


28 June 2017

Report of	Strategic Director Commercial and Place	Author Howard Davies  507885
Title	Delegation of the appointment of the main contractor for the redevelopment of 5-6 St Nicholas Street (Jacks) and agreement to dispose of the developed building on a long leasehold or freedhold basis.	
Wards affected	Castle	

This report concerns the delegation of the appointment of the main contractor for the conversion of 5-6 St Nicholas Street (Jacks) into 7 flats and a commercial unit and the proposed disposal of the building following redevelopment.

1. Decision(s) Required

- 1.1 To delegate to the Strategic Director Commercial and Place or Assistant Director Policy and Corporate Services, in consultation with the Portfolio Holder for Business and Culture, the authority to appoint the main contractor for the conversion of 5 – 6 St Nicholas Street (Jacks) into 7 flats and a commercial unit. Subject to the cost of the works not exceeding the budget previously approved by the RIF Committee. The budget for the project is submitted as an appendix to this report, which is published in part B of the agenda as it contains exempt information.
- 1.2 To agree to commence soft marketing of the residential and commercial units through an agent with the proposal to dispose of the whole building on a freehold or long leasehold basis.
- 1.3 To note that there will be a requirement to sell the residential element of the building.
- 1.4 To agree that the receipt from the sale of the building will be reinvested in the provision of new homes across the Borough to be delivered through the wholly owned housing company.

2. Reasons for Decision(s)

- 2.1 The tender process for this work commenced on the 30th May 2017 and will last for 8 weeks. The Council will be ready to appoint a contractor in the early part of August. In order to ensure that there are not delays in the appointment of the contractor officers are asking for the RIF Committee to agree that as long as the successful tender does not exceed the budget previously approved by the RIF Committee and set out in the attached not for publication appendix the appointment of contractor can be delegated as per section 1 of this report.

- 2.2 The value of the main contract is expected to exceed £500,000.00 and RIF Committee approval to appoint the main contractor would be required.
- 2.3 Until the Housing Wholly Owned Company is established the Council cannot legally rent out residential properties directly on a private basis. It will therefore be necessary to sell the flats. The Council is also considering a disposal of the commercial unit, although this may depend upon the advice received from the marketing agents and the level of interest from occupiers, and an agent will be procured to market the property.
- 2.4 There are various ways to dispose of the property and it is proposed to come back to the RIF Committee to provide detailed options for the disposal of the site, prior to the start of construction, following advice from the appointed agents.

3. Alternative Options

- 3.1 The tender process could be undertaken and then the RIF Committee could be asked to make a decision regarding the appointment of the contractor which would result in a delay in appointing the contractor.
- 3.2 The Council could consider transferring the asset to the wholly owned Housing Company which could hold the residential units for rent, however the company is unlikely to be established prior to the start of construction.

4. Supporting Information

- 4.1 The Council allocated £30k in 2015 to carry out a feasibility exercise into the opportunity to redevelop 5-6 St Nicholas Street for a mixed used development. This work included, initial designs, cost plans, building surveys, planning, viability work and investigations into general market conditions in the locality. This was undertaken by Purcell, a Colchester based architectural firm.
- 4.2 This business case and funding strategy was agreed at the February 2016 RIF.
- 4.3 Planning permission for the change of use to 7 flats and a flexible A1/2 and 3 use was granted in February 2017 and the tenants vacated the building in March 2017. Enabling work has been undertaken including archaeological investigations, asbestos removal and a soft strip of the property to expose the timber frame.
- 4.4 Work has continued to refine the plans and costings for the proposed redevelopment. A cost plan has been produced which indicates that the redevelopment can be undertaken within budget and provides a 5% contingency. Detailed drawings and a specification has been produced as part of the tender package which went out to contractors via the Councils Procurement Hub on the 30th May 2017.
- 4.5 A tender has also been sent out to three estate agencies to gauge interest in marketing the properties.

5. Proposals

- 5.1 To delegate to the Strategic Director Commercial and Place or Assistant Director Policy and Corporate Services, in consultation with the Portfolio Holder for Business and Culture, the authority to approve and appoint the main contractor for the redevelopment

of 5-6 St Nicholas Street (Jacks) into 7 flats and 1 commercial unit. This would be subject to the costs of the works not exceeding the budget previously approved by the RIF Committee (as set out in the not for publication appendix attached to this report).

- 5.2 It is also proposed to sell the building once redevelopment works are complete with the method of sale ie freehold or leasehold to be determined once agents advice has been given and a period of marketing has been undertaken. A further recommendation to RIF will be made at this time.

6. Strategic Plan References

- 6.1 The scheme will “Promote Colchester to attract further inward investment and additional businesses, providing greater and more diverse employment” by investing in an area of the town centre which is currently not benefiting from private sector investment.
- 6.2 The preferred development is expected to “Promote Colchester’s heritage and wide ranging tourism attractions to enhance our reputation as a destination” by giving a new lease of life to a well loved historical building within the town centre.
- 6.3 The Council also has an aspiration to use its estate in a more commercial manner. The disposal of the redeveloped building and the reinvestment of the receipt from this to the provision of new homes across the Borough is part of this aim.

7. Consultation

- 7.1 As part of the planning application the application was formally publicised by a site notice and consultation letters to neighbouring properties. No public comments were received.

8. Publicity Considerations

- 8.1 Although the redevelopment of this building will be a relatively small capital project there has been strong public interest in plans for its future. A press release was written when the tenants vacated and archaeological works commenced which resulted in an article in the Colchester Gazette. Further opportunities will be taken all the way through the redevelopment process to engage with the public, local historical groups and ward councillors. Regular updates will be placed on the Council’s Regeneration Instagram Account.

9. Financial implications

- 9.1 The budget for the project was previously approved by the RIF Committee. A detailed cost plan for the construction works has been produced by a cost consultant which shows that the works can be undertaken within budget, however these costs will only be confirmed once the tenders are returned. These details can be found within the confidential appraisal.
- 9.2 It is proposed that the capital receipt from the sale of the completed building will be reinvested in new homes for the Borough to be delivered through the wholly owned Housing Company

10. Equality, Diversity and Human Rights implications

- 10.1 Please see EQIA report here - <http://www.colchester.gov.uk/article/12743/Commercial-Services>

11. Health and Safety Implications

- 11.1 To assist Colchester Borough Council with health and safety matters the Purcell Architects have been appointed as the Principle Designer (formerly CDM). Their duties include to co-ordinate health and safety aspects of design work, co-operate with others involved with the project, and prepare/update the health and safety file.

12. Risk Management Implications

- 12.1 The risk register for the project can be found below.

Risk Register

Risk description	Impact and / or Consequences	Risk Mitigation / Controls
Tender returns are above budget.	Redevelopment scheme could become unviable. May need to sell building.	Have an up to date cost plan. Undertake a value engineering exercise to remove items so tender comes in on budget.
Flats do not sell.	Return on investment would be delayed.	Received marketing advice early and have a number of options to sell, e.g. to individuals or to the investor market.
Costs increase during works due to structural issues etc	Would need additional funds to complete works - may no longer make a profit	Structural surveys and enabling works have provided a very good understanding of the building. Most of the building is to be supported by new structural elements which have been costed. In addition the cost plan provides a 5% contingency,