

NORTH WALSHAM – THE CEDARS – PROPERTY TRANSACTIONS

Summary:	<p>The Cedars on New Road, North Walsham is currently under-going a major refurbishment as part of the HAZ scheme in partnership with Historic England (HE). This paper outlines the letting options for both the ground and first floors of the currently vacant premises. Any future proposals for the adjacent outbuildings known as 'The Barns' or 'The Stables' will be the subject of a separate paper in due course.</p>
Options considered:	<p>The Cedars has been widely marketed and several lease proposals have been received and assessed.</p>
Conclusions:	<p>The marketing has not provided an option for one single occupier to take the whole of the premises which would have been the Councils' preference. Given the proposals we have received there are options for the ground and first floors which are detailed in this report. However, given that the Council would prefer to see the building let as whole to one occupier the option remains to consider this further and to create a 'Civic Hub' based on the interest that has been received to date.</p>
Recommendations:	<p>It is recommended to Cabinet to make a resolution:</p> <ol style="list-style-type: none">1) To note the proposals received, and;2) Instruct officers to investigate an alternative delivery model that meets the Councils' asset management aspirations and provides the continued community services, and;3) Continue discussions with parties forming the combined option in Proposals 1, 3 and 4, and;4) Note that this would form the basis of a future report.
Reasons for Recommendations:	<p>The recommended proposal supports the Councils Asset Management Plan.</p>

LIST OF BACKGROUND PAPERS AS REQUIRED BY LAW

(Papers relied on to write the report, which do not contain exempt information and which are not published elsewhere)

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None

Cabinet Member(s)	Ward(s) affected
Cllr Seward	North Walsham Market Cross North Walsham East North Walsham West
Contact Officer, telephone number and email: Neil Turvey 01263 576124 neil.turvey@north-norfolk.gov.uk	

1.0 Introduction

- 1.1 The Cedars is the subject of a major refurbishment which is currently ongoing. The premises sit in a very prominent and high profile location in the town and will benefit further from the newly created Travel Hub, which opened in early August 2022 – see location plan at Appendix 1 showing The Cedars outlined red and the new Travel Hub in green.
- 1.2 In July 2021 Cabinet approved the marketing of the Cedars for commercial use and agreed the following resolution;
- A. *To formally withdraw from the (then) current disposal transaction which, after more than six years has not progressed to completion.*
 - B. *To retain the main Cedars building for letting purposes subject to a refurbishment as per the revised specification of works and then to market the premises to let.*
 - C. *That the previously allocated capital funding and the grant secured from Historic England is utilised for the refurbishment as per the revised cost plan.*
 - D. *That options are investigated for the separate use and possible disposal of the remaining parts [The Barns] and that marketing commences for the sale of the surplus site for potential third party development. (A further report being brought to Cabinet if disposal is deemed the most appropriate option).*
- 1.3 The Cedars house being the principal property on the site has been marketed to let since the Summer of 2021 - see Appendix 2 for the particulars. Several expressions of interest were received in addition to those included in this report but none of these developed into a formal offer of terms. Those expressions included a different independent pub operator on the ground floor, charity interest and a Church.

2.0 Current position & summary

- 2.1 The refurbishment of the premises by the Councils' appointed contractor is ongoing and due to complete before the end of 2022.

- 2.2 Once completed The Cedars accommodation will be laid out largely as illustrated on the attached plans but with some minor variations - see Appendix 3
- 2.3 In support of the Councils' sustainability & climate change Corporate Plan Priorities, work is ongoing to establish the feasibility of adding a number electric vehicle charging points (EVCP's) to the car park for which separate charging arrangements would be levied.
- 2.4 In support of ongoing discussions with North Walsham in Bloom (NWIB) the provision of a water standpipe to supply water for the Council's landscaping areas across the town is also being investigated. This would allow NWIB to maintain the Councils landscaping within the town centre and therefore reduce the current costs being incurred by the Council.
- 2.5 The adjacent Barns/Stables have been the subject of a separate marketing campaign and will form the basis of a separate paper in due course.

3. Asset Management Strategy

- 3.1 Whilst the building was previously occupied on a multi let basis the preferred asset management strategy is to secure one tenant to take occupation of the whole building on a medium to long term basis.
- 3.2 The Councils Asset Management Plan – Commercial Property Strategy states
 - Single let or multi let units will be considered, but preference away from management intensive properties unless suitable managing agents are appointed to undertake this role.
- 3.3 With a single tenant, this would reduce the need and cost for appointing external managing agents or reducing the level of officer resource required from Estates, Property Services, Legal, Finance teams in managing, statutory testing, maintaining and repairing the building as the overall liability would fall to the tenant.
- 3.4 Given the building is undergoing an extensive refurbishment, offering the property to a single tenant with them assuming the repairing liability would be an attractive proposition as it will give the tenant comfort that no major repairs will be required in the near future and give certainty over budgeting for maintenance costs.
- 3.5 It is also anticipated that this option would be a more cost effective approach to the tenant as there will be no service charge or management fee charged to them.
- 3.6 With a multi let building, in addition to any rent agreed for the individual rooms there would be a Service Charge levied on each occupier based on a fair proportion of space occupied. The Service Charge is currently estimated at £35,000 per annum and would be reviewed on an annual basis. The Service Charge will cover all items of repair and maintenance that are outside of the individually demised areas and that are common to all occupiers. This will include the roof and structure of the premises, the external facades, decoration, any external car parking and landscaping, the provision of utilities to the building and any common energy costs. Whilst NNDC will not make a profit from the Service Charge as it is designed to cover the costs of maintaining the common parts, it will charge a management fee to cover the cost of administering the Service Charge. The Service Charge would be invoiced to tenants quarterly in advance alongside rent payments and then reconciled at the end of each Service Charge

year with any credits or debits balanced at the end of that year.

- 3.7 As is usual NNDC would insure the building and recharge to the tenant.
- 3.8 If operated as a multi let building, it should be noted (other than when utilised under Proposal 1 below at para.4.3), that room G03 would be available for any party, whether tenants of the building or not, to hire for meetings or events. The hiring rates and operational management of this room is yet to be confirmed.

4.0 Summary of Proposals received

- 4.1 As a result of the marketing campaign to date we have received firm interest from several parties, wishing to let part of the building, however no interest has been gained from a single tenant. This paper outlines those proposals and the options on each floor.
- 4.2 Whilst the marketing of the premises has not provided NNDC with the option of letting to one party, proposals 1, 3 and 4 identified below from 3 separate organisations would form a community/public sector 'Civic Hub'. This would provide the continuation of essential public services to the town and surrounding community. Whilst officers have investigated if combining all received proposals could create a fully let building, this arrangement could not be accommodated if Proposal 2 which is a commercial business proposal were to progress as they would require the same ground floor space within the premises.
- 4.3 The commercial terms of the proposals received are contained in exempt Appendix 4.

5.0 Proposal 1

- 5.1 A major public body is interested in leasing rooms G11/12 and G10 (see plan at Appendix 3) and would wish to be in part occupation before the end of the calendar year and fully operational in early 2023.
- 5.2 Terms for a new 15 year lease have been agreed in principle but remain subject to that organisation's Corporate approvals. This organisation has confirmed that they would not be prepared to operate with Proposal 2 in the same building as it would not align with their public service.
- 5.3 The tenant would have also use of the Meeting Room G03 on two reserved days at an extra fee to be agreed. The remaining days would be advertised for room hire, although there is no certainty over the level of demand.

6.0 Proposal 2

- 6.1 A newly formed local group of four private investors are interested in developing a new *real ale micro pub*. They would wish to be in occupation and ready to open for trade before Easter 2023.
- 6.2 The individual investors/Directors of the new group would fund the business through their own combined financial resources. The proposed style of the pub operation is as described in the attached proposal provided by the proposed tenants – see Appendix 5.
- 6.3 The tenant would occupy the rooms indicated, for identification only, with pink lines on the attached plan at Appendix 6.
- 6.4 The proposal would require the tenant to secure both planning consent and licensing. If either of these are not secured the tenant would not proceed with the lease and the property would need to be remarketed.

7.0 Proposal 3

- 7.1 Norfolk Citizens Advice who are part of a broader network across England &

Wales providing free, confidential and impartial advice to the wider community are seeking space to relocate from their current unit in the town centre to a new facility so to improve their customer facing offering and both the quality and size of their accommodation. The space they are seeking to take is room G13 and the combined rooms F06, F07 & F08.

8.0 Proposal 4

- 8.1 North Walsham Town Council have agreed terms in principal for a new 15 year lease over room G02 and should be in a position to take occupation once the refurbishment has completed. There existing accommodation will not be available after February 2023 as notice requiring the town council to vacate has been served by the Landlord. The Town Council were originally interested in accommodation at first floor level but have now decided that a ground floor presence would be more appropriate.
- 8.2 The Town Council would utilise Room G03 for their Council meetings and pay the relevant hiring fee.
- 8.3 Whilst there is no legal obstacle the Town Council have confirmed that they would not be prepared to operate if Proposal 2 was to be accommodated in The Cedars as this use is not compatible with the Town Councils community service provision.

9.0 Other material interest

- 9.1 Heads of terms have recently been proposed to a community transport operator and these remain under discussion, see exempt Appendix 4.

10.0 Option Combinations

- 10.1 The following Proposals could be accommodated together;

Proposal 1 – unnamed public sector body - terms agreed

Proposal 3 – Norfolk Citizens Advice - terms not yet agreed

Proposal 4 – North Walsham Town Council - terms agreed

This proposal would leave rooms F04/F05/F09 and F10 as available to let at first floor level which is some 34% of the overall net lettable areas

- 10.2 **Proposal 2 – pub operator** - terms agreed

This proposal would leave all of the first floor rooms available to let which is some 48% of the overall net lettable areas.

- 10.3 In either case NNDC would be responsible for the business rates for any vacant space pending the completion of a letting and also be required to fund any Service Charge costs but we would seek to keep these costs to a minimal.

11.0 Alternative options

- 11.1 The Council could continue to advertise the building to let seeking to secure a single tenant, however with the current financial climate there is a risk that this is not achievable resulting in the Council continued liability for the cost of holding a vacant building.
- 11.2 Neither of the proposals outlined in paragraph 9.0 above meet the Councils asset management aspirations for a single tenant. Furthermore, it is considered necessary and appropriate in support of local residents to keep public services within the town that not only support the local community but the wider area and therefore, as an alternative option, the Council could explore a delivery model that allows community services to remain within the town through a 'Civic Hub.'

12. Corporate Plan Objectives

12.1. The letting of the Cedars would specifically contribute to the following Corporate Plan priorities and delivery plan objectives;

- Boosting Business Sustainability and Growth – the refurbishment and occupation of the Cedars would reinforce the town centre regeneration aims behind the High Street Heritage Action Zone programme and support the ongoing transition of the town centre in becoming a more attractive and accessible place for living, working and leisure
- Financial Sustainability and Growth – all options would achieve a positive outcome and, to varying degrees, a financial return to a high profile property asset in the town
- Quality of life – the letting of Cedars is a key element in delivering the Heritage Action Zone programme for the town. Proposals 1,3 & 4 being community organisations would support the well-being of the local community and provide key services that might otherwise be lost to the town.

13.0. Medium Term Financial Strategy

13.1. The Proposals outlined in this report would contribute to the Council's MTFS in creating income from a previously redundant property asset that has been vacant and in a poor state of repair.

14. Financial and resource implications

14.1. A single tenant is preferred which are generally less management intensive than multi let accommodation of this size, as the Councils Estates, Property Services and Legal teams have limited capacity in letting and managing such properties.

14.2. If it is not feasible to let The Cedars to one single occupier then it is intended that the proposed Service Charge for the Cedars (see para.3.6) would recoup the future Repairs & Maintenance costs for the premises. It would not however provide a Sinking Fund element for any future major repairs, for example, to the roof or the structure. Proposal 2 would occupy a larger proportion of the ground floor areas than Proposal 1 which would serve to reduce the 'common areas' included in the Service Charge and would in turn reduce costs and officer resources in managing the building as a whole.

14.3. If no lettings are secured then there are financial implications to the Council of the building remaining empty following a substantial investment and becoming a repair and maintenance liability.

15.0 Legal implications

15.1. There would not appear to be any legal impediments relating to the recommendations of this report but professional legal advice will be needed in order to secure a robust outcome. It may be necessary to use external solicitors in order to expedite the various lease proposals.

15.2. The Council is duty bound to obtain Best Financial Consideration under section 123 Local Government Act 1972.

16.0 Risks

16.1. There is also a reputational risk were NNDC not to put its property assets to their optimal use. Considerable investment, including high levels of national grant funding, have gone into the restoration of this building and there are expectations amongst funding partners and a variety of stakeholders that the building will be put to effective use under completion.

16.2. With the emerging financial crisis around the cost of living there are potential risks to the viability to Proposal 2 and further, the risk remains that they would

not secure their required planning or licensing consents.

17.0 Sustainability

17.1 Whilst the premises are Grade 2 Listed and as such provide challenges in improving energy efficiency, the refurbishment will provide a new clean electric energy supply and the removal of an obsolete gas boiler supply and the provision of new LED lighting. All tenants will be encouraged to operate on a sustainable basis wherever possible. The provision of EVCP's is also being investigated, see 2.3 above.

18.0 Carbon Climate Impact

18.1 As detailed above the Council has made improvements to the property to reduce the carbon impact and an Energy Performance Certificate will be obtained once the works have been completed.

18.3 The relative carbon impacts of the options presented have not been fully assessed but assuming the building is fully utilised, there is unlikely to be a substantial difference between the proposals as presented.

19.0 Equality & Diversity

19.1 The first floor of the premises are not accessible for users with restricted mobility. Options have been considered for the provision of a stair lift and also an external lift but given the Grade 2 listing and the historic nature of the building neither of these are economically feasible. The ground floor is accessible to people with restricted mobility and provides a new accessible WC, otherwise there are no specific or material matters of equality and diversity to address in these proposed transactions.

20. S17 Crime & Disorder considerations

20.1 There are no material Crime & Disorder matters to consider other than with Proposal 2 and the proposed sale of alcohol on the premises which will be controlled through the usual Licensing process.

19. Conclusion and Recommendations

19.1 Having marketed the property to let for a year, and whilst there have been a number of enquires and proposals received as outlined in this report, there have been no proposals that would see the building fully let.

19.2 Based upon the proposals received there are two options for the ground floor accommodation which would result in a multi-let building. However these do not meet the Councils' asset management aspirations.

19.3 It is therefore recommended that Cabinet should note the proposals received, and;

19.3.1 Instruct officers to investigate an alternative delivery model that meets the Councils' asset management aspirations and provides the continued community services.

19.3.2 Continue discussions with parties forming the combined option in Proposals 1, 3 and 4

19.3.3 Note that this would form the basis of a future report.