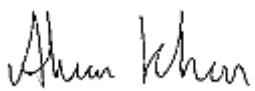


LONDON BOROUGH OF WALTHAM FOREST

Meeting / Date	16 March 2023	
Report Title	Chestnuts House, Walthamstow – Refurbishment for Creative Workspace	
Cabinet Portfolio	Councillor Ahsan Khan, Deputy Leader and Portfolio Lead Member for Housing and Regeneration	
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Wards affected	Markhouse	
Public Access	OPEN	
Appendices	Appendix 1 – Equalities Analysis Screening	

1. SUMMARY

- 1.1 This report updates Cabinet on the Council's proposed refurbishment of Chestnuts House, a Grade II* listed building on Hoe Street, Walthamstow owned by the Council, to enable it to be brought back into use as a centre for creative workspace and innovation.
- 1.2 This report seeks Cabinet's approval for the capital budget for the refurbishment works to the building, inclusive of funding forecast from the successful Levelling Up Fund bid for Walthamstow, and to commence the procurement process for the building contractor.
- 1.3 This report also provides an update on the marketing exercise to find an operator for the building which can meet the social, economic and financial objectives of the Council.
- 1.4 This report seeks to delegate authority to the Corporate Director – Property & Delivery, in consultation with the Strategic Director Finance & Governance and the Director of Governance & Law and Cabinet Member for Regeneration & Housing to negotiate terms for a lease of the building with an operator.
- 1.5 The refurbishment and subsequent occupation of Chestnuts House will secure a long-term, sustainable future for this valued heritage asset. The building will deliver high quality creative workspaces, that will support the local economy, including opportunities for local business innovation and incubation; employment and training opportunities for local residents; and create a destination space for Walthamstow's emerging Cultural Quarter.

2. RECOMMENDATIONS

- 2.1 Cabinet is recommended to:
 - 2.1.1 Approve a capital budget of £1.8 million to fund a refurbishment project for Chestnuts House, noting the £1.4 million contribution from the Levelling Up Fund award to these costs. Additional funding of £400K will be from borrowing, which will be supported from the commercial rent paid by the operators.
 - 2.1.2 Approve the commencement of design work and the procurement for refurbishment works to the building, subject to securing all necessary statutory approvals.
 - 2.1.3 Delegate authority to the Corporate Director – Property & Delivery, in consultation with the Strategic Director Finance & Governance and the Corporate Director of Governance & Law to approve the appointment of the successful contractor following the procurement process.
 - 2.1.4 Note the progress with the strategy for finding an operator for Chestnuts House, delegating authority to the Corporate Director – Property & Delivery, in consultation with the Deputy Leader and Cabinet Member for Housing & Regeneration, Strategic Director Finance & Governance and Director of Governance & Law to conclude any marketing process and negotiate terms for a lease of the building with an operator
 - 2.1.5 Note the update on the parallel heritage investment project at Leyton Sports Ground included at paragraph 3.28 of this report.

3. PROPOSALS

Background

- 3.1 Chestnuts House is a Grade II* listed mansion built in approximately 1745. The building is owned by the Council and is regarded as one of the best surviving and least altered examples of Georgian domestic architecture in Waltham Forest. The building has remained unused since 2008, other than being occupied on a temporary basis by residential ‘Guardians’ to ensure its security. As a result, it is currently on Historic England’s Heritage at Risk register.

Walthamstow’s Cultural Quarter

- 3.2 Chestnuts House has significant potential to complement the evolving cultural and commercial offer that is being delivered through the establishment of Walthamstow’s Cultural Quarter, as well as boosting footfall to Bakers Arms town centre with associated benefits for community safety and local businesses.
- 3.3 Chestnuts House provides the opportunity to create a centre for creative enterprise, innovation and incubation complementing Walthamstow’s town centre offer, including:

- Soho Theatre Walthamstow: 950-seat cultural destination space
 - 17&Central regeneration delivering new homes, retail and leisure spaces, redesigned Town Square and enabling a new underground station entrance
 - Fellowship Square – refurbishment of the Grade II listed town hall, to create a community, cultural and civic destination space at the heart of a new community
 - Mixed use regeneration of St James Quarter, including the Council development company’s Jazz Yard scheme, providing new homes and a medical centre
 - Juniper House – delivering new homes, nursery and commercial space.
- 3.4 In January 2023 the Government announced that the Council has been successful with its £17.2m “Walthamstow Culture for All” Levelling Up Fund capital funding bid. A complementary report to this Cabinet meeting describes the bid outcomes in further detail.
- 3.5 The Levelling Up funding will provide an injection of investment into the Cultural Quarter proposals, including transformative public realm works and enhancements to a series of Council-owned heritage assets including Chestnuts House. Levelling Up investment will significantly contribute to the cost of undertaking the proposed capital works at Chestnuts House.
- 3.6 The Council is currently engaging with DLUHC on the terms and conditions of the grant funding agreement. Once this is finalised, and the memorandum of understanding is entered into, the governance of the programme, including financial drawdowns, will be able commence.

Chestnuts House: options assessments and market testing

- 3.7 An architectural feasibility study for Chestnuts House was produced in March 2018. The study carried out an options appraisal on the following options:
- 1) Disposal to developers or investors for residential or business use.
 - 2) Lease the site to an investor, operator or business on a long lease who would in return fund renovations and find a suitable use e.g., workspace.
 - 3) Lease the site out for a short period, but without a requirement to fund renovations.
 - 4) Restore, repair and make appropriate interventions in the building so it can be used for light industrial use.
 - 5) Restore, repair and make appropriate interventions in the building for mixed community/business use e.g., heritage spaces, spaces for hire, space for digital and creative businesses, post-production suites, café/restaurant/bar and pop-up events.

- 3.8 A marketing exercise led by the Council was undertaken in late 2019/early 2020. The following potential uses were explored in the marketing brief: flexible workspace with café; care-leavers hub; council office space, residential conversion (as enabling development or full conversion), and boutique hotel. However, due to the COVID-19 pandemic this exercise was not concluded.
- 3.9 A subsequent feasibility study was carried out in May 2021 to assess the potential for a residential mixed-use scheme at Chestnuts House. The study explored full residential conversion and mixed-use conversion with the main house converted to workspace instead of residential use. It concluded that residential use was inappropriate for the site
- 3.10 Following the completion of the feasibility studies and attempted marketing exercise, the Council concluded that of the options noted in paragraph 3.6, Option 2 or 5 were the preferred options. These options would:
- Ensure the refurbishment and restoration of Chestnuts House.
 - Enable the Council to retain the asset, and in turn ensure its future use would be of benefit to the wider community.
 - Support the local economy and business community, through the delivery of workspace.
 - Provide for some public access to Chestnuts House.
- 3.11 In Spring 2021, the Heritage Investment Board was established, providing governance and oversight of work led by the Council's Property, Regeneration and Capital Delivery Teams to plan and deliver the refurbishment and re-use of Chestnuts House, and two buildings at Leyton Sports Ground: Leyton Cricket Pavilion and the Tin Hut building.
- 3.12 In September 2021, a property agent was appointed to undertake a marketing exercise to find operators for both Chestnuts House and the available buildings at Leyton Sports Ground. A two-stage marketing strategy was developed.
- 3.13 Marketing methods included the creation of a website, the erection of marketing boards at both sites, advertisements on Rightmove, and direct contact by the marketing agent. Marketing launched in December 2021. Viewings with potential operators took place in January 2022. Stage 1 of the marketing exercise required interested parties to submit an initial Expression of Interest (EOI), the deadline for this was February 2022.
- 3.14 Stage 2 marketing packs, which included a detailed questionnaire and draft Heads of Terms, were issued to shortlisted potential operators in March 2022. The deadline for final offers was April 2022.
- 3.15 Following interviews and engagement with shortlisted operators. The Council identified a preferred operator for both Chestnuts House and the buildings at Leyton Sports Ground. The preferred operators were selected in line with the agreed processes for a property transaction,

rather than a procurement process. Both of the preferred operators have passed financial due diligence checks.

- 3.16 The Council is now progressing negotiations with a preferred operator for Chestnuts House to establish the building as a centre for creative workspace, with opportunities for local residents to secure employment and training and local businesses to become established in the sector.
- 3.17 Should the negotiations with the preferred operator not proceed, the Council will undertake a further marketing exercise. Council officers and the appointed marketing agent consider it likely that an alternative operator would be secured in this scenario as the capital works will be funded and progressing making it an attractive opportunity for a potential operator.
- 3.18 As Chestnuts House is on Historic England's heritage at risk register and in a relatively poor state of repair, the proposed refurbishment works are essential to ensure a long-term future for this important heritage building and reduce the Council's ongoing maintenance liabilities.
- 3.19 The successful Levelling Up Fund outcome provides additional impetus as this funding must be utilised by March 2025, which aligns with the Council's programme for restoring the building and securing an operator.

Chestnuts House: refurbishment works

- 3.20 During the marketing process, the Council carried out building condition surveys on both Chestnuts House, Leyton Cricket Pavilion and the Tin Hut. Works identified in the condition surveys were then costed by a cost consultant, and this has been used to estimate the budget requirements for refurbishment works.
- 3.21 The Council was also successful in securing funding for Chestnuts House from the Public Sector Decarbonisation Scheme. The following funded energy efficiency works were approved with Listed Building Consent and were carried out in 2022 in consultation with the Council's Conservation and Heritage Team:
- Secondary glazing
 - Loft insulation
 - LED lighting upgrades
 - Air Source Heat Pump (to replace boiler plant and heating distribution system)
- 3.22 With the strategy to secure an operator progressing, and following the successful Levelling Up Fund outcome, the Council is seeking a capital budget to undertake works to bring the building up to a lettable condition.
- 3.23 Although Chestnuts House is occupied by live-in guardians, the building has suffered from a lack of maintenance and requires works to ensure its long-term future and its removal from Historic England's Heritage at Risk register. The following core works are required:

- External repair works to the roof, gutters, brickwork, skylight, doors and windows.
 - Structural remediation works.
 - Mechanical and electrical works: distribution board upgrade, electrical re-wiring, and lighting upgrades.
- 3.24 To deliver the refurbishment works, the existing building condition survey will be used to produce a Specification of Works. An allowance has been made within the budget for further surveys. The Specification of Works will then be used to procure a suitably qualified construction contractor to undertake the works.
- 3.25 Appendix 1 sets out the estimated cost for the works, the contribution towards these costs from the Levelling Up Fund award and the outline return on investment case for the Council based on forecast income from an operator. The estimates form part of this exempt appendix to ensure the process for procuring a contractor and selecting an operator remains competitive.
- 3.26 The Council will ensure the appointed contractor has experience of refurbishing designated heritage assets. The Project Team will be working closely with Conservation & Design Officers, and will be engaging with Heritage England, to ensure the significance, character, appearance and setting of Chestnuts House is protected.
- 3.27 The proposed project milestones and programme are outlined in the table below.

Milestone	Date
Design development / Heritage England engagement	June – September 2023
Planning / Listed Building applications submitted	September 2023
Listed Building Consent / Planning Approval	January 2024
Commencement of contractor procurement	January 2024
Award of Main Construction Contract	March 2024
Commencement of works	March 2024
Completion	TBC following contractor appointment

Leyton Sports Ground Update

- 3.28 Leyton Cricket Pavilion and the Tin Hut building were marketed as part of the same exercise as Chestnuts House described from paragraph 3.11. The marketing exercise for these buildings has progressed, and the Council has shortlisted a preferred operator.

- 3.29 The extent of refurbishment works required at Leyton Sports Ground is greater than at Chestnuts House, therefore a multi-disciplinary design team will be appointed to develop the design, in close consultation with preferred operator, key stakeholders and the local community. A budget for this design work was obtained in November 2022. Once the design has been developed, and planning permission has been obtained, the Council will seek Cabinet approval later in 2023 for a budget to deliver the proposed works and to enter a lease with the preferred operator.

4. OPTIONS & ALTERNATIVES CONSIDERED

- 4.1 The following options were assessed:

4.2 Do Nothing

- 4.3 If the 'do nothing' option were pursued, Chestnuts House would continue to fall into disrepair and the building would remain on the Heritage at Risk register. The Council would incur further maintenance costs from ad hoc urgent repair works. The building would remain closed off to the public and social value benefits would not be realised. The Council would also not be able to utilise part of its Levelling Up Fund award for Walthamstow.

4.4 Alternative Use

- 4.5 Previous feasibility work undertaken for Chestnuts House concluded that a residential use for the site was not appropriate. The building comprises several smaller scale rooms, which cannot be 'opened up' due its historic significance. This makes it suitable for a creative workspace where the space can easily be sub-divided. The proposed use will provide creative workspace which will support the local economy and result in wider community benefits as part of Walthamstow's Cultural Quarter.

Disposal of the Site

- 4.6 The Council could dispose of the site; however, this would result in a loss of control of the building's future use. Retaining Chestnuts House within Council ownership can ensure that the future use will benefit the local economy and community.

5. SUSTAINABLE COMMUNITY STRATEGY PRIORITIES (AND OTHER NATIONAL OR LOCAL POLICIES OR STRATEGIES)

- 5.1 The proposal to refurbish Chestnuts House and to lease the space as workspace is aligned with the Council's corporate objectives including its 15-Minute Neighbourhood strategy, emerging Cultural Strategy and Destinations Business Plan and Climate Action Plan. The refurbishment works will be sensitively undertaken to ensure the long-term future of its Grade II* Listed status. The delivery of creative workspace will promote economic growth in the Borough and support local employment. The

proposals are fully aligned to the Draft Local Plan, particularly the following policies:

- One of the six 'Golden Threads' is to grow a creative, diverse and resilient economy in Waltham Forest.
- Policy 4 Location of Growth focuses growth (including economic growth) in strategic locations such as Walthamstow.
- Policy 6 Ensuring Good Growth seeks to protect heritage assets, including Listed Buildings.
- Policy 25 Supporting Economic Growth and Jobs seeks to maximise the amount of employment floorspace.
- Policy 32 Workspaces supports the delivery of high quality, well-designed workspaces.
- Policy 72 Designated Heritage Assets seeks to ensure that designated heritage assets are preserved and enhanced.
- Policy 73 Listed Buildings requires proposals for Listed Buildings to conserve and enhance their appearance and significance.
- Policy 89 Sustainable Design and Construction seeks to ensure the sustainable delivery of development.

6. CONSULTATION

- 6.1 There has been significant consultation on the options for Chestnuts House over the last five years, including with residents, businesses and key stakeholders such as Historic England. Consultation is ongoing on the proposed Cultural Quarter for Walthamstow, highlighting the key role Chestnuts House can play as a centre for creative enterprise.
- 6.2 An internal Project Board was established in Spring 2021 with representation from all the relevant departments involved in the project.
- 6.3 Subject to Cabinet approvals, a communications plan will be developed, as part of the project plan, setting out the approach to formal and informal consultation with members, the local community and officers.

7. IMPLICATIONS

Finance

- 7.1 Capital investment of £1.8 million is required to bring Chestnut House to a lettable condition. This is subject to the structural survey that is being currently carried out by the service.
- 7.2 £1.4 million of the project will be financed through the Levelling Up funding, subject to the agreement with Government being finalised. Any additional funding will be from borrowing, which will be supported from the commercial rent paid by the operators. There is likely to be a rent free period at the commencement of the lease, but the rental income will be able to support borrowing of £400K.
- 7.3 The proposed lease is for 35 years and rent reviews will be undertaken every 5 years to increase with inflation. The tenant will be responsible

for the expenditure relating to upkeep of the building which would make a saving of approx. £15,000 per year, and Business rates.

- 7.4 Heritage Investment Board has been updated with the progress made on the project and all expenditure associated were approved by the project Board

Legal

- 7.5 The Council has the general power of competence under section 1 Localism Act 2011 and ancillary powers under section 111 Local Government Act 1972 to do anything, which is calculated to facilitate or is conducive or incidental to the discharge of any of its functions.
- 7.6 Should a long lease of Chestnuts House be granted to an operator it would amount to a disposal and the Council will need to ensure that the terms of the lease comply with s123 Local Government Act 1972 and evidence the Council has secured best value for the disposal. Any lease to an operator must be granted in accordance with the Council's Property Procedure Rules.
- 7.7 The necessary procurement processes will be undertaken in accordance with the Public Contracts Regulations 2015 and the Council's Contract Procedure Rules.

Equalities and Diversity

- 7.8 The Equality Act 2010 requires public authorities to have due regard to the need to eliminate discrimination and advance equality of opportunity. The Council must take into account its wider Public Sector Equality Duty (PSED) under s.149 of the Equality Act 2010 when making its' decisions. An Equalities Analysis screening has been completed and there are no negative or adverse impact identified (see Appendix 2).

Sustainability (including climate change, health, crime, and disorder)

- 7.9 Restoration of Chestnuts House provides the Council with the opportunity to address environmental sustainability and performance of a landmark heritage asset in line with the ambitions of its Climate Action Plan. Proposals will be developed in accordance with national, regional and local standards for sustainable development, and opportunities to exceed these will be explored. Opportunities to build upon and enhance the energy efficiency works completed via the Public Sector Decarbonisation Scheme will be explored. The Decarbonisation works have already delivered significant enhancements including:
- Secondary glazing
 - Loft insulation
 - LED Lighting upgrades

- Air Source Heat Pump and pipework / radiator upgrades (to replace boiler plant and heating distribution system)

7.10 The Council will also that any operator has high regard for sustainability and are committed to making a positive environmental impact as part of the lease negotiations.

7.11 Council Infrastructure

7.12 The project will be managed from Capital Delivery, in collaboration with Commercial Property and Regeneration, from within the Strategic Place Directorate using resources currently in place, including through the Levelling Up Fund. The Heritage Investment Board and Project Team will be responsible for the delivery of the project, working with internal stakeholders and external consultants.