

Report of the Head of Resources

CROYLAND HALL AND CROYLAND ABBEY**1 Purpose of report**

This report recommends a means of preserving and utilising Croyland Hall and Abbey to protect the character of a key listed building in the council's ownership as well as providing an invest-to-save opportunity for the council.

2 Executive summary

The council stopped using the Croyland Hall and Abbey buildings as offices in 2011 because of the running costs and suitability. Since then – despite marketing – it has not been possible to lease or sell the buildings at a reasonable return. Investigations have been undertaken to consider alternative uses, and this report makes a recommendation for conversion to residential use.

3 Appendices

The appendix contains a sketch of the preferred option for conversion.

4 Proposed action:

The committee is invited to RESOLVE that

- 4.1 steps are taken to seek planning approval to convert Croyland Hall and Abbey into fifteen apartments for rental;**
- 4.2 the project be included on the list of capital projects for funding, if permission is granted;**
- 4.3 officers investigate and report back on the creation of a suitable legal structure to provide the council with an income from a rental scheme of this kind, as well as any other appropriate council projects.**

5 Background

- 5.1 When the council reduced its workforce in 2011 it also aimed to reduce the number of office buildings in use. Following an analysis of running costs it was agreed that Croyland Hall and Abbey should be vacated.
- 5.2 In November 2011 Resources Committee agreed to make the buildings available for lease. At the same time the market was tested to see if there was any interest in disposal of the freehold. Despite a few tentative

enquiries, which could have resulted in some risk for the council, no viable offer was made.

- 5.3 In mid-2013 it was suggested that the buildings could be converted, possibly into apartments, so a feasibility study was undertaken. At the same time, advice was sought from the council's Conservation Officer who works closely with English Heritage and building control/development management officers.
- 5.4 As investigations progressed, it became clear that this approach was one which could be successful if the council was able to invest the cost of conversion.

6 Discussion

- 6.1 If Croyland Hall and Abbey were to be let as offices the income would be in the region of £5 per square foot. The two buildings are 4,407 and 4,755 square feet respectively. The annual income, if both premises were let, would therefore be £46,000. This would be a useful revenue income for the council – if a tenant could be found. The sale of both properties would yield something in the region of £650,000. This sale estimate was, however, provided in 2011 while the market was depressed and before the roof was repaired.
- 6.2 The roof repairs are currently under way at a cost of £282,000. This will enhance the value of the building as well as protect the listed building's character. Extensive work has been carried out to correct past unsympathetic repairs to the roof.
- 6.3 The buildings were originally residential. That fact, given the over-supply of office buildings within the town, has led to the feasibility study to convert the properties into modern apartments which enhance and protect the listed buildings' features.
- 6.4 Local evidence is that there is a demand for properties to rent and that supply cannot meet demand. This may be an opportunity for the council to contribute to that market whilst at the same time protecting its own budgets.
- 6.5 Options for conversion schemes were commissioned from Pick Everard. Four schemes were presented:
 - (a) Four dwellings with four bedrooms each, at an estimated conversion cost of £1.7m;
 - (b) Ten apartments (nine with two bedrooms, and one with one bedroom), at an estimated conversion cost of £1.1m;
 - (c) Eighteen one-bedroom apartments, including four studios, at an estimated conversion cost of £1.2m
 - (d) A 23 bedroom hotel, at an estimated conversion cost of £1.9m
- 6.6 Whilst it was important to include all options, it was considered early on that

the feasibility of a hotel on this site was questionable. Conversion costs would be high and there was no evidence that there would be sufficient demand on a year-round basis. This report therefore concentrates on conversion to residential use.

- 6.7 Given that assumption, the council engaged the services of a local experienced agent (Martin Pendered) to advise on return on investment, and his report is summarised below.
- 6.8 The four-bedroom dwellings would in effect be family houses, but would have no gardens. This option is not, therefore, recommended.
- 6.9 The eighteen bedroom scheme would be likely to provide an annual rental income of around £106k. The agent has, however, suggested that the density of this development will over burden the market in one particular type of property. One bedroom apartments have a higher turnover of tenants so management costs and voids are likely to be higher.
- 6.10 The ten apartment option is a strong one, giving an estimated annual return of £77,400 per annum. Advice from the agent is, however, that having larger apartments does not increase the rental income comparably. He therefore suggested an alternative of fifteen apartments, as set out below.
- 6.11 Conversion to fifteen apartments (four two-bedroom; eleven one-bedroom; and two studios), would produce an estimated income of £99,000 per annum. The cost of conversion is estimated at about £1.1m. This would still provide some premium apartments on the ground and first floors, preserving the Jacobean Great Parlour. The size and type of apartment also aims to reduce the number of voids and consequent management costs.
- 6.12 It is assumed that one and two bedroom apartments would be allocated parking spaces, and each apartment would have their own services. Rental income is based on assured shorthold tenancies for a minimum of six months. Since the council as a public authority cannot grant such a tenancy it would have to grant a suitable lease of the whole or all parts of the building to be tenanted to a suitable private sector body. The income would be taken as rent under that lease.
- 6.13 The costings provided do not anticipate tenants being required to pay a service charge. The lessee under such a lease would therefore be responsible for the maintenance of the building and grounds. There would need to be allowances for voids, management fees, cleaning, and maintenance of common parts or repairs in the calculation of the rent due under the lease. An estimate for insurance, management, maintenance, repair and voids has been requested, and the suggested level is £24k per annum. That would be deducted from the total rent for the flats together with an appropriate element of profit for the lessee in arriving at the rent under the lease.
- 6.14 Based on the information provided by both Pick Everard and Martin

Pendered, together with advice from internal property, heritage, planning, and building control officers, it is therefore recommended that the council take steps to convert Croyland Hall and Abbey into fifteen apartments, as sketched in the appendix. This is likely to provide the council with an estimated 6.8% return on investment, although this may be varied slightly depending on management fees.

- 6.15 The council is no longer a residential landlord, but could clearly benefit from this project financially. The council cannot be the immediate landlord because it would have to issue secure tenancies which carry with them the right to buy, the expectation that they will be let at much lower social rents, and a number of other rights which would reduce the financial return. It is therefore proposed that an appropriate trading body is created to enable this, as well as any similar projects initiated by the council.

7 Legal powers

- 7.1 The council has a general power under section 123 of the Local Government Act 1972 to deal with property in its possession provided that in doing so it achieves full market value. If it does not do so it will need formal consent from the Secretary of State unless the proposal comes within the provisions of one of the general consents. At present it is envisaged that the proposed lease will provide full value.
- 7.2 If the council grants the tenancies to the flat occupiers they will be secure tenancies because the 2 essential conditions in sections 80 and 81 of the Housing Act 1985 are satisfied, namely the landlord is a public sector body and the tenant occupies the flat as their home. Such a tenancy carries with it the right to buy after a qualifying period of 5 years, the right generally not to be evicted unless the court thinks it reasonable and a number of other rights under that statute. In contrast a private sector body can grant an assured shorthold tenancy which carries much less security of tenure. In particular after the tenancy has lasted 6 months the court does not have the power to refuse to make a possession order on the grounds that it is not reasonable if the appropriate paperwork is properly prepared.

8 Financial and value for money implications

A project of this kind will require a capital investment and will therefore need to be included in the council's capital programme; estimates are provided in the report. It is expected that there will be a good return on this so it is therefore a strong proposal. Further investigation is required into the management and financing of this type of arrangement so as to provide the most financial advantage to the council whilst complying with current legislation.

9 Risk analysis

One of the greatest risks in respect of these properties is inaction. The buildings are listed and, even "mothballed", are costing the council money in terms of

maintenance and repair, but with no return.

The council has not previously undertaken a project of this kind, so it will need to be carefully managed and controlled, with appropriate advice from the legal team.

It is expected that this project will mitigate the risk associated with owning an unoccupied listed building.

10 Implications for resources

Significant officer resources will be required to make this project a success, but the need to maximise the council's assets make this a worthwhile and productive use of time.

11 Implications for equalities, and stronger and safer communities

There are no direct implications for equalities, or stronger and safer communities.

12 Author and contact officer

Bridget Lawrence, Head of Resources

13 Consultees

John Campbell, Chief Executive
Liz Elliott, Head of Finance
Julie Thomas, Head of Planning and Local Development
Paul Burnett, Principal Property and Facilities Manager
Alex Stevenson, Heritage Officer
Development Management Officers
Building Control Officers

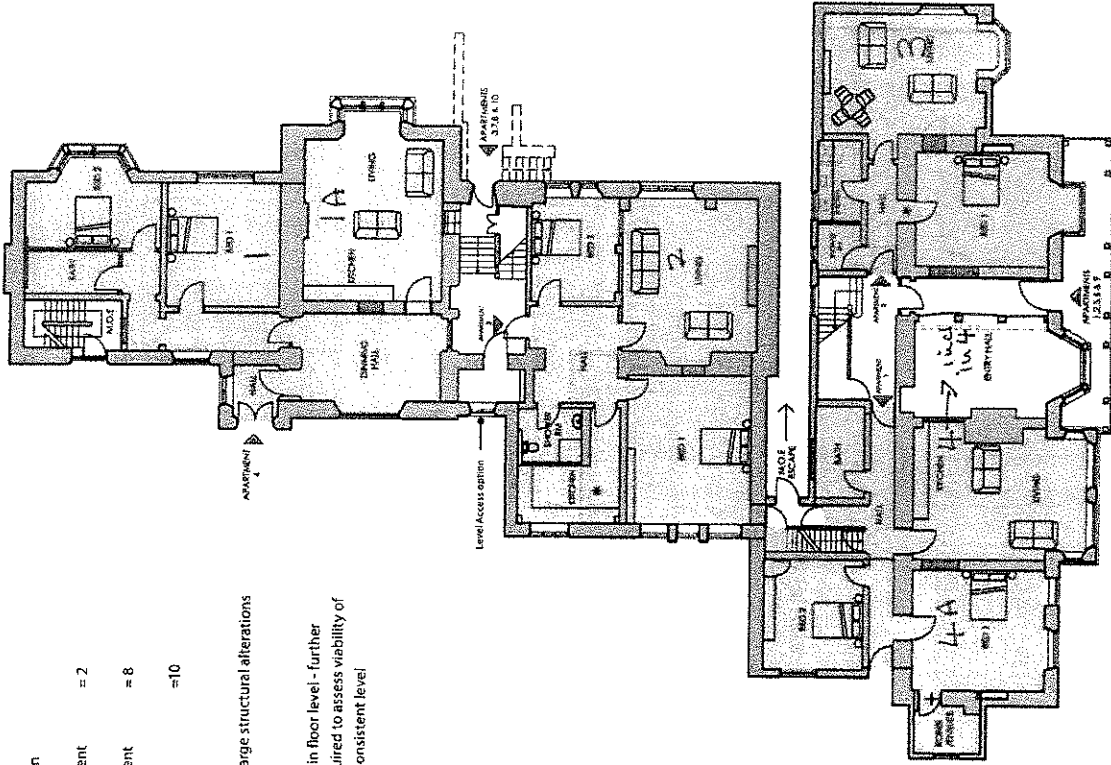
14 Background papers

Proposals and reports from retained agents.

KEY

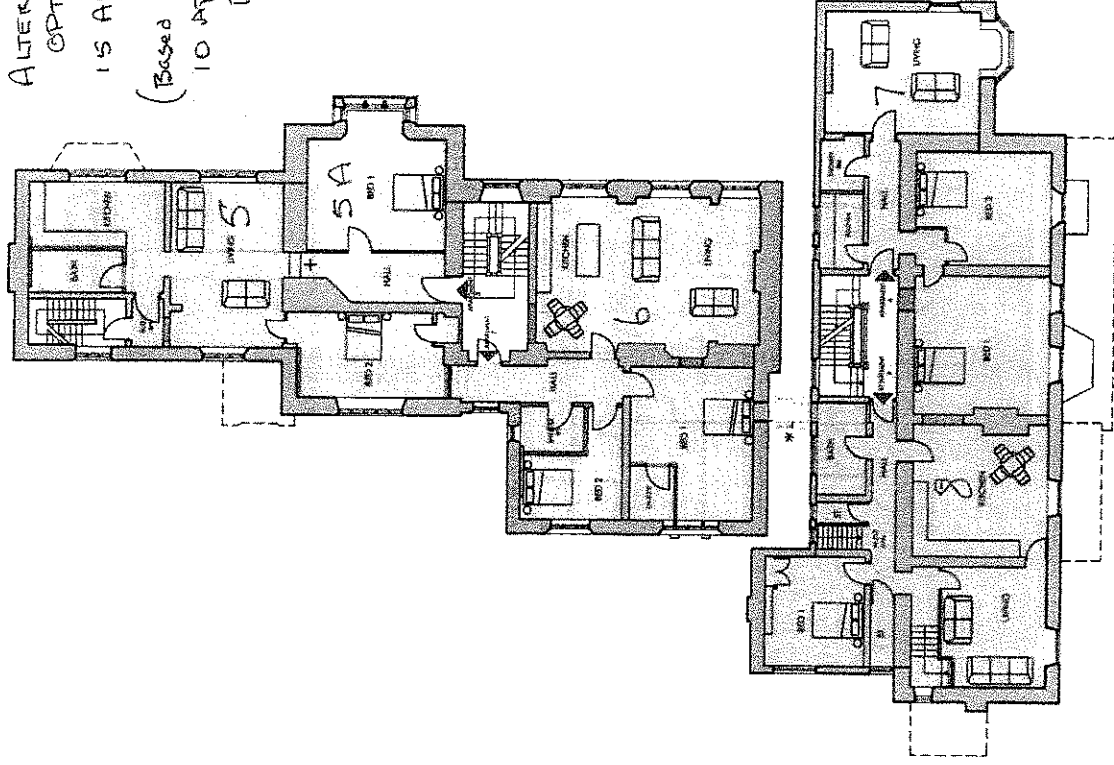
- Shared Circulation = 2
- One Bed Apartment = 8
- Two Bed Apartment = 10
- TOTAL = 20

- * Indicates where large structural alterations are required
- + Indicates change in floor level - further investigation required to assess viability of reducing to one consistent level



Ground Floor

ALTERNATIVE
OPTION
15 APARTMENTS
(Based on original
10 Apartment
Plan)

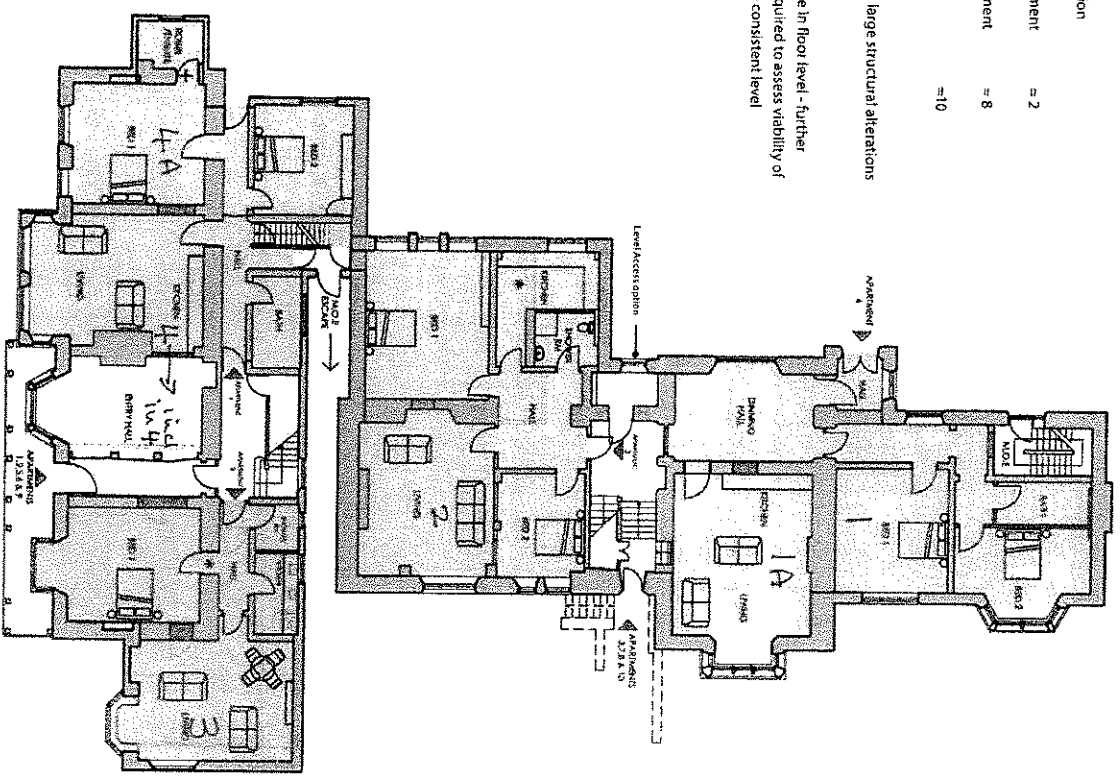


First Floor

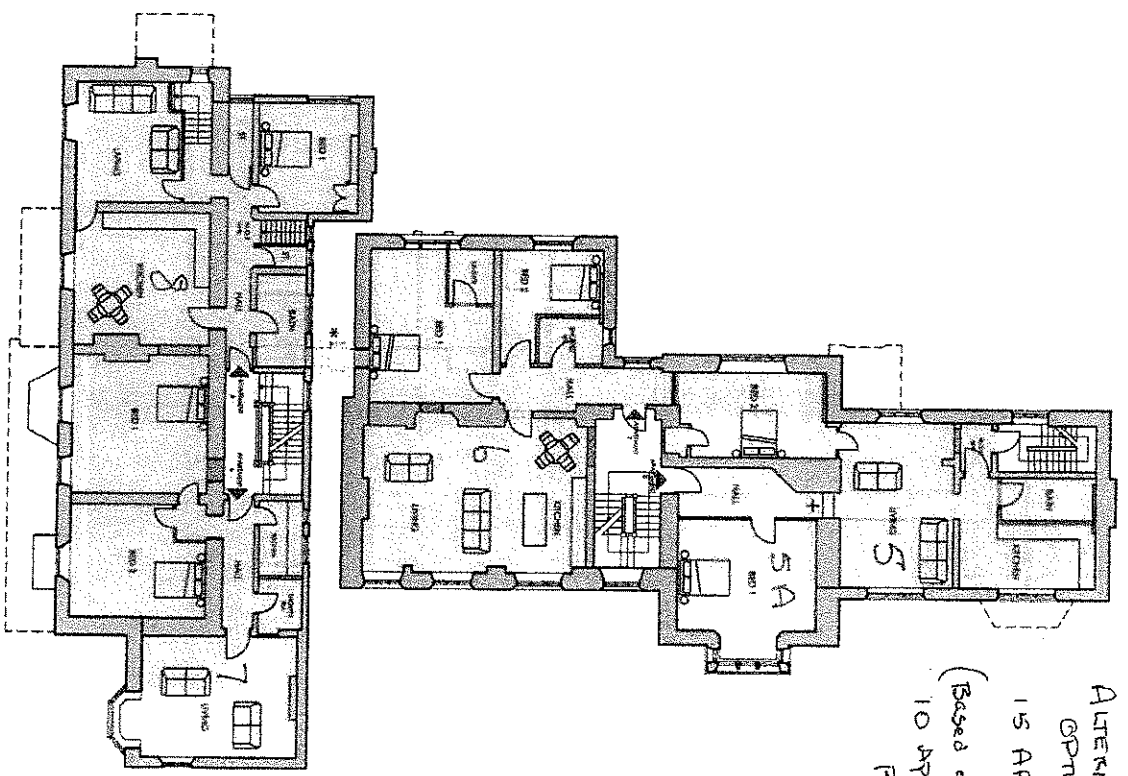
KEY

Shared Circulation	
One Bed Apartment	≈ 2
Two Bed Apartment	≈ 8
TOTAL	≈ 10

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