

Report to AMF on Thursday 13th June 2019

SEATON WORKSHOPS – Progress Report

RECOMMENDATIONS:

Fosseway Park -proceed to a Full Business Case to reflect the amended specification and current market evidence. Which AMF this is taken to will depend on whether the Detailed Business Case involves tendering for the build works or relies on existing cost estimate. If the former, likely December, if the latter likely September.

Colyford Road - A further report will come back to a future AMF once the site has been considered more strategically.

BACKGROUND:

Resourcing pressures had meant that this project was put on-hold for past 12 months but is now once again being progressed.

The Colyford Road site once comprised a former depot, St Johns HQ and garage. It was proposed to construct 14 new build commercial units along with vehicle turning zones for 28 parking bays and associated soft landscaping. Attached is an aerial photograph with the site edged red.

The Fosseway Park site was acquired by the Council for the purpose of constructing small employment units. The proposal was for the construction of 7 new build commercial units along with vehicle turning zones for 12 parking bays and associated soft landscaping. Attached is an aerial photograph with the site edged red.

Back in 2014 designs and specifications were formulated with the schemes then being tendered as two separate projects. The return of tender costs proved to be prohibitively expensive causing the construction and build out of these projects not to proceed at that time.

A further tender process was undertaken in 2017 as a design and build tender but again the return of tenders proved to be prohibitively expensive and therefore the projects did not progress.

CURRENT POSITION:

It has been established that the original design and specification on both of these schemes have resulted in what then was costly tenders.

External consultants have been engaged and have produced a more cost effective and simplified design for the Fosseyway Park site with EDDC Officers undertaking a much more strategic review of the Colyford Road site to determine future uses and demand.

FOSSEWAY PARK – DESIGN WORK:

Consultants have now undertaken a full review of the design concept and specification in order to achieve a more viable and deliverable scheme. Areas of the original design and procurement that we are looking to review include the following:

1. Reducing the high level external finishes of brickwork and other details, by allowing for a typical industrial unit workshop type construction with a more traditional steel frame and cladding type solution.
2. The reduction of external works including ponding and landscaping areas.
3. The reduction of grasscrete parking areas with rain water catchments.
4. Internal wall finishes to all units rather than a plaster finish, to be a painted concrete block finish.
5. The previous procurement approach was on a design and build basis, but we consider a more cost effective procurement route in this instance would be for a more traditional tendering process, where we are able to keep a tighter control on construction costs.

The latest cost estimate is circa £950,000, not dissimilar to earlier tenders as whilst the specification has now reduced, build costs have increased. Unfortunately rental values have not increased at the same rate.

Planners have already indicated that they would not be adverse to a more typical industrial unit / workshop type approach at Fosseyway Park, as this would be in keeping with industrial units and workshops which are already in existence.

FOSSEWAY PARK – INITIAL VIABILITY WORK:

It is proposed that the funding would be through PWLB. That said, if EDDC did fund using existing reserves, the opportunity cost would be mirrored by the PWLB rate so at this stage it is reasonable to assess on this premise. Assuming a 10 month build period, £950,000 build costs and a rental of £8 per sq ft along with reasonable assumptions around voids, management and maintenance costs we have projected likely return based on PWLB borrowing over different terms. The income returns are best shown within the below chart.



At a high level this is indicating that to ensure a positive cashflow in year 1 and indeed generally in early years, EDDC would need to borrow over 40 years. The issue that needs exploring further is whether this is appropriate for this construction type. That said, even with borrowing over 40 years, the initial yield based on the £950,000 build cost and ignoring land value reflects just a 0.93% initial yield in year 1, reducing to 0.44% in year 2 to reflect maintenance costs then becoming a true cost. At this stage, this therefore indicates that this is a high risk investment due to the very low return and the possibility of falling into negative cashflow. Indeed if this scheme were to progress, the decision would be driven by non-financial drivers. In essence the original concerns remain absolutely relevant now.

NEXT STEPS:

FOSSEWAY PARK

Detailed business case to be worked up and taken to future AMF for a steer on whether to proceed with an investment through the appropriate decision making route or to explore an alternative, being possible disposal of site. Will include report on title, strategy bearing in mind existing EDDC units within Seaton, detailed viability and consideration of other options.

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