

THE BASS MALTINGS, SLEAFORD



APPLICATION FOR PLANNING PERMISSION

BY

THE GLADEDALE SPECIAL PROJECTS DIVISION

ENABLING DEVELOPMENT

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THE BASS MALTINGS, SLEAFORD

VIABILITY STATEMENT

Introduction:

This statement has been prepared to support a Planning and Listed Building Consent Application by the Gladedale Special Projects Division for the redevelopment of The Bass Maltings in Sleaford.

The Bass Maltings is a Grade II and Grade II* Listed complex of buildings in Sleaford, Lincolnshire occupying a floorplate of over 500,000sqft. The buildings are currently in a very poor state of repair following numerous fires and years of minimal maintenance.

In 2004 a Project Development Group was established, consisting of the Padley Property Group, North Kesteven District Council, Lincolnshire County Council and The Phoenix Trust, to prepare a framework for the redevelopment of The Maltings to bring the buildings back into viable use and secure their future. This culminated in 2004 with the adoption of a Supplementary Planning Document specific to The Maltings, published by North Kesteven District Council.

However, the support group also identified a shortfall of approximately £8,000,000 in the scheme viability, resulting from the sheer size of the buildings, their poor condition and the low residential and commercial resale values in Sleaford.

In 2006 Gladedale took over the leasehold for The Maltings and began work on preparing a Planning Application that would meet the requirements of the SPD and attempt to overcome the financial deficit.

This Viability Statement has been prepared to summarise the viability of the proposed scheme and, if necessary, justify departure from the Supplementary Planning Document and Local & Regional Planning Policy in relation to financial contributions under a Section 106 Agreement and Enabling Development. A Viability Report and Independent Viability Appraisal, produced by an independent international management and construction consultant have been produced and submitted to North Kesteven District Council. However they contain sensitive financial information which must remain confidential and as such withheld from the public domain.

Enabling Development:

Even excluding any Section 106 contributions, the current scheme does not generate sufficient revenue to make it viable; therefore an element of Enabling Development will be required.

There is a 4.89 acre parcel of Greenfield land immediately to the east of The Maltings. The land is currently outside of the settlement boundary and as such, development would not normally be permitted. However, without the revenue generated by this scheme, the exceptional costs associated with the restoration and reuse of the listed building complex would make The Maltings redevelopment unviable. The Enabling Development proposals have been designed to generate sufficient revenue to make the whole scheme viable, but also to be sympathetic to its surroundings and the adjacent Maltings buildings. Feedback from the East Midlands Design Review Panel in July 2008 has been incorporated into the scheme which currently provides 24 family homes.

Sales Revenues:

Throughout the design development of the proposed scheme, ongoing Market Research has been carried out by Pygott and Krone, a local estate agent. This research has been used to inform the final scheme design and produce the Viability Appraisal. The latest report was produced in June 2008 and gave plot specific guidance on the resale values for the residential units. A secondary Market Research report was also prepared by Hodgson Elkington in June 2008 as a secondary opinion on the resale values of the residential units. The residential resale values shown in the Viability Appraisal are an average taken from the 2 independent reports undertaken in June 2008. It should be noted that due to the recent downturn in the market, the residential sales values have fallen significantly since June this year. However, the Viability Appraisal does not reflect this downturn as we forecast the market will return to its June 2008 level by 2010, when the residential units on this scheme will be brought to the market

A ground rent will be payable on each residential property, however this will be paid direct to the freehold owner and has therefore not been included in the Viability Appraisal.

A ground rent is payable to the freehold owner on all non-residential lettings. The Viability Appraisal assumes that this is payable at source

The rental income shown in the Viability Appraisal for the office and retail elements has been deduced from internal market research carried out by Gladedale as well as a commercial study undertaken by Pygott and Krone in November 2006. This has been reinforced by early discussions with potential tenants.

The rental income for the healthcare element has been derived from market research undertaken by Excelcare, on behalf of Gladedale in 2007.

Land Acquisition Costs:

The leasehold to the site was acquired by Gladedale in September 2006. It was immediately clear that a significant land acquisition cost would immediately make the scheme unviable, so a mechanism was developed whereby the freehold owner would take a rental income from the Commercial Properties and a ground rent from the Residential Properties, rather than an a significant land acquisition payment.

The associated Stamp Duty, Legal Costs, Agents Fees and Site Investigation Fees have been paid.

Construction Costs:

Construction cost estimates have been supplied by both Gleeds International Management and Construction Consultants and Thornton Firkin Quantity Surveyors, who prepared the original construction cost estimate on behalf of The Maltings Project Development Group.

The Healthcare facilities will be delivered under a Design and Build Contract. Although the exact scope of the contract will be determined at the detailed design stage, a conservative estimate for the construction costs has been provided for a basic level of fit out. It is assumed that due to the complex nature of the healthcare facilities, the fit out and finishing works will be carried out by the future tenant.

The office accommodation will also be delivered under a Design and Build Contract with the exact scope of works yet to be determined. As the fit out and finishing of an office block is less complex, the build costs we have assumed are inclusive of the finishing elements. The single-user office accommodation within Block 1 is also identified as being the location of the retained

industrial heritage equipment, where examples of the original Maltings machinery will be retained and restored within the refurbished building.

The retail element is assumed to be a basic 'shell and core' contract, with the fit out and finishes undertaken by the tenant.

Due to the extremely poor condition of the buildings, the first phase of any construction work must be to make the buildings weathertight to prevent further deterioration and repair the building envelope to provide a suitable environment for the first tenants or residents to live in. The selected demolition must also take place in this first phase due to its impact on the future environment of The Maltings. Failure to undertake this significant amount of work up front will result in increased build costs due to further deterioration and severely impact on the marketability of this already challenging scheme.

The success of a mixed use scheme such as The Maltings is heavily dependant upon providing adequate car parking. To deliver the level of accommodation proposed, the Council's parking standards require the scheme to provide between 800 and 1,000 car parking spaces. For marketability purposes, Gladedale will need to provide at least the minimum number of spaces required in the standards. Surface Parking on site is very limited, and the option for a new multi-storey car park to the east of the site was not acceptable for heritage or visual purposes. A discussion on car parking locations included English Heritage and concluded that to suitably locate the required number of parking spaces would necessitate the conversion of 2 of the malthouses into car parks, whilst retaining the existing façade.

The build costs for the internal residential works are for the internal refurbishment works and finishing elements only. The external envelope and structural works are included as a separate whole building cost (see above). This estimate is based upon a mid-level specification that our market research identifies as being the most appropriate for the target market.

A build cost estimate has been prepared for the new-build enabling development which includes foundations and groundworks. This estimate is based upon the same mid-level specification as the refurbishment units.

2.5% Contingency 2.5% Design Development and 6% Preliminaries have been included within all build costs, which is an industry standard. It is anticipated that the Phase 1 External Façade and selected demolition works will be carried out by a Main Contractor. For this phase only 15% preliminaries have been included.

Registration fees for Building Control Compliance and Residential and Commercial Warranties have also been priced and included

Professional Fees:

The Planning Application fee has been calculated from the number of residential units and the square footage of the non-residential units.

A Topographical and Measured Building Survey have undertaken.

Design Consultants fees are based upon quotations received to date.

Gladedale's overheads relating to the project are included.

Disposal Fees:

The sales and marketing budget for commercial and residential properties is included as a percentage of the total Gross Development Value. This includes promotional costs.

Legal fees associated with the residential sales are included as a per unit cost.

Legal fees associated with the non-residential units are included as a percentage of the non-residential Gross Development Value.

Managing Agents fees for the non-residential units are included as a percentage of the non-residential Gross Development Value.

Additional Costs:

A freehold land acquisition payment for the Enabling Works site is payable upon commencement of construction. This figure is an estimate based upon a scheme of 24 family units and has yet to be confirmed. A 'redbook' valuation of this site must be undertaken prior to starting on site to establish the true land value.

Finance:

A Debit Rate in line with current funding facilities is applicable to all borrowing.

Developer's Profit:

Gladedale will be taking a profit for undertaking the development. It should be noted that this is significantly less than would be expected on a less high profile project.

Conclusion:

The Bass Maltings is an extremely challenging project that involves a high degree of financial risk due to the sheer size of the buildings, their poor condition and the low residential and commercial resale values in Sleaford.

The Project Development Group tasked with developing a framework for the redevelopment of The Maltings in 2004 identified a significant shortfall in the scheme viability.

Gladedale took over the leasehold to the site in October 2006 and through detailed negotiations with the landowner, English Heritage and other Statutory Bodies have produced a scheme that has minimized the heritage deficit, whilst remaining within the confines of its Grade II* Listing.

The scheme proposed does not however provide surplus funding for financial Section 106 or Highway contributions towards improving the wider highway network. It is difficult to see how further finance could be generated without significant alterations to the existing buildings, which would compromise their heritage status.

The Developer's Profit taken by Gladedale is significantly less than would normally be required when embarking upon a scheme of this nature. However, due to the high profile nature of The Maltings project, Gladedale have accepted this reduced profit on the basis of the interest and publicity generated by the scheme.

The significant heritage benefits of preserving this Grade II* Listed complex and the wider benefits for the improvement of South East Sleaford as whole should be borne in mind when determining the application.

OPTIONS APPRAISAL FOR
THE BASS MALTINGS, MAREHAM LANE, SLEAFORD

Prepared by Gladedale Special Projects Division

Introduction:

This Options Appraisal has been prepared to support a detailed Planning and Listed Building Consent Application for the redevelopment of a Grade II* Listed former Maltings, - known as 'The Bass Maltings' off Mareham Lane in Sleaford.

Gladedale have been developing proposals for the scheme over a period of 2 years in close consultation with the Local Planning Authority, English Heritage and The Prince's Regeneration Trust. The final development proposals still identify a shortfall in the financial viability of the project which needs to be overcome by allowing an element of Enabling Works on land adjacent to The Maltings, currently outside of the settlement boundary.

This report details the options Gladedale have considered to avoid Enabling Development and justifies the current proposal.

In order to determine the requirement for and extent of Enabling Development at The Maltings, a number of options have been reviewed. In line with the English Heritage Guidance, no options have been considered which would so damaging to the Listed Buildings as to effectively destroy their heritage interest.

The review of Options has taken as its starting point the prospect that, in good repair, the buildings could have a positive market value as a consequence of their reuse for purposes for which a market is expected to exist. In such circumstances, the English Heritage Guidance advises that acceptable Enabling Development would be of a scale "to cover the amount by which repair and conversion costs exceed market value once repaired and in their most beneficial use." The details of financial viability are dealt with in a separate document.

The application proposals are for a mixed use approach to the redevelopment and reuse of the former Maltings buildings. They include the conversion of 2 of the buildings for car parking as a means of servicing the residential and commercial floorspace in a way which will support their potential for sale and letting but without introducing a potentially unattractive external parking structure to the detriment of the setting of the Maltings. The final form of the development is the product of considerable iteration in options analysis for the Maltings buildings themselves and, whilst it is accepted that using 2 of the buildings for parking is not, necessarily, the most commercially productive use (and, indeed, a cost in its own right), it has been concluded that this is the most respectful outcome for the buildings and their setting.

The resale values for residential, commercial and retail accommodation in Sleaford are well below the national average; however the heritage conservation costs are no lower because of this which has augmented the difficulty in achieving a balance in viability.

The options available to improve the viability of developing The Maltings can be split into 3 broad areas; Increasing the Amount of Residential Accommodation on Site, Undertaking an Off-Site Enabling Development Scheme on Third Party Land and Undertaking an On-Site Enabling Development Scheme on the Land to the East of The Maltings.

These options are examined in more detail below;

Increased Number of Residential Units Within Existing Buildings. There are a number of opportunities to increase the number of residential units available for sale within the existing buildings.

1) One option would be to convert Blocks 2 and 8 (Currently proposed for parking) to residential as per Blocks 3 and 9.

Benefits: This would provide an additional 102 residential units, generating a theoretical additional £3.3 million profit. This would result in less alteration to these blocks than will be necessary to convert to car parking.

Drawbacks: The increased requirement for parking will necessitate a multi-storey car park to be located to the east of the site affecting the long views of The Maltings. It cannot be guaranteed that planning consent would be forthcoming for such an approach and it conflicts with the advice given by the Local Planning Authority and English Heritage who have advised conversion of Blocks 2 and 8 to parking specifically to reduce the size of the proposed new-build car park.

The additional units will be limited to the same mix as Blocks 3 and 9 because of the constraints of the existing building. The market for this type of property is very limited in Sleaford and overprovision will lead to lower resale values with the construction costs remaining the same.

Residential sales will also run for much longer than the estimated build programme, resulting in an increase in site preliminaries, further reducing the profit.

2) A second option would be to remove the Healthcare accommodation from the existing buildings and replace this with additional residential accommodation.

Benefits: This would provide an additional 60 residential units, generating a theoretical additional £1.07 million profit.

Drawbacks: The additional units will be limited to the same mix as Blocks 3 and 9 because of the constraints of the existing building. The market for this type of property is very limited in Sleaford and overprovision will lead to lower resale values with the construction costs remaining the same. Residential sales will run for much longer than the estimated build programme, resulting in an increase in site preliminaries, further reducing the profit.

The development will not provide the 'mixed use' scheme the Supplementary Planning Guidance calls for.

Additional Section 106 contributions will be required to improve existing off-site healthcare facilities which will need to be improved to cope with the additional users, further reducing the profit.

3) A third option would be to replace the Single User Office accommodation with additional residential units.

Benefits: This would provide an additional 50 residential units, generating a theoretical additional £1.42 million profit.

Drawbacks: The additional units will be limited to the same mix as Blocks 3 and 9 because of the constraints of the existing building. The market for this type of property is very limited in Sleaford and overprovision will lead to lower resale values with the construction costs remaining the same.

Residential sales will run for much longer than the estimated build programme, resulting in an increase in site preliminaries, further reducing the profit.

The development will not provide the 'mixed use' scheme the Supplementary Planning Guidance calls for.

The development will not provide a single user open plan block capable of retaining and displaying the key historic features. It will require much greater subdivision and alteration contrary to agreed objectives of keeping Block 1 as an exemplar of the existing open spaces retaining Maltings related machinery.

Off-Site Enabling Development on Third Party Land

We have considered trying to obtain third party land to provide additional new build residential units as Enabling Development:

Benefits: New Build Enabling Works can be constructed without impact on the long views, mix of uses or internal layouts of the existing buildings.

Drawbacks: Land is not secured.

Full land value would need to be paid for third party land that was Allocated for Development, had Planning Consent or any prospect of gaining a Planning Consent. If the land had no prospect of gaining a consent it would, clearly, be of no value to this Options analysis.

Full Section 106 contributions and Affordable Housing provision will need to be provided, further reducing profit.

An Exceptions Site will need to be 100% Affordable Housing generating insufficient profit to meet the Heritage Deficit.

Grant Funding

We have investigated grant funding through The Prince's Regeneration Trust to meet the Heritage Deficit. Unfortunately no grant funding is available in the area.

Whilst grant funding may be available from English Heritage for some repairs, the majority of the works involve conversion and alteration for which public funding is not available to a private developer.

On-Site Enabling Development of Land to the East.

The potential to develop the land to the east of The Maltings buildings has been investigated:

Benefits: Enabling Development can be clearly linked in planning terms to The Maltings.

The land is already secured through an option agreement.

A different mix of residential accommodation units can be provided to that available within the existing buildings.

Drawbacks: The land is outside the settlement boundary, although the Local Authority have indicated that a relaxation may be granted in this situation.

A land value will have to be paid to the current owner.

Full Section 106 contributions and Affordable Housing provision will need to be provided, although the Local Authority have indicated that a relaxation may be granted in this situation.

Simon Cocks
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December 2008

Bass Maltings Sleaford

Supporting Information for the Planning Application On Market Testing

By The Princes Regeneration Trust

In February 2003 HRH The Prince of Wales's Phoenix Trust, in partnership with GW Padley Property Ltd, the owners of the site, and Kesteven District Council, Lincolnshire Country Council, Lincolnshire Enterprise and the East Midlands Regional Development Agency appointed a consultancy team to undertake a feasibility study to explore the potential for the re-use of the Maltings. It comprised Allen Tod Architecture; Shield Estates; Thornton-Firkin and Partners, Quantity Surveyors; Symonds, Structural Engineers; Katherine Sather and Associates, Architectural Conservation Consultants; and Lindsey Archaeological Services.

The consultancy team reported back later that year and their report concluded that the Maltings were capable of repair and conversion for sustainable re-use, and could accommodate a very wide range of uses.

The report indicated the total costs of a project would be around **£55million** and that initial appraisals had indicated the requirements for infrastructure, fabric repair, and public domain, and taking account of local market levels would mean there was a **funding shortfall of about £8million**.

The report proposed that the financing of a project be addressed by a combination of grants, forward funding, partnerships with established funding frameworks, and by attracting regional employment and economic projects.

Construction Costs

A construction cost analysis was undertaken that divided the costs into groups to enable different levels of fit-out and repairs to be considered. This enabled the consultancy team to produce "Typical Costs" for each element of the buildings on site.

Infrastructure costs were also calculated for the site, with off-site costs only in relation to possible access along Network Rail land, and some parking on the south field.

The consultants also recommended a phased approach to development of the entire and produced detailed costs for Phase I at about £12million.

However, the commissioning partners were concerned to have a detailed analysis of likely costs for the regeneration of the entire site and, accordingly, the consultants produced detailed estimates for demolitions for each building, and repair/renovation of each building with costs attributed to the distinctive elements. Costs were also produced for alterations and fit-out to each element of each building. External works and services were also costed, including access, clearance, parking and landscaping. Allowances were set out for contractor's preliminaries fees and archaeological work. The Order of Cost Estimates was also set out, including the assumptions made, which were accepted by the commissioning partners.

The total cost of £55million was accepted as a reasonable basis to take forward a project. It was also accepted by the commissioning partners that a Heritage Gap of £8million was realistic, and indeed this may increase when further work was undertaken. This Heritage Gap reflects the additional cost imposed on any development by the need to conserve and adapt the new uses for the buildings and site in a way that reflects the need to respect their historic character. These requirements would result in a development where the market value of the completed site would be less than the costs of development.

Discussions with English Heritage during the preparation of this Planning Application also indicate that there is a limit to which the site can appropriately accommodate “enabling development” without detriment to the heritage character of the buildings, and that such enabling development as may be agreed as appropriate to the site, and be realistic in the market, would also be insufficient to close the heritage gap on its own.

Finance and Grant Aid

The consultants concluded that a project would only work if it could secure a mixture of direct and indirect funding support and indicated that detailed grant assessments would be needed as the project proceeded. Expert attention to all areas of grant support would be required and it flagged up potential sources for further work. The consultants advised that in view of the Heritage Gap.

Market-testing.

The commissioning partners concluded that a market-led solution was possible provided it was supported by them and other public agencies, and that grant aid would be necessary to bridge the gap between the costs of the project and the market value. It was therefore necessary to find a development partner to undertake the project and the Heritage Gap would be addressed as part of the project development.

The consultants recognised, and the commissioning partners accepted, that as the project progressed there would be a need for the developer to ascertain market conditions in the Sleaford area in order to determine rental and sales prices for release of properties, and to determine the timing of phasing. However, these requirements could not be a pre-condition for a project.



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