

Committee(s):	Date(s):	Item no.
(1) Barbican Residential (2) Policy and Resources (3) Community and Children's Services	(1) 11 June 2012 (2) 5 July 2012 (3) 12 July 2012	
Subject: Barbican YMCA, 2 Fann Street, EC2 – Future Use		Public
Joint Report of: Director of Community & Children's Services & The City Surveyor	Ref No; CS.204/12	For Decision
<p style="text-align: center;"><u>Summary</u></p> <p>The City is due to receive vacant possession of the Barbican YMCA premises at 2 Fann Street, EC2 when the YMCA notice to quit expires on the 30th September 2012.</p> <p>Arrangements therefore need to be progressed to address the future use of the building. Due to the physical constraints of the building it is believed that housing needs can be more effectively and efficiently met by an alternative provision.</p> <p>Therefore marketing of the building is recommended, offering it with proper, reasonable and relevant conditions, to assist with identification of the future use.</p> <p>Due to the diversity of residential uses likely to be expressed, a consultant with suitable residential expertise will be needed to assist with the marketing process and once a clear way forward has been settled, the eventual selection and negotiation of appropriate development terms.</p> <p>There are likely to be interim holding costs which the City will have to bear when vacant possession is received, although their extent will depend upon whether or not an interim use can be achieved. In addition, there will be costs for general investigative works needed to support the marketing.</p> <p>Recommendations</p> <p>We RECOMMEND that approval is granted to;</p> <p>(a) Market the building at 2 Fann Street, EC2, for disposal inviting best offers for the grant of a long lease for a premium payment and delegating authority to the City Surveyor to determine reasonable and</p>		

proper marketing conditions and criteria in consultation with the Director of Community & Children's Services, the Comptroller & City Solicitor and the City Planning Officer.

- (b) Approve the appointment of consultant BNP Paribas to advise upon marketing at a fee cost of up to £80,000 (based on pre-tendered rates agreed under the Office of Government Commerce Framework Agreement subject to the capped sum) plus £38,100 for marketing expenses and both plus VAT and to be met from Community & Children's Services department local risk until reimbursed from any disposal proceeds.
- (c) Approve expenditure up to the amount of £135,700 plus VAT funded from the 2011/12 Community & Children's Services department local risk underspend to address holding costs for the building for the period from 1st October 2012 to 31st March 2013 and essential decommissioning and security works.
- (d) Delegate authority to the City Surveyor in consultation with the Chairmen and Deputy Chairmen of the Barbican Residential Committee, the Children and Community Services Committee and the Policy and Resources Committee to approve any suitable temporary use as can be recommended upon appropriate terms and conditions and to instruct the Comptroller & City Solicitor to deal with any necessary documentation.

Main Report

Background

- 1 The National Council of Young Men's Christian Associations (Incorporated), latterly known as YMCA England served notice upon the City to terminate its lease of the Barbican YMCA, 2 Fann Street, EC2 with effect from 30th September 2012.
- 2 The building is purpose built as a hostel and first let in 1970. It comprises approximately 6,490 m² on ground and 17 upper floors plus 3 lower levels. It presently includes 218 bedrooms (of which 54 are twin-bedded).
- 3 The building is in poor condition throughout, with service installations generally being obsolete, and the whole now in need of comprehensive refurbishment and modernisation.

- 4 The necessary outstanding repairs that have been identified but which would not address modernisation, have been estimated at circa £1.69m and the responsibility of the YMCA as was previously reported, although the City has previously resolved that it would be willing to waive this cost.

Current Position

- 5 The City is due to receive vacant possession of the building upon the expiry of the YMCA notice and needs to deal with its future use.
- 6 The future use of the building has to consider not only housing requirements in line with Housing Strategy, but a combination of factors, including;
 - a) Physical constraints imposed by its layout and structure.
 - b) Town planning requirements and the listed status.
 - c) The City's powers of disposal and fiduciary duties.
- 7 **Physical constraints imposed by its layout and structure** – The building is constructed over a number of floors as detailed above, having a central lift and service core, and with structural walls restricting the configuration and use of the floor space. The building will require modernisation and refurbishment for whatever future use occurs.
- 8 Due to the layout of the building and the conversion issues, the Director of Community & Children's Services does not consider that it is suitable for efficient or effective use to meet affordable housing need, but that such needs can be better met by alternative provision.
- 9 **Town planning requirements and the listed status** – Planning policies seek to preserve hostel use, notwithstanding the proven difficulties of such a business model for a general purpose hostel use in this type of building. If it is intended that the building be used for other residential purposes beyond the scope of the current planning permission, a proposed developer would need to comply with planning policy, as outlined in Appendix 1 - Overview of Planning Position, in order to obtain the necessary planning permission. This is likely to require evidence that there is no reasonable demand for the existing use before any change of use could be considered, and/or suitable alternative off-site hostel or housing provision, or other over-riding planning considerations would be necessary to justify a change to other uses.

- 10 Should a change of use to the building be considered as a viable option, planning consent would need to be sought, and this would require public consultation in due course.
- 11 The building is Grade II Listed, which would necessitate listed building consent for any works to it.
- 12 **The City's powers of disposal and fiduciary duties**– The hostel was appropriated from planning purposes to housing purposes under former Housing Acts by resolution of Court of Common Council on the 20th July 1978. Under Section 74(1) Local Government and Housing Act 1989 the housing authority must keep a Housing Revenue Account (HRA) for sums credited or debited in respect of land and buildings held under Part II, Housing Act 1985 (including predecessor legislation). The restrictions on the use of capital receipts from land and buildings held within the HRA will need to be examined further.
- 13 One of the general considerations is that as an HRA asset, 50% of any receipt from disposal will be ring-fenced, either for payment to the Government or to be applied to the provision of affordable housing. The remaining 50% receipt would accrue to the City Fund and could be used for any housing or non-housing capital purposes.
- 14 Disposal of land held under Part II Housing Act 1985 requires the consent of the Secretary of State (S.32 Housing Act 1985). However, there are a number of General Consents in place which obviate the need for specific requests to the Secretary of State, including a general consent to dispose of vacant dwellings at market value to third parties.

Potential Future Use

- 15 Each of the above factors places limitations upon the disposal arrangements but in combination, the constraints narrow potential options to a residential type use.
- 16 The possible long term residential uses are set out in Appendix 2 of this report, and include potential use by the City, together with those which the building could reasonably physically accommodate and are likely to attract interest, namely;
 - Private Dwelling
 - Hotel
 - Hostel

- and other residential uses that may not attract interest, due to the above constraints and the financial viability of such schemes;

- Sheltered Housing
- Care Home
- Serviced Apartments

17 The long term use will be largely dictated by the market interest, and the best way of determining that interest would therefore be to invite market offers on the basis of disposal upon appropriate terms and conditions.

Marketing

18 It is recommended that marketing is undertaken in order to determine whether or not there is reasonable demand for the existing use, to enable the identification of any alternative residential uses, and to obtain the market view of the building and its value.

19 It is proposed that marketing is conducted on the basis of seeking best offers for disposal of a long leasehold interest in the building for a premium payment, subject to proper and reasonable conditions reflecting other terms that City wishes to achieve for its better management, those terms to be determined by the City Surveyor in consultation with the Comptroller & City Solicitor, the Director of Community & Children's Services and the City Planning Officer.

20 The City has received various enquiries following the service of notice by the YMCA, from local stakeholders and parties seeking information about the future of the building. The marketing process will allow fair opportunity for any expressions of interest in the building to be submitted, in a transparent manner.

21 Marketing in this way ensures that the City can demonstrate that all interested parties have an equal opportunity to express the various interest that may be anticipated, and to address all of the salient issues impartially and fairly and that the City has achieved the best offer in all respects.

22 The conditions will need to reflect the relevant concerns and statutory requirements including listed building requirements, the City's fiduciary duties, the requirement to restore the building into best condition in accordance with good estate management practice and its long term protection, in order to seek the best beneficial use that the combination of these factors will produce.

- 23 The marketing process will require preparation time for gathering technical information and advertising, approximately six weeks of market exposure, bid submission and analysis time, which could all take between 12-16 weeks to obtain.
- 24 The results of marketing will need to be analysed to determine how the market views the building and how any interest fits with the statutory provisions.
- 25 The cost of marketing is circa £118,100, to be met in the first instance from Community & Children's Services department local risk until reimbursed from any disposal proceeds.
- 26 The summary of estimated costs for marketing the building are as follows:

Marketing

Energy Performance Certificate	£1,400
Structure Checks	£30,000
Consultants Fees (capped)	£80,000
Marketing Media	<u>£6,700</u>
	<u>£118,100</u>

- 27 BNP Paribas has been engaged as our consultants, using the authority previously given, to review and appraise the alternatives uses for the building as the initial part of overall process to deal with the future use of the building. Further approval is needed to retain the consultant, to advise and co-ordinate and handle the marketing and subject to the City's subsequent approval on the way forward, to generally assist in securing an appropriate disposal of the building on suitable commercial terms.
- 28 BNP Paribas consultants fees are offered on the basis of its pre-tendered and current rates agreed with the Office of Government Commerce, subject to the capped sum.

Interim Use

- 29 In the meanwhile, the immediate future of the building also needs to be considered, involving works to maintain building security, and possible temporary interim use but which should not frustrate or delay implementation of the eventual long term use.
- 30 The City should consider whether the premises are to be kept vacant pending implementation of a long term use or whether it would be expedient to obtain a temporary interim use.

- a) **Vacant** – If the building remains vacant, it would need to be decommissioned to meet insurance and good practice requirements, cleared of furnishings to achieve non-domestic rates relief, and secured to avoid risk from unauthorised access. The necessary works would involve the City with costs (Appendix 3). Council tax in respect of the residential elements would be payable at half of the full amount after those parts have been empty for 6 months, and would amount to an annual cost of £1,508 based upon current charging levels.
- b) An additional cost that would arise if the building remains vacant for any period exceeding 6 months and a subsequent change of use is permitted, would be the Community Infrastructure Levy, to be paid upon implementation of the alternative use, although that would impact upon the developer but undoubtedly be reflected in any offer.
- c) The estimated costs for holding the building vacant are summarised beneath, and set out in detail in Appendix 3.

Security

Building Security Works	£48,700
Manned Security (6 months)	£42,000
Clearance	£15,000
Decommissioning	£30,000
	<u>£135,700</u>

- d) **Temporary Use** – Interest has been expressed by the University of London for temporary use of the building for decanting students from its central London halls of residence while it is undertaking works involving refurbishment and expansion of its accommodation.
- e) A temporary use with occupation starting immediately vacant possession is received from the YMCA could reduce the City's costs for securing empty premises.
- f) A temporary academic use would have occupation dates linked to the academic calendar, but depending upon the eventual future use, could impact upon its implementation. Any temporary letting should be excluded from the security of tenure provisions of the Landlord & Tenant Act.

- g) If a temporary letting could not be effected concurrently with YMCA vacating, the City would be advised to effect appropriate security measures.
- h) The building services are in poor condition, which a temporary occupant would need to address. The level of expenditure to achieve a temporary use may be unfeasible.
- i) Depending on an actual temporary use, it could trigger an increased council tax liability, but payment would be made a responsibility for any temporary user.

Timescale

31 An outline timescale to make progress has been considered;

	June 2010	Sept 2012	Dec 2012	Mar 2013	June 2013	Sept 2013	Dec 2013	Mar 2014	June 2014	Sept 2014	Dec 2014	Mar 2015	June 2015	Sept 2015
• Gather technical advice / structure / intrusive surveys	█													
• Marketing / analyse bids		█												
• Seek Committee approval			█											
• Documentation period				█										
Hostel Route														
• design / listed bldg. consent					█	█	█							
• undertake works (9 months min – probably longer)								█	█	█				
Residential route														
• design / EH consult / change of use / viability test					█	█	█	█	█					
• 3 month review period										█	█	█		
• undertake works (12 months min – probably longer)											█	█	█	█

32 The indicated timing is challenging, and any minor delays would have a knock-on effect. It assumes that the statutory approvals do not take longer than may be normally expected, but the provisions relative to housing requirements are unusual and thus could be expected to delay the overall timescale.

Legal Implication.

33 The legal issues are incorporated into the report.

Financial and Risk Implications

34 The financial issues are incorporated into the report.

Proposals

35 The various legal and planning requirements relating to a future use of the building will make the selection of an alternative use a complex process. Therefore it is proposed that the building is offered to the market for disposal subject to proper and reasonable conditions which the City should require to address the necessary requirements and to assure that the building is returned to good order and is a viable and self-supporting asset.

Corporate and Strategic Implication

- 36 The proposals as outlined in the report would not be contrary to either:-
- a) **The City Together Strategy** – Supporting Our Communities, to promote appropriate provision of housing and community facilities.
 - b) **The Core Strategy CS21** – To protect existing housing and amenity and provide additional housing.
 - c) **Economic Development** –developing facilities on the City fringes to support an adequate workforce.

Conclusion

37 Although there are various possible alternative uses which the building could well accommodate, the statutory considerations will affect the City's ability to deal with it, and offering it to the market with suitable conditions is believed to be the best way to progress, to identify what demands exists and what long term use is likely to be revealed.

Appendices

Appendix 1 – Overview of Planning Position

Appendix 2 – Potential Residential Use

Appendix 3 – Holding Cost Analysis

Background Papers

Barbican YMCA – Housing Issues and Lease Expiry

Joint Report of: Director of Community & Children's Services & The City Surveyor / ref no;CS.326/11

To Committees;

Barbican Estate Residents Consultation - 12 September 2011

Barbican Residential - 26 September 2011

Corporate Asset Sub - 27 September 2011

Policy and Resources - 13 October 2011

Community and Children's Services - 14 October 2011

Finance - 18 October 2011

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Appendix 1

Barbican YMCA – Overview of Planning Position.

- 1 **Overview** – The building is currently designated as an Hostel being a '*sui generis*' use (a unique class) and formed part of an overall planning consent granted by the London County Council on the 12th May 1961 for redevelopment of the Barbican Estate. There was a subsequent partial change of use granted on the 30th June 2005 in respect of the 15th & 16th floors of the subject premises from hostel to headquarters offices (class B1) for the YMCA.
- 2 Planning policy generally seeks to resist the loss of hostel accommodation. National policy, through the recently issued National Planning Policy Framework, has no specific requirement for the provision or retention of hostels, but the housing mix should meet demand and the identified need.
- 3 The London Plan (GLA) seeks to resist the loss of hostel accommodation or require it to be replaced elsewhere with equivalent or better standard accommodation. The City's Core Strategy and UDP reflects The London Plan.
- 4 In this instance it is believed that the City will be left to determine any application, with no requirement for referral to the Mayor of London.
- 5 Any application for change of use will be subject to the usual public consultation, giving neighbours and local residents the opportunity to comment.
- 6 **City Policy** – A change from the existing use may be permitted if there is no local or London wide demand for the hostel accommodation. Although there is no prescribed method to demonstrate demand, normal marketing, fully exposing the property to the market subject to any acceptable terms is considered to be a satisfactory means to identify demand. In the event that there is no suitable hostel demand forthcoming, a change of use would need to be considered.
- 7 **Affordable Housing** – In conjunction with any planning consent for a change of use, there would be an attendant requirement to make provision for affordable housing in line with the requirements set out in the City's Core Strategy.
- 8 **Planning Conditions** – all development and works to the building will need to align with;

- a) **Listed Building Management Guidelines** – reasonably modest requirements for the management of buildings on the Barbican Estate and which represent good estate management practice and will affect any interim and long term uses.

- b) **Alterations & Sustainability** – the inevitable works to the building should aim to achieve the Code for Sustainable Homes Level 4 (or higher / better) standards, but this will be subject to the practicality and feasibility of achieving these requirements in a listed building. Code Level 6 is the optimum standard equivalent to zero carbon emissions.

Appendix 2

Barbican YMCA – Potential Residential Use

- 1 **Affordable Housing Use** - including hostel occupation is considered to be inappropriate due to the layout of the building, over several storeys and built around a central service core. Limiting the viability of any conversion.
- 2 **Residential Use** – which may be expected to attract market interest and ranked in order of descending value;
 - a) **Private Dwellings** - Refurbishment, conversion and use for private residential purposes would probably be the favoured use amongst local residents. The location is highly desirable and likely to provide the most interest, although the structure and layout will constrain conversion. The use is feasible, subject to planning and housing requirements.
 - b) **Hotel** – It is considered that the building would convert to provide hotel accommodation, although the layout may not be ideal. Such use could secure a high quality conversion and operation to ensure that it would attain suitable patronage. The use is feasible, subject to planning and housing requirements.
 - c) **Hostel** – The building is presently designated as a hostel. The current focus for general purpose hostels now seems to be on small 'single need' facilities which are more manageable, thus the building is believed to be too large for 'single need' uses. However, student use remains as one type of single use which is not sensitive to the building size, thus as a hostel specifically for students the building may be sustainable and could attract interest, albeit that it may be small scale for the mainstream operators. The use is feasible.
- 3 **Residential Use** – where interest is thought unlikely;
 - a) **Sheltered Housing** – The building is thought unlikely to attract interest for sheltered housing. Such use does not compete well with traditional dwellings, particularly in high land value areas, due to the end value of the scheme reflecting a sizeable discount. High rise buildings are not well suited to sheltered schemes. High quality schemes also generally have generous on-site facilities which may be too costly to provide.

- b) **Care Home** – The building is thought unlikely to attract interest for care home use. High rise buildings are generally unsuitable to operators, and the building is believed to be too large for specialist providers. Room sizes could well affect any possible occupancy levels and thus have a knock-on effect with certification. Care homes do not compete well in value with traditional dwellings, particularly in high land value areas.

- c) **Serviced Apartments** – The building is thought unlikely to attract interest for serviced apartments. Although presently seen as a growth market, interest may be hampered by limited interest from institutional investors, thus affecting the supply of funding for a scheme. The building layout may deter main-stream providers, who are additionally tending to create their own branding. There is a plentiful local supply of serviced apartments competing for demand.

Appendix 3

Barbican YMCA – Holding Cost Analysis

1 Costs for holding the building

2 Security – Overall £90,700 and as the following details. The extent of works to effect building security would depend upon whether any temporary use is permitted or achievable.

a) Building Security Works – circa £48,700

i) The open fire escape staircases to the front and rear of the building, entrances and windows will need to be secured. It would be wise to implement this security irrespective of an interim temporary use. Works will need listed building consent.

ii) CCTV & Alarms – The building is already alarmed. CCTV would add an extra surveillance facility.

b) Manned Security – Circa £42,000

i) Required when vacant possession is obtained. Presently the length of time for which guarding services would be needed is indeterminate, thus the estimate relates to period from the expected date of possession (1st October 2012) to the end of the current financial year 2012/13. On-site security is unlikely to compromise non-domestic rate relief.

ii) If security is effected by mobile patrol at say 4 visits per day (over the same period) the estimate would reduce to £9,000 (approximately).

3 Clearance – Circa £15,000

a) The City should consider that all of the furniture and equipment within the building will remain when the YMCA vacate, under the provisions of its lease. Used furnishing is likely to have little if any second-hand resale value bearing in mind the use to which it has been subject and likely to present a clearance cost, unless another organisation needing such equipment can be identified either to purchase or remove at cost. Carpets should be included if considered a potential fire risk.

4 Decommissioning - £30,000

- a) Mains services to the building should be decommissioned if it is to remain vacant, subject to maintaining essential services for security and fire prevention.

5 **Marketing Costs** – Overall £118,100 and as the following details;

- a) **Energy Performance Certificate – £1,400**

- i) An EPC is required to be provided when the building is offered to the market.

- b) **Structure Checks – £30,000**

- i) Checks on component parts of the building are advisable to accompany marketing details in order that any bidders can make fully informed offers, those checks to determine the presence of asbestos, the standard and condition of the concrete cladding, core concrete samples and investigation of utility supply and capability.

- c) **Consultant Fees - £80,000 (capped)**

- i) BNP Paribas was selected, as the individual consultant has extensive experience with residential and hostel premises of the subject type, has direct experience of advising the City with its housing related issues and has recently successfully provided advice connected with the City's Tower Bridge and Frobisher Court housing schemes.

- d) **Marketing Media – £6,700**

- i) The necessary costs to market and publicise the building to invite offers.