cost implications. The following surveys have been commissioned:

- Measured building survey
- Structural Condition Survey (through Jonas Lang LaSalle Surveyors) – to understand the existing condition of the existing structure
- Full R&D asbestos survey – to inform on potential cost to take away hazardous materials
- Drainage survey including CCTV – to inform on drainage condition and drain levels
- Bore hole in courtyard - to inform on ground conditions (due to be commissioned)
- Historic Town Wall location investigations (in-house)

1.5.2 Further surveys will need to be undertaken during the next stage of the design including archaeological desktop study, service capacities and routes and structural opening up works.

## **1.6 Project Team, Skills and Resources**

1.6.1 This is a prominent town centre building and has the potential to be a flagship project for the Council. However, it is also a complicated project and as such a project team with the necessary skill sets and experience has been established. This includes the mix of skills and expertise relative to the project scope including a number of external experts (architect, cost consultants and commercial and residential estate agents).

1.6.2 To achieve this, we will utilise internal teams that understand the financial, economic and social issues, who will be supported by a stakeholder team that has the ability to bring in their local knowledge of the built environment and town centre culture. In addition, the Council has brought in and will continue to do so, external teams to supplement these core skills within our in-house teams.

1.6.2 Jones Lang LaSalle (JLL) surveyors were appointed to assist with an initial assessment of the existing structural integrity of the building as well as the options evaluation around outline concepts for refurbishment option.

1.6.3 Following a procurement exercise, Donald Insall Associates were appointed to develop a redevelopment scheme based on the initial objectives agreed by Council as 1.2.5 above, in greater detail. Structural engineers, cost consultants, commercial and residential estate agents have been appointed alongside the architects to ensure the Council has sufficient detail to inform on cost certainty and deliverability.

1.6.4 Pick Everard have been appointed as our structural engineers and cost consultants to test the structural and financial viability of the redevelopment proposals.

1.6.5 Our appointed commercial estate agent, Jones Lang LaSalle, has been integral

to the design team to inform on market demand, potential interested occupiers and likely value of the commercial units.

- 1.6.6 Our appointed local residential estate agent, Bedfords, has also been integral to the design team to inform on market demand, unit types / fit-out and likely value of the residential units.
- 1.6.7 During the next stages of the development, if members were minded to continue, it is recommended that a full design team is appointed to work alongside Donald Insall Associates including mechanical and electrical (M&E), civil and structural engineer as well as a party wall surveyor and right of light specialist to provide the necessary expertise to develop the proposals to planning and construction. This has been included in the capital cost estimate within the financial section of this report (section 1.9).

## 1.7 **Communications**

- 1.7.1 This is a high profile building and as such any redevelopment will have a significant level of public and stakeholder interest. A communications plan has been developed to accompany the next stages of this project to ensure that stakeholders are kept informed of the key developments.
- 1.7.2 The aforementioned Bury St Edmunds Town Centre Masterplan Advisory Group also provides an important role in supporting effective communication of the project, this and following roles will support the Council in decision making:
- Advice, raising concerns and potential solutions
  - Promotion of the masterplan
  - Support to funding bids
  - Opportunities to engage others in projects
  - Proactive, collaborative and constructive support

## 1.8 **Options Appraisal**

- 1.8.1 Further to the recommendation made by Council, the following options have been further investigated for the 17-18 Cornhill site:

- 1) 'Do nothing' option
- 2) Resell to the market (following the purchase of the site in December 2017)
- 3) Refurbishment of the existing site
- 4) Redevelopment of the site

### 1.8.2 **'Do nothing' option (Option 1)**

The Council could choose to retain the building with the aim to find a suitable tenant to occupy the building pending potential future development opportunities.

What does this mean for the Council?

- There is a risk due to the condition of the building that a tenant cannot be found or significant cost (through investment in the property) may

need to be incurred in marketing and/or incentives such to encourage a tenant who undertakes the internal works to meet their needs.

- It does not deliver the aspirations for town centre set out in the town centre masterplan or the project objectives set out in 1.2.5 above.
- It does not contribute to deliver on the social benefits set out in our Investment Strategy, nor the economic growth opportunity to use the site as a catalyst for change by other investors and landowners, particularly in St Andrews Street South
- It will not meet public expectations.
- It continues to cost the Council approximately £100,000 per year (including security, maintenance and business rates) until rental income is generated, however once a tenant is found, this option offers a lower financial risk exposure for the Council compared to options 3 and 4.

### 1.8.3 **Resell to the market (Option 2)**

The Council could resell the building to the market in its current condition with the potential option to sell the building with planning permission for future development.

What does this mean for the Council?

- This option surrenders the control over the future of the site.
- A commercial developer/investor will have different drivers which would may make it difficult for them to share the desire/achieve all the aspirations for the area set out in the masterplan or the project objectives set out in 1.2.5 above.
- It is unlikely that a commercial investor would deliver on the social benefits set out in our Growth Investment Strategy.
- It will not meet public expectations.
- It is likely to cause reputational damage to the Council, weakening trust in its vision for town centre growth.
- Depending on market conditions, this could generate a one off capital gain/loss, however, this option offers a lower financial risk exposure for the Council compared to options 1, 3 and 4.

### 1.8.5 **Refurbishment of the existing site (Option 3)**

The Council could choose to refurbish the existing building and provide a two storey extension over the service yard. For further details on this option, please refer to Appendix B.

What does this mean for the Council?

- It contributes to the delivery of the aspirations for the site though does not fully embrace the full potential to improve Market Thoroughfare or St Andrews Street South.
- Whilst it contributes to delivery of the social benefits set out in our Growth Investment Strategy, option 4 offers further maximisation of this opportunity.
- It delivers retail opportunities though these are restricted by the existing building layout and access arrangements and level differences of the site.
- Risks inherent in a refurbishment project need to be monitored and



managed carefully.

- Capital redevelopment budget provision of £3m would be required (over and above £1.68m purchase cost)
- High level costings indicate a potential annual financial return in the region of £90,000.

#### 1.8.6 **Redevelopment of the Site (Option 4)**

The Council could choose to redevelop the site to aim to achieve all objectives set and maximise the potential to deliver wider community benefits.

What does this mean for the Council?

- It delivers the masterplan aspirations for the surrounding area.
- Achieves improvements to St Andrews Street South, Market Thoroughfare and brings the historic front back into use.
- Acts as a catalyst for investment and improvement in the area by improving the retail offer which will benefit the economic growth and vitality of the town centre.
- Delivers social benefits such as much needed housing including affordable housing.
- It provides the greatest flexibility in regards to the layouts achievable, which provides added market flexibility and a wider range of potential occupiers.
- Risks inherent in a redevelopment project need to be monitored and managed carefully given the unknowns of the existing (summarised in Appendix D).
- It is likely to meet public expectations and recovers some of the reputational damage from the previously undelivered link scheme.
- Capital redevelopment budget provision of £6.56m would be required.
- Although this option has a higher capital outlay and attracts the higher financial risks of the options, it is expected to achieve a breakeven financial position (after reinvestment back into Market Thoroughfare improvements).
- Financial risks will be monitored at each stage of the project.

1.8.7 On the basis of the above and further to the analysis of all options identified in this report, it is recommended that the redevelopment option is developed further as the preferred option and a number of options within this redevelopment option have been further considered.

#### 1.8.8 **Option 4 – further considerations**

A number of design options have been considered on the basis of the option 4 to redevelop the site including:

##### **Option to retain the existing Victorian building:**

The option of retaining and refurbishing the existing Victorian building was explored by the design team but it was found that this option presents some complex technical design and construction challenges, which may attract significant project costs, largely due to the potential need for underpinning and extensive temporary propping especially considering the aspiration to widen Market Thoroughfare and create a level access to the Cornhill entrance.

It may be warranted that this option is reviewed further depending on the

option to be developed and further investigation works within the existing building are carried out.

**Retaining of the Victorian façade:**

With the building information currently available, it has been recommended that the existing Victorian façade is to be protected and retained and the remaining buildings are to be demolished and redeveloped.

This is considered the most cost effective solution and most practicable in construction terms. It should also be noted that the façade sits within the town centre Conservation Area.

**Consideration of a two or three storey extension to St Andrews Street:**

The massing was reviewed in relation to the site's town centre location in combination with the potential financial return overall and a denser development was deemed more beneficial. The aspiration to be a catalyst for businesses and property owners along St Andrews Street and the wider town is one of the key drivers within the Investment Strategy and a three storey development on St Andrews Street is therefore considered to have a greater impact in this regard and is therefore recommended to be taken further.

**Improvements to Market Thoroughfare:**

The potential to improve Market Thoroughfare will continue to be explored as the project continues and the design solution achieved. . Initial proposals indicate an opportunity to widen Market Thoroughfare both on Cornhill and St Andrews Street side as part of the redevelopment option..

- 1.8.9 Following more detailed advice from the commercial and residential estate agents, a mixed use development, with retail and/or restaurant and residential uses, is deemed most appropriate considering the current market demand. Note that this design is still to be submitted as a formal planning application to the St Edmundsbury Development Control Committee.
- 1.8.10 Following the key decisions above, the option recommended to develop in more detail includes (refer also to Appendix C for plans):
- protecting, retaining and refurbishing the Victorian façade;
  - demolishing and redeveloping the remaining buildings behind the Victorian façade;
  - creating an improved transition between the historic town centre and the Arc;
  - dropping the ground floor level to Cornhill;
  - a mixed use development; and
  - a policy compliant housing offer.
- 1.8.11 Further options can be developed under the redevelopment options and will be considered and explored further during the next stages of the design and planning process, which may include:
- Option to retain and extend the basement; and/or
  - Option to extend the third floor layout proposed to allow for further accommodation.

**1.9 Financial Implications of the Redevelopment Option (option 4)**

1.9.1 For completeness, the capital costs detailed in this part of the report include for the purchase of the building, as approved at SEBC Council on 20 December 2016 (Report No: COU/SE/16/021).

1.9.2 The table below shows the financial implications of pursuing the redevelopment option for the site. The current assumption is that all the residential units will be sold (leasehold), with the Council retaining ownership of the retail units and earning an annual rental income from them.

	£
<b>Capital Implications:</b>	
<b>Capital Expenditure:</b>	
Purchase Cost of Building	1,680,000
Capital Cost of Redevelopment (total project cost)	6,720,000
<b>Gross Capital Expenditure</b>	<b>8,400,000</b>
<b>Funded from:</b>	
Capital Receipts - Approved Report No: COU/SE/16/201	( 1,680,000)
Sale of leasehold of residential units	( 3,725,000)
Borrowing	( 2,835,000)
<b>Total Capital Financing</b>	<b>( 8,240,000)</b>
<b>Revenue Implications:</b>	
<b>Borrowing Costs:</b>	
Borrowing costs - Interest @2.75%	82,000
Borrowing costs - MRP over 40 years	74,500
<b>Total Annual Borrowing Costs</b>	<b>156,500</b>
<b>Annual Retail Rental Income</b>	<b>( 156,500)</b>
<b>Annual Net Revenue (Income) / Expenditure</b>	<b>-</b>

1.9.3 The figures in the table above include the full cost of prudential borrowing, however, actual borrowing would only take place when the Council's treasury management activities identify such a need. For example, this could be when the Council's cash flow management activities anticipate that an external cash injection is required to maintain the appropriate level of cash balances for the Council to operate and fulfil its budget and service delivery requirements.

1.9.4 This option currently shows a breakeven position to the council. The assumptions that underpin these numbers are detailed in Appendix E, along with an assessment of the risk of these assumptions. As we progress further with this project, the costs included will become more certain as further surveys and design have taken place. These assumptions will continue to be

kept under review.

- 1.9.5 As the project progresses and we start to gain greater cost certainty, it is likely that the funding split for the redevelopment budget between the sales of leasehold flats and the net borrowing requirement, will change. Officers will also be pursuing the possibility of external funding which could add positively to the projects overall funding. Therefore the project funding and revenue implications will be reviewed as greater cost certainty is achieved and so long as the project remains within the overall agreed capital budget total and the annual revenue implication is no worse than the breakeven position set out in this report, then the project will be able to proceed whilst still working within the financial parameters/implications of this report.
- 1.9.6 Costs include all fees required for the duration of the project, including planning fees, legal, sales & marketing, S106 contribution, design fees, structural fees and surveys. Currently £30,000 has been allocated for the initial work that has been undertaken as agreed as part of the purchase report. If the scheme were not to proceed this would all be abortive costs. A further £165,000, included in the above costs, is estimated to be required to get to a planning submission, which could also be abortive cost if the scheme were to stop at that point.
- 1.9.7 Included in the figures in the above table is the cost of improving the pathing of Market Thoroughfare. This is currently estimated to be a capital cost in the region of £160,000.
- 1.9.8 The table below estimates some of the annual indirect financial benefits that would be created for each of the four options. These are not included in the financial table at 1.9.2.

	£
<b>Indirect Financial Benefits:</b>	
Council Tax - SEBC element only	2,160
New Homes Bonus (4 years only)	19,200
Business Rates - SEBC retained growth (26%)	9,000
<b>Total Indirect Financial Benefits</b>	<b>30,360</b>

## 1.10 **Planning**

- 1.10.1 Planning and conservation officers (through pre-planning advice) have been engaged throughout the option explorations exercise and design process and feedback has been positive. A formal planning application process will be had towards the end of this year (subject to Council approval to proceed with the redevelopment option).
- 1.10.2 Further archaeological investigations will need to be carried out during the next stage as the site sits on the line of the former town wall, which may have an impact on our proposed development and poses an unknown risk to date (refer to Appendix D for full risk profile).

**1.11 Key Milestones**

1.11.1 The key milestones for the project have been estimated as per the below with the caveat that these may be subject to change as we are still at an early stage of the project:

Date	Activity
15 Feb	Stakeholder workshop with all councillors invited Bury Masterplan Advisory Group
28 March	Second meeting for Bury Masterplan Advisory Group (group are presented with designs)
17 April	Cabinet to consider Business Case and proposals
24 April	Full Council to consider Business Case and proposals
June 2018	Pre-Planning Public Exhibition Event following Full Council decision
July 2018	Early contractor engagement
December 2018	Anticipated submission of planning application.
September 2019 – September 2020	Anticipated construction period (dependent on option to be taken forward)
September 2020	Anticipated opening of retail units and occupation of residential units

**1.12 Summary**

1.12.1 On the basis of the above and further to the analysis of all options identified in this report, it is recommended that the redevelopment option is developed further as the preferred option.

1.12.2 The redevelopment option is a high profile development which provides the Council with an opportunity not only to bring a historic building back into use but also to deliver wider social, economic and financial benefits for the town.

1.12.2 Although this option has a higher capital outlay and attracts the higher financial risks of the options, it is expected to achieve a breakeven financial position whilst meeting the aspirations for the town centre as identified in the Bury St Edmunds Town Centre Masterplan as well as the project objectives set out in section 1.3.1.

1.12.3 Subject to Members giving approval to proceed with this recommendation, a full design team is proposed to be appointed to assist in developing the preferred option to planning submission by December 2018 with continuous engagement of Members, stakeholders and the public and subsequent detailed development of the scheme to anticipated completion in September 2020.