

**Heritage Works Buildings Preservation Trust Ltd**

**The economics of industrial building conservation projects in  
Pennine Lancashire**

**Final report**

**Executive Summary**

**September 2011**

## **Executive Summary**

- 1.1 This executive summary provides a précis of a study to look at the economics of repairing and converting industrial (mill) buildings in Burnley and Rossendale, in order to bring them into active reuse. It is intended either as a stand alone document or to signpost to information in the main report.

### **PART 1**

#### **Introduction**

- 2.1 The project has been undertaken by Heritage Works as lead consultant. It was undertaken for English Heritage (working with Burnley Council and Rossendale Council) and links with the English Heritage Industrial Heritage at Risk theme for 2011.
- 2.2 It is a difficult time for those involved in property development and regeneration with availability of grant funding and bank finance being much reduced. This has increased the need for careful management of the historic built environment in Pennine Lancashire. When brought back into reuse, historic buildings have proven social, cultural and economic benefits, a point which is emphasised in Planning Policy Statement 5 “Planning for the Historic Environment”.
- 2.3 As required by the brief, the study provides elemental repair costs for typical mill building defects and generic conversion costs for end uses. Broad per square metre costs for repairs, depending on general building condition are also provided and were used to inform development appraisals for six case study buildings in Burnley and Rossendale. The broad repair costs have also been used to develop a costs calculator tool.

#### **Study methodology**

- 3.1 The study necessarily takes a high level approach providing the means by which mill repair and conversion costs can broadly be estimated and used to inform an assessment of development potential. The six case studies have been used to inform the study findings but are not included in the report due to their broad brush nature.
- 3.2 The study involved two workshops. The first on the 10<sup>th</sup> August 2011 followed a series of site visits and sought to identify typical defects and repair costs. The second, two weeks later, focused on end uses and recommendations for each of the buildings and was also used to agree study outputs for each.

#### **The impact of economic circumstances on textile mills**

- 4.1 Pennine Lancashire was a key driver of the industrial revolution, its industry based on textile manufacturing. Now, despite some economic diversification and the presence of some high value businesses, the area underperforms in economic terms and is subject to weak property markets. This situation has been exacerbated by the economic recession. The physical legacy of the area’s past industrial success includes its stock of industrial heritage, amongst this a substantial portfolio of extant former textile mills. This stock is however subject to a high rate of loss, particularly within Burnley and Rossendale.
- 4.2 The closure of textiles manufacturing businesses often leads to mill buildings being under-maintained. Redundancy frequently leads to vacancy and dereliction but even where occupation does continue, it is often with low value uses with inadequate repairs, maintenance and security leading to fabric decay. Although some building owners may have very limited resources, simple actions such as keeping rainwater goods unblocked, roof

coverings secure and buildings ventilated can be highly effective but are often neglected. When in low grade use, the need to maintain low running costs will prohibit best conservation practice and in such circumstances, local planning authorities should have a flexible approach and acknowledge that low cost repair materials are preferable to leaking gutters etc. and will secure buildings in the medium term. In the absence of ongoing maintenance any building will eventually decay and disintegrate. Keeping buildings in use will generally help to prevent this from happening.

- 4.3 Whilst lack of maintenance is the primary cause, decay can also occur due to poor construction or poor management. Further results of under-use and vacancy include vandalism and theft of building components, accumulation of rubbish and ingress of pigeons and other vermin.
- 4.4 **Clearly, the market context is a primary driver behind textile mill decline and is generally the most important variable in project viability. Building condition will affect development costs but a building's location, and associated demand for a proposed use will determine the end value and will impact on viability to a much greater extent.**
- 4.5 Property markets across Lancashire vary but, particularly within Pennine Lancashire are weak with house prices well below the average for England and Wales and declining, highlighting the challenge of achieving viable residential development in mill buildings, particularly as bank finance for apartment schemes is now extremely difficult to secure. Burnley, for example, is identified by Lancashire County Council research as having the lowest house prices in the country and a residential vacancy rate of 8%. Within the industrial and office markets there is a wide range of accommodation available on the market at competitive rents and capital values suggesting that it will be difficult to provide additional space on a cost effective basis. There may, however, be potential to undertake customised refurbishment for a pre-identified end user/s, as opposed to undertaking development on a speculative basis.
- 4.6 Although these are clearly challenging circumstances in which to bring forward mill conversion projects, the repair and reuse of historic buildings has proven to be a significant factor in the social and economic well-being of towns and cities across Europe and can be a strong driver of regeneration. It is therefore essential that a long term view is taken on the value of any historic building and its place in the local community, and that wider social and economic benefits are not sacrificed to short term convenience and expediency. In cases where there is impetus to deliver a mill conversion project there is, even now, a broad range of resources and mechanisms that can be harnessed (see chapter 9).

#### **Good practice and exemplar**

- 5.1 Chapter 5 provides an overview of literature on the adaptive reuse of historic buildings and presents a number of relevant exemplar projects from the sources reviewed. Publications include:
- Latham, Derek (2000), *'Creative Re-use of Buildings'*, Donhead
  - Stratton, Michael ed, (2000) *Industrial Buildings: Conservation and Regeneration*, E & FN Spon
  - Binney, Marcus, Machin, Francis & Powell, Ken eds. (1990), *'Bright Future: The Re-use of Industrial Buildings'*, SAVE Britain's Heritage

- Purcell Miller Tritton LLP (2010), *Northern Lights: Finding a Future for the Weaving Sheds of Pennine Lancashire*, Lancashire County Council
- Eley, Peter & Worthington, John, (1984) *Industrial Rehabilitation: The Use of Redundant Buildings for Small Enterprises*, The Architectural Press Limited

5.2 Both the sources and the exemplars described in them may be of value to those wishing to undertake a mill conversion project. However, the market context is a key factor in determining project viability and different market and economic circumstances require different approaches to project delivery. The economic recession and downturn in the property market since 2007 has made it very difficult to deliver even many new build schemes, even in areas with relatively buoyant property markets. Most of the exemplars in the literature reviewed predate the credit crunch. In view of the challenge of delivering conservation projects, particularly in areas where the market is not strong, we have included two exemplars from the last four years with a particular emphasis on delivery: Shaw Lodge Mill in Halifax and Lob Lane mill in Brierfields near Nelson, Lancashire.

## **PART 2**

### **Mill typologies and end uses**

- 6.1 The first part of chapter 6 provides a brief overview of mill development over time and discusses the effect that changing textile technology and working practices had on the physical form of mill buildings. It culminates in a set of mill typologies developed for the purpose of this study which align with the typologies to be used by Oxford Archaeology North for Phase 2 of the Lancashire Mills Assessment. The second part of the chapter considers potential end uses for mill buildings and how size and form impact on which uses may be most suitable for different buildings.
- 6.2 Textile mills within Pennine Lancashire, fall into two main typologies – single function (spinning, weaving or finishing) and multiple function (integral mills combining different operations on a single site) – and survive in a range of sizes from the very small to the very large. Within these main typologies mills can be found which are single storey or multi-storey, shallow plan (less than 15 metres) or deep plan (more than 15 metres), as single buildings or groups of buildings and with or without adjoining mill yards.
- 6.3 The factors which principally influence the suitability of historic textile mills for re-use are location, condition, size, plan form, structural capacity, and access, potential for car parking and potential for improved energy efficiency. Poor condition, inadequate structural capacity, poor access and low energy efficiency will all increase development costs, whilst poor location, awkward plan form resulting in lower useable space and lack of car parking will reduce development values. In some cases a building's less definable qualities (such as its uniqueness or special interest) may attract end users.
- 6.4 Common new uses for redundant textile mills include managed workshops, office space and residential accommodation. However, mills can accommodate a wide variety of uses such as libraries, hotels, shops and university teaching accommodation. Such uses are more likely to work in locations close to large population centres. In areas with lower population levels small tenancies and simple, flexible mixed use accommodation are likely to be more successful.

### Typical defects and repair costs

- 7.1 Chapter 7 is intended to provide an overview of typical mill building defects and a guide to achieving an indicative assessment of mill repair costs. In order to derive an accurate picture of the costs associated with building repair, it will always be necessary to undertake a detailed building condition survey and it will be prudent to use a quantity surveyor to develop a corresponding costs schedule. However, in the very early stages of a project, a very high level, initial estimate of project viability is often required prior to any significant expenditure on surveys and professional fees. A developer will typically undertake a broad brush development appraisal using 'per square metre' costs which will vary depending on the general condition of the building.
- 7.2 Typical defects and costs are identified for the following building elements/items:
- Demolitions
  - Sub structure / ground floor slab
  - Frame (columns and beams)
  - Floors (upper)
  - Roof
  - External walls
  - Exclusions
- 7.3 The broad per square metre repair costs are presented in the table below. These figures were used to develop repair costs for the six case study mills and also inform a costs calculator tool for use by those wishing to carry out an initial mill project appraisal.

Condition	Typical repair costs per sq m
<b>Very bad</b>	Mill £400-650, weaving shed £650-800
<b>Poor</b>	Mill £275-400, weaving shed £500-600
<b>Fair</b>	Mill £150-275, weaving shed £350-500
<b>Good</b>	No repair costs

- 7.2 The criteria for determining the condition of a building are based on those used by English Heritage for assessment of Buildings at Risk and by the Architectural Heritage Fund.

### Case study overview

- 8.1 Having investigated at a strategic level the circumstances affecting the re-use of former textile mills, the team visited six mill buildings within the study area. These mills had been selected by the client team, and constituted a range of sizes and conditions. Three were within Burnley, three were within Rossendale and all were within walking distances of town centres.
- 8.2 Potential schemes were developed and appraised for four of the six case studies. In each case the exercise demonstrated a deficit. For one of the buildings this was marginal but for each of the other three there was a substantial deficit. While partly attributable to the costs of building repair and conversion, the gap is largely driven by weak property markets resulting in low end values at the present time.
- 8.3 Two of the buildings were in low grade use and unlikely to attract the necessary deficit funding in the current economic climate. This emphasises the need to support existing uses through maintenance advice and, where possible, financial assistance with cost-effective envelope repair. In addition to their cultural and historic value, many of these buildings

support employment and income generation, playing a vital role in areas with fragile economies. Their survival in the medium term is therefore vital to current employment needs as well as securing their cultural value into the future. Keeping them in occupation will be the best way to ensure their survival.

### **Funding the gap**

- 9.1 The funding context has changed very significantly over the last few years as the recession has impacted on public sector budgets. Policy changes have also shifted the emphasis of public sector funding with job creation and enterprise being regeneration priorities. It is increasingly difficult to secure funding for the conservation repair element of heritage development projects, particularly when buildings are 'only' listed grade 2 (or are not listed at all) as is the case with most mills within Lancashire. It is easier to find funding to support end uses but this is also very competitive.
- 9.2 Chapter 9 provides an overview of a range of different sources of funding and finance and other ways through which local authorities may be able to help encourage the conservation of mill buildings in Lancashire.
- 9.3 Funding bodies can be grouped into 'heritage funders' and 'regeneration or economic development funders'. **Heritage funders** include English Heritage which has a limited budget for building repairs but will generally only do so for buildings that are grade 2\* or grade 1. The Heritage Lottery Fund (HLF) offers a range of programmes including the Townscape Heritage Initiative (THI). The THI offers a particular opportunity for funding privately owned buildings which the HLF does not normally do.
- 9.4 **Charitable trusts and foundations** also award grants primarily on account of the activities that a project will support, rather than to repair or convert historic buildings per se. The Pilgrim Trust and the Sainsbury Family Charitable Trusts are amongst those that do prioritise works to buildings of heritage significance (generally grade 2\* and grade 1), but, as with Lottery funds, private individuals and for-profit enterprises are not eligible for support. Grants are small, with most charitable trusts awarding grants of less than £20k.
- 9.5 **Regeneration and economic development funders** include the Homes and Communities Agency (HCA) which operates the Affordable Homes Programme 2011-15 and the Property and Regeneration Budget. The Regional Growth Fund is the major funding source for economic development projects and programmes following the demise of the Regional Development Agencies (whose closure will be completed by April 2012) but is significantly over subscribed. Applications include a bid from Regenerate Pennine Lancashire in partnership with the East Lancashire Chamber of Commerce, Lancashire County Developments Ltd, the University of Central Lancashire and Lancaster University; aimed at accelerating business growth across Lancashire. If this bid is successful, an historic building project (e.g. the Weavers' Triangle) may be eligible to apply to the pot for capital for works that sustain or increase employment.
- 9.6 **Other potential sources of raising capital** for a conservation project include the Community Infrastructure Levy, alternative sources of loan finance such as Prudential Borrowing (for local authorities) and the Architectural Heritage Fund. Local Asset Backed Vehicles (LABVs) can provide the opportunity to raise finance against publically owned assets and to capture value uplift flowing from regeneration. Enabling development can be used, in some cases, to cross subsidise conservation repairs. It does however, require the

new build element to generate a surplus which can be difficult to achieve when markets are weak.

- 9.7 There are **other ways in which the public sector can provide support and encourage mill redevelopment**, or at least try and limit on-going decline and facilitate future projects. These include raising awareness of the historic significance of mill buildings and supporting owners and tenants to keep them in use. If necessary a council's statutory powers can be used to encourage repairs (in some cases English Heritage may be able to underwrite unrecoverable costs). Conservation officers can achieve much by effective liaison with non-heritage officers to resolve issues and help develop projects.
- 9.8 Further support and advice to owners may be provided on effective mothballing and could extend to free development advice and expertise. For example, help with preparing development briefs. Where buildings are to be refurbished for re-use by an existing owner or tenant, the local authority may be able to offer reduced-rent space in council-owned property in the short term, and provide support for decant and relocation. Lack of land for parking is a major issue and local authorities may be able to contribute land or facilitate land acquisition of nearby sites in order to provide necessary space.

### **PART 3**

#### **Conclusions**

- 10.1 The conclusions are structured under the following headings:

- **The importance of the local context to viability** - the deterioration of mill buildings can be linked to economic, as well as technological, change. There is also a very strong relationship between project viability and local property markets. The Pennine Lancashire context presents a particular challenge in this respect and the case studies demonstrate this with some level of deficit likely for each.
- **The importance of progressing mill conversion projects in Pennine Lancashire** - that industrial building conversion projects in Lancashire will be difficult to deliver does not mean that efforts can not - or should not - be made to progress them. Mills are one of the area's key strengths and have an important role to play in regeneration and economic development. There is however, a clear need for prioritisation, particularly given scarce resources.
- **Approaches to mill prioritisation** - there is scope to develop an overarching mills assessment system that builds on other English Heritage assessment methodologies. It should include consideration of regeneration and economic issues as well as heritage ones.
- **A strategic approach** - a system of prioritising mills would feed into development of a mill strategy for Pennine Lancashire to concentrate efforts and investment and establish a set of principles. Such a strategy would ideally involve all local authority partners.
- **Delivering priority projects** - although resources to deliver mill projects are much diminished, there remain various ways of stimulating development and achieving conservation objectives. Local authorities are urged to be innovative in how they use the limited regeneration tools available to them and to consider the potential for direct action to acquire sites, and where appropriate, undertake mothballing until market conditions improve.

