

Moving and Improving

**EDDC New Office Project
Member Presentation
5 February 2014**



Contents

- 1. Recent Progress**
- 2. Site Selection**
- 3. Understanding Risk**
- 4. Key Drivers**
- 5. Next Steps**
- 6. Discussion**

1. Recent Progress

Key decisions:

- Approval to market test EDDC's former SITA depot site at Heathpark Honiton
- Pursue negotiation with Heathpark development proposers
- New Office location sites shortlisted from 15 to 5
- Further negotiation with shortlisted options
- Recommendations to come back for Cabinet and Council decision in Feb 2014

2. Site Selection

Heathpark site marketing #1

- 8 proposals reduced to 4 in first assessment
- Negotiation leading to 2 preferred options
- Agent report as appendix to Cabinet report advising final choice
- Recommendation to Cabinet to select Terrace Hill, agents for Asda
- Report recommendation means that EDDC's Heathpark site would not be available for HQ relocation

Heathpark site marketing #2

- Capital receipt of £4.75m offered (conditional upon planning)
- 37,000 sq ft foodstore
- 200 jobs
- Petrol station
- Increased supermarket competition
- Report back with options on provision of business space to replace EDBC

HQ New Office Shortlisting Criteria

Key Requirements

Cost

Financial viability

Other financial issues

Environmentally friendly

Statutory Issues

Other Issues

6 main categories as above and 24 sub-categories for scoring purposes

Process

Nov 2013 Cabinet approved shortlist of 5 sites for further investigation and prioritisation:

Clyst House, Winslade Park

Skypark

High Street, Cranbrook

Honiton Heathpark, EDDC former SITA site

Honiton Heathpark, Devonshire Road - South

Scoring Outcomes

- Using the above criteria, the 5 sites were scored by the Office Accommodation Member Executive Group on 14 Jan 2014
- Knowle options were also revisited for new-build, refurbishment and essential repair and scored lowest
- The Member Executive Group decided to recommend to Cabinet either Clyst House or Skypark as a new HQ location
- The choices present quite different propositions

New Office running costs

Running Costs - £m	Skypark	Clyst House*
Energy	2.8	2.2 / 2.8
Business Rate	4.4	3.8 / 4.8
Other annual running costs**	6.4	4.8 / 11.1
20 Year Running Costs	13.6	10.8 / 18.7

*Two Clyst House figures look at either extremes of no tenants or 80% tenancy occupation :

1. Includes tenant revenues
2. Exclude tenant revenues

** Includes maintenance, insurances, building specific employee costs (including cleaning), property services and other running costs

Project Net total cost over 20 yrs less capital receipt

Net Overall - £m	Skypark*	Clyst House**
Lower Knowle value plus EDBC like for like replacement	-1.6m	4.8m
Lower Knowle values, no replacement of EDBC	0.7m	
Higher Knowle value plus EDBC like for like replacement	0.7m	7.2m
Higher Knowle value, no replacement of EDBC	3.0m	

*Skypark - Costs according to either end of the spectrum – either replace EDBC like for like or not replace at all (at least with EDDC funding)

** Clyst House – All options presume tenanted business space within the building, not provided elsewhere by EDDC.

Preferred Site Comparison

Clyst House

In all scenarios Clyst House purchase and refurb gives the Council a surplus receipt on asset sales

Whole costings and surplus receipt figures include anticipated rental income from co-located business centre tenants

This is an existing building. Initial evaluation suggests good condition but further investigation required on refurb

Upgrade and refit of existing building and restricted internal space layout

Parkland site with office set back from main roads

Skypark

Viable in options involving higher value of the Knowle or replacement but would require funding if Knowle sells for a lower value

All options consider replacement of EDBC. Alternative, no and lower cost approach to business centre provision would make all Skypark options more financially viable

Guaranteed Maximum Price – no surprises, no delays

Bespoke build and internal design to Council specification

Part of East Devon's pre-eminent business park and a visible statement of confidence in the Growth Point future

Preferred Site Comparison #2

Clyst House

Larger than required space. Projected rental return factored into viability costing - commercial business tenants or public sector partners

Wider site to be masterplanned for mixed use development. No other employment use necessarily present on site

Location moderately popular with current workforce

Accessible location for road and public transport. Distance to office from road

Closest site to largest district settlement, Exmouth

Lower residual resale value

BREEAM Very Good but refurb of existing building does not allow cost effectively for Excellent rating

Skypark

Flexible office space to allow for shared space, restructuring and sub-letting if EDDC were to reduce in size. Otherwise EDDC exactly fits

Office, mixed employment and limited logistics build out to follow. Entirely office/employment use

Location less popular with current workforce

Accessible location for road and public transport

Close to Cranbrook, our newest community

Higher residual resale value

BREEAM Excellent rating will be delivered

3. Understanding Risk

Risk Management

- All costs are calculated into total budget including lifetime project management
- Contingency in design and build
- An extra 2 yrs temp borrowing to allow for delays
- Dedicated project management
- Return to Cabinet and Council for sign off before you commit to spend
- Knowle/Manstone market price and bids will be known
- Business Centre options will be known
- Project management internal oversight involves both legal and financial expertise from the Council as well as SWAP engagement

4. Key Drivers

What a new HQ will give

- **Flexibility and freedom**
- **An attractive, accessible, efficient office and working environment**
- **Availability across the district**
- **Making best use of assets**
- **Continuing to improve service delivery**
- **No additional cost on the Council Tax**

5. Next Steps

Next Steps

If Cabinet and Council agree recommendations:

1. Enter into conditional contract for Heathpark site sale
2. Commence marketing of Knowle to determine value through actual developer bids
3. Enter detailed negotiations with preferred HQ site owner to finalise
4. Further public engagement – press, stakeholder event
5. Report back to Cabinet and Council seeking agreement to fund the new location purchase

Discussion

