

TRAFFORD COUNCIL

Report to: Executive
Date: 24th June 2013
Report for: Decision
[Draft] Report of: Executive Member for Economic Growth and Prosperity

Report Title

PROPOSALS FOR A NEW ALTRINCHAM LIBRARY

Summary

This report sets out the work that has been made in progressing proposals for a new library as part of the regeneration of the Market Quarter in Altrincham since the last report to Executive on 29th October 2012. The report also sets out the proposed terms for a 125 year lease for the library and the funding route.

Recommendation(s)

The Executive is recommended to:

- 1) Agree the proposal for the relocation of Altrincham Library
- 2) Authorise the Corporate Director of Economic Growth and Prosperity to finalise lease terms with Citybranch.
- 3) Authorise the Acting Director of Legal and Democratic Services to complete the legal documentation for a 125 year lease.
- 4) Agree the funding proposals for lease premium of £1,998,750 to be funded by ring-fenced land receipts from the planned 13/14 and 14/15 land sales programme along with the allocation of capital receipts from over achievement of sales already in the Land Sales Programme.

Contact person for access to background papers and further information:

Name: Helen Jones
Extension: x. 1915
Background Papers: None

Implications:

Relationship to Policy Framework/Corporate Priorities	Supports a range of priorities including value for money in efficient use of space and resources, sustainability and enhanced local facilities.
Financial	These are set out at sections 4 and 9 of the report
Legal Implications:	These are set out at section 10 of the report
Equality/Diversity Implications	Facilities support all sectors of the community, all equality strands will be considered further in the development of the project.
Sustainability Implications	New development will deliver a sustainable building.
Staffing/E-Government/Asset Management Implications	Asset Management implications are set out in the report.
Risk Management Implications	These are set out in sections 2 and 5 of the report.
Health and Safety Implications	Improvements due to improvement of buildings.

1. Background

1.1 This report sets out the work that has been undertaken to progress the opportunity for the development of a new library and exhibition space as part of the regeneration of the Market Quarter in Altrincham and the redevelopment of the old Hospital site.

2. Existing Library

2.1 The existing library is situated in part of Clarendon House on Stamford New Road. The space is leased from the owners of the Stamford Quarter on a 125 year lease (92 years unexpired) at a fixed rent of £1. The Council is responsible for all running costs along with the capital repair costs in proportion to the space occupied within Clarendon House.

2.2 The existing library is 18,826 sq. ft. and is larger than required for operational reasons.

2.3 The current building is poor in terms of visibility; it is unattractive and is not fully accessible. There are also significant future capital liabilities, estimated at £640k, just to maintain the space to an adequate standard.

2.4 The library is well used with an average 11,000 visitors per month. This footfall could be even higher if the library were a more modern, attractive space in the heart of Altrincham. This footfall would bring life and vitality and the proposed new library would act as a boost to the town centre and compliment the planned revitalisation of the market.

2.5 Proposals for re-use of the existing library are being developed. The ground floor space would lend itself to the Fab Lab opportunity:- incubator space for individuals and small companies to develop manufacturing ideas. This proposal is expected to be finalised shortly, supported with a business plan which will confirm that Fab Lab can be self-financing within 3 years including the revenue costs of leasing the space. Proposals for the first floor are also being considered. These could either be for conversion to residential as part of the redevelopment of Clarendon House or other appropriate uses. Any proposals involving a prospective change of use would of

course be subject to Planning. In either event the revenue costs of the space would need to be covered by the new use.

3. Outcome of Detailed Negotiations with Citybranch and Proposed Lease Terms for the New Library

3.1 Various approaches to the delivery of the new library have been considered. The joint venture route including a number of Council-owned sites has been discounted following external legal advice that concluded it presented an insurmountable procurement risk.

3.2 Discussions with the owner of the old Hospital site, Citybranch, have progressed and the option of a 20 year lease was explored. This option has now been discounted as it was unaffordable in revenue terms and would not present value for money for the Council when the total outlay was considered.

3.3 Further negotiations have taken place with Citybranch and a proposal for a long lease at a premium has been agreed in principle (subject to contract and subject to lease). The proposed terms of the lease are summarised below.

- 125 year lease with breaks in favour of the Council
- single premium of £1,998,750 payable on commencement of the lease. A deposit will be payable on exchange of contracts. This will be repaid in the event of breach of conditions by the developer.
- 8,000 sq. ft. across 2 floors with reception and exhibition space on the ground floor, fully fitted out
- no ground rent payable
- the Council to be responsible for all repairs and outgoings
- flexible user clause
- the Council will have the ability to sub-let or assign the space

3.4 The lease premium is higher than the figure proposed when the joint venture was under consideration as it is now inclusive of all fees and costs, an allowance for a development management fee and land value. The previous proposal was not all inclusive as the developer was factoring in the profit he would have made from developing the Council-owned sites being considered under the joint venture proposal.

3.5 A detailed review of the developer's build costs and his appraisal has taken place and the Corporate Director of Economic Growth and Prosperity is satisfied that the lease represents good value for money. The developer has confirmed that he has development finance for the scheme in place.

3.6 The space would form part of the new building that will be developed on the site of the existing Altrincham hospital. The developer is currently working up detailed proposals for the redevelopment of the site.

- 3.7 Some initial work has been completed in terms of the look and feel of the new library. A specification has been drawn up to ensure that the new library will be flexible in what it can provide the residents, businesses and visitors to Altrincham;
- There will be meeting rooms which can be used by customers and businesses with all the necessary IT equipment.
 - There will also be an exhibition area for local artists and groups to hire.
 - The Tourist Information Centre, which has over 4,000 enquiries per year, will continue to be situated within the library but with a much improved space
 - There will be the facility to return library items 24/7 with the addition (the first in Trafford) of a book return facility in the entrance.
 - The shelving will be on wheels to maximise the flexibility of the overall space so the library could be used for large events such as author visits and one-off events.

4. Funding Proposals for the Lease Premium

- 4.1 The use of capital monies from LSVT VAT receipts had been agreed previously however these monies would have to be repaid.
- 4.2 The current land sales programme has been reviewed to assess the expected sale price against the valuations. This exercise has concluded that an additional £650K of capital receipts will be delivered by the end of calendar year 2014 (subject to all the sites becoming available for sale).
- 4.3 The 2013/14 land sales programme will be reported to July Executive. However, work on finalising that programme is well advanced. Appendix 1 sets out 3 sites in Altrincham that could be ring-fenced towards the library lease premium along with a site that is already in the 12/13 Land Sales Programme. These land receipts total £1.95 M
- 4.4 The total value of the future disposals and the increase in estimated receipts is £2.6M. All sites have been reviewed to take into account the development potential of each site and current market conditions.
- 4.5 It is expected that all disposals of sites set out in Appendix 1 will be completed by the end of calendar year 2015 (subject to all the sites becoming available for sale). As the lease premium is £1,998,750 there is a good margin of comfort if any of the receipts are lower than expected or some sales do not proceed.
- 4.6 The lease premium will not be payable until the commencement of the lease. This is expected to be early in 2016 as the developer cannot start work on the redevelopment of the site until the new hospital is complete.

5. Risk and Issues

- 5.1 The proposal to enter into a long lease at a premium has been reviewed by Legal and Procurement and there are no procurement issues.
- 5.2 The proposed approach to the lease places all the risk on the developer. The Heads of Terms for the lease have been scrutinised and have been agreed in principle.
- 5.3 If the developer does not meet the obligations under the agreement to lease the Council would be under no obligation to enter into the lease.

5.4 The developer will require planning permission for the redevelopment of the hospital site and expects to submit a detailed planning application in October or November 2013. The scheme will include a new public square between the development and the market building.

6. Other Options

6.1 The location of the proposed new library in the Market Quarter in the heart of Altrincham is considered to be critical. There are no other available sites in this area.

6.2 The use of Altrincham Town Hall has been considered and discounted as the space is too small (approximately half the size of the proposed library) and the necessary adaptations to the building would be extremely difficult due to its listed status.

7. Consultation

7.1 The library service has been fully engaged with the proposals and has worked with the developer to agree the specification for the space including the fit-out.

7.2 Library customers will be consulted on the plans and ideas proposed, with staff available to answer any queries as necessary.

8. Reasons for Recommendations

8.1 The proposal for a new modern, flexible library space as part of the redevelopment of the hospital site allows the Council to take a significant step forward towards the regeneration of Altrincham town centre and will deliver a high quality community space as part of the Market Quarter regeneration.

9. Financial Issues

9.1 Section 4 of the report sets out the proposed approach to financing the lease premium. The Council's general policy is not to ring fence capital receipts, thereby making them available for the generality of the capital programme. However, the availability of the hospital site offers a unique opportunity to regenerate the Market Quarter and a financing solution needs to be identified now. The previous report referred to the need to identify land sales to provide permanent source of finance and as such the ring fencing approach is considered appropriate to support this investment.

9.2 The revenue budget for the existing library is £90,448 (business rates and operational costs). The estimated revenue costs of the proposed new library is circa £72,000 (business rates and operational costs). The business rates will be lower overall as the space is smaller although the rating assessment is likely to be higher due to the higher value of the new space. The operational costs will be lower in terms of utility costs as the space is smaller and the building will be more energy efficient, however, the standard of repair will be higher. A service charge will cover the cost of maintenance of shared facilities and this is covered within the revenue estimate of £72,000.

9.3 It is therefore estimated that there will be a revenue saving of circa £18,500 p.a.

10. Legal Issues

10.1 As indicated at 3.1 above a number of options have been considered by the Council in relation to the proposals to secure the relocation of the Library and the opportunities this presents to take steps towards the regeneration of the market quarter. In this regard it was identified that there were two possible solutions which would enable the scheme to be progressed which would ensure that the council derived best value from the scheme and which would not raise any implications in terms of the procurement regulations. External legal advice was taken with regard to the potential options open to the Council.

10.2 The two solutions identified in this regard were:-

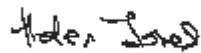
- That the Council enters into a development agreement in relation to the delivery of the new library and an agreement for lease under which the council commits to take on the lease of the new library in the event that the developer delivers it to an agreed specification;
- Structure the transaction as a pure land transaction. Means the council imposes development obligations through the agreement for lease, which will specify that the council will take the lease in the event that the library is delivered in accordance with a specification approved by the council.

10.3 The Council will proceed on the basis of the second of these two options and negotiations have to date identified that it will be possible to secure the specifications through the proposed agreement for lease.

Key Decision Yes

If Key Decision, has 28-day notice been given? No

Finance Officer Clearance ID
Legal Officer Clearance JLF



[CORPORATE] DIRECTOR'S SIGNATURE

To confirm that the Financial and Legal Implications have been considered and the Executive Member has cleared the report.