

REPORT TITLE: BISHOPS WALTHAM DEPOT – NEW BUILD INDUSTRIAL UNITS

CABINET

20 JUNE 2018

REPORT OF PORTFOLIO HOLDER: Cllr Steve Miller Portfolio Holder for Estates

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WARD(S): BISHOPS WALTHAM

PURPOSE

The former Depot at Bishops Waltham is suitable for a B1 and B8 development. Interest has been expressed by a number of local businesses in the possibility of leasing new business accommodation. The report identifies the work undertaken by the team of Consultants to facilitate such a development, outlines the scope of the proposed works and details their estimated cost.

The report proposes to undertake the development of three business units on the site and seeks authority to incur capital and revenue expenditure to enable the development to proceed.

RECOMMENDATIONS:

It is recommended that:

1. That subject to the approval of the Supplementary Budget by Council the proposals for the development described in the report are agreed and that:
 - a) the supplementary capital estimate detailed in Appendix C be approved;
and
 - b) the supplementary revenue budget of £16,000 for marketing as detailed in Appendix C be approved.

2. Following the receipt of the final lease offers for the properties, if more than three offers are received, the Corporate Head of Asset Management in consultation with the Deputy Leader and Portfolio Holder for the Economy, Corporate Head of Engagement and the Strategic Director (Resources) be authorised to determine, taking into account the criteria detailed in paragraph 14.9 of this report, which are the most appropriate tenants for the development.
3. That prior to the commencement of construction works, agreements for lease be entered into with the prospective tenants on terms to be settled by the Corporate Head of Asset Management, in consultation with the Corporate Head of Resources.
4. The Corporate Head of Asset Management be authorised to submit a planning application for the proposals and any other applications for works requiring statutory consent.
5. Subject to project approval and satisfactory offers being received for the units:
 - a) In order to develop the concept design for the proposed development, a direction be made under the Contract Procedure Rule 3.1 to authorise the Corporate Head of Asset Management to appoint OB Architecture to continue as Project Architects and Scott White Hookins as Structural Engineers ;
 - b) The building works to be managed under a Construction Management process with the Construction Manager, Project Manger, Health and Safety advisors, Cost Consultant, Mechanical and Electrical Engineer and other professional consultants and package contractors being appointed in accordance with Contract Procedure Rule 9.2 (obtaining quotations/tenders);
 - c) The Corporate Head of Asset Management be authorised to accept such quotes and, following their assessment by the Quantity Surveyor tenders received for the works, subject to the tenderers ability to complete the works in the required timescales.
 - d) Subject to the agreement of the budget by Council, authority be given under Financial Procedure Rule 6.4 to incur the capital expenditure referred to in Appendix C.
 - e) That if requested to do so by the tenant(s), the Council to undertake the fitting out works as part of the Construction Management process at the direct cost and expense of the tenant(s). Where the tenants opt to

rentalise the works delegated authority is sought for the Strategic Director (Resources) to approve additional capital budget and expenditure of up to £250,000 where it is financially beneficial to the Council to do so.

TO COUNCIL

1. That the Supplementary Capital Estimate referred to in the report be approved

IMPLICATIONS:

1 COUNCIL STRATEGY OUTCOME

- 1.1 The development of the new business premises in Bishops Waltham helps deliver a number of outcomes identified within the Council Strategy 2017-2020. These outcomes include the application of an entrepreneurial approach to the efficient delivery of public services by developing a Council asset to deliver an income stream and by helping to improve the quality of the district's environment by the construction of modern buildings with improved environmental standards. It also contributes to Winchester becoming a premier business location by providing modern business space in the rural area.

2 FINANCIAL IMPLICATIONS

- 2.1 The capital expenditure detailed in Appendix C will be funded from prudential borrowing. The project, after borrowing costs, will deliver an annual net surplus to the Council and has a discounted payback period of 19 years.
- 2.2 A revenue budget of £16,000 is required in 2018/19 to meet costs associated with letting.
- 2.3 Full details are provided in the financial appraisal at Appendix C (Exempt).

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 The Council has powers under the Local Authorities (Land) Act 1963 to erect and maintain buildings for the improvement of its area.
- 3.2 The estimated costs of the construction and for consultants are below the thresholds which would require an EU procurement process; consequently the contractors and consultants can be procured in accordance with the Council's Financial Procedure rules.

4 WORKFORCE IMPLICATIONS

- 4.1 The project will be managed by the Corporate Head of Asset Management and will require input from Legal, Finance, Development Management, Building Control, Environmental Health and Economy and Arts Teams. In addition external consultants and contractors will be appointed to progress the project.

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 The site is capable of supporting a B1 and, B8 development and there is evidence of local demand for this type of property. Negotiations are being held with a number of parties interested in taking leases of the business accommodation proposed for the site.

5.2 Prior to a decision being made to proceed with a development on the site it would be necessary to enter into agreements for lease with the prospective tenants. The development would generate a cash flow which would service the debt needed to proceed with the development and to make an appropriate return on the investment. As with all investments, however it must be remembered that asset values can both rise and fall over time as they reflect market conditions and investors economic sentiments.

6 CONSULTATION AND COMMUNICATION

6.1 The proposed development of the site has been discussed with HCC Estates, the Portfolio Holders for Estates, the Deputy Leader and local businesses. Bishops Waltham Parish Council have been informed of the proposal for the site.

7 ENVIRONMENTAL CONSIDERATIONS

7.1 The existing premises on the site were thought to have been constructed in the 1950's. The site was used for long periods as a base for the refuse collection in the parished areas and there is the potential risk that parts of the site may have some contamination from vehicle oils or pollutants associated with cleaning down the freighters. A geo environmental report and flood assessments have been carried out, which have identified the site as suitable for normal development.

7.2 The site is surrounded by trees and a tree report has been obtained on those within the site. The site also lies within the Bishops Waltham Conservation Area and is in close proximity to the South Downs National Park.

8 EQUALITY IMPACT ASSESSEMENT

8.1 None.

9 DATA PROTECTION IMPACT ASSESSMENT

9.1 None.

10 RISK MANAGEMENT

Risk	Mitigation	Opportunities
<p><i>Property</i></p> <p>There is a risk that Tenants cannot be secured for the property at an appropriate rent capable of financing the development.</p>	<p>The risk is mitigated by securing tenants prior to a commencement of the development and requiring them to enter into an agreement for lease.</p>	<p>The property will be marketed at the same time as discussions are held with those interested parties who have already identified themselves to the Council. If more parties materialise than</p>

		units they will be invited to submit best and final offers for consideration by the Council.
<p><i>Community Support</i></p> <p>There is risk that neighbours may object to the proposals.</p> <p>There is a risk the proposed uses may be considered to be a nuisance by the neighbours.</p>	<p>The risk can be mitigated by consulting with residents prior to a planning application being submitted. (The use of the site remains unchanged).</p> <p>The risk can be minimised by careful design and consultation with Environmental Health colleagues prior to the submission of a planning application. The risk will be further mitigated by careful consideration of the uses proposed by prospective tenants</p>	<p>The consultation could also be used as part of a soft marketing campaign.</p> <p>Keeping the Parish Council informed of progress with the development.</p> <p>The use of the Considerate contractor Scheme during the construction phase.</p>
<p><i>Timescales</i></p> <p>There is a risk that the Estates Team does not have the time to dedicate to the project and there will be delays in implementation.</p> <p>Potential tenants may require the accommodation at dates relating to the expiry of existing lease agreements.</p>	<p>Additional staff are being recruited to the team to provide support for projects. External consultants will be recruited to carry the project forward if necessary.</p> <p>The risk can be mitigated by arranging the completion of a development to tie in with prospective tenants lease expiry dates.</p>	<p>Increased pipeline of work supports the need for additional staff.</p>
<p><i>Project capacity</i></p> <p>The project is included in the AMP programme, but additional work pressures are developing which may mean that there is not capacity to carry the project forward.</p>	<p>External consultants will be engaged to assist with carrying the project forward.</p>	<p>Engaging with local businesses.</p>

<p><i>Financial / VfM</i></p> <p>There is a risk that construction inflation or unforeseen costs are identified as the project moves forward.</p> <p>There is a risk that the tenant defaults after works have commenced.</p>	<p>A project contingency is built into the development appraisal. The costs have been projected in line with the anticipated commencement period.</p> <p>The risk can be mitigated by carefully considering the finances and viability of the proposed tenant's business over the longer term.</p>	
<p><i>Reputation</i></p> <p>There is a risk to the Council's reputation that the public might perceive that the majority of investment made by the Council takes place in Winchester and the parished areas are ignored.</p>	<p>The project proposes an economic development initiative in Bishops Waltham which would support the local economy.</p>	<p>Opportunity to build a relationship with the rural communities.</p>

11 SUPPORTING INFORMATION:

- 11.1 The Depot site at Bishops Waltham is situated in a former quarry and was used in the past as a base for refuse freighters serving the parished areas. The site extends to approximately 0.95 acres and is outlined in black on the plan attached at Appendix A. The developable area is limited as a result of the site contours.
- 11.2 The building on the site was erected in the 1950's, is in poor condition and has reached the end of its economic life. The possibility of developing a fire station on the site was explored with the County Council over a number of years but did not progress. The development of a Doctors Surgery on the site was also discussed with the local practice and again they did not pursue the opportunity.
- 11.3 A number of local businesses have approached the Council requesting support to find more modern business accommodation in the area. Much business accommodation in the area is not purpose built and the lack of modern premises was holding back the development of local companies who wished to expand.

12 LOCAL PLAN CONSIDERATIONS

- 12.1 Policies within the Local Plan Part 1 and Part 2 apply to the site. Policy MTRA 1 – Development Strategy Market Towns and Rural Areas provides for the:-

retention or redevelopment of existing employment land and premises, and development of new sites or buildings, to provide and improve local employment opportunities for both existing and new businesses and to support entrepreneurship

- 12.2 Policy MRTA 2 - Market Towns and Larger Villages seeks to support the development of larger Market Towns to maintain and improve their role and function and with regard to Bishops Waltham and New Alresford to meet a range of local development needs : –

development should be appropriate in scale and result in a more sustainable community by improving the balance between housing, employment and services. Existing facilities, services and employment provision should be retained or improved to serve the settlements and their catchment areas.

Housing, employment, retail and services should be accommodated through development and redevelopment opportunities within existing settlement boundaries in the first instance.

- 12.3 Policy CP8 - Economic Growth and Diversification. This policy identifies that :

The Local Planning Authority will support economic development and diversification across Winchester District, in accordance with the spatial strategies for the District, through the retention, regeneration and intensification of previously developed land and by allocating land as necessary to support employment growth at sustainable locations.

- 12.4 In Planning Policy terms, the adopted Local Plans support the retention of employment land and it would be economically beneficial to the local area to provide modern business units to support the development of local employment in Bishops Waltham, in accordance with Policy MTRA2. The site is located in the Conservation area and Policies DM27 and 28 will apply, in addition to a number of detailed development management policies to ensure that design and site layout are appropriate

13. ECONOMIC DEVELOPMENT CONSIDERATIONS

- 13.1 The need for rural work space was identified in the Regeneris report commissioned by Enterprise M3 LEP in 2016. A survey of businesses undertaken by consultants SQW in 2013 across the District showed that 71% found it 'difficult' or 'very difficult' to find suitable workspace in Winchester, with 49% concerned about the state of existing workspace and expressing a need to find bigger premises within the next 1-2 years. Winchester District's Economic Strategy 2010-2020 identified 'providing and protecting a range of business premises for a range of enterprises' as a key factor for success. The

site is also in a fibre broadband connected area, making it a more appealing option for potential occupiers.

14 PROPOSALS

- 14.1 OB Architecture were appointed to produce feasibility drawings for a business unit development on the site. A scheme for the development of three units has been prepared and the details are included at Appendix B.
- 14.3 Below ground, gas, soil and flood investigations have been completed and reviewed by an externally appointed Structural Engineer. The Engineer has concluded that the site is suitable for redevelopment in a normal manner.
- 14.4 Light industrial units are traditionally constructed to allow sub-division into smaller units if required. The buildings would be constructed to a shell finish to allow tenants to fit them out to meet their individual requirements. The Council may undertake fit out works on the tenant's behalf, either in return for a higher rent or for the direct reimbursement of costs incurred. The site and accommodation layouts have been shared with prospective tenants, who are all satisfied that they meet the needs of their businesses.
- 14.5 Each unit will have a gross internal floor area of 2,217sq ft at ground floor, with a further 764sq ft at a mezzanine level. The total gross internal floor area for all three units would be 8,943 sq ft. In addition it is proposed that 30 car parking spaces and one lorry space would be provided within the proposed service yard.
- 14.6 The cost of the proposed development is set out at exempt Appendices B and C.
- 14.7 The property will be marketed at an indicative rent on the general terms set out in Appendix D. A budget of £16,000 will be required to cover marketing costs and Members are requested to approve this expenditure.
- 14.8 Prospective tenants will be invited to submit offers to lease the property to include the following information:
- Details of the company and the proposed use
 - An indication of the number of people employed and who could be employed in the new premises
 - Three years accounts
 - A bank and two trade referees
 - The preferred lease term
 - The proposed rent

- Any requirement for a rent free period.
- 14.9 Preference will be given to uses which do not have the potential to cause a nuisance to neighbours and to businesses which are financially secure, offer the longest lease term, the highest sustainable rent and investment value. If more than three offers are received, they will be considered by a panel of Members and Officers using the above criteria. It is anticipated that it will be possible to identify the most appropriate tenant(s) for the property by the beginning of September 2018.
- 14.10 The development will continue to require ongoing management to maintain a high standard of amenity. To facilitate this the lease will include service charge provisions to cover the maintenance of landscaping, the collection of refuse, sweeping the access road, lighting, fencing and drainage of the common areas.
- 14.11 In the event that more than three offers are received to lease the property, Members are requested to grant the Corporate Head of Asset Management in consultation with the Deputy Leader Portfolio Holder for the Economy; Corporate Head of Engagement and the Strategic Director (Resources) delegated approval to decide which are the most appropriate tenants for the new premises.
- 14.12 Once the prospective tenants have been identified, it will be necessary to enter into a building agreement and lease with them. Once this documentation is in place it will be possible to proceed with the development.
- 14.13 The Architect, and Structural Engineer have been engaged previously and it is proposed to retain them to develop the project, because of the difficult nature of the banked site and the technical knowledge they have of the project.
- 14.14 The Project Managers, Cost Consultant, Mechanical & Electrical Engineers and other consultants will be procured in the market in accordance with the Council's Contract Procedure Rules. It is anticipated all the professional costs will be accommodated within a budget below the EU Services threshold.
- 14.15 The project will be managed using construction management techniques and the construction manager and other professional advisers needed to deliver the project such as Health and Safety Advisors will be appointed following the receipt of competitive quotations.
- 14.16 The works will require Planning Permission and Building Control approval. Members are therefore, requested to authorise the Corporate Head of Asset Management to submit planning and other applications for works to be undertaken to the site which require statutory consent.
- 14.17 In order to progress the development it will be necessary to develop the designs up to Stage 3 RIBA so that a planning application can be submitted. It is therefore recommended that consultants are appointed under a contract

which allowed for the termination of their appointment in the event that planning consent was not granted.

15 CONCLUSIONS

- 15.1 The buildings currently on the site are in very poor condition and are of no architectural merit. The demolition of the buildings and redevelopment of the site with modern well designed premises will improve the appearance of the area, support the development of businesses which will provide local employment opportunities while helping sustain the economy in Bishops Waltham and delivering an income stream for the City Council.

16 OTHER OPTIONS CONSIDERED AND REJECTED

- 16.1 The disposal of the site to Hampshire Fire and Rescue was considered over a number of years. The proposal was discussed with the Portfolio Holder for Estates and Deputy Leader. The transaction did not proceed as only part of the site was required and the balance of the land would have been difficult to develop in isolation.
- 16.2 Consideration was given to the possibility of the site being sold for residential development purposes. The physical characteristics of the site do not lend it to a residential development and there is a shortage of suitable employment premises and its retention for economic development purposes and the potential for an income stream accorded with the Council's strategic objectives.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

CAB2961 – Bishops Waltham Depot Site, Proposal for Redevelopment

Other Background Documents:-

Foundation Options

Flood Risk Assessment

APPENDICES:

Appendix A – Development Proposals

Appendix B – Cost Assessment of Works (Exempt)

Appendix C – Financial Appraisal (Exempt)