

# **Project Documentation - Initial Project Proposal Document**

**Project:** The Old Bakery, Petworth

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**Version:** 2

## **1. Purpose of Document**

The purpose of this document is to consider the options available in respect of the Council's ownership of the Old Bakery in Petworth (shown edged red on the attached plan).

## **2. Project Description**

This project will look at the opportunities available to the Council to be able to deliver maximum benefit and or return from the asset.

## **3. Background**

The District Council purchased the Old Bakery in 1998 for £562,500. The building comprises a mix of retail and office space over ground, first and second floors. The Council has instructed a managing agent to undertake the property management and service charge administration functions. The cost of this is recovered through the service charge paid by tenants or by the Council in the case of vacant units.

Occupation of the ground floor retail units has been stable, all retail units are currently occupied, although two of the tenants are looking to retire and consequently are seeking buyers for their businesses and leasehold interests. The upper floors have been impacted to a greater degree by changes in market conditions, with the office space last fully occupied in 2009. As from mid-October the void rate will stand at 33% based on total unit numbers or 56 % based on first and second floor units alone. In terms of area, this equates to 2,689 sqft of floor space. The estimated rental value of those units is in the region of £24,000 per annum, based on office rentals.

The cost of external repairs and maintenance is recovered through the annual service charge; since the most recent appointment of Flude Commercial in 2010 as managing agent, they have produced a rolling five yearly repair and maintenance programme, which has had to incorporate some significant repair works and is still ongoing. Service charges have needed to be set relatively high to cover the works required, with service charges for some of the office accommodation exceeding the rent.

In addition to this, structural movement to one of the end walls to the building was noticed approximately two years ago and since that time has been considered and inspected in detail by structural engineers. The estimate for the repair work required is in the region of £40,000 as a minimum. The repair will necessitate the inclusion of additional beams, which will reduce the lettable area of at least one of the office units.

## **4. Outcomes to be Achieved**

- A cost / benefit analysis of the options relating to this property having regard to both current and potential future commercial/other opportunities will identify potential outcomes to be achieved (this will include investment opportunities; vacancy rates, cost savings, tenant satisfaction etc.).
- Likely timescales for putting the possible options into action

- Any risks associated with each options of delivery

## 5. Timescales

Whilst there is no specific urgent timescale for this project, the high level of voids is of concern as is the cost of service charge.

In addition to this, the structural movement may need works undertaking at any point should the monitoring show this to be required. In any event, this issue will need rectifying at some point.

Any proposals will need to take into account existing lease agreements.

## 6. Project Costs and Resources

	Costs (£)	Source
One-Off	£7,500 (estimate)	Professional fees
Revenue	<p>The Council currently receives an annual rent of £86,010 per annum.</p> <p>Total current year service charge CDC liability for voids (Jan-Dec 2017) – £17,298. This liability is expected to rise to around £18,600 for the 2018 calendar year if void levels remain unchanged.</p> <p>Total current year NNDR liability for voids – estimated at £7,000 to include units becoming vacant. This liability is expected to rise to around £10,700 for the 2018/19 financial year if void levels remain unchanged.</p> <p>There will be a requirement for additional staff resources to manage these projects in the Estates Service of £22,500pa for 2 years</p> <p>It is considered there is scope to increase this either through traditional commercial letting or other avenues.</p>	
Savings	There is the potential to save costs to CDC in the region of £29,000 per annum by eliminating voids.	
Services to be involved in the project delivery	Estates Service, Economic Development, Building Services, plus the appointment of an external agent.	

## 7. Benefits vs. Cost

The Council will need to consider the benefit of retaining ownership of the property against the potential capital receipt of disposal. This should be considered against both current rental income levels as well as potential future income generating opportunities.

The wider community benefits, particularly links with the Town Council and Petworth Vision group will need to be considered against the fact there may not be an immediate financial return. There may also be potential to realise financial benefit from other uses of the space; this will need to be weighed against the costs involved in enabling that income to be realised.

#### **8. Identify Risks**

By doing nothing, the Council runs the risk of losing additional rental income plus the costs of a further deterioration in the condition of the property.

The Council may not receive immediate financial benefit should a scheme be identified that requires initial capital outlay in respect to refurbishment or conversion works.