

**Report to:** Cabinet

**Date of Meeting:** 3 April 2017

**Report Title:** 12/13 York Buildings

**Report By:** Peter Grace

Assistant Director Financial Services & Revenues  
(Chief Finance Officer)

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### **Purpose of Report**

To seek approval for capital funding to convert the upper floors to six flats.

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### **Recommendation(s)**

To convert the upper floors to six flats at an estimated cost of £682,000.

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### **Reasons for Recommendations**

With historically low interest rates there is a window of opportunity to convert the upper floors in this grade 2 listed building (which has high conversion costs), to create much needed new residential accommodation and generate additional income for the Council.

## Background

1. 12/13 York Buildings is a Grade 2 listed building in a prominent location in the centre of Hastings. It comprises a retail unit on the ground floor (trading as Millets) with a basement and 3 upper floors. The whole building is leased to Blacks Outdoor Retail Ltd (BORL).
2. BORL only uses the ground floor and basement and the upper floors have been vacant for many years and are in a semi derelict state. The exterior and structure of the building are in good condition as the building has been reroofed and the Council carried out structural repairs in 2015.

## Opportunity

3. One of the Council's priorities is to bring empty buildings back into use. We have therefore been considering how this can be achieved here.
4. Following initial discussions with BORL they indicated that they have no plans for use of the upper floors and would be prepared to surrender their lease and take a new lease of just the ground floor and basement.
5. The Council commissioned a feasibility study by external consultants and following this has obtained planning and listed building consents to convert the upper floors into 6 one bedroom flats.
6. The consultant has provided a cost estimate for carrying out the necessary works to convert the upper floors to flats and details are contained in the Part 2 report.

## Options

7. There are various options for bringing forward this opportunity including:
  - a. Selling the property with a condition that the works are progressed.
  - b. Granting a long term lease to a developer or individual who would carry out the works and either rent the flats or sell them on long leases.
  - c. The Council undertakes the works and sells them on long leases.
  - d. The Council undertakes the works and rents out the flats through a 3<sup>rd</sup> party.
8. It is considered that option d is the best overall solution for the Council as this has the most potential to generate a long term income.
9. The flats would have to be rented through a 3<sup>rd</sup> party as the Council cannot grant Assured Shorthold Tenancies. We have had initial discussions with the YMCA as they are potentially interested in taking a lease of the completed flats and have government grant funding which could be used towards the costs of the works (amounts to be determined). There is also the option of the local housing company if this is implemented.

## Financial Implications

10. The total costs of conversion have been estimated at between £593,000 (including contingency) and £682,000 (including contingency and fees ).
11. For the purposes of this report and evaluation of the proposal it is assumed that no additional grant funding is available. The estimated rental income from the 6 flats in the first full year amounts to some £40,200. The annual borrowing costs would amount to £35,464 p.a. based on a repayment period of 40 years and an interest rate of 2.7% (as at 3 March 2017). This would produce a net annual surplus of some £4,700 p.a.
12. Given the historically low interest rates there is a period of opportunity to achieve a useful transformation of the building given the particularly high conversion costs of this grade 2 listed building.

## Conclusion

13. It is proposed that the Council carries out works to convert the unused upper floors into flats to create much needed new residential accommodation and generate additional income.

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## Wards Affected

Braybrooke.

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## Policy Implications

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	No
Crime and Fear of Crime (Section 17)	No
Risk Management	Yes
Environmental Issues	No
Economic/Financial Implications	Yes
Human Rights Act	No
Organisational Consequences	No
Local People's Views	No
Anti-Poverty	No

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## Additional Information

Planning and listed building applications.

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[http://publicaccess.hastings.gov.uk/online-applications/caseDetails.do?action=dispatch&keyVal= HSTBC\\_DCAPR\\_103972&caseType=Application](http://publicaccess.hastings.gov.uk/online-applications/caseDetails.do?action=dispatch&keyVal= HSTBC_DCAPR_103972&caseType=Application)

[http://publicaccess.hastings.gov.uk/online-applications/caseDetails.do?action=dispatch&keyVal= HSTBC\\_DCAPR\\_103973&caseType=Application](http://publicaccess.hastings.gov.uk/online-applications/caseDetails.do?action=dispatch&keyVal= HSTBC_DCAPR_103973&caseType=Application)

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