

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	Meeting:	Cabinet
2.	Date:	6th August 2014
3.	Title:	Grant assistance and long term Capital Loan Finance in support of the redevelopment of Nos. 25 – 29 High Street, ‘The Three Cranes’, and No. 29a High Street
4.	Directorate:	Planning, Regeneration and Culture Resources

5. Summary

To consider a formal request from a local businessman, Mr. Chris Hamby, for

- 1) an additional long term capital finance loan from the Council of £300,000 to bring the re-development of No’s 25 – 29 High Street ‘The Three Cranes’; and No.29a High Street, a former Georgian Town House, to a successful conclusion.
- 2) a grant of £190,000 from the Council to help bridge the funding shortfall which has arisen through the unforeseen delays and additional costs incurred by Mr. Hamby in delivering this complex heritage project.

6. Recommendations

Cabinet is asked to :-

- (A) **Approve the financial support towards the regeneration of Rotherham High Street buildings as detailed in option 2 of this report being the provision of a capital loan facility of up to £300,000 and the payment of a capital grant of £190,000.**
- (B) **Delegate responsibility for drawing up the financial agreement on appropriate terms and conditions to the Director of Financial Services and Responsible Legal Officer.**

7. Background

On 7th September 2011 and 27th November 2013, Cabinet approved long term loan facilities totalling £0.89m over 25 years to a local business man, Mr. Chris Hamby, to restore buildings on the High Street in support of the Council's corporate priority of creating a vibrant Town Centre.

The loan facilities were to facilitate the purchase and subsequent re-development of No's 17,19 and 21 High Street along with the following listed buildings: No's 25 – 29 High Street 'The Three Cranes'; No.29a High Street a former Georgian Town House; and The George Wright Building.

Development by a private sector owner was necessary to lever in Heritage Lottery Funding (HLF) to meet the cost of additional works to the listed buildings.

Mr. Hamby has since drawn down on the loan facility in full and has successfully completed the redevelopment of No's 17, 19 and 21. Work has also commenced on the three Grade 2 Listed buildings, nos 25-29 (Alfonso's and Three Cranes) and the George Wright building and the work on these properties is scheduled to be completed by the end of December 2014.

Case for Further Support

There have however, been significant delays on the redevelopment of the three listed buildings. This has arisen due to delays in securing the HLF funding, the severe winters causing additional damage to the fabric of the building, additional unforeseen structural issues and subsequent additional costs associated with specialist archaeological and architects fees. In addition extra "abnormals" such as unforeseen works to the basement of 29 High Street and the party walls to 25/27 and 29 High Street have led to further costs that were not anticipated at the start of the project. The result is that Mr Hamby is experiencing a funding shortfall in order to complete the full restoration of these important historical buildings.

Options

Option 1 – RMBC do not provide assistance

Without additional support Mr. Hamby will be unable to achieve a "fit out" of these buildings which in turn will hamper his ability to let these units and this in turn will exacerbate his ability to repay his existing loan commitments to the Council. It is therefore deemed prudent for the Council to continue its commitment to this important High Street regeneration project and ensure its ongoing success.

As the Townscape Heritage Initiative (THI) programme is brought to a conclusion there are no additional funds available from the Heritage Lottery Fund. As matters stand the property will not be fully completed by the end of the programme in December 2014. The property would still require internal fit

out which would increase the likelihood of it not being let and Mr Hamby being unable to meet his existing commitments to the Council.

Option 2 – RMBC to provide further financial assistance

In order to facilitate the full completion of the regeneration programme and the major project for the High Street, RMBC could consider further financial assistance. This could be in the form of a further loan, a grant or a mixture of the two.

As with the original loan facility, the additional loan facility will be provided by the Council on commercial terms pursuant to the General Power of Competence within the Localism Act 2011. As the loan is on commercial terms, it is not considered to be “State Aid”. Security for the additional loan facility will be in the form of a Loan Agreement secured by a Legal Charge over the existing property assets of Mr Hamby and the properties that have been acquired on the High Street for re-development registered with the Land Registry. Professional valuation advice has been obtained to ensure that the value of the properties is more than sufficient to offer appropriate security for the proposed additional new loan and the remaining outstanding loan debt on those properties. This advice confirmed that position. The repayment of the loan (principal and interest) including the cost of administration and management will be co-terminus with the remaining term on the existing loan, ie 22.5 years.

RMBC could also look to provide grant assistance, due to the following circumstances and requirements:-

- (a) Additional heritage themed space fit out
- (b) The unique, historical and architectural significance of the buildings concerned
- (c) An agreement from the owner to allow RMBC Heritage services to utilise the building to include an option to:-
 - (i) Allow provision for heritage / museum interpretations to be displayed within the buildings
 - (ii) Provision for individuals to visit the buildings
 - (iii) Display and provision of the architectural and historical information of the buildings
- (d) Not over-burden the development with too high repayment costs which in turn could hinder the repayment of the existing loans to RMBC

The recommendation under option 2 is:-

- £300,000 loan
- £190,000 grant

8. Finance

The Council will be making a long term loan facility available of up to £300,000 to Mr. Hamby on an Annuity basis. He will be required to make six monthly payments of principal and interest. The interest charged will be determined by the date the loan facility is drawn down, but it will reflect the Annuity PWLB rate at that time including relevant Arrangement, Management and Administration fees incurred by the Council. Finance Officers have confirmed that these rates of interest will be broadly comparable to commercial market rates.

The Council will make a £190,000 grant to Mr. Hamby to ensure the successful completion of these important Listed buildings including the restoration of their historical features and the full fit out of all the properties, thus ensuring each unit is fit to let. Under the terms of the grant award Mr. Hamby will be required to open up the building to the public, to enable them to view these important historical buildings.

9. Risks and Uncertainties

There is always the possibility of not recovering the monies if Mr Hamby becomes unable to repay the loans. To help mitigate that risk, the Council has already entered into a legal charge over existing property assets of Mr Hamby and the properties acquired on the High Street for re-development until such time as the loan is fully repaid. The value of the assets held on legal charge will be more than the total loan debt outstanding.

10. Policy and Performance Agenda Implications

Regeneration of the Town Centre and High Street is a significant corporate priority to the Council and its ambition to create a vibrant place for people to live, work and visit.

11. Background Papers and Consultation

Cabinet report dated 27th November 2013

Consultation with:

- Mr. Hamby
- Heritage Services

Contact Names:

Stuart Booth, Director of Financial Services

Paul Woodcock, Director of Planning, Regeneration and Culture