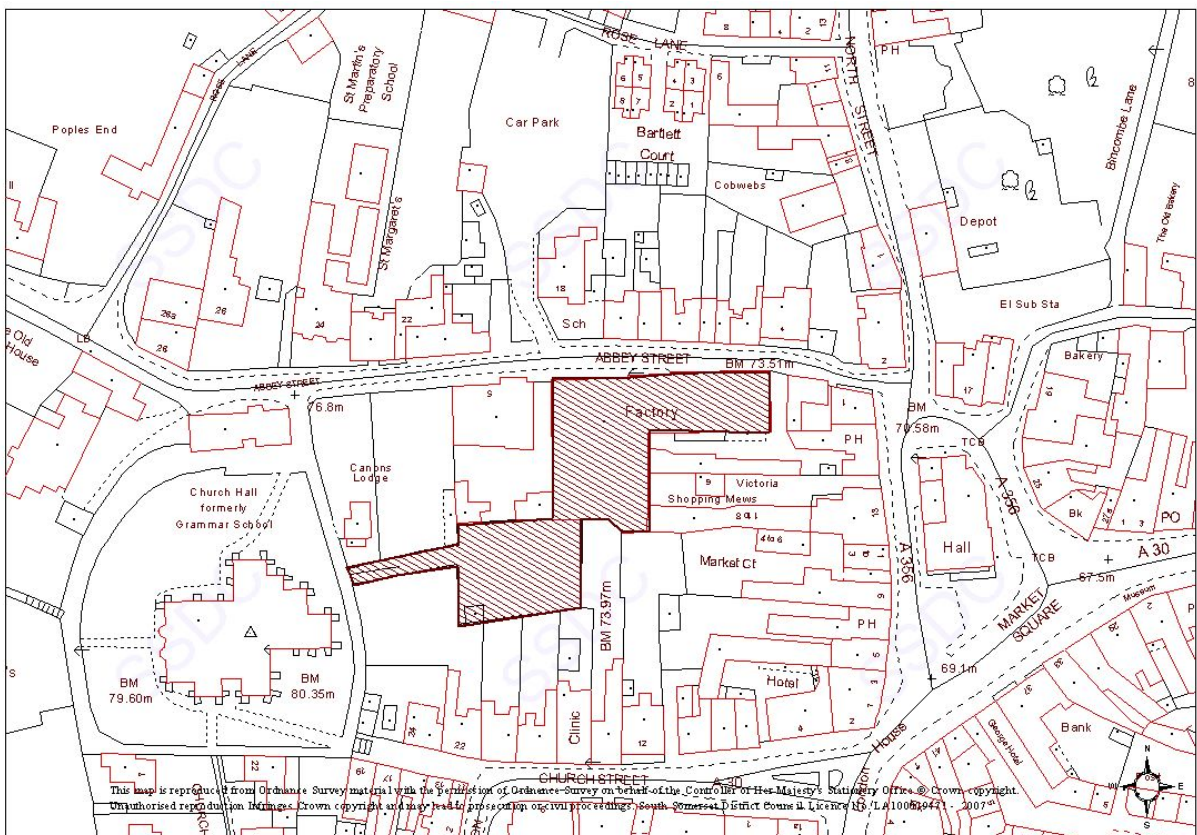


OFFICER: Andrew Gunn (01935) 462192 [Item 1]
APPL.NO: 06/04544/FUL APPLICATION TYPE: Full Application
PARISH: Crewkerne WARD: CREWKERNE TOWN
DESCRIPTION: Conversion of redundant factory into 11 Flats and 1 House (GR 344038/109833)
LOCATION: Bonsoir of London Abbey Street Crewkerne Somerset TA18 7HY
APPLICANT: Bonsoir of London Ltd
AGENT: Humberts Commercial (Yeovil) 32 Hendford Yeovil Somerset BA20 1TR
DATE ACCEPTED: 4 December 2006

REASON FOR REFERRAL TO COMMITTEE:

Members will recall that this application was considered at the meeting of the Area West Committee in April. The decision on this application was deferred for two months to enable up to date robust information to be available in relation to the economic viability of the premises for employment or mixed development use and to enable the evidence put forward by the Economic Development Officer to be justified. The delay of a month in bringing the applications back to committee was due to the fact that not all of the information sought by Committee was available at the time of the officer deadline for the June meeting.



UPDATE:

Following the above Committee resolution, an updated Economic Viability Report was sought and has now been submitted. In addition, the Council's Employment Land and Premises Register has now been updated by the Economic Development Team. The case officer has also sought and received comments from the Economic Development officer in response to the updated information. His response has been supported by the Council's retained Economic Consultant.

For information, Mr David Julian, Economic Development Officer, has recently changed jobs within the council but due to his knowledge and previous involvement with this site has continued to advise on this matter. The current Economic Development Officer is Mr Gerard Tucker - he has supported Mr Julian's comments.

The officer report presented to the April meeting of the Area West Committee has been attached at appendix A (pages 9-15) and original Economic Viability Report attached at

appendix B (pages 16-41). Attached at appendix C (page 42) is a list compiled by the Economic Development Team in the Employment Land and Premises Register.

REPRESENTATIONS:

Town Council

A letter has also been received from the Town Council stating the importance of the Bonsoir site to the town in employment terms and that the site could create rare opportunities for employment in the town. Furthermore, the Council urges District Councillors to carefully consider the new representations from Hydon Developments, Guy Anderson Wines and Stokes Partnership. The Town Councillors wish to express their strong desire that Crewkerne does not become a dormitory town.

In addition, 2 letters have been received from the Stokes Partnership raising concerns about the original Bruton Knowles report and the original officer report presented to committee. With regard to the comments from Stokes Partnership, it is acknowledged that the list of employment land and premises was not fully accurate nor up to date. As a result the Council's Economic Development Unit has produced an updated register (as of beginning of June). This document by its nature will be a fluid document but the important point is that it does show that a variety of premises are available in the town. Other issues raised in the 2 letters regarding viability, marketing and the policy argument are addressed in this report.

REVISED ECONOMIC VIABILITY REPORT:

The updated Economic Viability Report has been undertaken by David Foot, Bruton Knowles and is included below:

I refer to your instructions of 23rd May 2007 and have revisited our report.

As discussed the significant item of expenditure, in considering the viability of an office conversion is centred on the actual cost of construction. Stephen Moore Associates Ltd of Alvington, Yeovil have previously provided figures in this regard and with reference to part of the building, referred to as the 'original section, the gap and the palladian parts'. The total accommodation under consideration amounts to a gross internal area of 803 sq m (8,643 sq ft). I have not considered the balance of the property for commercial use.

The conversion budget required to provide open plan office accommodation amounted to a figure in November 2004 of £809,350 exclusive of professional and local authority fees, VAT and finance.

I have spoken with Stephen Moore who has confirmed that these costs have risen since that date by some 11.6% based on nationally accepted indices. The estimated cost of construction is now some £903,234. Such a figure being that which a freeholder would need to invest in the building and in order to secure office occupiers.

Conversion Cost November 2004	£809,350
Conversion Cost May 2007	£903,234
Increase 11.6%	

For illustrative purposes it is assumed that the hypothetical scheme is being considered by the current owners albeit it is acknowledged that they are not property developers but manufacturers. What, in consequence, we are attempting to ascertain is the viability of an office conversion aside from the question of the existing use value of the building.

Our previous report considered an acceptable return to be in the order of 8%. Mindful of the latest interest rate rises I no longer consider this figure appropriate after taking account of the cost of finance and risk involved. I have not however completed a sensitivity analysis as I believe it unnecessary and outside the scope of my instructions. It is my view that an investor/developer would now require not less than 8.5%.

Taking a revised conversion cost of £903,234 and a required return of 8.5% would necessitate £76,805 pa by way of rent. Such a figure being the sum a tenant would need to pay to justify the cost of conversion.

Conversion Cost May 2007	£903,234
Yield	8.5%
Annual return (rent)	£76,805

Turning now to the gross internal area of the building calculated as being 803 sq m (8,643 sq ft). In our previous report we reduced this by some 15% to calculate the likely net internal area and which a tenant would be expected to pay rent on. I have now been advised by Stephen Moore Associates that the net internal office accommodation amounts to some 691 sq m (7,438 sq ft) equating to a 14% gross/net adjustment.

A straightforward arithmetic calculation will dictate that an office occupier will need to pay a rent equating to £10.32 per sq ft based on the above to cover just the cost of conversion.

Net internal Area	7,438 sq ft
Rent £/sqft	£10.33
Annual Rent	£76,834

In simple terms this figure remains too much rent per sq ft for an office building in Crewkerne and especially due to the fact that we have built nothing into the valuation to allow for financing the scheme, professional fees, local authority fees and VAT. Neither have we taken any account of any value attributable to the building.

When looking at the viability of any conversion, the fundamental issue is whether or not such a proposition would be of interest to the banks and who at the end of the day would be required to finance such a scheme. It remains our view that it is not viable, and would in consequence not be fundable being unsupported by valuation.

Aside from the simple financial viability of conversion, it is also usual to factor in to the valuation the period necessary to obtain full occupancy and in effect therefore the period required for funding purposes. The above calculation assumes 100% occupancy from completion of the conversion and which is unrealistic. As previously discussed there is no published data on take-up rates within Crewkerne and it is difficult to identify where demand will come from. 7,438 sq ft net is a large amount of office accommodation for a market town like Crewkerne and therefore realistic to assume that an extended marketing period will be necessary and 100% occupancy unlikely for a number of years.

If these factors were included in the valuation and the likely cost of the finance added to the calculated conversion cost then I anticipate we would be looking at a budget for conversion in excess of £1m. I have not however completed a discounted cash flow and given the construction costs and rents already discussed.

Turning now to prevailing rents in the town. If we were to assume that prevailing office rents within Crewkerne are in the order of £8 per sq ft then in reality you are looking at a more realistic return on such an investment of approximately £59,504 pa (6.6%) and not the £76,834 pa required for an acceptable 8.5% return. 6.6% is almost certainly less than the actual cost of commercial finance currently available to most companies (1.5 - 2% over base).

In summary, the conversion is not viable based on prevailing rents in Crewkerne notwithstanding any further analysis of likely demand which will certainly not improve the yield profile. The building has a negative existing use value.

I have also considered if a reduction in square footage would improve the yield and therefore viability. The figures outlined above all relate to the useable area of accommodation and therefore a reduction in size will not result in an improved yield. Reducing the size will neither increase the rent payable (£/sqft) or reduce the conversion cost (£/sqft). In fact the reverse is probably true. The costs of providing a lift, communal reception, fire escape routes and toilets within a building are fixed costs. While not unrelated to the amount of accommodation they serve, the communal facilities are relatively flexible in this regard.

I would be happy to discuss these figures further, as I appreciate that to an extent they rely on accepted assumptions and valuation methodology, which to some may not be readily identifiable.

Economic Development Officer Comments:

The case officer has received 2 separate responses. The first commenting upon the revised report received from Bruton Knowles and the second is a planning consultation response in relation to the planning application. Both sets of comments are included below:

1. Economic Development – response to Bruton Knowles:

Two main points within this updated information and both are substantial points;

increased building costs
increase in interest rates

Both make the development costs considerably higher than previously projected.

Bruton Knowles have calculated that an extremely high and unachievable level of rental would be needed to provide a financial return that justifies the cost of conversion. Their calculations do not include the value of the site itself, costs of professional fees, contingency or rental loss on vacant units (this would present an even more difficult financial picture). Their comments support my view that conversion to office use is unrealistic. The issue does not simply relate to supply and demand for office space, but more relevantly to the completely unattractive financial cost of conversion.

The illustration provided by Bruton Knowles now projects a loss against even a high rental return (£10 psf as used in my previous comments).

The Bruton Knowles report is based on the results of a professional appraisal/study that would be very difficult to argue against under appeal- particularly as it would appear to be an accurate appraisal of the situation.

2. Economic Development – planning consultation response:

There are three main considerations from an Economic Development perspective. These are:

The viability of the redevelopment of these historic town centre buildings
The market for office accommodation in Crewkerne
The vitality and viability of the town centre

Viability

The costs of converting an ageing, listed premises such as these will be considerable. Development costs will have to include numerous considerations, including below ground conditions, structural integrity, specialist damp-proofing and the preservation of architectural features. The Bruton Knowles report indicates rehabilitation and conversion figures of approximately £120 per square foot for beneficial viable occupation. I have checked these figures with BCIS (Building Cost Information Services) guidelines and would agree that the cost estimates are not unreasonable, especially bearing in mind that Bruton Knowles have carried out an on site professional survey.

These development costs must be borne in mind when one considers the potential of the building to create income. Current market figures indicate that the maximum likely rental for office space in Crewkerne might be £10 per square foot. A £10 per square foot income (pa) against £120 per square foot capital outlay does not contribute well to a viable business plan.

If one also factors in the costs of:

- acquiring the site,
- interest on finance (say 6.5% pa)
- communal areas of the building removed from income calculations
- variables such as unlet space or lower rental yields

it becomes difficult to see a development to office space of such a difficult building yielding any net profit within the first 15 - 20 years.

From a commercial development perspective, conversion to office accommodation is not a viable option.

The local market for Office Accommodation.

Local Estate Agents were contacted on June 1st 2007 to provide a 'snapshot' of the current market. The following office premises were available to let, but the picture may be incomplete owing to a number of Estate Agents not returning details.

Location	Unit	Area (sq ft)	Rental Sought (£pa)
Barley Yard	1	896	8,960
Barley Yard	1	842	8,420
Barley Yard	4	1453	Various
Cropmead	1	990	9,200
Cropmead	1	527	6,000
Cropmead	1	189	3,000
Market Square	1	500	Not known
Enterprise House	2 (possibly)	150 (from)	Various
The Eden Building Blacknell Lane	1	11,000 Can be split	Not known

Additionally, a number of commercial premises described by the agents as suitable for office use (subject to planning permission) were noted!

A report prepared by McKinleys for Crewkerne Chamber of Commerce (May 2007) indicates that there is reasonable effective demand for office accommodation in Crewkerne. The figures provided above show that there is also a reasonable supply. Several of these properties have been on the market for some time and would indicate that demand does not yet outstrip supply.

Vitality and Viability of Crewkerne Town Centre

The buildings occupy a prominent position within the town centre and are part of the fabric of Crewkerne. They have been unoccupied for some considerable time and as a result, are gradually falling into disrepair. Unless a viable and long term sustainable solution for them is secured, this position is likely to remain.

As part of the town centre, derelict buildings do not contribute to the well being of Crewkerne. Therefore, securing an economically viable solution is not only necessary for the successful redevelopment of these buildings, it is also necessary to ensure Crewkerne retains a vital and viable centre.

The proposals provide for a range of uses that will promote some limited town centre employment opportunity and also, for town centre living. Residents may work within the town and will certainly contribute to increased expenditure within town centre shops and leisure uses. The proposals provide for a viable format of redevelopment that will also retain these historic buildings in a form that will ensure their long term contribution to the town.

Opinion

The development costs of converting the building to just office space, when measured against the likely income stream, do not present a viable development option. The proposals provide for an element of mixed uses, including offices, and provide a long term solution for these important and prominent historic buildings. Furthermore, the redevelopment, once completed and occupied, will make a significant contribution to the long term vitality and viability of the town centre.

From an economic development perspective it would be difficult to argue against this application.

Officer comments:

It is clear from the economic evidence and advice submitted to the case officer and outlined above that the conversion costs with regard to non-residential use will not be financially

viable. The Economic Development Officer is satisfied with the revised report submitted by Bruton Knowles. The findings of the revised viability report are also supported by the Council's retained economic consultant.

Concern was raised at the April meeting of the Area West Committee that the property had not been marketed. Whilst it is accepted that there are examples of other sites where marketing has been requested, Policy ME6 of the South Somerset Local Plan (this deals with retention of land and premises) does not require the marketing of employment land and premises. Marketing of sites have been requested by the Economic Development officer in the past, particularly when based upon their own knowledge of a settlement that a loss of employment land and premises would have a significant adverse effect on employment opportunities. However, based on the economic evidence, in particular the high costs of conversion, the Economic Development Officer has stated that marketing will not alter the fundamental issue of high development cost.

The Economic Development Officer has also forwarded the following comments in relation to the concerns raised about the Bruton Knowles report and the policy approach:

Crewkerne enjoys both a reasonable demand and a reasonable supply and range of office premises. Both the current and recent historic pictures (historic synopsis provided by McKinleys for Crewkerne Chamber of Trade May 2007) would indicate there is an effective turnover of properties and a reasonable equilibrium in this section of the property market. Such conditions would not underpin an argument to introduce a new and substantial amount of office space to the local market.

It is my opinion that the loss of this building will not have a significant adverse effect on employment opportunity in Crewkerne

More importantly, requesting that the site be marketed will not alter the fundamental issue of high development cost. Any prospective purchaser is likely to conclude fairly quickly that conversion to office space is not financially achievable. At some point a change of use will have to be considered to bring the premises back into occupation and good repair. Our retained consultant has advised us that if a greater element of office space is included within any proposed plan, it will simply tighten the budget available for a sympathetic, appropriate conversion and refurbishment of the whole premises.

During the course of discussions at the April meeting, the names of developers and businesses were mentioned who were understood to have shown serious interest in the buildings either for business use or mixed use. The agent met with a couple of those interested parties. The case officer has received the following summary of the meetings held with the agent and interested parties:

Further to our recent correspondence in relation to the above matter, I confirm I duly met Mr Wadsworth of Hydon Developments and Mr Anderson of Anderson Wines at the above property yesterday.

In summary, Mr Wadsworth is interested in buying the property as a development scheme. He is a local developer and his intention to acquire this property has been known to us for some time. He is not interested in occupying the property in any way for his own purposes.

Regarding Mr Anderson's interest, he is uncertain as to exactly what he requires and whether or not the building would be suitable. He is not aware of the financial implications of any potential scheme and as one of the leading commercial agents in the area I am unaware of him ever looking at anything else in the locality. His interest is therefore speculative. On the basis of the information above, I believe that any interest in this property is preliminary at best and more than likely speculative depending on price. Certainly no in depth investigation has been carried out by either party. In that regard, surely the greatest weight should be given to the independent analysis prepared by Messrs Bruton Knowles which I understand confirms that this scheme including any commercial element is unviable. That only reinforces the evidence, which I believe your Economic Development Officer has given in the past.

Based on the above comments, it is clear that much more physical assessment of the buildings along with the financial implications would have to be undertaken by both of the interested parties before any firm proposals would be considered. Based upon the economic

evidence and advice outlined in this report, it is considered on balance that due to the issues of viability, it is unlikely that a proposal for employment reuse would be forthcoming.

Members will recall that the original officer report outlined the proposals and concluded that the proposals will not adversely affect the character of the listed buildings nor their settings and will preserve the character and appearance of the Conservation Area. In addition, based on the new economic evidence that has been provided, it is not considered that the proposal will result in significant adverse effect on employment opportunities. Amended plans were sought in relation to highway issues and these are still awaited. An oral update will be given with regard to any revised plans that are received.

Members will also recall that further information and clarification was also sought in relation to the boundary walls and new window to be inserted into the south elevation of the barn building. The agent has clarified that no boundary walls are to be demolished. Moreover, the agent has stated that 'the proposals relating to the southern elevation of the barn building relate to the removal of the concrete lintel and to replace the 2 second floor mid twentieth century windows with one unit centrally located. Size and pattern to match existing east elevation window units. In addition we wish to reopen an existing blocked window opening on the first floor and insert a new timber window unit pattern to match east elevation windows size to suit existing opening. This was outlined in the Heritage Statement'.

CONCLUSION:

It is accepted that these buildings form an important part of Crewkerne's history and, in particular, until recently provided a valuable source for employment. It is clear from the evidence provided by Bruton Knowles and the comments and advice given by the Council's own economic officers that conversion to non-residential uses is not viable. Other parties have shown an interest in possibly using the buildings, however, there are no firm offers or proposals at the time of writing. Importantly, a decision on the current application should not be held in abeyance whilst other proposals/options may be being considered. The decision on this application has to be made based on the merits of the application as submitted.

RECOMMENDATION:

Application Permitted with Conditions and subject to the receipt of satisfactory amended plans with regard to the highway improvements.

The proposal, by reason of its size, scale and materials, respects the character of the area, and causes no demonstrable harm to residential amenity. It also preserves the character and appearance of the Conservation Area and the Listed Buildings in accordance with the aims and objectives of policy ST5, EH1 and EH3 of the South Somerset Local Plan 2006.

1. The works hereby granted consent shall be begun before the expiration of THREE years from the date of this consent.

Reason: As required by Section 16(1) of the Planning (Listed Buildings and Conservation Areas) Act 1990.

2. The development hereby permitted shall not be commenced until particulars of the materials (including the provision of samples where appropriate) to be used for external walls and roofs have been submitted to and approved in writing by the Local Planning Authority.

Reason: In the interests of visual amenity and to protect the character of the listed building in accordance with Policies EH3, ST5 and ST6 of the South Somerset Local Plan 2006.

3. Notwithstanding the provisions of the Town and Country Planning (General Permitted Development) Order 1995 (or any order revoking and re-enacting that Order with or without modification), no windows/dormer windows other than those expressly authorised by this permission shall be constructed.

Reason: To protect the character and appearance of the listed building in accordance with Policy EH3 of the South Somerset Local Plan 2006.

4. All new external walls and alterations and making good to existing walls shall be constructed and carried out in matching natural materials (including the matching of pointing and coursing) samples of which shall have been submitted to and approved in writing by the Local Planning Authority before any of the development hereby permitted is commenced.

Reason: To protect the character and appearance of the listed building in accordance with Policy EH3 of the South Somerset Local Plan 2006.

5. Before the development hereby permitted shall be commenced details of all eaves/fascia board detailing, guttering, downpipes and other rainwater goods shall be submitted to and approved in writing by the Local Planning Authority. Such details once carried out shall not be altered without the prior written consent of the Local Planning Authority.

Reason: To protect the character and appearance of the listed building in accordance with Policy EH3 of the South Somerset Local Plan 2006.

6. The development hereby permitted shall not be commenced until there has been submitted to and approved in writing by the Local Planning Authority a scheme of landscaping, which shall include indications of all existing trees and hedgerows on the land, and details of any to be retained, together with measures for their protection in the course of the development, as well as details of any changes proposed in existing ground levels; all planting, seeding, turfing or earth moulding comprised in the approved details of landscaping shall be carried out in the first planting and seeding season following the occupation of the building or the completion of the development, whichever is the sooner; and any trees or plants which within a period of five years from the completion of the development die, are removed or become seriously damaged or diseased shall be replaced in the next planting season with others of similar size and species, unless the Local Planning Authority gives written consent to any variation.

Reason: In the interests of visual and residential amenity in accordance with Policies ST5 and ST6 of the South Somerset Local Plan 2006.

7. No development shall take place until the applicant, or their agents or successors in title, has secured the implementation of a programme of archaeological work in accordance with a written scheme of investigation which has been submitted to and approved in writing by the Local Planning Authority.

Reason: In order to ensure that adequate opportunity is afforded for investigation of archaeological or other items of interest.

8. Should a bat or bats be encountered while work is being carried out on the property, work must cease immediately and advice obtained from the applicant's consultants or the government's advisers on wildlife, Natural England. Bats should preferably not be handled (and not unless with gloves) but should be left in situ, gently covered, until advice is obtained. As a further precaution, undertaking demolition work during the months of March to May or September to November is preferable, in order to avoid the main hibernation and breeding seasons when bats are most sensitive to disturbance.

Reason: To ensure the conservation of legally protected species in accordance with Policy EC8 of the South Somerset Local Plan.

9. The areas allocated for parking on the submitted plan shall be kept clear of obstruction and shall not be used other than for the parking of vehicles in connection with the development hereby approved.

Reason: In the interests of highway safety.

10. The dwelling and apartments hereby permitted shall not be first occupied until the parking spaces for the dwelling and apartments have been fully contracted and approved in writing by the local planning authority.

Reason: In the interests of highway safety.