

REPORT FROM: Director of Place

TO: Executive

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TRAFALGAR HOUSE, NELSON

PURPOSE OF REPORT

To set out options for the Trafalgar House site in Nelson Town Centre to deliver the constituent parts of the original Town Deal funded proposals for the site, and to secure a decision from Executive on the way forward for the site.

RECOMMENDATIONS

- (1) To note the estimated revenue costs of keeping a refurbished front portion of Trafalgar House empty if a tenant for the proposed commercial space created at ground floor and/or a residential tenant for first floor cannot be found.
- (2) To note the estimated capital costs for fitting out of the first floor for a one-bedroom residential apartment.
- (3) That Executive confirms whether it approves a regeneration scheme which retains the front portion of the building, or whether it approves a proposal which will see the full demolition of the entire building.

REASONS FOR RECOMMENDATIONS

- (1) To inform the Executive Committee of the potential on-going revenue cost liability on the Council if a tenant was not found and the retained portion of Trafalgar House was to sit empty following partial demolition and refurbishment.
- (2) To quantify the impact on the available New Town Deal capital budget for the option of adding residential occupation to the first floor.
- (3) To secure a clear way forward for the site which can be delivered within the timescales of the Nelson Town Deal programme.

ISSUE

1. The Trafalgar House options report to the Executive Committee in September 2024 outlined two options for the future of Trafalgar House. These were total demolition or partial demolition – retaining and refurbishing the front portion of the building, including commercial use at ground floor level. Both options allowed for the cleared ground to be used for car parking / outdoor market, pending suitable and viable redevelopment proposals coming forward at a more economically advantageous time following the redevelopment of Pendle Rise Shopping Centre.
2. In consideration of these options the Executive Committee requested information on the likely ongoing revenue cost impact on the Council if managing an empty building. This was on the basis that the Executive select the partial demolition option to allow for the refurbishment of the front portion of the building for commercial usage, but fail to find a suitable tenant for the space, and therefore have to operate the refurbished building as an unoccupied 'void'.
3. At the same time confirmation was sought as to the cost of converting the first floor to a single residential apartment in the event that the partial demolition option was chosen. The cost breakdown in the previous report for the option for partial demolition was as follows:

Partial Demolition	£
Demolition Works and Making Good	444,705
Construction works to retained building	565,988
New Parking at ACE Centre to include 6 EVCs*	105,000
Virement to PRSC for contribution to 14 EVCs	25,000
Car Park Construction	200,000
Total Cost	1,340,693
Town Deal Funding Available	1,615,000
Balance	274,306

*cost estimate supplied by PBC Engineering department plus estimate for 6 EVCs based on budgeted cost for PRSC

4. The demolition and making good works include full demolition of the rear of the site, demolition of the toilet block and strip out of all fixtures, fittings and finishes to the retained building. The construction works to the retained building include repairs to its super structure, new windows and doors, and basic fit out for a commercial use at ground floor to include services / utilities, basic electric panel heating, ground floor toilet, painted plaster board finishes with vinyl flooring, platform lift.
5. The original cost plan for residential fit out at first floor prepared by Donald Lomax Partners in 2022 put the cost at £145,523. However, since then there has been significant inflation in construction costs and adding an estimated 25% to these costs to take account of these increases would provide for a figure of £174,628. Taking the area of the potential first floor apartment at c90m², in line with the original architect's scheme and applying a £2,000 per square metre benchmark cost for residential development would give £180,000. This compares with the £274,306 remaining funding above, leaving an approximate £94,000 balance, which would equate to a 5.8% client-side contingency for the capital build project on top of the construction contingency elements built into the estimates in the cost table in paragraph 3. It can therefore be considered affordable to introduce a residential element if required, subject to detailed designs and site surveys.

6. IMPLICATIONS

7. Implications of the options for Trafalgar House remain as for the previous report other than the financial implications, which have been updated to show the ongoing revenue liability of the partial demolition and refurbishment of front portion of Trafalgar House proposal in terms of the revenue cost liability facing the Council in the following eventualities:

Option 1: The Ground Floors is renovated for commercial rent and the first floor fitted out for residential let.

Scenario 1a - both floors occupied by tenants. *[Net income to the Council of £10,530]*

Scenario 1b - No commercial tenant in Ground Floor. First floor let. *[Net Cost to the Council of £12,780]*

Scenario 1c - Commercial tenant in Ground Floor. No tenant in First floor. *[Net Cost to the Council of £3,280]*

Scenario 1d - Both floors have no tenant. *[Net Cost to the Council of £26,590]*

Option 2: The Ground Floors is renovated for commercial rent and the first floor left VOID or for storage.

Scenario 2a - Ground floor commercial tenant in place. *[Net Cost to the Council of £1,690]*

Scenario 2b - No commercial tenant in Ground Floor. *[Net Cost to the Council of £25,000]*

The detail of revenue costs and potential income for the above scenarios is set out in the table at paragraph 15.

8. Policy:

9. As per previous report.

10. Financial:

11. As the table at paragraph 3 shows, the capital costs of the proposals are affordable within the £1.6million Town Deal fund allocation.
12. The revenue cost liability for the Council as outlined in paragraph 7 is set out in the table in paragraph 15. These show that the expected base costs of running Trafalgar House for Pendle Borough Council would be c£25,000 - £27,000, with these costs offset to varying degrees based on the extent of the occupation of the building.
13. Costs do not include a sinking fund for future capital requirements.
14. Potential rental income from the first floor has been shown as for a residential use. Another option could be commercial use at first floor and demand for this could be tested prior to investing in residential conversion.

Narrative	Notes	1a	1b	1c	1d	2a	2b
Costs £:							
Business Rates		5,940	5,940	5,940	5,940	5,940	5,940
Council tax on apartment		1,590	1,590	1,590	1,590	0	0
Gas	Variable cost	3,070	3,070	3,070	3,070	3,070	3,070
Elec	Variable cost	5,110	5,110	5,110	5,110	5,110	5,110
Water	Variable cost	870	870	870	870	870	870
Insurance		660	660	660	660	660	660
Cleaning	Variable cost	610	610	610	610	610	610
Trade Refuse Charges		610	610	610	610	610	610
CCTV/Security/Fire safety		2,910	2,910	2,910	2,910	2,910	2,910
Annual Maintenance		5,220	5,220	5,220	5,220	5,220	5,220
	Total Expenditure	26,590	26,590	26,590	26,590	25,000	25,000
Revenue £:							
Commercial Ground Floor							
RV/Rent ground floor unit	Based on 90sqm outside, 85sqm inside.	(11,900)	0	(11,900)	0	(11,900)	0
Recharge of utilities	Recharge 50% utility costs	(5,470)	0	(5,470)	0	(5,470)	0
Recharge of Rates	Recharge all of Business rates/charge direct to tenant.	(5,940)	0	(5,940)	0	(5,940)	0
Residential First Floor							
Rent of apartment	£695pcm annual rent of a Northlight apartment.	(8,340)	(8,340)	0	0	0	0
Recharge of utilities for apartment	Recharge 40% utility costs	(3,880)	(3,880)	0	0	0	0
Council tax recharge on apartment	Recharge all of CTAX liability/charge direct to tenant.	(1,590)	(1,590)	0	0	0	0
	Total Income	(37,120)	(13,810)	(23,310)	0	(23,310)	0
	Estimated Net Cost	(10,530)	12,780	3,280	26,590	1,690	25,000
		<i>Ground and first floor refurb. Both floors occupied</i>	<i>Ground and first floor refurb. Only first floor occupied</i>	<i>Ground and first floor refurb. Only ground floor occupied</i>	<i>Ground and first floor refurb. Neither floor occupied</i>	<i>First floor void. Ground floor occupied</i>	<i>First floor void. Ground floor not occupied</i>
		Best Case			Worst Case		

16. Legal:

17. As per previous report.

18. Risk Management:

19. As per previous report.

20. Health and Safety:

21. As per previous report.

22. Sustainability:

23. As per previous report.

24. Community Safety:

25. As per previous report.

26. Equality and Diversity:

27. As per previous report.