

Appendix 4b – Development Opportunity – Thurrock Parkway Savings Proposal 2017/18

Lead Director	Steve Cox (Corporate Director of Environment and Place)
Lead Board	Property Board
Savings proposal	
<p>Thurrock Parkway</p> <p>Development of existing Council owned site at Thurrock Parkway (Tilbury) for commercial use (small industrial units) which will generate a revenue through rental income.</p>	
Strategic rationale	
<p>The site extends to 10 acres and initial capacity studies suggest that it is capable of supporting around 150,000sqft of accommodation. This would cost in the region of £2,220 (£206psf) to construct (c £30m) and would generate a rent of around £10psf or £1.4m per annum when fully occupied. This would equate to a nett income of around £1.18m per annum. Further feasibility study is required to ascertain development costs and investment returns.</p> <p>The site is already in Council ownership and several attempts to dispose of it have been unsuccessful. A similar development has been completed on the adjacent site by an unrelated party and is fully let and the Port of Tilbury is proposing something similar on the neighbouring expansion site which evidences the demand for such units.</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. 36m (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>	
Impact	
<p>The returns (excluding debt charges) are around 3% on cost year on year which is considered to be a reasonable return.</p>	
Risks	
<p>Risks exist in respect of capital costs, project management, ground conditions, programme, demand and ongoing management.</p>	
<p>Capital costs</p>	<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 works commence on site.</p>

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	Tilbury is a notoriously difficult place to build because of the nature of the ground conditions and the impact that this has on cost. Some consideration of this has been built into the cost estimate but a broad range of ground investigations should be undertaken prior to formal commitment with the results fed into further reviews of the cost 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 £10psf. 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
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.