



## Belfast City Council

<b>Report to:</b>	Policy & Resources Committee
<b>Subject:</b>	Council Office Accommodation
<b>Date:</b>	14 March 2008
<b>Reporting Officer:</b>	Trevor Salmon, Director of Corporate Services, Ext: 6083
<b>Contact Officer:</b>	Gerry Millar, Director of Improvement, Ext: 6217

### Relevant Background Information

This Report highlights an imminent requirement for Council to find alternative City centre office space and offers the opportunity for Members to consider the broader accommodation issues facing the Council not only for the short term but also in the medium to long term as well.

The basic plan was that Members and most staff currently located in Adelaide Exchange would return to the City Hall following completion of the current refurbishment works. The void left in Adelaide Exchange would be taken up by relocating staff presently housed in temporary accommodation in Clarendon House, Linenhall Exchange and Scottish Amicable (**Appendix 1**)

Members were advised at its meeting of 14<sup>th</sup> December 2007 that in addition to the health and safety issues that have arisen with the existing temporary Clarendon House accommodation, ownership of the building had changed hands. The new owners (Jermon Developments) have advised Council of its plans to demolish and redevelop new hotel and office premises. Having recently submitted his planning application the developer is now seeking vacant possession of this building.

In order to commence immediate redevelopment of Clarendon House Jermon Developments have offered similar office accommodation in Fanum House on Great Victoria Street on a short term basis that would match completion of the City Hall refurbishment programme. It should be noted that Fanum House is also scheduled for redevelopment.

There is a current shortage of City Centre office accommodation of sufficient size, suitability and available on a short term basis that could accommodate all the staff currently located in Clarendon House. Attached to this Report (**Appendix 2**) is a schedule of currently available office accommodation of these there are only two that would meet the particular short term requirements of the Council.

## Key Issues

The key issue is the immediate need to provide an additional office space created by the need to vacate Clarendon House in 6 to 8 months time. Action to secure this additional accommodation needs to commence now in order to give enough time to secure a new lease and to plan, tender and complete the fit-out of any new accommodation.

Other factors which will have an impact on availability of office accommodation are:

- a. the surrender of other temporary leases in Linenhall Exchange and Scottish Amicable
- b. proposed surrender of Callender Street Lease
- c. the volume of spaces in the (restored) City Hall which Members may decide to allocate for public access purposes
- d. continued overcrowding in Cecil Ward Building and rationalisation of office space requirements resulting from restructuring of the organisation
- e. relocation of staff resulting from rationalisation and disposal of Council owned premises to raise capital income to support projects such as the City Investment Fund (**Appendix 3**) Income raised could also fund additional office space requirements.

Members also need to consider the impact on the morale and motivation of staff based in Clarendon House. Staff were at first asked to move for an 18 month period but are now coming up to being 5 years in an unfit building. The Cleansing and Building Control teams are good dedicated Officers but are increasingly disillusioned with the Council's approach to resolving these issues. However even with this increasing cynicism Building Control Officers at short notice volunteered to undertake a major task to survey thousands of buildings at nights and weekends as part of an agreement the Improvement Manager brokered with the Land and Property Services. The net result of this exercise which the Land and Property Services are paying for is a potentially significant increase in rates income to the Council this year alone. It will become more and more difficult to get staff to go the extra mile as staff in both Cleansing and Building Control did during the floods emergency.

Options for Members to consider fall broadly into three categories as follows:

### Short-Term Option

Seek alternative short term lease(s) of Grade B standard office accommodation to tide the Council over until the City Hall is reopened.

- It may prove difficult to secure a short term letting(s) that will match the City Hall refurbishment schedule and be of sufficient size – Members can see from Appendix 2 that only Fanum House and Harvester House can accommodate Council's requirement in a single occupation. Any short-term solution would

offer inferior quality space requiring substantial upgrading to accommodate Council staff. Based on figures for the refurbishment of Clarendon House (excluding data cabling and air cooling requirements) the approximate cost to bring say Fanum House up to a suitable standard would be in the region of £15/sq foot this could rise to £20/sq foot where a greater degree of upgrading is required ie between £250,000 and £330,000. Fanum House in particular is in a poor state no better than Clarendon and is due for demolition in 2010/11. Harvester House is a more modern building and would not require as much work. Given the short period of occupancy anticipated the value obtained from the fit-out would not represent value for money. Having to fit-out more than one office requirement would add greatly to the cost of Council seeking a short-term solution.

- A move precipitated by the redevelopment of Clarendon House to similar alternative short term accommodation will also result in the doubling up of relocation costs and duplicating disruption to both staff and the services provided.
- Whilst rental costs vary for short term lettings (Appendix 2) ranging between £10/sq foot plus a service charge of £3.00/sq foot (Fanum House) to £12.50/sq foot plus a service charge of £4.29/sq foot (Harvester House) they do not compare well in value terms with new build Grade A accommodation at £14/sq foot plus a service charge of £3.27/sq foot as in Adelaide Exchange.
- The above figures refer to replacement of approximately 16,000 sq feet in Clarendon House only and do not take account of the other factors that impact on Council's City centre office accommodation requirement.

### **Medium-Term Option (1)**

Take a further Lease of Grade A standard office accommodation in Adelaide Exchange or other suitable location.

- To secure further Grade A standard office space that offers a medium to long term accommodation solution in Adelaide Exchange would bring the benefit of centralising City centre staff in the one building thereby minimising facility management overheads.
- There is a general shortage of Grade A office accommodation immediately available in the City centre. Provision of suitable Grade A office space for Workspace 2010 has a particular impact on available remaining space in Adelaide Exchange. Therefore the option to take any additional space in Adelaide Exchange may not be available for long.
- Maximum value would be obtained from the fit-out.
- Should Council find itself in the position of having surplus office accommodation in Adelaide Exchange this can be sub-let or assigned (on a floor by floor basis) prior to the operation of the existing break clause in 2017.
- The Landlord is now seeking a rent of £14/sq foot for additional accommodation in Adelaide Exchange. The existing service charge equates to approximately £3.27/sq foot.

## **Medium-Term Option (2)**

To secure Grade A standard office accommodation in the redeveloped Clarendon House (Appendix 4)

The recently submitted planning application by Jermon Developments is to demolish the existing building and redevelop the existing Clarendon house site with a 145 bedroom hotel and 4 floors of office space (3<sup>rd</sup>, 4<sup>th</sup>, 5<sup>th</sup>, 6<sup>th</sup> floors) equating to approximately 40,000 sq feet.

- Jermon Developments are willing to make equivalent replacement office space available in Fanum House now on a short term basis and until redevelopment of Clarendon House is completed. Rent and service charge would be pegged to levels currently paid by Council in Clarendon House at £8.50/sq foot and £2.85/sq foot respectively.
- The Developer is willing to make available all of the office space in a redeveloped Clarendon House for Council occupation.
- Initially seeking to hold the property as an investment the Developer is prepared to offer Council a purchase option of the office space at a future date and time to be agreed.
- Should it be required the Developer will underwrite the Council's current lease obligations in Adelaide Exchange.
- Office space freed-up in Adelaide Exchange could afford the opportunity for Council to realise the development potential in other City centre owned properties by the long term relocation of staff and potentially pay for the cost of any required moves.
- The opportunity exists at this stage to design and build over the void that currently exists between Cecil Ward Building and Clarendon House and physically link the two buildings thereby creating additional office space at cost that would be owned by Council.

## **Long-Term Option**

The above Options would provide the necessary time for delivery on a more permanent solution to Council's longer term office accommodation requirements.

- Rationalisation of currently owned Council City centre assets could release the opportunity for Council to develop the required accommodation on one of the vacated sites
- Disposal income resulting from asset rationalisation would assist in funding construction of office accommodation by Council
- Relocation of staff accommodation to a site away from the traditional City centre setting – either on a currently owned Council site or specifically purchased

## **Resource Implications**

### Financial

#### Grade A Offices

The estimates for rent in a high quality, Grade A office building, for example, Adelaide Exchange, is in the region of £13 - £15 per annum plus a fit out cost of about £45 per sq foot ie around £750,000 for 16000 square foot plus fees plus furniture costs.

#### Grade B Offices

Generally rent and rates for a short term lease of Grade B offices, that is older, non-fully statutory compliant stock of lesser quality and without air conditioning, will be between 30% and 40% less than Grade A offices. Given the current scarcity of suitably sized accommodation Landlords are seeking between 10% to 15% less than Grade A offices for more modern second-hand space. The fit out cost will depend upon the existing state of the premises identified and the standard of fit-out decided upon. Based on updated costs for Clarendon House refurbishment of second-hand accommodation could range between £15 to £20 per sq foot (excluding data cabling and air cooling)

NB. In both the above options, the additional rent payable will be set off by the cancellation of rent in Clarendon House (£134,759 per annum) and ultimately, by the rents payable by the other short term leases to be surrendered. Planned expenditure on upgrading the Clarendon House accommodation will, of course, be saved.

#### Asset and Other Implications

- Relocation to alternative accommodation may have an impact on service delivery from those Units affected.
- Negative effect on Council staff remaining in sub-standard temporary office accommodation.

## **Recommendations**

To authorise the director of Corporate Services:

- a. to enter into negotiations for additional Grade A office accommodation in the City centre that will address the loss of space currently faced in Clarendon House
- b. to report to Committee the provisional Heads of Terms of any agreement and detail estimated costs

<b>Documents Attached</b>
<p><b>Appendix 1</b> – BCC Temporary Office Accommodation</p> <p><b>Appendix 2</b> – Available short term City centre office accommodation</p> <p><b>Appendix 3</b> – Possible Council owned assets suitable for rationalisation</p> <p><b>Appendix 4</b> – Visual of a redeveloped Clarendon House</p>



## Appendix 1

### BCC Temporary Office Accommodation

<b>Building/Occupier</b>	<b>Staff</b>	<b>Area(sq ft)</b>	<b>Comments</b>
Clarendon (Gd) Building Control Parks & Leisure	11 1	2,100	Leases expired Requires upgrading Overcrowded
Clarendon (1 <sup>st</sup> ) Building Control	60	6,854	As above
Clarendon (2 <sup>nd</sup> ) Cleansing	58	6,900	As above
Linenhall Ex (1 <sup>st</sup> ) BIS WINS/SS	16 8	2,450	Leases expire February 2009 and will need extended to cover City Hall refurbishment schedule
Linenhall Ex (2 <sup>nd</sup> ) BIS	7	2,500	As above
Scottish Amc Landscape Planning	10	1,830	Lease expires Jan 2011 Overcrowded
Callender St (Gd&1 <sup>st</sup> ) LSPB	6	675	
Callender St (1 <sup>st</sup> ) LSPB CAB	1 15	2,148	
<b>Total</b>	<b>193</b>	<b>25,457</b>	



**Office Accommodation in City Centre  
Appendix 2**

	<b>Location</b>	<b>Agent</b>	<b>Available area</b>	<b>Rent per sq ft</b>	<b>Rent per annum</b>	<b>Terms</b>
1	Fanum House, Great Victoria Street	DTZ McCombe Pierce	23,800 sq ft	Negotiable	£231,970	Term 6months – 4 years, service charge payable (No VAT payable on rent)
2	Harvester House, Adelaide Street	BTW Shiells	24,258 sq ft (Ground, 3rd,4th,5th & 6th floors)	£12.50	£303,225	Term flexible, Tenants full repairing & insuring incorporating service charge.
3	Harvester House	Lisney	13,985 sq ft (4th, 5th & 6th floors)	£12.50	£174,812	Term flexible, Tenants full repairing & insuring incorporating service charge. 10 car parking spaces under licence and separate fee.
4	Lesley Tower, Fountain Street	McKibbin	14,000 sq ft	£12.00	£168,000	15 year lease incorporating 5 yearly reviews. Tenants full repairing & insuring incorporating service charge.
5	Donegall House, Donegall Square North	Colliers CRE	12,542 sq ft	£11.00	£137,962	Assignment of the residue of a 25 year lease - 7 years remaining. Term flexible, Tenants full repairing & insuring incorporating service charge. Estimated at £2.95 / sq ft
6	Scottish Amicable Building, Donegall Square South	Colliers CRE	7,166 sq ft	£10.00	£71,660	Term flexible, Tenants full repairing & insuring incorporating service charge. Estimated at £4.00 / sq ft
7	Norwich Union House, Fountain Street	Colliers CRE	3,169 sq ft	£8.50	£26,936	Term flexible, Tenants full repairing & insuring incorporating service charge. Car parking spaces available under licence at £1,200 per space per annum.
8	Floral Buildings, East Bridge Street	BTW/RHM	12,430 sq ft	£14	£174,020	Flexible term, Full repairing an insuring lease incorporating service charge.
9	Centre House, Chichester Street, Belfast	Colliers CRE	5,584 sq ft	£12	£67,008	Flexible term, Full repairing an insuring lease. Service charge shall be levied at £2.50-£3.00 p/sq ft.
10	Sinclair House, 89/101 Royal Avenue, Belfast	McConnell Martin	8,274 sq ft	£9.25	£76,534	Term negotiable, Tenant responsible for internal repairs and fair proportion of insurance. Service charge of £3.85p/sq ft (includes insurance and heating).
11	Oyster House, Wellington Place, Belfast	CBRE	10,118 sq ft	£12.50	£12,725	Term negotiable, Service charge of £2.49p/sq ft

## Appendix 3

### Possible Council owned assets suitable for rationalisation

Seymour House	6,000 sq feet
Maysfield Boathouse	3,500 sq feet
ISB Building (Gloucester St)	15,000 sq feet
<b>Total</b>	<b>24,500 sq feet</b>