



**Corporate Policy &  
Resources Committee**

**20 September 2018**

**Subject: 5-7 Market Place - Conversion**

Report by:

Eve Fawcett-Moralee  
Executive Director of Economic and Commercial  
Growth  
01427676521

Contact Officer:

Marie Jackson  
Capital Project Officer  
01427 675141  
Marie.Jackson@west-lindsey.gov.uk

Purpose / Summary:

To seek approval to proceed with the conversion  
of 5-7 Market Place into 3 x flats and a ground  
floor commercial unit.

**RECOMMENDATION(S):**

a) Members agree to approve the Capital Budget of £387,300k and expenditure to obtain a finalised design, statutory approvals and carry out the associated construction works to convert the current 5-7 Market Place into three flats and a ground floor commercial unit with a view to sell the flats and retain the commercial unit as an ongoing rental stream. This scheme to be funded from Capital Receipts net of any grant awards received.

## IMPLICATIONS

### **Legal:**

Legal Services Lincolnshire have been consulted and have advised that upon completion of the works that 4 leases would require drafting, 3 for the flats and 1 for the commercial unit. Legal services would draft the leases and carry out the conveyancing works associated for the sales of the flats.

Planning permission would be required for the finalised proposals relating to change of use from category B1 to a mixture of A2 and C3. The process is envisaged to take 8 weeks as a standard application.

Building control will be required to approve the final layouts and the ongoing works throughout the construction process.

Fees associated with all regulatory aspects of the project have been included within the professional and legal fees and/or the design and statutory approvals fees.

---

**Financial : FIN Ref: FIN/99/19**

Budget approval is required for capital expenditure totalling £387,300 to support the proposed scheme.

This will be funded from Capital Receipts.

However, grants for the conversion of the property into flats will be subject to the appropriate applications being completed to the WLDC living over the shop scheme and successful awarding of the claimed amounts. Should the grants be secured the level of capital receipts required will reduce.

It is proposed that once completed the shops will be sold, generating capital receipts for future capital investment projects.

There is a risk that the flats may not sell and therefore, the option to rent the flats has been explored. After management costs and set aside for ongoing maintenance and taking into account estimated void periods the resulting net annual rental income for the 3 properties is circa £6,300.

In respect of other revenue impacts the renovation of the building will save £400 per year in maintenance costs and due to the current state of the building, there would be a need to expend £19,000 on structural repair works for safety purposes if this redevelopment does not go ahead.

The ground floor commercial premise will be leased at market rates.

A schedule of works, and drawings has been collated by the Capital Projects Officer using previous works information and tenders. Estimated prices have been developed using this information.

The scheme is expected to generate a net return of £55,727 over a 20 year life, with a payback period of 14 years. This return assumes that grants are forthcoming as set out in the appendix.

Without grant funding this project would not make a return over a 20 year life, however the strategic case and the links to the heritage led development concept are sufficient to justify this project at breakeven or net deficit.

It is noted that should contingencies not be fully required that the payback period will decrease and a return on the investment will be seen earlier.

Due to the commercial nature of this project, detailed financial information is available in the confidential Business Case appended. The Proper Officer has determined in preparing this report that paragraph 3 should apply to the appendices in this report. The view on the public interest test was that while he was mindful of the need to ensure the transparency and accountability of public authority for decisions taken by them in relation to the spending of public money, disclosure of the information would give an unfair advantage to tenderers for commercial contracts.

This information is not affected by any other statutory provision which requires the information to be publicly registered.

On that basis it was felt that the public interest in maintaining the exemption outweighs the public interest in disclosing the information. Members are asked to consider this factor when excluding the public from the meeting.



**Staffing :**

To get the project to a stage where the works are able to commence resourcing will comprise the Capital Projects Officer and Senior Property Strategy and Projects Office and Capital Projects Officer as required and who will provide project management and oversight of the construction phase.

**Equality and Diversity including Human Rights :**

The newly created ground floor commercial unit will be designed with a level access and will integrate an accessible WC into the ground floor to enable use for all.

The flats, because of their very nature, will not be accessible to all due to the stairs and the inability to make the designs work whilst integrating both stairs and a lift. This is not unusual in this type of building.

**Risk Assessment :**

If this building is not renovated it will fall into further disrepair, this will cause harm to the historic market place but also threaten any future grant opportunities for the WLDC including the potential £1.8m from HLF for townscape heritage.

It is acknowledged that the project is relatively high risk in terms of both viability and financial outlook due to the nature of it being a renovation project and therefore many unknowns have to be considered. A contingency of circa 8% of the overall budget has been allowed for to mitigate some of the risk.

A heritage architect has been appointed to agree a suitable solution for renovation which will satisfy our own in house conservation officer. The contractor to be used to carry out the works will be selected based on their ability to deliver a project of this nature and complexity.

If the properties fail to sell on the open market then they will be rented.



**Climate Related Risks and Opportunities :**

The renovation of 5-7 Market Place will incorporate energy efficient LED lighting and energy efficient heating systems. It will not be possible to increase building U values and the like due to its nature however improvements carried out will improve the overall energy rating of the building.

**Title and Location of any Background Papers used in the preparation of this report:**

None.

**Call in and Urgency:**

**Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?**

*i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)*

**Yes**

**No**

**x**

**Key Decision:**

*A matter which affects two or more wards, or has significant financial implications*

**Yes**

**No**

**x**

## **1 Introduction**

- 1.1 5-7 Market Place was purchased by WLDC in 2013 with a view to carry out alterations required to either sell, convert to flats, convert to a training centre or sell on in the current condition with the aim of making a commercial return.
- 1.2 To date there has been various levels of interest / offers made on the building, however due to the level of structural works required and conservation challenges; none of the interest has resulted in a sale. As a result the building remains empty and is slowly deteriorating.
- 1.3 There is the opportunity to regenerate the building to provide an economically viable solution. The building is situated within a Conservation Area and has listed status. There are a variety of regeneration options available for the building however the procurement of a Heritage Architect will enable a realistic solution to be provided. This solution will then inform the final solution for the building.
- 1.4 The development of this building is a vital element of our forthcoming finding bid to The Heritage Lottery for building restoration. In addition it provides a demonstration of the Council's commitment to heritage-led regeneration as outlined in the Heritage Masterplan 2017. This project will form a crucial component of a major programme of economic regeneration, helping to secure the 'historic heart' of Gainsborough at the centre of the town's future.

## **2 Background**

- 2.1 In 2016, building works commenced which had been informed by a structural report. During the period of works it was found that the frontage of the building was pulling away forcing the contractor to abandon works and the contract be settled. At that time design proposals were obtained to tie the front elevation back to the main building however a decision was made not to carry out any further works due to spiralling costs and to test the market for either rental or sale.
- 2.2 The property has received interest from various potential tenants and purchasers. Unfortunately all interest has been withdrawn due to the extensive structural costs and conversion limitations due to its listed building status. The property has fallen further into disrepair and it will not be developed without this intervention.
- 2.3 Currently the property costs us £400 per annum to retain plus any urgent repair works on an ad hoc basis however the longer it is left in its existing state the further the costs will increase.

- 2.4 It should be noted that the structural repairs to tie back the front elevation will be required under any circumstances at a cost of £19,000. This is to make the building safe.
- 2.5 The timing of this project is crucial, as it will be undertaken in conjunction with a transformational programme of economic regeneration within Gainsborough town centre.
- Including:
- Market Street Renewal Limited
  - New Hotel / restaurant
  - Townscape Heritage Initiative – Development Phase
  - Mayflower trail
  - Wayfinding strategy
  - New mixed use leisure facility on the Riverside
- 2.6 Development of this building will strengthen the success of the above projects and complement the Council's commitment to heritage-led regeneration as outlined in the Heritage Masterplan 2017
- 2.7 Improvement proposals for the building are through a mixture of building works required for structural and maintenance purposes in addition to costs associated with conversion into flats and refurb of the ground floor premises. There will also be works required to the shop front to bring this up to an acceptable and attractive standard suitable for the historic market place located in the Town Centre Conservation Area.

### **3. The proposal**

- 3.1 The property has been on the market for two years at a value of £175,000 however a sale has not yet been secured. Numerous property investors have visited the property and made offers with the most recent being £50,000 minus the structural works (£19,000) and therefore circa £30,000 however none have come to fruition due to the level of structural works required and challenges of its listed building status.
- 3.2 As the property falls further into disrepair the costs for the building works are growing in addition to the empty commercial unit being contrary to the town centre regeneration strategy. It is vital for the regeneration of the Market Place that the property is renovated as soon as possible and brought back into use.
- 3.3 It has become evident through the interest received in the property thus far that conversion into six flats is the preferred option (by investors not WLDC) to increase commercial viability ,however this option is not possible due to the listed building status and the protection of the open plan internal spaces. As a result; it is unlikely a private investor will be able to make the development commercially viable.

- 3.4 Using the scope of the remaining works not previously undertaken and, in addition to the structural repair proposals, a firm of chartered estimators have estimated the building works required to be £161,000 without design fees and excluding costs associated with conversion of the flats. As a total conversion project and prior to any grants being received a decent and compliant conversion into flats and a new shop front would cost £387,300. These figures indicate commercial viability is challenging, which is leading to a lack of private sector interest.
- 3.5 It should be noted that options have been considered for both the use of a Joint Venture Partner and the auction of the property as it stands. Both options have been ruled out due to the extensive constraints, minimal returns and the direct impact of the Town Heritage Initiative funding. Full analysis of all options has been included within the project documentation appended to this report.

#### **4. Benefits of the proposal**

##### **4.1 General Benefits**

- Demonstration of the council's commitment to heritage-led regeneration which will support HLF funding bid (£1.8m)
- Improve the visual appearance of the building (new shopfront) and wider Market Place making the area more appealing
- The building will be fully renovated and will complement / support the wider town centre regeneration projects
- Increase footfall in the historic town centre at different times of the day / (24hr economy in the Market Place.
- In alignment with WLDC's Corporate Plan, Economic Growth Strategy 2014-2034 and Gainsborough Town Centre Heritage Masterplan.
- The renovation works will be completed to a high standard
- Works will be completed within an agreed timeframe
- Timeframes, design, specification etc. can be aligned with the wider town centre Regeneration Strategy
- Development of high quality unique dwellings in the town centre
- Ground floor commercial premises brought back into use.
- Provide high quality commercial premise in prime town centre location
- Provides new business opportunity within the Market Place widening the existing town centre offer



## **5 Constraints of the proposal**

### **5.1 General Constraints**

- Contractor interest could be low due to the complex nature of the scheme.
- Design solutions may not be as expected due to heritage constraints making flats and commercial unit less appealing than hoped.

### **5.2 Financial Constraints**

- Project is high risk due to refurbishment elements therefore contingency amounts can only be assumed.
- Listed building constraints may mean the project is not financially viable, this will be confirmed by the results of the heritage architects findings.
- If a tenant can't be found for the commercial unit the payback will not be achieved.
- Sales of the flats do not achieve the required sale value damaging the profit and lengthening the payback period.
- Sale of the flats does not occur. If the flats remain unsold we will look at the option to rent out the flats to cover the expenditure.

## **6 Project Dependencies**

- 6.1 Townscape Heritage Development Phase - The Heritage Lottery Fund will be looking for evidence that we can deliver on our Heritage-Led Regeneration aspirations for the town centre. Failure to provide this evidence could threaten future funding bids.

It is the vision that 5 – 7 Market place will be used as an exemplar project to the HLF to demonstrate our ability to deliver high quality historic building renovation projects that complement the forthcoming funding bid and demonstrate to the residents of West Lindsey we are commitment to the redevelopment and of that area.