

Property Group Update

2015/16 Quarter 3:
October – December

Report from: Senior Property Officer

1.0 Introduction and Background

This Quarter 3 report is intended to provide an update on previously reported projects and initiatives and to highlight any significant emerging property related issues. This report is not intended to provide in depth updates on all ongoing individual property cases.

2.0 Corporate Non-Housing Property Portfolio Delivery Programme

As explained in previous reports, individual projects within the delivery programme fall into three procurement groups based on their value i.e. Minor Works (MW), Intermediate Works (IW) and Projects (P).

It has been reported on a number of occasions and is worthy of note again here that budget flexibility between individual projects is essential. This is because the costs taken from the 2012 condition survey data to build up the original five-year budget were purely indicative, having been estimated based upon non-invasive surveys. As such, the levels of work required at each property have increased or decreased as detailed specification work for the procurement process has progressed.

2.1 Delivery Programme

The delivery programme is now in its third year and the following tables provide a summary of progress to date for information purposes:

2.1.1 Year 1 Delivery Programme

Property	Estimate / Agreed Maximum Price	Proposed / Actual Start Date	Percentage Complete	Notes
Minor Projects				
Projects within 14 Buildings	£103K	Various	100%	Contained within the R&M revenue budget (i.e. not capital spend).
Intermediate Projects				
White Lund Depot	£113K	27/01/14	100%	
Lancaster Cemetery Chapels	£175K	27/01/14	100%	
Lancaster Town Hall Railings	£47K	02/10/13	100%	
Lancaster Town Hall Paving	£28K	07/10/13	100%	
Morecambe Town Hall	-	-	-	Included in Morecambe Intermediate General Projects (below)
The Dukes Playhouse	-	-	-	On hold pending a decision on Dukes

Property	Estimate / Agreed Maximum Price	Proposed / Actual Start Date	Percentage Complete	Notes
				development funding.
Williamson Park Phase 1	£122K	02/12/13	100%	
Assembly Rooms Phase 1	£100K	09/12/13	100%	
Storey Phase 1	£323K	03/02/14	100%	
Maritime Museum Phase 1	£390K	27/03/14	100%	Additional works identified including replacement boiler
Morecambe Intermediate General Projects; Morecambe Town Hall & Garages (60 Euston Road, Regent Road PC) Salt Ayre Sports Centre	£100K	Various	100%	Additional works identified including re-plastering MTH stairwell, Euston Road reroofing and Stone Jetty external works.
Lancaster Intermediate General Projects; Bridge End Depot, Ryelands Changing Rooms, Old Man's Rest, Cottage Museum, King George Playing Fields	£98K	Various	100%	
Major Projects				
The Platform Phase 1	£413K	03/03/14	99%	Additional works identified including new roof edge protection, maintenance staircase to flat roof and fire compartmentalisation works.
Salt Ayre Sports Centre	-	-	-	Included in Morecambe Intermediate General Projects (above)
Mitre House Car Park	£115K	30/09/13	100%	Additional replacement sub-base was required.

2.1.2 Year 2 Delivery Programme

Property	Estimate / Agreed Maximum Price	Proposed / Actual Start Date	Percentage Complete	Notes
Ashton Memorial – Internal & External Works	£585K	16/02/15	90%	This project has been delayed due to a supplier shortage of matching stone paving flags.
Lancaster Town Hall – Replacement Lift	£180K	02/02/15	98%	
Salt Ayre Sports Centre – urgent works	£36K	7/09/15	40%	
Scotforth Cemetery	£33K	27/01/15	95%	Retention stage
City Lab	£48K	06/01/15	99%	
White Lund Depot greenhouse electrical works	£26K	03/02/15	99%	

2.1.3 Year 3 Delivery Programme

Property	Estimate / Agreed Maximum Price	Proposed / Actual Start Date	Percentage Complete	Notes
Maritime Museum & 26 St. Georges Quay Phase 2	£151K	26/10/15	60%	On Site
The Storey - Phase 2	£126K	29/07/15	95%	Retention stage
The Storey - Phase 3 (gallery roof)	£482K	18/01/16	0%	Additional works identified, AMP at approval stage.
Lancaster Williamson Park - Phase 2	£134K	27/04/15	95%	
Ashton Memorial - Dome Ceiling	£100K	TBA	0%	Awaiting specialist conservation reports.

Restoration				To be programmed 2016/17
Lancaster Town Hall – Lift Associated Works	£408K	16/06/15	80%	On site
Lancaster Town Hall – Banqueting Ceilings	£270K	28/09/15	25%	Extra Works - not included in original condition survey. Phase 1 complete September 2015 Phase 2 to start December 2015
Williamson Park Butterfly House Phase 1 Essential Works	£134K	21/08/15	45%	
King Street Covered Yard	£65K	06/07/15	100%	Brought forward for H&S Reasons – extra works identified.
Old Fire Station Boiler	£100K	02/10/15	99%	Brought forward the replacement of the boiler as existing boiler had reached the end of its serviceable life.
Ryelands House Boiler	£150K	20/1/16	0%	Existing boiler at end of serviceable life but not included in original budget. Programmed to start January 2016.
Assembly Rooms Phase 2	£135K	12/03/16	0%	
The Platform Phase 2	£100K	20/02/16	0%	
Intermediate Demolition Projects (Ryelands Park Pavilion)	£48K	23/11/15	99%	
City Museum – Essential Works	£140K	14/01/16	10%	Total budget being considered as match funding for potential HLF bid – £140K covers essential repairs only. Project to start January 2016

2.2 Methodology

The focus of year 1 was to deal with category D urgent works across the property portfolio. The works now completed in years 1 & 2 has allowed the focus to shift towards working on individual buildings rather than spreading our available resources

too thinly over numerous sites. The rationale behind the development of the year two and three delivery programmes was to select buildings with a secure future and complete all category A – C works.

Once capital works have been completed on a particular building that building will then be allocated a planned maintenance schedule and added to the growing planned maintenance programme. The goal for the remainder of this delivery programme is to complete the required work across the property portfolio, facilitating the move from the current emphasis on an expensive reactive approach, to a more financially sustainable planned maintenance ethos.

Finally, it should be understood that the estimated budget costs have been taken from the 2012 non-invasive condition survey and as such the possibility exists that unit costs will increase due to inflationary pressures and further deterioration of components within identified works.

3.0 Capital Receipts

No capital receipts in this quarter.

4.0 Performance of Commercial Buildings (Occupancy)

As can be seen from the table below there have been some significant changes since the closing position of the commercial property portfolio over the last 12 months.

	2015/16 Quarter 3	2015/16 Quarter 2	2015/16 Quarter 1	2014/15 Quarter 3	2014/15 Quarter 2	2014/15 Quarter 1
Number of Properties	60	60	60	60	60	60
Occupation by Floor Area						
Total Let (m2)	17,339	17,130	17,265	17,287	17,161	17,403
Total Vacant (m2)	1,193	1,402	1,267	1,395	1,521	1,639
Total Area (m2)	18,532	18,532	18,532	18,682	18,682	18,682

There have been some minor changes in current occupation across the City Council's total commercial property portfolio and as a result the percentage let figure has increased from 92% to 94%. The remaining 6% of vacant space now amounts to the equivalent of 1,193m2, the majority of which is attributable to the following 2 buildings:

1. **The Storey:** The total commercial occupation within this building is currently running at 85%. Of the remaining 15%, we have now let the first 3 units in the newly developed artists' studios, which with further interest in the remaining units. This has and will continue to substantially reduce the vacant space, as

well as interest in other accommodation within the building.

2. **Citylab:** The total commercial occupation within this building is currently running at 81%. The remaining 19% equates to a vacant floor area of 229m².

Other buildings currently contributing to the total vacant space include:

- Edward Street Dance Studio (159m²) – This building has remained vacant for some time due to its inclusion in the Canal Corridor Development Agreement. The building is now in a very poor state of repair and it is difficult to maintain adequate security. As a result we are currently looking at options for demolition of the building along with its associated outbuildings.
- Regent Park Café – This building became vacant in November although new interest in the building has been received from a number of parties.
- 8 Ridge Square, Lancaster – This is a Council Housing property that has remained vacant for some time.
- 5A King Street – This was formerly let with 5 King Street (GF Shop), but has been split up and is due to be developed into separate office accommodation.
- 5 Cheapside – Improvement work to the internal layout and staircase are being considered to make this property a more practical proposition.

Property Group continues to work towards reducing the vacancy rates in the commercial property portfolio although considering that supply is currently outstripping demand in the commercial office rental market, an overall 6% vacancy rate across the whole portfolio represents a relatively healthy position.

There will undoubtedly be further updates during the remainder of the year; changes are expected to have bearing on both occupancy and future rental income. The latter will be reflected in updating the budget.