
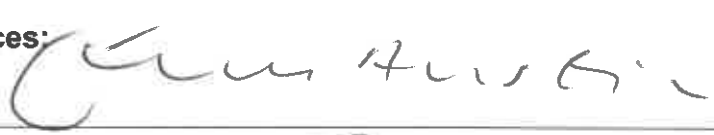




DEVELOPMENT, HOUSING & PLANNING - REGENERATION

APPROVAL PROCESS FORM

1	Report Title: Ground floor, 68 Falkner Street, Liverpool, L8 7QA Report No: EDR/25/19 Contact Officer: Karen Turner, Senior Development Officer, Development Team Contact No: 0151-233-0211
2	Meeting: CABINET Date: 21 st June 2019
3	Forward Plan: No
4	Approved by Divisional Manager: Date: 7/June/2019, 
5	Approved by Legal Services: Date: June 2019 
6	Approved by Lead Finance Officer: Date: 26.6.19 
7	Consultation with other Services/Business Units : Mark Kitts, Foundation Homes Ltd.
8	Approved by Assistant Director: Date: 7.6.19 
9	Approved by Director: N Kewarof Date: 11/6/19.



CABINET

PRINCES PARK
STATUS - PUBLIC

EDR/25/19

Cabinet Member: Mayor Joe Anderson OBE

Director: Nick Kavanagh, Director of Regeneration

Purpose of Report: Ground floor, 68 Falkner Street, Liverpool, L8 7QA

Date: 21st June 2019

Report No: EDR/25/19

Decision Type: Cabinet/Executive

Executive Summary:

The Council sold their freehold interest in 68 Falkner Street in 2016 to The Elliot Group to develop a residential scheme including commercial accommodation on the ground floor. As part of the transaction the Council has taken a lease back of the ground floor space with the original intention of subleasing the space to Blackburne House (BH).

BH, formerly known as the Women's Technology and Education Centre (WTEC) was established in 1983 with the aim of progressing women from disadvantaged backgrounds into employment within technical professions. BH are active in the L8 area and across the city.

The ground floor space has been finished to a shell specification and works are required to fit out the space to a standard to enable it to be let. Following detailed discussions with BH regarding their requirements it has been agreed with them that they will now take part of the space. The remaining accommodation will be fitted out for residential use and transferred to the Council's Housing Company, Liverpool Foundation Homes (LFH).

This report seeks agreement for the Council to fund the ground floor fit out for Blackburne House and LFH. The Council's investment in the BH part will be recovered through a ground rent arrangement in their sub-lease to BH. The Council's investment in LFH part will be dealt with through the LFH business plan and delivery plan, which the Council will be required to approve and will be subject to a separate report to Cabinet.

Information:

Background

The City Council by way of delegated authority sold the Council's freehold interest in 68 Falkner Street (formerly Toxteth Community College) in 2016 to The Elliot Group (TEG). As part of the deal the developer leased back the commercial space on the ground floor to the City Council. At the time of the transaction the intention was that the Council would subsequently sub-lease the space to BH, who would use it for further education purposes with flexible interactive learning and conference/meeting space.

TEG has since completed the development of 109 residential units and the ground floor has been finished to shell specification in accordance with the agreement. A 999 year lease of the ground floor unit at a peppercorn rent was granted to LCC on 28th June 2018.

The Council and BH have had detailed discussions regarding the fit-out of the space. Due to the proposed fit out costs being higher than originally expected, BH have reviewed their accommodation strategy and will instead now occupy half of the ground floor space.

It is proposed that the remaining half of the ground floor space is to be converted for residential use, comprising of 4 x 1 bed apartments and 2 x 2 bed apartments.

Blackburne House

It has been agreed that BH will enter into a 125 year sub-lease of the space allocated to them. They will pay the Council an annual ground rent, which will be increased annually in line with retail price index (RPI). The ground rent will off-set, over the term of the lease, the investment being made by the Council.

BH have appointed Cunard Construction for their building works following a tendering exercise, who have costed out the works at Falkner Street. These costs have been reviewed by PAMS, who have advised that they are reasonable and in line with market costs. It is proposed that the Council will enter into a funding agreement with BH and provide funding direct to BH who will undertake the works using their contractor.

It should be noted that from a commercial property perspective in order to let the ground floor space the Council would either have to fit out the space itself or get the tenant to fit out the space by offering incentives either by way of a lengthy rent free period or a reduced rent. Due to VAT implications, BH will enter into a lease under Blackburne House Women's Skills.

Liverpool Foundation Homes

Discussions have taken place with LFH who will, subject to the approval of their business plan and delivery plan by both the LFH Board and the City Council, take possession of the completed residential units, by way of a sub-lease with a similar lease term of 125 years. The apartments will be available for rent and LFH are in dialogue with BH about the possibility of first refusal to their service users/student by providing rented accommodation. This should provide much needed accommodation and could have cost savings for the Council in not having to house individuals in more expensive private accommodation. It is understood that Foundation's Board have approved the transfer of these residential units to the Housing Company, subject to the approval of the delivery plan by both Foundations and the Council.

Details of fit out costs are included in the financial details below. The Council are to appoint the same Contractor, Cunard Construction, to fit out LFH space due to their experience with already working on the premises and to avoid the costly procurement exercise of appointing a second contractor who would provide different mechanical and electrical packages, adding further to the costs. An exemption report for this appointment has been approved.

It is estimated that the works for Blackburne House will be completed by September 2019 and the works for Foundations will be completed by October 2019.

Recommendation:

That the City Council:-

- (i) Approve capital contribution of £1,045,000 towards the costs of the works to the ground floor space of 68 Falkner Street to provide educational and training facilities and residential accommodation
- (ii) To appoint Cunard Construction to carry out the fit out of the LCC element of the ground floor space for the reasons mentioned previously in this report.
- (iii) Grant Blackburne House a 125 year lease of part of the space, as shown on the attached plan subject to the payment of a ground rent and other such terms as agreed by the Development Team.
- (iv) Enter in to a co-terminus funding agreement with Blackburne House via a payable ground rent (subject to annual increase linked to RPI).
- (v) Grant Liverpool Foundation Homes a 125 year lease of the residential units, as identified on the attached plan.
- (vi) The transfer of the residential units to Liverpool Foundation Homes are subject to approval by the Council of Foundation's business and delivery plan Details of the funding agreement between LCC and Liverpool Foundation Homes is subject to further report.

Financial Implications:

BH Costs

Conversion Costs	£480,000
VAT	£96,000
Other costings (finance, contingency)	£37,000

Total BH Costs £613,000

These costs will be recouped by LCC via a ground rent from BH. The initial ground rent due to be paid c.£4,800 as is subject to annual increases linked to RPI.

LCC/LFH Costs

Conversion Costs	£393,000
Other costings (finance, contingency, fees etc.)	£99,000

Total LFH Costs £492,000

Total costs for entire Ground Floor **£1,045,000**

*Subject to final costings

The finance arrangements between LCC and LFH are to be detailed in LFH business and delivery plan and subject to a separate report to Cabinet.

There has also been a change in freeholder which we were not aware of until seeking Landlord's consent for the works. The Landlord's agents fees will be £750 + VAT and legal fees of £1500 + VAT.

Impact:

Impacts on the ongoing strain on accommodation BH faces as well as contributes through the services provided by BH by impacting on the wider educational offer to residents in the city.

Community Benefit:

The proposed project will actively seek to support Liverpool City Council's Inclusive Growth Plan. The main aims which will be achieved are:-

1. Investing in our children and young people

All our children and young people enjoy the best possible quality of life and are able to reach their full potential.

Blackburne House will provide skills and enterprise training to young women with effect from September 2019 if the proposed programme is achieved.

2. People who live well and age well

Improve health and wellbeing for all, prevent ill health, promote independence and provide quality personalised care and support for those who need it.

Foundation Homes Ltd will provide 6 residential units at ground floor level which will be accessible for private rent by Blackburne House students and the local community.

3. Quality homes in thriving neighbourhoods

All residents have access to quality housing and feel a sense of belonging and wellbeing living in a safe and sustainable neighbourhood.

Foundation Homes Ltd will provide 6 additional quality residential units within an existing established neighbourhood. Foundations seeks to promote outstanding design. The production of a residential design guide will establish a set of development principles for new Foundations schemes. The guide will be used as a tool by Foundations to set a baseline for excellent design across its schemes.

4. A strong and inclusive economy

Growing an increasingly modern, productive, and fair economy where the benefits of growth are more equitably shared amongst all citizens.

Blackburne House is focused on providing skills training in the local area, creating opportunities for women and supporting the local community.

Consultation including consultation with Ward Councillors and outcome:

Cllr Alan Dean, Cllr Timothy Moore, Cllr Anna Rothery

Legal and Governance Implications:

Legal services will document the granting of the underlease to BH and LFH.

The Council have a project monitoring officer working with the contractors to assist with the ongoing development.

Risk and Mitigation:

Financial risks – LCC carried out a soft marketing exercise to identify other possible ventures for 50% of the ground floor space. A number of high profile Company's such as Starbucks, Costa Coffee and Bean Coffee were contacted and the general response received was negative due to the location of the subject premises not being suitable.

To mitigate any potential risks, the project monitoring officer will ensure the scheme is developed on time and in budget. The letting and management of the residential units will be mitigated by LFH.

Reason(s) and Alternate Options Considered:

After carrying out extensive research in the best option for the available space, it was determined that the best option is for LCC to provide capital funding to fit out the ground floor space on a 50/50 basis to BH and LFH, this was identified as the most viable option due to meeting the requirements of BH in provided a flexible interactive learning space and providing LFH with fairly centrally located residential units for their portfolio. It also removes the liability of a vacant unit from the Council and prevents the Council from having to pay empty-non domestic rates.

The initial options of BH taking 100% of the ground floor deemed not viable due to costs of the specification of works being over the expected costs.

Not approving the capital contribution would impact on BH requirements for more accommodation within the local catchment area of L8 and in close proximity to their Hope Street campus which would further impact on their key outputs and aims of the charity.

100% use of the premises as further residential units would not be appropriate as it does not support BH need for accommodation.

Equality Implications:

The development, specifically for BH, will enable significant improvements to be made to the ground floor and services they provide in promoting equality for women in the construction industry.

Key Decision and Notice Requirements (including urgency): Yes

Implementation Date: Date of approval

Contact:

Background Reports: N/A

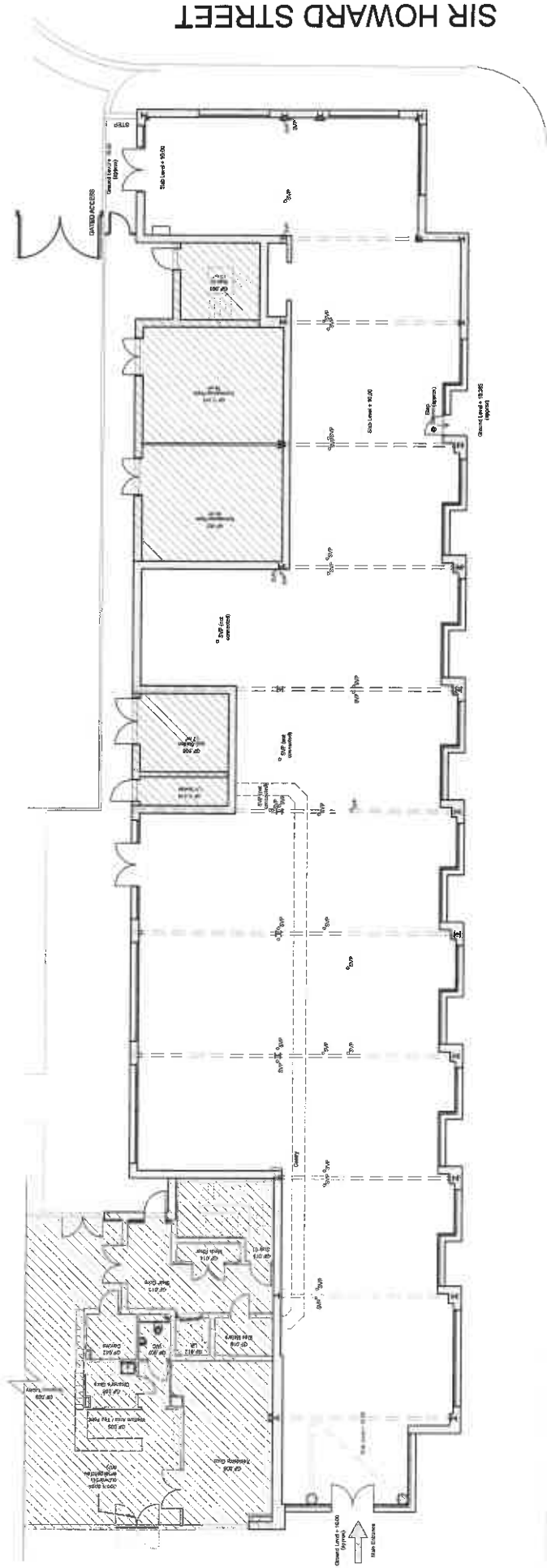
Supporting Documents:

- I. **Ground floor plan**

As Existing:

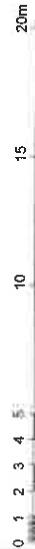
Total Floor Area: 722m² (7,773.6 sq ft)

Ground Floor Internal Fit Out



BEDFORD STREET SOUTH

Scale 1:200 @ A3



Key:

Not Included in Survey

SVP Soil Vent Pipe

owen ellis
Architects

68 Falkner Street,
Bedford Street South, Liverpool
L8 7AE

for Cunard Construction, for Blackburne House
As Existing:
Ground Floor Internal Fit Out

DATE	MAY 2018
SCALE	1:200 @ A3
PROJECT	4081 SU10

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