

KEYNSHAM TOWN CENTRE

OFFICE DEVELOPMENT AND REGENERATION REPORT

SUMMARY REPORT



**Bath & North East
Somerset Council**

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SUMMARY REPORT

- 1 The Study assesses the viability and deliverability of offices for the Council in Keynsham.
- 2 Our approach is based strongly on market viability and deliverability.
- 3 Keynsham is an attractive town which generally underperforms relative to its potential. There has been relatively little in-town development in the last 25 years. There are likely to be sufficient sites and land allocated for development over the next 20 years based on identified sites. The anticipated closure of the Cadbury Somerdale factory will add a significant area with potential for mixed use development. It is identified in the Regional Spatial Strategy as a strategic growth area, and the Core Strategy identifies the town centre as a strategic site.
- 4 The Study Site breaks down to three elements specifically:
 - Site 1 – the Town Hall and Centre shopping site
 - Site 2 - the Riverside office building and Leisure Centre
 - Site 3 - the River Valley and car park
- 5 Virtually all of the site is in the freehold ownership of the Council except for the Fire Station. It should be possible to obtain possession of all of the remainder of Site 1. Site 2 is held on long lease by developers.
- 6 As part of the Study we have liaised with Council representatives with particular regard to a number of key areas including:
 - Sustainability
 - The Leisure Centre
 - Library
 - The One Stop Shop provision
 - Planning

- Regeneration
- Local liaison (Keynsham Development Advisory Group)

7 The principal public sector requirements identified are:

- Council offices
- Library
- One Stop Shop
- Police
- Fire Service
- PCT

8 The Council has a tenancy (now expired) of part of the Riverside building. However, it is potentially functionally obsolescent and the office space requires substantial upgrading or refurbishment in order for it to be usefully occupied. There is potential for refurbishment but it is subject to analysis and understanding of the costs, the overall configuration and suitability and future costs in use.

9 The substantive ownership of Riverside is with Topland and not with the Council. The future will be determined by Topland. Alternative uses for the Riverside building are limited in the foreseeable future. The possibility of redeveloping the building is made difficult by the constraint of the Leisure Centre. There is not only the physical constraint but also restrictions because of title and ownership of the Council.

10 The general market for development from the point of availability of finance and willingness of developer is very limited because of overall poor market conditions.

11 The prospects for any redevelopment other than based on Council use, are very slight. We anticipate this situation continuing for a period of, realistically, up to five years.

12 We have carried out a full review of all potential open market and public sector uses for the study site. There are some potential uses. However, demand has receded because of overall poor market circumstances. In addition it is unlikely that parties would commit to take space in the future in current market conditions. The terms on which they would be prepared to do this including both rent/price and commitment as regards lease term or purchase would be unlikely to make development viable. This applies to Site 1. It applies equally to Site 2, the Riverside building but the tenure arrangement constrains this further. Site 3, the car park and parkland area offers some potential but this is relatively limited.

13 A Master Planning and a Capacity Study have been undertaken as part of this overall exercise demonstrating that Site 1 is capable of accommodating the Council's office requirement. It is possible to phase redevelopment of this area if appropriate. Phasing could help to defer closure of some of the retail businesses in the Centre which will inevitably be affected by redevelopment.

14 Any redevelopment has a number of other general property implications:

- There are no other identifiable office occupiers available or anticipated in the foreseeable future.
- There is no form of property development other than offices for the Council which is considered feasible.
- If the Council chooses to occupy the Riverside building then we see no alternative prospect for the redevelopment of Site 1 in the foreseeable future.
- The Riverside building is more likely to be refurbished than redeveloped. It is likely to prove difficult to identify potential uses for this space other than the Council's requirement.
- The existing decked car park is unattractive. However replacing this space is difficult financially because it would have a significant adverse cost implication.

15 The identified requirements for floor space of the various potential occupiers is for the following floor areas:

Gross Floor Area	9,750 m ²	105,000 ft ²
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Net Floor Area

8,000 m²

86,500 ft²

- 16 We have assessed the feasibility and viability of delivering the Council offices from a market point of view. A conventional development appraisal shows that based on realistic rent levels and purchase price, the scheme is viable. However the scheme is marginal. Our analysis shows no allowance for land value but a potential surplus. This sum could be available to a Private Sector Partner to procure and deliver the scheme.
- 17 Viability depends heavily on the attitude of the investment market which is currently volatile. Values are showing signs of increase although informed opinion considers this may be a short term spike. A small shift in yield will significantly affect the marginal profit level.
- 18 Including a retail block within the overall development would respond to the recommendations in the Retail Strategy by potentially extending the range of uses and also the vitality of Keynsham Town Centre. However, this would undermine the viability and deliverability in current market circumstances.
- 19 We considered the potential tipping point if the size of the scheme were to reduce and we conclude that the delivery structure envisaged for Keynsham would be relatively low cost and this factor is not critical. The “tipping point” is more likely to arise because of the point at which the layout and configuration of the space becomes inefficient. For example, if it is necessary to deliver a tall building with limited floor plates because of townscape needs. In general terms we anticipate that a tipping point is likely to be at a building of around 5,000 m² but this is not a critical factor.
- 20 The finances of the development scheme for the Council Offices have been analysed on four possible delivery options. These are:
- i. Council uses a Private Sector Partner (PSP) to develop and purchases at the end of the process
 - ii. Council uses a PSP to develop then leases back from the PSP

- iii. Council uses a PSP to develop with a leaseback from the PSP and reversion of the freehold of the development at the end of the term
 - iv. Council uses a PSP to develop with the Council paying an occupancy charge to amortise the debt over 25 years.
- 21 We have compared the outputs for each option. Based on the financial outputs only, the most economic financing options are the Council ownership routes identified in (i) and (ii) in paragraph 20 above, followed by a finance lease type structure as in (iv) in paragraph 20 above. These options also provide the Council with flexibility when considering changes in future requirements or holding costs. Also, the Council can retain ownership whilst the PSP carries the development risk.
- 22 However these are not the only considerations. There are further issues of the Council's wider objectives, risk exposure, tax efficiencies and flexibility.
- 23 As part of the Study we include a consideration of risk and have identified no abnormal or unexpected risks for a project of this scale and nature.
- 24 Timing and delivery issues break down into two principal areas. These are specifically arranging financing and delivery and construction delivery. It is anticipated that the total project could be procured by mid 2013.
- 25 We conclude that the scheme is viable and deliverable.

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