

Report of	Meeting	Date
Chief Executive (Introduced by the Executive Leader)	Executive Cabinet	22 November 2012

## **98-102 MARKET STREET - FORMER MCDONALDS SITE: PROPOSED REFURBISHMENT WORKS**

### **PURPOSE OF REPORT**

1. To update members on the purchase of and proposals for the future use and occupation of the former McDonalds site.

### **RECOMMENDATION(S)**

2. That Members note the report.
3. That Members agree in principle to the proposal to refurbish 100-102 Market Street for retail units, agree to the demolition of 98 Market Street and the creation of a car park in the area between the Fleet Street Car Park and Gillibrand Street.

### **EXECUTIVE SUMMARY OF REPORT**

4. Chorley Council previously made budget provision in the sum of £500,000 to fund the purchase of the premises at 98-102 Market Street, Chorley.
5. The purchase was completed on Friday 26 October the total costs of acquisition being £476,110 a saving on budget of £23,890.
6. Liberata have, on the Council's behalf undertaken some design work, providing 2 options on future use of the site. The preferred option is number 2 as it balances the needs of the Town Centre with a reasonable income stream.
7. The area at the rear of the site and bounded by Fleet Street Car Park on the South and Gillibrand Street on the north is an ideal site for a car park.
8. Number 98 Market Street, whilst having the appearance of being attached to the larger building is in fact a separate unit. This unit is in poor repair structurally and is recommended for demolition. It is not felt that any remedial works would prove cost effective.
9. It is proposed to make 100 Market Street a 2 floor retail unit with street frontage.
10. It is proposed to undertake refurbishment works to 102 Market Street (the former McDonalds site) to create an arcade access from Market Street to the proposed car park at the rear. There would be 2 street fronted retail units with a further ground floor unit to the rear fronting onto the arcade access. A fourth retail unit would be created on the second floor.
11. The estimated cost of these works would be in the order of £185,000.
12. It is estimated that, with full occupancy, the rental income from the units would be in the order of £36,500 per annum.
13. This report is not seeking authority to undertake the works. The proposal will be properly scoped and then brought to Cabinet for approval prior to any procurement process being entered into in accordance with the Council's Contract Procedure Rules.

<b>Confidential report</b> Please bold as appropriate	Yes	No
--	-----	----

<b>Key Decision?</b> Please bold as appropriate	Yes	No
--	-----	----

**REASONS FOR RECOMMENDATION(S)**

**(If the recommendations are accepted)**

- 14. Market Street is a link between the two retail centres, Market Walk/ Market/ Booths and the proposed Asda development. On this basis retail is the better option for this site. The need in Chorley is for smaller retail sites rather than larger stores and it is appropriate to split the site into smaller units. The creation of the arcade provides a direct access to the car park behind and means a more attractive shop frontage.

**ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

- 15. Create 2 retail units one at 100 Market Street and the other at 102 Market Street. Although a cheaper alternative to the recommendation there is not the need for a large retail unit in this location and there is concern over its subsequent letting.
- 16. Demolish the whole site and rebuild purpose built units. The existing units at 100 and 102 Market Street, are sound, and whilst they require some works the recommendation proposed is more cost effective.

**CORPORATE PRIORITIES**

- 17. This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all		A strong local economy	X
Clean, safe and healthy communities		An ambitious council that does more to meet the needs of residents and the local area	

**BACKGROUND**

- 18. As part of the Council’s strategy to promote a vibrant town centre, Chorley Council allocated a budget to purchase the site 98-102 Market Street which includes the former McDonalds building.
- 19. The purchase was completed on 26 October with the costs of acquisition being £476,110, £23,890 within budget.
- 20. The area to the rear of the buildings is being developed into a temporary car park, contractors have been appointed to undertake the works and an application for planning permission regarding the change of use and access has been sought.
- 21. Conditions surveys of the buildings have been undertaken. The condition of 98 Market Street (the building on the corner with Gillibrand Street) is very poor and is recommended for demolition.
- 22. The remaining 2 units are in sound structural condition and capable of refurbishment.
- 23. The location is in a developing retail area. Market Street will be the primary conduit between the established Town Centre area comprising Market Walk, Booths and the Markets and the new development at Asda.
- 24. Street fronted retail units are idea for this location.
- 25. Liberata have put forward 2 options for the site with a 3rd mentioned without costings.

**Option1**

- 26. Provides for developing 100 Market Street into a single, 2 floor retail unit of approximately 99 sq m. The building at 102 Market Street would be made into a ground floor retail unit of approx. 326 sq m with office space on the first floor.
- 27. This would be the cheapest refurbishment option with the costs estimated at £119,000. However, larger retail units of this type are not sought after in the Town Centre at this time,

and whilst the combined potential rental income for the 2 units would be between £34,500 and £39,500, the advice from Economic Development was that the larger unit may be difficult to fill.

#### Option 2

28. Provides again for developing 100 Market Street into a single, 2 floor retail unit of approximately 99 sq m. The building at 102 Market Street would be converted into 3 ground floor retail units (2 with street frontage) and have an arcade style access to the car park at the rear through the building. The first floor would be converted into office space.
29. This is the preferred option. Having discussed with Economic Development the proposal is amended to change the office space on the first floor to retail, this can be combined with one of the units or be held separately. This type of starter unit are ideal for this location and there is a demonstrable need for them in Chorley.
30. The cost of the refurbishment works are higher, estimated at £185,000. However there is a greater likelihood of occupation meaning the potential rental income of £36,500 is more likely to be realised.

#### Option 3

31. This is not considered as an option as such but it is the demolition of the whole site and rebuilding, purpose built retail units. As the advice we have is that the structures of 100-102 are sound and capable of refurbishment this is not seen as a viable option.

### **RECOMMENDATION**

32. The options report prepared by Liberata was general in approach and did not address the specific needs of Chorley Town Centre. The options have been discussed with Economic Development who are best placed to provide a view of the appropriateness of the proposal components.
33. After consideration and despite Liberata's recommendation in the options report it is felt that Option 2 is the most appropriate. This is because whilst option 1 may provide the best value to investment return, this assumes that the units will be filled. It is the view of the Economic Development Team that whilst it is true that there are fewer, larger retail units this is because of a lack of interest and need in this type of site. It should be noted that this particular site has stood empty since McDonalds vacated in excess of 10 years ago. This in itself is evidence that a site of this size is not required.
34. It is also proposed to change the use of the first floor of 102 Market Street from office space to retail. Again, whilst this location is suitable for office space, it is not necessarily attractive for offices, as evidenced by the number of vacant office sites within the Town Centre.
35. The recommendation at this time is for an in principle agreement to a refurbishment of the site in line with option 2 subject to the revisions to the design as outlined. This will enable the Council to commence scoping the works and also approaching potential tenants with a view to agreeing pre-lets which will enable the Council to work with the potential Tenants during the refurbishment works.

## IMPLICATIONS OF REPORT

36. This report has implications in the following areas and the relevant Directors' comments are included:

Finance	X	Customer Services	
Human Resources		Equality and Diversity	
Legal	X	Integrated Impact Assessment required?	
No significant implications in this area		Policy and Communications	

## COMMENTS OF THE STATUTORY FINANCE OFFICER

37. At present we have been provided with estimated costs figures, so annual revenue account costs of the works cannot be estimated accurately. Based on the estimated costs, it is likely that capital financing charges should be less than the estimated rental income receivable from the retail units.
38. Following the tendering process the cost of the works will be clearer and this will be fed into the budget papers for 2013/14. As this is an in principle decision these considerations do not affect this paper.

## COMMENTS OF THE MONITORING OFFICER

39. At this stage there is no restriction on adopting the recommendation. The decision to incur the expenditure for the refurbishment works is a key decision and should be properly reported to Cabinet and this can be done at the point of appointing a contractor. The position in relation to planning permissions should be properly investigated to ensure the correct use has been authorised.

GARY HALL  
CHIEF EXECUTIVE

Background Papers			
Document	Date	File	Place of Inspection
Condition and Options Report	September 2012	<a href="http://democracy.chorley.gov.uk/documents/s31365/Report_on_MacDonalds_Site_formatted_Libera_Property_Services_Report_Template_v2_May_12.pdf">http://democracy.chorley.gov.uk/documents/s31365/Report_on_MacDonalds_Site_formatted_Libera_Property_Services_Report_Template_v2_May_12.pdf</a>	Town Hall
Report Author	Ext	Date	Doc ID
Chris Moister	5160	8 November 2012	FormerMcDonaldsSite