

15 November 2021

STOCKPORT CENTRAL LIBRARY – FUTURE OPTIONS ANALYSIS

INTRODUCTION

CBRE have been instructed to provide a high level assessment of potential use options for the Central Library building on the assumption that a continued library service could relocate.

The report outlines a series of options which have been assessed for their suitability with indicative construction costs, the likely revenue cost implications and the basis of any disposal or future use.

It should be noted that there is a significant amount of investment required in the building fabric regardless of the future use. A summary of this is provided in the section below. We recommend that further investigations are undertaken in the short term to protect against further deterioration of the building, while its future use is under consideration.

We understand that the Council will consider the findings of this report and then take steps to consult with key stakeholders about future uses before deciding to proceed with a detailed feasibility study, if for options which are considered suitable.

EXTENT OF THE REPORT

The report has been undertaken on the basis of an internal and external inspection, a review of existing condition and operational data, conversations with Officers and an assessment of the cost of changing the building use.

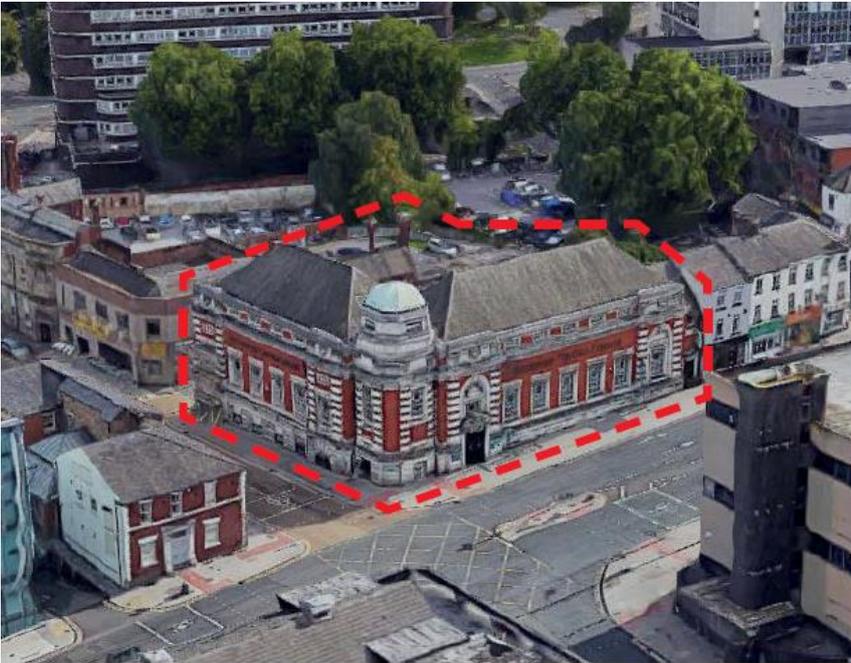
We would suggest that to provide further validation of the conclusion, a further condition assessment and asbestos surveys are instructed. We have taken check measurements for the property but for the benefit of the project from a risk and costs perspective, we recommend a full measured survey is undertaken.

To inform this report we have been provided with various other reports undertaken by third party professionals. CBRE accepts no liability for the accuracy of the information provided within these third party reports. We would note that a number of years has elapsed since these were undertaken and updates may need to be instructed should greater accuracy be required. The reports seen are as follows:

- Central Library Condition Report dated September 2016 – L Roberts / ECS Consultants

- Preliminary Structural Inspection Report dated 17th April 2019 – Wilde Consulting Engineers
- Asbestos Management Survey signed 5th August 2015 – Broadland Group
- Initial Feasibility Works dated 28th October 2019 – AEW Architects

Property Location and Description



The property is located on the corner of Wellington Road and St. Peter's Gate junction, opposite Stockport Exchange and the Town's Train Station. The Grade II Listed property opened in October 1913 after Stockport Corporation received funding for construction and architects Bradshaw, Gass & Hope won the competitive commission.

The building is constructed of red brick and Portland stone. The L-shaped plan is arranged around a domed circulation of the top-lit single-storey library which opens the space to large amounts of natural light. We have been advised that property measures c.2,043.9 sq m (c. 22,000 sq ft) on a GIA basis. However, for the purposes of this letter we have relied upon check measure measurements that CBRE have undertaken (excluding basement), which total 1,347 sq m (14,498 sq ft).

The main public entrance is located on Wellington Road with a rear entrance from the eight space car park onto Lawrence Street. The property is currently utilised for library book loan services with dedicated areas for specific areas including the Minor Hall on the ground floor and the Heritage Library on the top floor. In addition, there are study areas, computer space, a children's area and staff offices.

Whilst the property benefits from local improvements including Virgin Media's Gig1 Fibre Broadband, the property contains undisturbed asbestos throughout, damp which is particularly prevalent in the Minor Hall and an unused loading bay due to health and safety precautions.

BUILDING CONDITION

The age and listed status of the building means that future uses and works to enhance its condition need to be closely considered.

We have been provided with a Condition Survey dated 26th August 2016 undertaken by L Roberts and ECS Consultants. The report identifies a requirement for c.£730,000 of repairs over the 5 years from 2016-2021. Around 85% of these costs are made up of replacing windows, distribution piping, lighting, a new fire alarm system and fixed wiring. The remaining works focus on decorative and more minor repairs.

We understand that none of the major works have been undertaken and the property is maintained on a reactive basis, with average annual costs in the past 5 years of c. £19,000. It should be noted that given the time elapsed since this survey, condition items and general inflation of build cost means that the cost estimates for repair may be significantly higher.

The Preliminary Structural Survey dated April 19, undertaken by Wilde identifies 100 defects for required remediation with 20 of these stated to be of a high priority, i.e. requiring remediation within 6 months. The report concludes that many parts of the building are in reasonable structural condition but does show concern about the cracking in the first floor ceiling and suggests further investigation across the building. The survey does not provide an estimated cost so for consistency, we have provided an assumption range in this report of £100,000 - £500,000.

The Asbestos Management Survey by the Broadland Group, in 2015. The survey identifies asbestos as being particularly prevalent in the basement and parts of the 1st floor. As this is not a 'Refurbishment and Development Survey', it does not provide a view on the complexity or cost of removal. However, it would present a time and cost risk to any refurbishment proposal.

Therefore, for the purposes of this report, we have adopted costs to reflect a required upgrade of the structure and building fabric, regardless of use, of between £730,000 and £1.23m. We have excluded an allowance for asbestos at this point but it should be noted that an additional budget cost will be required for this element.

OPERATIONAL COSTS

Based on current SMBC data, the running costs (Utilities, Maintenance, Cleaning, Business Rates) of the building were c. £115,000 in 2019/20 and have been over £100,000 pa since 2015/16.

OPTIONS FOR FUTURE USE – KEY FACTORS

When considering the future use of the building it is important to consider several factors which will influence its use and functionality.

We understand the Council have given the following commitments regarding the future of the Central Library Building ensuring that public access is retained to the building for the long-term, so future generations can appreciate this heritage treasure:

- The Central Library building will not be demolished or abandoned.
- The Council will not sell the freehold of the Central Library building
- The Council will not redevelop the Central Library building for flats or any residential use that would mean the public losing access to this heritage asset

In considering future uses in particular, we highlight the following;

Prominence and Access – The property's attractive frontage and corner position ensures it is highly visible to the public. However, the property does not have any visible parking (there are only eight spaces to the rear) and therefore, can appear inaccessible to the car user, compared to modern equivalents which are located next to footfall driving uses or direct parking.

Public Use – We understand that there is a desire to understand if the building can continue to be used by the public regardless of the use. In some instances this would be possible but in others can be a real challenge if it would disrupt the user of the building. However, other listed buildings are opened to the public on specific days of the year, which could be considered in this example.

Listed Status/Internal Layout - The property is Grade II Listed and will require additional protection and design specification work to ensure the quality of the building is preserved. The Listed status includes parts of the internal layout and fittings which will again require extensive care and may limit some of the flexibility. The level of internal change required to the property to meet the needs of the targeted use will be a key consideration. For example, uses that do not require significant internal change will therefore be far easier to develop and operate over the long term.

Asbestos – The asbestos management plan demonstrate that asbestos is present in the building. A refurbishment and development survey will help capture the potential costs and programme impacts of its removal.

Mechanical and Electrical – To create an attractive and well used space, an appropriate heating and cooling system will be required. Historic and listed buildings can sustain these types of installations but additional design and higher specification solutions may be required.

Development and Operational Costs – Each option will have varying levels of capital costs depending upon the specification. Likewise, the operational costs will comprise those relevant to the building (likely to remain the same) but with some additional costs around utilities and variations to business rates, based upon the type of user.

Funding – Each user will bring a different proposition in terms of funding for both capital and revenue. In some cases, the Council may be the funder and the occupier may pay this money back via rental income stream. Or in some instances, the Council may be required to support the use for the longer term if this is deemed to have sufficient financial and non-financial benefits.

OPTIONS THAT HAVE BEEN CONSIDERED

The options for the future use of the building focus on the following categories:

1. Use by a private sector user
2. Continued used by SMBC
3. Use by another Public Sector or Third Sector organisation

In terms of the private sector, the types of occupier have been profile below:

A. Leisure/Food & Beverage

The property could be suitable for a variety of different leisure uses. It has a prominent street frontage and is located close to the train station. However, the main food, beverage and leisure offer in Stockport is at Underbanks and Redrock, not in the immediate vicinity of the subject property.

At present, COVID-19 is having a negative impact on this sector resulting in a significant amount of uncertainty in the market. It would be inadvisable to make assumptions on the longer term effects of the virus. It is possible that with the apparent success of the vaccine rollout, the effects of the virus could be relatively short lived and if so, a resurgence in the leisure sector could help to drive demand for uses of this type and this use could be revisited at a future date. However, should the implications continue for a longer period of time, then a leisure use would not be likely to see significant demand from occupiers or users post completion. This introduces a level of risk that a development would not be brought forward within a reasonable timeframe and that a leisure use could result in economic failure.

COVID-19 notwithstanding, the size of the property presents challenges for leisure uses. It is not large enough to accommodate such uses as a standard full size gym or cinema but is likely to be too large to accommodate smaller uses such as restaurants or cafes.

The leisure centre at Stockport Exchange is directly opposite the property and provides a range of leisure uses. Therefore, any proposed leisure uses would need to be complimentary as not to compete with the Council's own interest.

As the layout of the property cannot accommodate larger leisure requirements and it would be challenging to utilise the total floorspace for food and beverage, demand for this type of use is likely to be low. However, this is a sector which can often provide 'specialist purchasers or operators.' Given the quality and prominence of the property, some level of unique interest would therefore not be unexpected.

B. Hotel Use

CBRE has considered the opportunity for conversion of the property into a boutique hotel. The location, close to the train station, providing access to London and Manchester, would suit well. A hotel could provide local jobs as well as increase the quality of the existing hotel offer in Stockport.

AEW Architects have suggested that the layout of the property could be suitable for a conversion to hotel use. The upper floors and mezzanines could be used to provide hotel rooms with the majority of the ground floor available for amenity provision. This could be particularly well presented underneath the roof lantern. However, due to the layout of the upper floors of the property, the space would not be best suited to a hotel use.

Due to the size of the property, it is unlikely that it would see demand from any of the major national or international hotel brands due to the small number of rooms which could be provided. AEW have suggested a potential for 26 rooms. Demand would therefore likely be limited to independent operators. It is likely that an unknown operator, or an operator with a limited track record/covenant strength would need to be considered. This increases the risk that development of the property would not be to a high standard and that the upkeep of the historically important property would not be sufficient.

A hotel use in the property may not see public support as it would not provide an obvious benefit to the local community.

In summary, whilst there is a possibility for a hotel conversion, demand is likely to be low but as per the leisure use there may be some 'specialist operators' who do provide a unique proposition

C. Residential Use

The Council have committed that they will not redevelop the Central Library building for flats or any residential use that would mean the public losing access to this heritage asset. However for completeness and as a use comparison this report considers theoretical residential use for the Central Library building.

The provision of high quality homes in Stockport Town Centre is a priority for Stockport Council. The central location of the property would likely see strong levels of demand by residents and therefore developers. The architecture of the property would create unique homes which could further underpin occupier demand.

A completed residential development could accommodate either a sale or rental model. A rental model could be negatively received by the community as a build to rent model funded by fractional sales to investors would not provide permanent homes for Stockport residents. The public perception of either disposal method could be one of profit over purpose.

Sales to owner occupiers would provide homes to Stockport residents, however in practice the cost of conversion against the sales values might make this difficult to achieve.

Preventing investors purchasing the apartments can be challenging as proven by various attempts in Manchester City Centre. A further concern is that the maintenance of the property would be charged to residents through a service charge. Given the historic importance of the property the need for strong management could be significant and if not sufficient, could create a negative political concern.

CBRE have been advised by AEW Architects that there are physical constraints which will make residential conversion challenging. These include;

- Limited potential provision of only 9 apartments.
- The deep ground floor plan will result in a significant amount of unused/under-utilised space.
- The high-level first floor windows would result in any apartments needing to be inward facing with access corridors at the property edges.
- A high level of intervention would be required to ensure fire separation and meeting modern property regulation standards.

Furthermore, the proposals for the nearby 'Stockport Town Centre West' aim to provide a total of 3,500 homes. The limited number of proposed homes at this property would not contribute significantly towards Stockport Council's housing targets. Given the political and physical constraints, CBRE does not recommend that residential conversion is considered as a suitable option with other options being more suitable.

D. Office Use

CBRE has considered the opportunity for conversion of the property into a type of office use known as flexible workspace.

CBRE is seeing the flexible working model emerge as an occupier trend experiencing rapid acceleration due to the impact of COVID-19. The model involves a decentralised network of office space in cities and towns, allowing employees to avoid long commutes and allowing employers a means to maintain productivity.

Whilst pre-COVID-19, Stockport was renowned for its 7-minute commuter journey into the city and retail provisions including the Merseyway and Underbanks, Stockport may now have the opportunity to grow into a wider mixed-use destination and satellite town centre providing a 'live, work and play' offer through further flexible workspace. This offer allows companies to act more fluidly in the long term as they maintain access to Stockport's new interchange and the main train route from Stockport to both Manchester and London.

Although this option has some potential, there are some concerns that supply may outstrip demand in the short to medium term in Stockport. Stockport is already home to existing flexible workspaces including Stockport Business & Innovation Centre (Broadstone Mill in Reddish and Merchants House in Stockport Town Centre), Regent House, ProFolk and Woolpack House.

Furthermore, the location of the property, separate from local amenity and without any significant on-site parking, would likely impact demand for this use.

PRIVATE SECTOR USER SUMMARY

Based upon the review of the uses above, it is considered that only Flexible Workspace would have the sustainable commercial viability and not conflict with other Council objectives. However, opportunities to work with 'special users' who may see a completely unique for the building should not be ignored and any disposal/development process seek to consider these uses.

SHORTLISTED OPTIONS FOR CONSIDERATION

The council have suggested a series of options for the use of the building (Continued SMBC Use and Other Public Sector / Third Sector) to be considered alongside the workspace option from the Private Sector. Each option has been assessed and appraised both on the feasibility of its use, in terms of impact on the building, the wider objectives of future use by the Council and the impact for the public.

Option 1, Relocation of Adult Education Service from Hardman Centre, Hardman Street – The service is currently in premises that are located in the Mayoral Development Corporation boundary and require significant investment to prolong their occupation. Given the longer term development plans for the area, it is likely that a relocation would be required and given the capital investment required, a move in the short term may be prudent. The service currently serves around 850 learners per year doing around 1,700 learning aims in English, maths and digital skills – all core support for employability for residents experiencing significant disadvantage and from areas of deprivation. Given the nature of the service, the building would maintain a public use.

In terms of building works, the facility requires classroom space which could be created using internal partitions, thus not requiring major structural alterations.

As this is an SMBC service, all capital and associated revenue costs would remain with the Council.

Option 2 - Utilise the property for a community social enterprise space – Under this proposal the building would be utilised by an independent social enterprise organisation who would use the space to host various charitable and social uses. This would allow the public of Stockport to maintain access to the building.

This is likely to see the physical fabric of the building be mostly retained with some additions to make the spaces as effective as possible. However, it would be very unlikely to involve significant

internal modifications. This type of use which is becoming more common around the UK in public buildings such as the plans for Liskeard Library in Cornwall by a Social Enterprise Company.

The commercial position for the Council with regards to ongoing costs of maintenance and operations, and the capital works would need to be determined. It is likely that the Council would maintain a level of financial obligation under this scenario and may need to fund the initial capital works. However, similar projects have attracted grant from sources such as the Architectural Heritage Fund. From a revenue perspective the charitable status of the organisation would also lead to a Business Rates discount.

Option 3, Use for Primary Healthcare – Under this option the property would be used by either/or medical practitioners for primary care services such as dentistry and general practitioner doctors/nursing clinics. It is likely the building would require some moderate amendments to its current layout to facilitate a number of treatment and consultation rooms, but we would not expect to see major alterations within the building. This use would maintain public access in line with medical requirements.

In terms of cost for the Council, it is likely that primary care use would have a degree of funding which is likely to cover the running costs (contribute a small rent) and may even cover the initial capital expenditure. However, this would need to be clarified and understood upon the creation of a business plan.

Option 4, Coroners Court –The coroner in Stockport requires a new building to replace their existing facility at Mount Tabor Street, which fronts the A6. The coroners court essentially requires a series of meeting rooms which are used as 'court rooms' and consultation areas, therefore it is unlikely that significant works would be required to the building, although it is likely that a number of internal partitions and associated toilet facilities would be required.

Their current building is in a state of disrepair and does not provide the physical functionality that the coroner would ideally require for a modern court facility. SMBC are investigating a number of different options around the town centre for the coroner, but the library has been tested with the coroners who suggest that in principle it may be acceptable. The building would retain its public facing element, providing that access is in line with coroner requirements. The funding required for capital works is most likely to be funded from the coroner under their agreement with Oldham, Tameside, Stockport and Trafford Councils, and could be supplemented by a disposal of the Mount Tabor Street property. Revenue costs would be met from the coroners budget.

Option 5, Workspace – Under this option the property would be used as a commercial entity for the provision of office space. This would build on the success of a number of workspace locations in the town centre, that have utilised character buildings to attract tenants and create an exciting and interesting working environment. To facilitate a development of this nature would require a series of internal works which are most likely to involve internal divisions being erected rather than extensive invasive works. The works of the building could continue by the public, subject to the requirements of the operator, but it may well be at selected times given the working requirements of building tenants/users.

In terms of cost, the ongoing liability of such an option would sit with the operator, however given the costs of the work they may well need to be a contribution by the Council to enable the building to be put into a convertible state.

COST ESTIMATES

Outlined in the table below are a series of cost estimates based upon an indicative square foot rate for each potential use. Please note that the caveats regarding the size of the property are very valid in this instance, and secondly, as no architectural drawings have been provided of the uses, we are uncertain about the amount of space that would be required by each use. This could have a significant impact as a reduction in space requirement would reduce the capital costs required.

Therefore, the numbers have been sourced using a reference to the BCIS Cost Index, which provides indicative costs for the types of uses, which have been suggested in the options.

Furthermore, please note that there is significant cost uncertainty at present due to supply chain issues for both materials and labour. This means that costs are hard to predict at an estimation stage relative to contract pricing. Therefore, the figures below are more for reference of relativities, rather absolute numbers. As suggested in the previous report (dated 14th June 2021), should any of the options be progressed we would strongly recommend that the Council undertake a full measured survey, full architectural review, revised building survey assessment and a revised cost estimation exercise.

A full Order of Cost Estimate is enclosed as Appendix A, which includes the assumptions and disregards for each option.

Option	Building Repair Costs	Indicative Option Estimate	Total (Building Repair + Costs for the Use)		Proportion of cost for SMBC (Cap. and Rev.)
			Lower	Upper	
1. Adult Education Service		£ 2,756,000	£ 3,486,000	£ 3,986,000	SMBC to fund capital.
2. Social Enterprise Use		£ 2,356,000	£ 3,086,000	£ 3,586,000	To be agreed but SMBC to contribute majority of capital, with some revenue paid by user.
3. Primary Care Use	£730k to £1.23m + Asbestos Strategy	£ 3,126,000	£ 3,856,000	£ 4,356,000	To be agreed but NHS may fund fit out works and pay a rent.
4. Coroners Court		£ 2,941,000	£ 3,671,000	£ 4,171,000	To be agreed but Coroner has capital budget.
5. Workspace		£ 2,596,000	£ 3,326,000	£ 3,826,000	Contribution from SMBC likely for capital but rent subject to business model.

Development and Ownership Mechanisms

The following commentary considers the theoretical options for facilitating the development of the property through different exit methods to ensure that the property is repurposed for a use that the Council are satisfied with. If a sale of the building, either conditional or unconditional, have been discounted then the option becomes a development lease structure:

Development Lease

A development lease would allow the Council to retain a suitable level of control of the property. Conditions on development could be imposed which would ensure that only a suitable type of development and use will be pursued. Failure to fulfil these obligations would result in control of the property reverting back to the Council, therefore minimising the risk of unacceptable development from the Council's perspective. A Development Lease would allow the Council to ensure that the right development partner is chosen.

Development Leases have been utilised to good effect by the Council on other sites in the borough such as Melford Road in Hazel Grove and most recently the negotiations for land at Red Rock, Fletcher Street and Greenhale House.

Within a Development Lease the Council could clearly set out the vision for the development and include conditions such as;

- Acceptable or a specific use
- Development timescales
- Agreement to a template long lease
- Overage payments
- Funding requirements
- Long stop dates
- Termination clauses.

For extra protection, the freehold could remain with the Council and covenants could be used to protect the future uses of the property.

The Need for Market Testing

When considering an exit or development strategy, we strongly recommend a market testing exercise to prove interest and gather feedback on current appetite and market sentiment. Market testing will allow the Council to consider a variety of development options provided by the private sector as well as considering the type of developer that would best suit the Council's objectives. Market testing would also help to identify the most appropriate marketing strategy, whether that be discrete off-market discussions, a formal tender process or a more public open-market approach.

In terms of the target market, CBRE recommends scoping potential developers and occupiers. This would include a conversation with Hall & Co as an established flexible workspace provider in Stockport to provide further information on their growth prospects; the developer recently submitted three proposals for projects in the Underbanks including an additional ProFolk workspace.

Further prominent developers and operators in the leisure, hotel and residential sectors would be targeted.

Summary

The table illustrates that the costs of the options vary based upon the amount of intervention and the specialism of each one. In particular, the use of the building by the social enterprise organisation is likely to be a lower capital cost as the level of intervention is expected to be smaller. This cost increases as does the intervention; for example a Primary Care use is expected to have a higher cost than a coroner's court. The managed workspace is akin to the coroner's court with a slightly lower cost estimation.

For all options we expect the council will need to make a minimum contribution towards the building repair works and all or part of the capital depending up on the use. With some users able to contribute through grants, existing budgets or asset sales.

In the main, revenue costs should be borne by the future user but Social Enterprise for example may require continuing support. We understand that the details of capital contributions and detailed revenue projections would be dealt with as part of the next stage of consultation.

NEXT STEPS

As noted, we would recommend a series of additional surveys are undertaken in the short term to firstly understand the quality and needs of the building fabric, and to provide a base of information from which will give far more cost certainty.

Secondly, a period of consultation and engagement is required with these potential occupiers and an associated professional team appointed to work with the public sector users to reach an indicative specification that can be more accurately priced. It would also set out the rationale for any potential grant application.

For the managed workspace providers, we would suggest engagement with a number of active parties in the Greater Manchester area to understand their level of interest in such a building. All of this feedback and revised costs would provide the information required for an options appraisal, from which the Council could understand the potential cost and outcomes of each one.

During these discussions we suggest that a strong focus is given to the future revenue liabilities and capital requirements of each use as this will be critical to underpinning a business case for any of the propose used.

Please do not hesitate to contact us if you require any further clarifications.

Yours sincerely

CBRE Ltd

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Appendix A – Order of Cost Estimate