

Lead Director	Steve Cox (Director of Place)
Lead Board	Property Board
Savings proposal	
<p>Mileham's Yard</p> <p>Acquisition of a 2.16 acre site adjacent to an existing c.2.8 acre Council owned site in Purfleet and then the development of both sites for commercial use (small industrial units) which will generate a revenue through rental income.</p>	
Strategic rationale	
<p>The combined site extends to around 5 acres and initial capacity studies suggest that it is capable of supporting around 110,000sqft of accommodation. This would cost in the region of £2,048psf (£190psf) to construct (c.£21m) and would generate a rent of around £15psf or £1.6m per annum when fully occupied. This would equate to a nett income of around £1.5m per annum. Further feasibility study is required to ascertain development costs and investment returns.</p> <p>More than half of the site is already in Council ownership and discussions are ongoing (with conditional offers having been made) to acquire the remainder. The area is very popular for industrial units with the nearby Purfleet Industrial Park consistently showing high levels of occupancy and interest.</p> <p>The shortage of appropriate, high quality business space for small and medium sized firms is routinely highlighted by local businesses as a significant impediment to their development and growth.</p>	
Budget 2016/17	
<p>Feasibility studies are currently being conducted drawing upon existing Regeneration and Assets budgets so no support is needed in 2016/17.</p>	
Approximate cost savings 2017/18	
<p>To deliver the scheme will require c.£25.7m (land and build cost plus fees) which will be drawn down over 2017/18 and 2018/19 in anticipation of the buildings opening in 2019/20. There is scope for some space to be available in 2018/19 and clearly some could be pre-let.</p> <p>The acquisition could take place in 2016/17 if terms can be agreed.</p>	
Impact	
<p>The returns (excluding debt charges) are around 6% on cost year on year which is considered to be a good return.</p>	
Risks	
<p>Risks exist in respect of the failure to acquire the privately owned site, capital costs, project management, ground conditions, programme, demand and ongoing management.</p>	
Failure to acquire privately owned site	<p>The neighbouring site is privately owned and the Council are seeking to acquire it off market without competition. At present, there is considered a reasonable prospect of success however, if terms cannot be agreed, it is unlikely that the Council can deliver a viable development site out of just its landholdings alone. On this basis the project would not be able to proceed. There is limited scope for CPO.</p>
Capital costs	<p>The capital costs are based upon high level assessments at present and will require a great deal more detailed consideration as the scheme develops. They should be monitored alongside the development of the business plan to ensure that the scheme remains viable and attractive.</p> <p>The works should be undertaken through a fixed price design and build contract to ensure that the Council is protected from any price rises once</p>

	works commence on site.
Project Management Capacity	The Council has a growing capacity and expertise in respect of capital project management which would be available to support the delivery of this project. However, there is scope for the Council to bring in additional capacity to support these works if required. It is likely that this could be contained within the overall project budget outlined above.
Ground Conditions	Poor ground conditions with risks of contamination from former industrial uses are anticipated on this site. Some consideration has been built into the cost estimate. A broad range of ground investigations should be undertaken prior to formal commitment with the results fed into further review of the costs model and business plan.
Programme	The programme could slip delaying the point at which the space is available to rent and the income can be achieved. The headline programme is considered generous but will clearly need to be monitored throughout the works.
Demand	The projected figure is based upon an assumption that there sufficient demand to occupy the space at an average rental of £15psf. Based upon the Council's experience with other business accommodation and the schemes which are being developed locally there is considered to be good demand for this type of space but time should be allowed for the build-up of occupancy levels and the potential need to offer rent free periods or other inducements to secure tenants.
Ongoing Management	The management of the business units will require focussed management that is unlikely to be available through existing resource levels. The cost of an external managing agent should be built into the business plan.

Mitigation

As above.

Timescales

Activity	Timescale
Acquisition of third party land	By end 2016/17
Development of design, planning and procurement of a contractor	12 months to end 2017/18
Construction and handover of units	15-18 months to mid 2019/20
Occupancy and letting activity thereafter	Ongoing.