

Executive Summary

Perth City Hall Options Appraisal

Perth & Kinross Council

June 2010



Report by Locum Consulting and Colliers International



Executive Summary

Locum Consulting and Colliers International have been instructed by Perth & Kinross Council to prepare an Options Appraisal as a follow up on the Interim Options Appraisal prepared by Locum Consulting in December 2010. The Report examines a variety of options and sub-options for the future use of the City Hall building site in Perth City Centre. The options considered are:-

Option	Option Title
1.	Do Nothing / Do Minimum
2.	Re-Use of the Building 2.1. Retail/Commercial Development 2.2. Cultural led Development
3.	Partial Demolition 3.1 Partial Demolition and Re-Use of the Building for a Retail/Commercial led redevelopment. 3.2. Partial Demolition and Re-Use of the Building for a Cultural Led Redevelopment
4.	Full Demolition of the City Hall and Re-Use of the site for a Civic Square
5.	Full Demolition and New Build of a New Facility 5.1. Retail Led/Commercial Redevelopment 5.2. Cultural Led Redevelopment

To inform the Options Appraisal, Perth & Kinross Council conducted a public consultation exercise with online questionnaires via the Council's website, a manned exhibition in the St John Centre, convening stakeholder focus groups and additional questionnaires sent out via the Council's "Viewfinder" survey mechanism.

The consultation exercise demonstrated that proposals regarding the future of the City Hall divide local opinion and for many is an emotive and polarising issue. It was noted that the largest groups of the public (49%), businesses (52%) and

market and event organisers (38%) supported the demolition of the City Hall. Around 33% of the public and 33% of market and event organisers as well as a quarter of businesses support the reuse of the existing building.

Amongst those who support the re-use of the City Hall there is a preference for cultural uses over retail uses. However, if the City Hall is demolished, respondents favour a variety of cultural and social uses such as an attractive public space, activities and events and markets rather than a retail led/commercial redevelopment and only a very small number of businesses indicated any interest in taking potential space within either a converted building or redeveloped space.

The Viewfinder results were less conclusive with 43% supporting re-use and 45% supporting either complete demolition, partial demolition or demolition and redevelopment. The main reason given for supporting re-use was the “City Hall adds to the History of Perth”.

The overall results of the consultation exercise (i.e. Viewfinder, public questionnaires, business questionnaires and market operators and events organiser questionnaires) indicate that 57% of the public, 69% of businesses and 58% of market and event organisers support the creation of a public space following some form of demolition (either full or partial) of the City Hall. Although it cannot be assumed that someone who supports partial demolition would necessarily support full demolition.

Further research to inform the report was conducted by the review of relevant literature and comparison with other projects; particularly with regard to public space and cultural activities where the benefits are typically less tangible. Where possible, regard was had to local studies. In particular we would acknowledge the Ryden and Rodderick McLean Associates Retail Review 2006; the consumer marketing research non food catchment analysis report prepared by RCT Analytics for Perth & Kinross Council (August 2009) and the consumer marketing research central shopping area visitor survey again prepared by RCT Analytics for Perth & Kinross Council and others (September 2009).

The report notes some recent retail statistics which indicate a 68% increase in availability of retail space within Perth, and a fall in stated property requirements of 82% following the general decline in the retail market. Prime rents have fallen across Scottish towns and cities and Perth has seen a 21.4% fall, which although disappointing is not as bad a result as some were predicting and as has been experienced in other parts of the United Kingdom.

The report provides a detailed context for the potential re-use of the building or site and some key observations result from this review. The case studies referenced include Hornsey Town Hall, Accrington Victorian Market Hall, Shoreditch Town Hall, The Ferry Building in San Francisco, and The Tobacco Factory, Glasgow amongst others.

Reference was made to key national policy documents Designing Places, Designing Streets, Scottish Historic Environment Policy, and local policy guidance including the Community Plan, Corporate Plan, Economic Development Strategy, the Local Development Plan and emerging local Placemaking guide in relation to the policy context of the Appraisal

Considerable wider literature and research into the reuse of buildings and public space is also used to inform the report and to provide context for the appraisal. including local impact studies (the 'Economic Impact Study: Perth Farmers' Market' by SAOS and 'Perth Concert Hall and Perth Theatre Impact Assessment' by EKOS) and other relevant documents such as 'The Social Value of Public Spaces' by the Joseph Rowntree Foundation and 'The Value of Good Design' by the Commission for Architecture and the Built Environment.

A number of the options require the demolition of a listed building which will require an application to be made to Historic Scotland and this process is likely to be both controversial and time consuming. There will be a requirement to provide a clearly demonstrated case for demolition and further detailed work will be required in order to support this.

The report investigates a number of examples for the provision for both cultural and retail led re-use, the provision of civic space, be that via partial or complete demolition and also discusses the current difficult commercial property market which relates to the retail/commercial led prospects of the options considered.

The opportunities for creating a development opportunity at the City Hall building or site which in purely development terms is financially viable, are very limited and contain a high degree of uncertainty. However, where possible regard was had to previous marketing and consideration of the options for the City Hall. Building cost assumptions have been based on Building Cost Information Service (BCIS) indices, technical information provided by Perth & Kinross Council, regard to previous schemes, and our own professional knowledge and experience of development costs.

It is clear that potential socio economic and environmental benefits can be derived from each of the options. The opportunities for creating these conditions within the context of a public space are significant albeit difficult to quantify in tangible terms, the report references previous examples of the provision of high quality public space and commentary in relation to the economic benefits of these initiatives.

The report provides an analysis on the historic and current retail market with a Perth perspective and concludes that although Perth city centre, has many challenges, these are as a result of macro economic conditions rather than being particular to Perth. The property market commentary notes that although particularly difficult development conditions presently exist, some of the factors which impact upon the City Hall options will persist beyond the current difficulties, a view supported by the failure of the most recent re-use retail led proposals.

The report identifies a probability that under any of the use assumptions other than Option 1.0 - 'Do Nothing / Do Minimum' or Option 4.0 'Demolish and Full Demolition of the City Hall and Re-Use of the site for a Civic Square'; much of the turnover generation will be displaced rather than 'new' money and with the relatively small scale nature of the opportunity, unlikely to generate significant new trips to Perth city centre.

The review of the retail market indicates a clear decline in rental value and occupier requirements and significant increase in available retail units and incentives required to attract tenants. As the City Hall occupies a secondary (as opposed to prime) retail position and much of the available stock is secondary retail space, it could be argued that the displacement effect could create a disbenefit. We believe this could be too severe a view but have made a significant allowance for displacement in evaluating the respective options.

The aim of the report is to appraise the options for the City Hall building or site, in the context of the stated objective; *“to utilise Perth & Kinross Council’s property assets in such a way that delivers ‘best value’ for Perth and the local authority area”*.

The appraisal criteria were set out to establish to evaluate at a high level the costs and benefits of each of the proposals in financial, socio economic and environmental, time, risk and quality terms. In order to produce a consistent and thorough ‘best value’ approach, the options were scored taking into consideration both tangible and intangible costs and benefits for each of the options under consideration.

The results of the option appraisal exercise are presented in a detailed matrix scorecard with a full supporting explanation of the approach and methodology adopted.

The simplified version of the matrix below confirms that ‘Option 4 - Full Demolition of the City Hall and Re-Use of the site for a Civic Square’ is the best performing option when judged on these particular criteria. We would refer the reader to section 9 (of the main report) for the full version of the Options Appraisal Scoring Matrix.

Exhibit 1: Simplified Options Appraisal Scoring Matrix

		Do Nothing / Do Minimum	Re-Use of the Building: Retail/Commercial Development	Re-Use of the Building: Cultural led Development	Partial Demolition and Re-Use of the Building: Retail/Commercial led redevelopment	Partial Demolition and Re-Use of the Building: Cultural Led redevelopment	Full Demolition of the City Hall and Re- Use of the site for a Civic Square	Full Demolition and New Build of a New Facility: Retail Led/Commercial Redevelopment	Full Demolition and New Build of a New Facility: Cultural Led development
		1.0.	2.1.	2.2.	3.1.	3.2.	4.0.	5.1.	5.2.
BEST VALUE	Combined Financial Factors								
	Rank	7	8	3	5	6	1	2	4
BEST VALUE	Socio Economic and Environmental - Intangible Factors								
	Rank	8	5	2	4	3	1	7	6
	Time								
	Rank	1	3	4	5	7	2	6	8
	Risk								
	Rank	1	3	4	5	6	2	7	8
	Quality								
	Rank	7	6	3	3	2	1	7	3
Total Weighted total including Optimism Bias									
	Score (500)	269.5	270.4	423.6	309.9	308.6	474.1	287.0	378.9
	Overall Percentage	56.8%	57.0%	89.3%	65.4%	65.1%	100.0%	60.5%	79.9%
	Rank	8	7	2	4	5	1	6	3

Of the 8 options considered, Option 4.0 ranks no worse than second under each of the 5 measures. The Combined Financial Outputs comprises both the Development Financial Outputs and the Socio Economic Environmental derived benefits and the highest scoring Option is judged to be that which provides the highest net benefit in this instance Option 4.0 with £3.288m.

The Socio Economic and Environmental Intangible Factors are a subjective measure against listed objectives, further detail is provided in appendix 11, and the Option which scores highest is that which is judged to best meet the objectives.

Time is scored on the basis of length of time required to deliver each option, and a comparison of this against the Public Sector Finance Manual guidance which indicates that surplus public sector assets should be disposed of or have action taken within a 3 year period. The option with the shortest time period required is determined to be the best, details of the composition of the time scores are contained in appendix 24.

The Risk score is comprised of a detailed risk matrix under the headings, Planning/Statutory Risk; Operational Risk; Deliverability Risk; Market Risk and Political Risk. Two dimensions are considered when scoring each of the options in regard to these headings, on the basis of their Probability and Severity. The Option with the lowest associated risk receives the highest mark, and details of the scoring are contained in appendix 12.

The score for Quality is measured on the basis of the extent to which each option delivers facilities not currently provided within Perth City centre area and for which there is a reasonable level of demand. The options which meet this objective best score highest in this category.

It should be noted that all regeneration projects including those involving the creation of enhanced public realm have a tendency to over estimate potential benefits and underestimate costs, however within the option scoring, optimism bias has been taken into account at 51% as directed within the Supplementary Green Book Guidance on Optimism Bias contained in HM Treasury Guidance: 'Green Book, Appraisal and Evaluation in Central Government' (Green Book).

As part of the sensitivity testing we also evaluated each of the proposals without considering 'optimism bias'. The final result remains unaltered for the top 5 positions with Option 4 remaining the preferred option.

Exhibit 2: Optimism Bias Comparison

		Do Nothing / Do Minimum	Re-Use of the Building; Retail/Commercial Development	Re-Use of the Building; Cultural led Development	Partial Demolition and Re-Use of the Building; Retail/Commercial led redevelopment	Partial Demolition and Re-Use of the Building; Cultural Led redevelopment	Full Demolition of the City Hall and Re- Use of the site for a Civic Square	Full Demolition and New Build of a New Facility; Retail Led/Commercial Redevelopment	Full Demolition and New Build of a New Facility; Cultural Led development
		1.0.	2.1.	2.2.	3.1.	3.2.	4.0.	5.1.	5.2.
Total Weighted total ex Optimism Bias									
Score (500)		248.9	235.9	386.3	270.0	267.9	442.2	244.8	333.7
Overall Percentage		56.3%	53.3%	87.3%	61.0%	60.6%	100.0%	55.4%	75.5%
Rank		6	8	2	4	5	1	7	3
Total Weighted total including Optimism Bias									
Score (500)		269.5	270.4	423.6	309.9	308.6	474.1	287.0	378.9
Overall Percentage		56.8%	57.0%	89.3%	65.4%	65.1%	100.0%	60.5%	79.9%
Rank		8	7	2	4	5	1	6	3

In conclusion we generally note the importance of the various retail led options as being relatively small. This is a result of a number of factors. The depressed state of the retail property market nationally is a clear problem. It is also a concern that in retailing terms the location of the City Hall is a secondary location as opposed to prime. The quality of space likely to be created does not match any perceived demand thus increasing the risk profile. Finally, with the total usable floorspace under any of the options representing less than 1% of the total retail floorspace the development lacks the critical mass to materially alter the shopping patterns in Perth.

Option 2.2 – Cultural-led re-use, is the second ranking option under the adopted appraisal exercise. This would potentially become a more attractive option should clear evidence of additional need be demonstrated and capital and revenue funding become available.

The cultural led options all demonstrate greater potential impact and, on the evidence of the consultation exercise, have greater public support than the equivalent retail options. There remains, however, a continuing shortfall and ongoing subsidy requirement to support cultural reuse. Furthermore significant operational/financial risk would be associated with this option given that no specific cultural occupier or use type has yet been identified.

The do nothing / minimum option unsurprisingly produces a poor appraisal score.

The preferred option, Option 4 – Full Demolition of City Hall and Re-use of the site for a Civic Square, is a clear winner under the adopted appraisal exercise. Whilst this might initially seem surprising, on closer consideration of the opportunity it is the option which offers the greatest opportunity to provide Perth with an attractor that the city centre presently lacks.

Examples from elsewhere suggest that a new public space embodying best practice in design, management and animation could make a significant contribution towards the revitalisation of the city centre and the Council's wider social, economic and environmental objectives. The potential benefits could include increasing visitor dwell times, stimulating private sector investment, increasing turnover for visitor economy businesses in the immediate area and providing a space for social interaction and the promotion of civic and cultural life in Perth.

Exhibit 3: Artists impression of a new square on the site of the City Hall

