

Bath & North East Somerset Council

MEETING:	Cabinet	
MEETING DATE:	8th May 2013	EXECUTIVE FORWARD PLAN REFERENCE:
		E 2523
TITLE:	Grand Parade & Undercroft	
WARD:	All	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
1) Report on the viability and options for development of Grand Parade & Undercroft, April 2013		

1 THE ISSUE

- 1.1 In October 2012, the Cabinet agreed for the Chief Property Officer to produce a full viability appraisal and options report for the unique opportunity to develop the Grand Parade & Undercroft in the World Heritage City of Bath.
- 1.2 The viability appraisal shows that the Grand Parade & Undercroft project is a viable development opportunity only if it is delivered in four phases.
- 1.3 This Cabinet Report demonstrates the viability and sets out recommendations for phased delivery of the project.

2 RECOMMENDATION

The Cabinet agrees that:

- 2.1 To note the recommendations to deliver the overall project in phases as described in the attached Viability and Options report.
- 2.2 Phase 1 has full capital approval of £5.29m to be funded by Service Supported Borrowing. The final decision to proceed is delegated to the Chief Property Officer, Leader of the Council, Cabinet Member for Community and Resources and the S151 Officer.

- 2.3 The Chief Property Officer submits planning permission for Phase 1 – developing the Colonnades and Empire Colonnades into restaurant space(s), including re-opening of the access routes from Boatstall Lane, Parade Gardens and Slippery Lane.
- 2.4 A pre-let shall be agreed for the Phase 1 restaurant space(s) before the Council commits to construction works.
- 2.5 A licence shall be granted to a specialist market operator for Phase 2 – enhancing Bath Markets, including extending the market into the area of the Guildhall car park, and the possibility of providing planned street markets in High Street, Orange Grove and Grand Parade.

3 FINANCIAL IMPLICATIONS

- 3.1 As noted in the October 2012 Cabinet Report, the financial aspiration for the Grand Parade & Undercroft project is to help offset the running costs of the Guildhall, which is now being retained as office accommodation in the Workplaces Project.
- 3.2 It is proposed that a budget of £5.29 million be included in the Capital Programme for 2013/14 and 2014/15 to support the design and construction of Phase 1 (i.e. the Colonnades and Empire Colonnades), as well as the associated lease agreements.
- 3.3 It is proposed that Service Supported Borrowing (SSB) be used to fund the £5.29m Capital Programme.
- 3.4 As part of a soft market testing exercise 24 restaurant companies have been approached to determine if they are interested in having a restaurant in the Colonnades or Empire Colonnades. There have been 15 positive responses, plus five additional expressions of interest. The positive responses include several Michelin Star restaurants.
- 3.5 The soft market testing exercise has determined that the rental value of the Phase 1 restaurants will be between £25 and £35 per sqft.
- 3.6 The financial implications of this project within the first five years of operation are presented in the table below.

Rental Value (per sqft)	£25	£35
Annual Borrowing Cost (approx.) ¹	£214,000	£214,000
Annual Rental Income (approx.) ²	£300,000	£420,000
Net Annual Income (approx.)	£86,000	£206,000
Net Yield on Capital (approx.)	1.7%	4.0%
Net Business Rates (approx.) ³	£48,000	£67,000

Note 1: The borrowing costs and capital repayments have been calculated over a 50 year horizon

Note 2: There will be a rent review every 5-years

Note 3: The Council will be entitled to at least 33% of the new business rates, which equates to between £48k and £67k p.a.

- 3.7 For the associated projects, such as the works on Pulteney Bridge and Boat Dock, if they do prove viable, the intention will be to lever in external funding wherever possible.

4 CORPORATE OBJECTIVES

- *Creating neighbourhoods where people are proud to live*
- *Building a stronger economy*

5 THE REPORT

- 5.1 A detailed report on the viability and options for the Grand Parade & Undercroft is attached to this Cabinet Report. The executive summary from this report is reproduced below.

- 5.2 The Grand Parade & Undercroft project is a viable development opportunity only if it is delivered in four phases, namely:

- Phase 1 – the Colonnades and Empire Colonnades, including re-opening access routes via Boatstall Lane, Parade Gardens and Slippery Lane – this is an exciting and well supported development opportunity – a capital investment by the Council of £5.29m is expected to generate new revenue streams of over £300k p.a.
- Phase 2 – enhancing Bath Markets – this is important for creating a destination point, and should be developed in partnership with a Developer that specialises in Markets.
- Phase 3 – redeveloping Newmarket Row, including residential accommodation on the upper storeys – this should be considered further, in consultation with potential development partners, when the existing leases are near to expiry.
- Phase 4 – other associated development opportunities (e.g. Pulteney Bridge, Boat Dock) – subject to external funding.

- 5.3 There is positive support for the project from key stakeholders (including English Heritage, Bath Preservation Trust, Guildhall Market Traders, Empire Hotel Residents and Friends of Victoria Art Gallery).

- 5.4 The Environment Agency has been consulted about flood risks and managing public safety. They have also noted an aspiration to re-develop the Radial Gate (possibly into a Lock).

- 5.5 Design options have been prepared for minimum and maximum development schemes, albeit there are a multitude of options in-between these schemes.
- 5.6 The procurement strategy for Phase 1 and 2 has been agreed with the Council's Audit and Procurement Team.
- 5.7 The key activities for this project are presented in the table below.

Activity	By
Commence detailed design work	June 2013
Submit planning applications	November 2013
Planning permission granted	Spring 2014
Agree pre-let(s) for Phase 1	Spring 2014
Cabinet approval to start construction works	Spring 2014
Start construction works	Spring 2014
Phase 1 and 2 open for business	Christmas 2014

6 RISK MANAGEMENT

- 6.1 The report author and Lead Cabinet member have fully reviewed the risk assessment related to the issue and recommendations, in compliance with the Council's decision making risk management guidance.
- 6.2 A summary of the key risks (and mitigation strategy) is given in the table below.

No.	Risk	Mitigation Strategy
1	Unable to agree a pre-let from restaurant operator(s) for Phase 1.	Continue dialogue with restaurant companies as the design is developed to make sure the final product meets their requirements.
2	Impact of future letting voids on the annual revenue position.	Restaurant spaces form part of the overall commercial estate.
3	Significant objections to the development opportunity from key stakeholders and the general public.	Continue detailed consultation, particularly with planning authority, heritage groups and market traders.
4	Structural integrity of the existing buildings is unknown.	Carry out a condition survey of the buildings.

7 EQUALITIES

- 7.1 The project is expected to have a positive impact on Equalities by improving access to a key heritage site in Bath, including the Undercroft and potentially the Boat Dock river bank.
- 7.2 An EIA has been completed for the project. It is intended that the development will be fully inclusive.

8 RATIONALE

- 8.1 This project will make an extremely positive contribution to the Council's priorities by creating a new fully accessible destination point for the City of Bath.
- 8.2 This new destination point will both contribute to and benefit from its proximity to Bath Abbey, Parade Gardens, Bath Markets, Victoria Art Gallery and Guildhall.
- 8.3 This project will bring redundant and inefficient space back into use for community and commercial benefit.
- 8.4 All professional advice has been / will be procured in accordance with the Council's procurement rules.

9 OTHER OPTIONS CONSIDERED

- 9.1 None.

10 CONSULTATION

- 10.1 *Cabinet members; Other B&NES Services; Local Residents; Community Interest Groups; Stakeholders/Partners; Other Public Sector Bodies; Charter Trustees of Bath; Section 151 Finance Officer; Chief Executive; Monitoring Officer*
- 10.2 As predicted, this project has generated significant interest from stakeholders and the general public. With assistance from Creatrix, a specialist PR Consultancy (based in Bath), there have been positive meetings with the following groups:
- English Heritage (x4)
 - Bath Preservation Trust
 - Guildhall Market Traders (x2)
 - Empire Hotel Residents
 - World Heritage Steering Group

- Bath Tourism+
- Bath Improvement District
- Friends of Victoria Art Gallery

10.3 Subject to approval of this Cabinet Report, further meetings will be held with the key stakeholders to discuss the phased development approach. A further press release will also be issued to the wider community.

11 ISSUES TO CONSIDER IN REACHING THE DECISION

11.1 Social Inclusion; Customer Focus; Sustainability; Human Resources; Property; Corporate; Health & Safety; Other Legal Considerations

12 ADVICE SOUGHT

12.1 The Council's Monitoring Officer (Divisional Director – Legal and Democratic Services) and Section 151 Officer (Divisional Director - Finance) have had the opportunity to input to this report and have cleared it for publication.

Contact person	<i>Tom McBain, Chief Property Officer, t: 01225 477806</i>
Sponsoring Cabinet Member	<i>Councillor David Bellotti</i>
Background papers	<i>None</i>
Please contact the report author if you need to access this report in an alternative format	