



# Southwold Enterprise Hub

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DEVELOPMENT PLANS

11 NOVEMBER 2019

# Southwold Enterprise Hub

## Slides from Public Meeting

*For those who were unable to attend, some pop-up comment boxes are included in this printable version of the slides, for clarification & to cover key points made verbally in the presentation. See also business case v 2.3 for details.*

Presentation by

Sheila King

MossKing Associates Limited

Background –Station Yard development over 20 years

Existing services –what happens to the existing services needed by the community?

Southwold’s challenges, consultation & research

Strategic response

Station Yard plans

Costs

Timescales

Southwold Development Team

Q&A : rental rates; occupancy; contamination; use grant to rebuild existing?; do nothing; parking; alternatives considered.

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Background

# Station Yard Development

This is NOT breaking news.

Since as early as 2000, the Council has been aware that action is required.

# Station Yard History

The Council is only able to consider major changes during specific 'windows of opportunity' when leases expire. This is currently one of such windows.

All leases expire, Station Rd shops created. Council resolves to do remainder within 5 years

Southwold Town Plan:  
need to create office space for new small businesses;  
nowhere for existing businesses to move to

STC Strategy for Southwold:  
remodel Station Yard, create space for 'knowledge based' businesses

Neighbourhood Plan:  
Station Yard for small-scale start ups / office space for growing businesses

Appraisal 1:  
Station Yard not a credit to town, asbestos cladding unacceptable... leases expiring, so sell for housing?

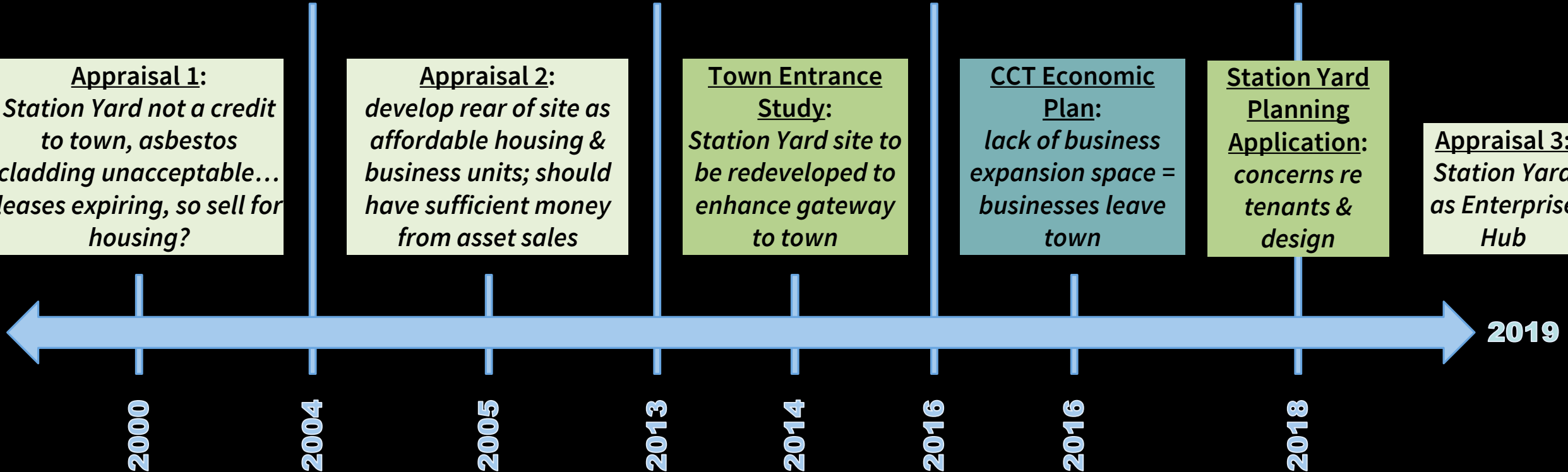
Appraisal 2:  
develop rear of site as affordable housing & business units; should have sufficient money from asset sales

Town Entrance Study:  
Station Yard site to be redeveloped to enhance gateway to town

CCT Economic Plan:  
lack of business expansion space = businesses leave town

Station Yard Planning Application:  
concerns re tenants & design

Appraisal 3:  
Station Yard as Enterprise Hub



# Consultations

**62% businesses:**  
inadequate  
provision for us  
in the town

**Southwold Town Plan  
(2013)**

**84% residents:**  
need small flexible  
use premises for  
startup businesses

**60% of residents:**  
support for non-  
tourism businesses  
= priority

**Neighbourhood Plan  
(2018)**

**50% of  
residents:** start  
up units for new  
businesses =  
priority

**51% of  
businesses:** lack  
of suitable  
business  
premises

**Southwold Business  
Confidence Survey  
(2017)**

**89% of  
businesses:**  
rental values in  
Southwold a  
significant  
negative

**35% of  
businesses:** finding  
local year-round  
customers is a  
major problem

**Southwold Town  
Centre Study (2018)**

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Existing Services

# Council is committed to supporting services needed by the community

## Convenience Store

- Offered 5 Hurren Terrace for temporary use while Station Yard is developed (about 15 months)
- Offered first refusal lease of new shop in same location in Station Yard
- Solicitors in discussion with each other



# Council is committed to supporting services needed by the community

## Cycle Businesses

- Millennium Foundation has secured grant funding for a Visitor Centre
- Cycle hire and repair facility could be delivered here in purpose built containers, subject to Trustees' agreement
- Low cost solution = affordable rent



*A bike hire facility in the Millennium Foundation's car park would be next to where visitors are directed and park. It could make the business more sustainable, with bike maintenance year round*

# Council is committed to supporting services needed by the community

## Garages

- Town Council talking to East Suffolk Council & Local Planning Authority and Suffolk County Council re locating a garage at Recycling Centre on Blyth Road
- Site has low AONB/Conservation Area sensitivity, so lower building costs = more affordable rent
- Opportunity for a 21<sup>st</sup> century garage with electric charging points to serve current and future residents
- Option to relocate to this site has been offered to Southwold Auto Services
- Town Council in discussion with Mr Finch about his plans

# Tenants – why has this not been made public before?

- Landlord-tenant relationships are confidential
- Once some tenants made their position public, Council took advice that it could share some limited information
- It is inappropriate for the Council to participate in a tit-for-tat on social media
- However, a lack of comment does NOT mean a lack of action



Regenerating  
Southwold:

Southwold Enterprise  
Hub

Southwold's  
challenges

# Southwold challenges (1)

1. 42% of all tourists visit in peak season: overcrowded, imbalanced economy
2. 57% of Southwold homes have no permanent residents – highest of any coastal community in England or Wales
3. House price/earnings ratio worse than London
4. Resident population 964 (2017 ONS) down from c. 2000 in 1988
5. 53% of residents are over 65. Oldest population in England and Wales

# Southwold challenges (2)

6. 40% of jobs are directly in tourism and 78% are linked to tourism – seasonal, low paid, lack of opportunity/career advancement
7. 45% of working age residents leave town to go to work and take their money with them — *People spend money where they work, and become loyal to the shops & services where they spend most of their week*
8. All types of retail, including cafes, struggle to survive off-peak; but most at risk are shops serving ordinary needs — *Because you need local people buying in local 'normal' shops, not just visitors in peak season/weekends*
9. Rents and business rates inflated by demand from national chains – rental/sq foot comparable to London

**Southwold is close to unsustainable as a community**

# Southwold is close to unsustainable as a community

## Community Wellbeing Index

*National independent study  
funded by Co-op, measuring  
communities around the  
country*

Southwold

49

National  
Average

52

17

National Average  
59

Education &  
Learning

80

National Average  
52

Culture, Heritage  
& Leisure

23

National Average  
52

Relationships &  
Trust

26

National Average  
50

Health

57

National Average  
49

Transport, Mobility  
& Connectivity

47

National Average  
52

Equality

36

National Average  
56

Economy, Work &  
Employment

58

National Average  
43

Housing, Space &  
Environment

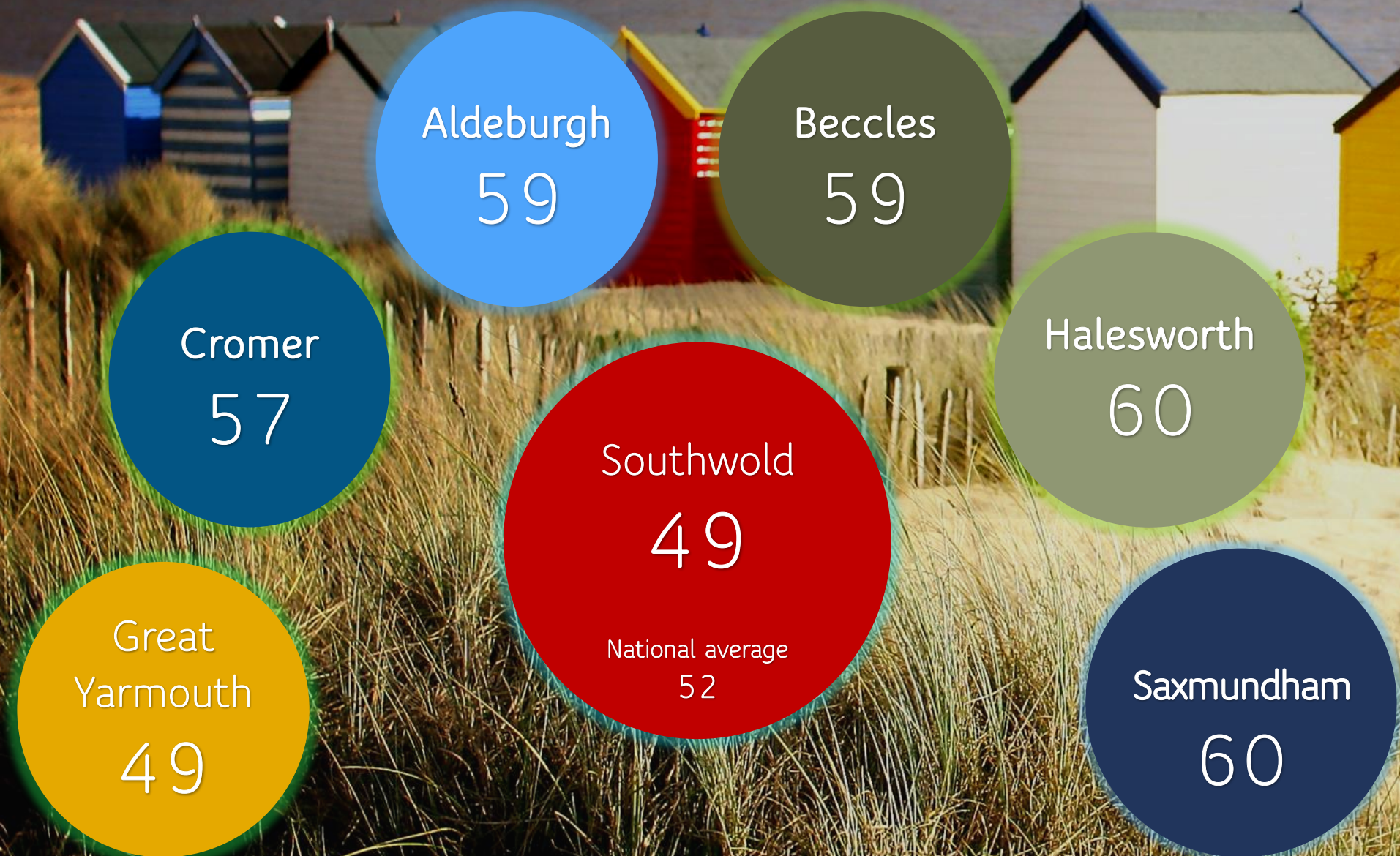
98

National Average  
51

Voice &  
Participation



# How do we compare to other communities?



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Strategic Response

# Station Yard is part of a multi-agency integrated regeneration plan

## SOUTHWOLD ENTERPRISE HUB (CCF)

- Affordable units for small businesses, not-for-profits etc
- Quality meeting facility
- Networking & business support
- Convenience store

## AFFORDABLE HOUSING

- Blyth Road
- Duncan's Yard
- Old Hospital
- Fire Station Site

## SOUTHGEN COMMUNITY HUB

- Library
- Nursery
- Co-working space
- Farm to Fork café

## SOUTHWOLD DEVELOPMENT TEAM (CCF)

- Three people to support all businesses in town
- Market Southwold as a place to live & work
- Spread the impact of tourism

## AFFORDABLE ARTISAN WORKSPACE

- Investigating potential sites within town

## ARTS CENTRE

- Long lease
- Initial grant funding secured

## MILLENNIUM FIELD

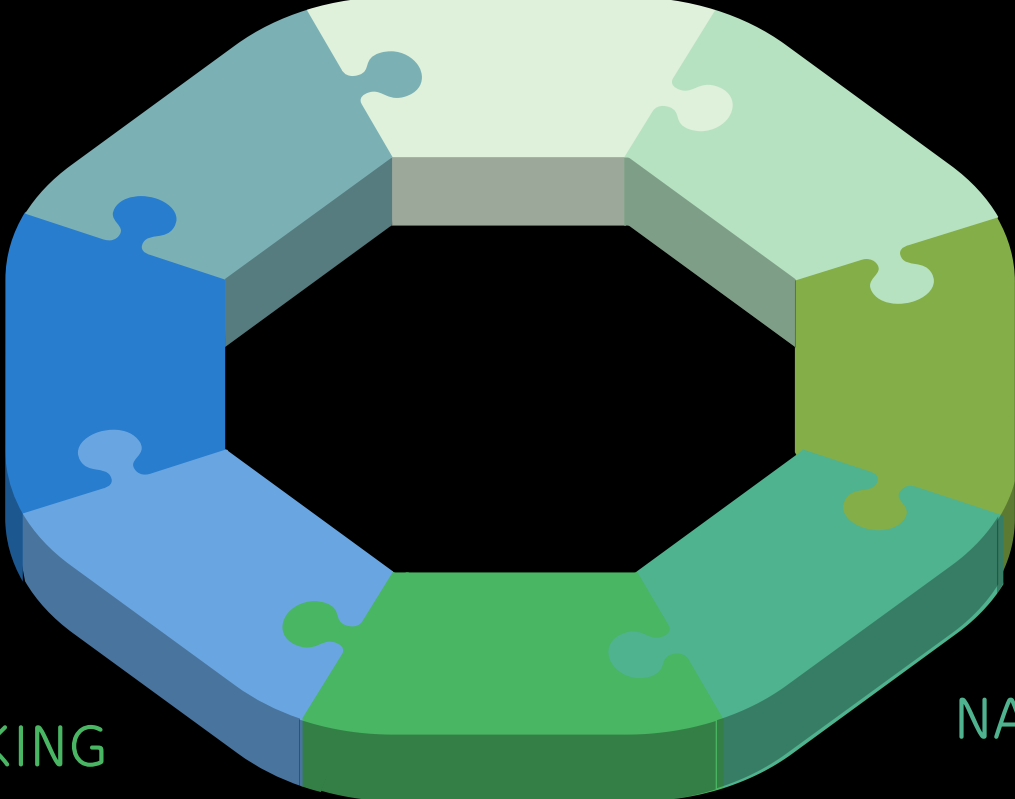
- Visitor Centre
- Car park
- Cycle hire

## MANAGED PARKING

- Expansion of spaces in existing car parks
- Resident parking
- Expansion of short-term car parking in town centre
- Long term car parking at periphery car parks

## NATURAL ENVIRONMENT

- Improved management of Southwold Marshes, Common and Boatling Lake



# Timeline for CCF

- 2012 - Government announced a Coastal Community Fund providing capital grants to Coastal Community Teams for economic regeneration
- Early 2017 - Southwold applied to become a Coastal Community Team
- Apr 2017 - Southwold designated as a CCT
- June 2017 - published Economic Plan
- Autumn 2017 onwards - looked for grants to support delivery of integrated vision of Economic Plan (SMF Visitor Centre and Car Park, Boating Lake, Station Yard, Southwold Development Team, Southwold Arts Centre)
- Apr 2018 - Expression of Interest to CCF for Station Yard submitted
- Jun 2018 - Planning consent secured on Station Yard, subject to Conservation Officer approval of details
- Oct 2018 - CCF Expression accepted, invitation to apply for funding; application must include fully-costed RIBA 4 plans and business case
- Nov 2018 - hired a consultant to develop the business case
- 16 Jan 2019 - Conservation Officer approval secured
- 21 Jan 2019 - Southwold's application submitted to CCF
- June 2019 - CCF advised Southwold on 'reserve list'
- Sept 2019 - CCF grant of £995k awarded

Regenerating  
Southwold:

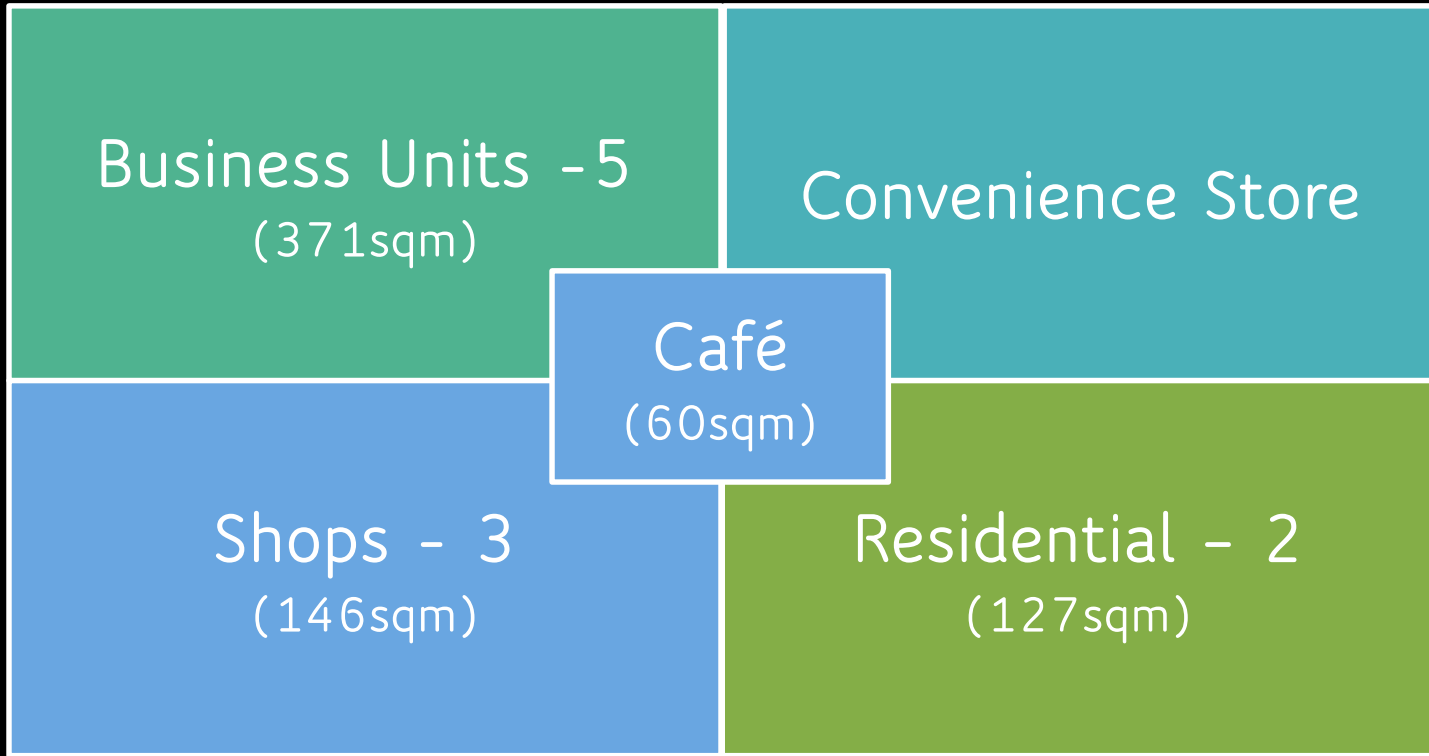
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Station Yard

# Strategic objectives for Station Yard

- Use land to maximise regeneration of the town. Land in Southwold is limited & expensive
- Develop existing assets so they deliver the greatest benefit to the town
- Diversify the local economy (beyond tourism/hospitality)
- Reverse the decline in resident population, achieving a more balanced age range
- Make the town a more attractive proposition for families to live and work
- Protect existing community services & provide for their changing needs

# Original Proposal



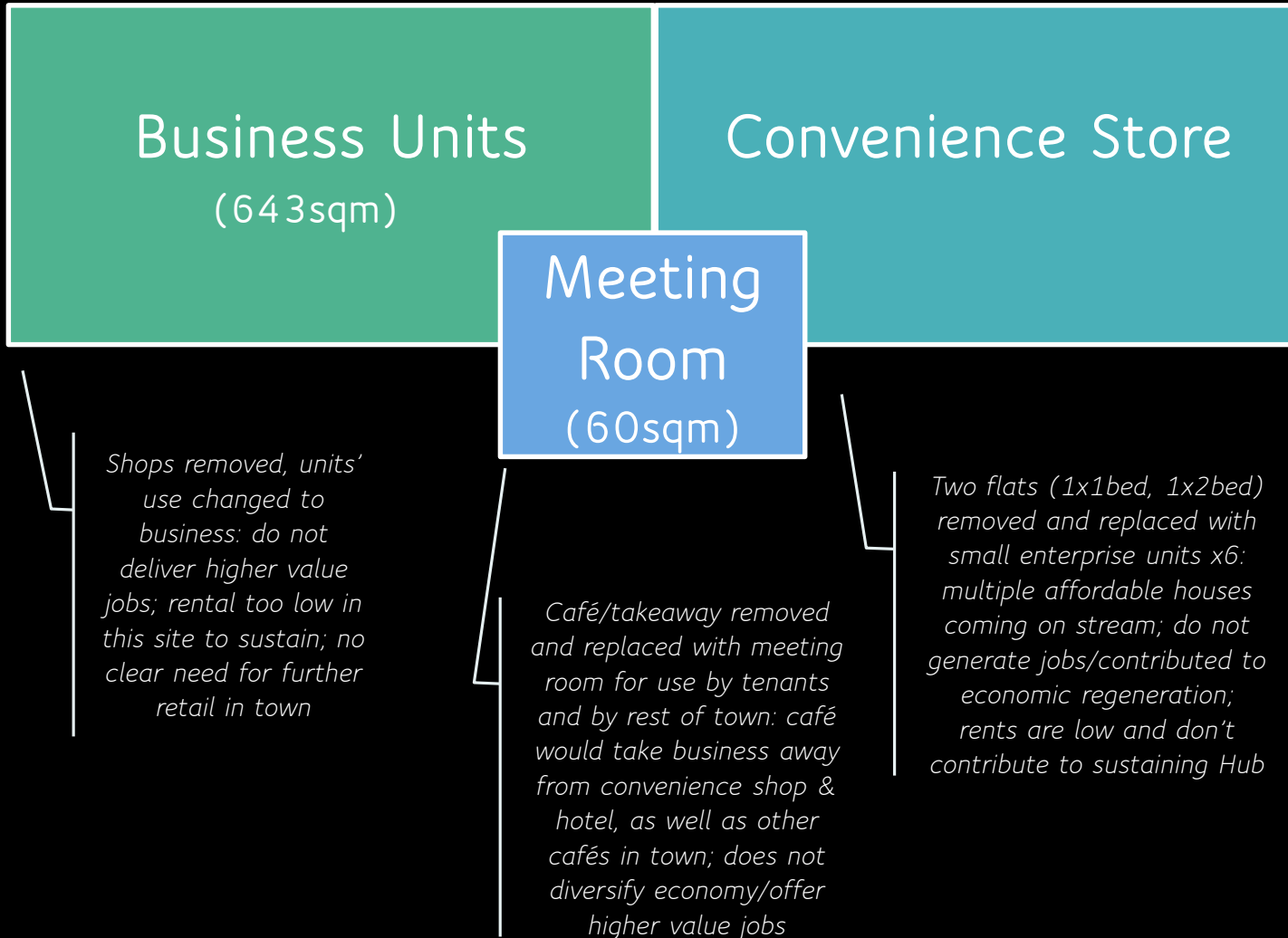
## Consultation on planning application:

- Concern re tenants
- Design
  - Changes to frontage not supported by planning authority*
- Lack of business case



# Business Plan Recommendation

*Convenience store helped to be more sustainable by addition of up to 73 workers daily using their services*



## Rationale:

- Key deliverable: JOBS esp higher paid ones
- Must be sustainable: pay for itself
- Attract & retain businesses to town
- Add value: don't compete with rest of town



# Station Yard Design



## Two Buildings:

- Building 1 - convenience store (same location), five business units
- Building 2 - ten business units, meeting room, kitchen, showers etc
- Landscaped courtyard between buildings for use by tenants & Hurren Terrace residents



View from north-east - convenience store & units on Blyth Road



View from Blyth Road looking back to Station Road



From arch through Hurren Terrace looking into courtyard



From south-west corner of courtyard

At the meeting, a 50 second video 'flythrough' was shown.

These are a few of the 3D views that were animated in that video.

# How will the Hub help regenerate Southwold?

15 businesses  
on site

*There are 15 units on site, assume one business per unit*

Up to 73  
people  
employed

*This assumes businesses don't rent more space than they need. 6.96m<sup>2</sup> per person for general use, 9.69m<sup>2</sup> for a few businesses that need/want more space*

Around 29 new  
jobs

*Not all jobs will be new - most businesses wanting office space will be established but need to grow*

*Higher value jobs are in higher value sectors, pay more than minimum wage and offer employment security*

Almost all jobs  
should be 'higher  
value'

*Businesses started in SouthGen, once successful and growing, need somewhere to move to. There is nowhere in town so they would be lost to Southwold*

Grow-on space  
for SouthGen  
businesses

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# Costs & Funding

# Southwold Enterprise Hub – Costs & Funding

- **Cost: £2.8m**
  - includes surveys, decontamination, demolition, construction, services, professional fees, project management, contingency and inflation
  - management of the Hub is funded from operational income
- **Funding**
  - £809k grant from Coastal Community Fund
  - £895k from sale of Strickland Road property (held in reserve)
  - + sale of 1 or 2 more properties

# Southwold Enterprise Hub – Operational Financials

- **Payback**

- Based on a rental of £22/sq foot, income should cover operating costs by year 2
- Income should pay back the initial investment by year 12
- After year 12, surpluses can be reinvested for the benefit of the town

	Year 1	Year 2	Year 3	Year 4	Year 5
Total income	84,656	140,033	200,148	239,257	248,202
Total costs	(94,476)	(95,065)	(85,783)	(78,416)	(90,022)
Profit/Loss before tax & interest	(9,820)	44,968	114,365	160,841	158,180
Cumulative position	(9,820)	35,148	149,513	310,354	468,534

# Southwold Enterprise Hub

- **Planned Scheme**

- Investment cost = £1.99m (£809k grant not repayable)
- On a 30 year investment period (to allow for loan funding in alternative options)
- With a discount rate of 6.5%
- NPV = £525,131
- IRR = 8%

- **Original Scheme**

- Investment cost = £2.8m; 30 year investment period, as loan would be likely
- NPV = (£789,708)
- IRR = 4%

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Timescales



# Southwold Enterprise Hub - progress so far...

to summer 18

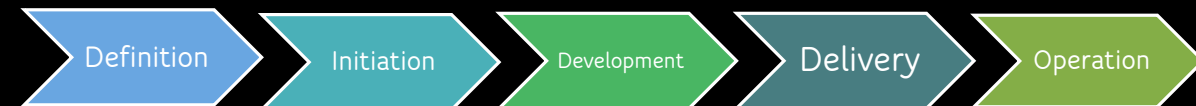


- Look at ideas
- Decide general priorities
- Evaluate options
- Consider alternatives
- Develop outline plans
- Seek professional advice

Oct 18 - now



- Develop more detailed plans
- Develop designs (RIBA 4)
- Detailed costings
- Build a business case
- Understand risks & mitigations
- Evaluate financial case
- Seek funding



# Southwold Enterprise Hub – Timescales

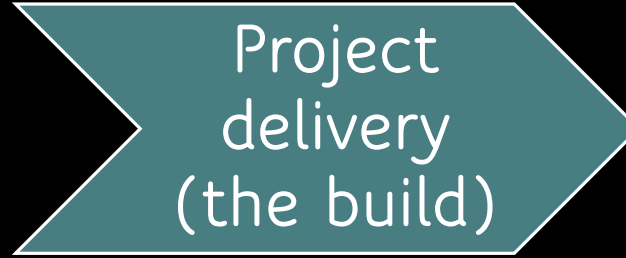
## what happens next..

Dec 19 - Jul 20



- Further research, surveys etc
- Procure professional teams for remaining project incl contractor
- Develop detailed designs & costings
- Develop detailed plans

Jul 20 - Oct 21

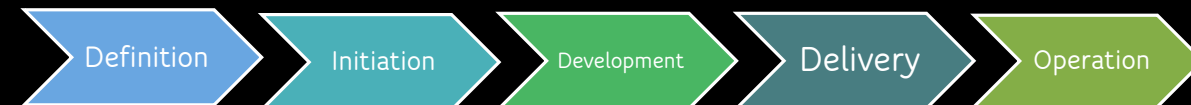


- Clear the site & build
- Deal with issues & manage risks
- Develop the marketing plan
- Bring on board managed service provider
- Sign up early tenants

Oct 21 onwards



- Live running
- Support tenants
- Recruit more tenants
- Support & foster business networking



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Southwold  
Development Team

# Southwold Development Team – 3 jobs

- **Aim**

- Support ALL businesses in the town
- Market Southwold as a place to do business AND to live
- Spread tourism more evenly across the 'shoulder' months

- **Why?**

- Tourism heavily focused on high season, so shops and businesses struggle at other times
- Council has no capacity to undertake this work
- No Chamber of Commerce, no development support for businesses in town

- **How much?**

- £186k Coastal Communities Fund grant to support this team

# Southwold Development Team

## Happening right now!

Southwold  
Development  
Manager

Recruiting December

*This is an exciting opportunity for a local young person to secure an apprenticeship that will involve them in both a major marketing campaign and a significant capital project.*

Apprentice

Recruiting spring for July start

Southwold  
Development  
Coordinator

Recruiting early spring

If you know anyone who may be interested, get them to email the Council for details.

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Q&A Session

# Are proposed rental rates realistic?

*"Young" businesses need somewhere to move into that doesn't require set up - just shift in some desks and start working.  
Must not be tied into long term leases when they can't be certain their business will survive that long..*

- **Affordable rate for modern, accessible, ready to move in space**

- £22/sq foot, plus service charge (covers heat, light, broadband, security, waste, business support services, block management and maintenance)
- Short non-repairing leases (key requirement: Chambers of Commerce & Fed of Small Businesses)
- Business rates will be lower than elsewhere in town

- **Comparisons**

- One office available currently in Southwold, £27/sq ft unserviced, bus rates £355/sqm
- 8% lower than average Leiston Enterprise Centre; 30% cheaper than Ipswich
- In current proposal, one office (3 people) is cheaper than SouthGen co-working space (£149pp/pcm)
- Must NOT undercut SouthGen- Enterprise Hub is to support & complement SouthGen

# Is occupancy rate realistic?

- **15 business units available**
  - Varying sizes from 1 occupant to 12, short term leases, serviced offices
  - Assume 6 occupied by end 2022, 10 by end 2023, 13 by end 2024 and 14/15 from end of 2025 onwards
  - There is no other comparable space in town, and none at comparable price
  - Businesses growing out of SouthGen would look to Southwold Enterprise Hub
  - Advice from managed workspace experts: this is achievable
  - At 75% occupancy would still payback initial investment by Year 14
- **Contingency options**
  - Offer flexible rental terms & reduce rental rates on harder-to-let units (can go to £17.10, but would undercut SouthGen)
  - Allow other uses – retail, leisure, pop-ups, creative spaces, with agreement from CCF



# Do Nothing is NOT an option

## From the business case:

“The current condition of the buildings is such that continued occupation is unadvisable, as there is the potential for unacceptable risk to occupants.

The closest option to ‘Do Nothing’ therefore, would be to close all the buildings – bar the convenience store – board them up and secure the site to prevent access.”

# Why not use CCF grant to rebuild onsite?

## £809k capital + £186k revenue grant

- Coastal Communities Fund invests in projects that “lead to regeneration and economic growth and safeguard businesses\*”
- CCF grant can be amended *slightly*, eg removal of co-working
- This plan: 73 jobs of which 90% are expected to be higher value
- Rebuilding as currently: up to 8 jobs, 62% higher value (ie business owners)
- Rebuilding estimated to cost c £750k; in 30 years at affordable rent, this wouldn't be paid back. To achieve an NPV = 0, rent would be £15.60/sq ft
- This is not regeneration. This is not economic growth!

\* Safeguarded businesses for the CCF are ones that would be lost within one year if the project did not go ahead

# Where will all these people park?

- 10 dedicated parking places at Millennium Car Park – leased long term with an annual contribution for maintenance
- Millennium Car Park will have 130 spaces in total
- Southwold Enterprise Hub tenants will bring income to Southwold Millennium Foundation year round, for reinvestment in the town
- Some tenants will be based in Southwold/Reydon surrounding area. Facilities onsite to support cycle to work
- Blue Badge holders can park outside

# What about all the contamination?

- We know that the buildings have asbestos sheeting present
- We know that there was a petrol station onsite, and a garage for many years
- We know that remediation will be required
- At the next stage we will commission a demolitions & refurbishment survey (asbestos) detailed contaminated land studies
- We have budgeted for this work
- We have budgeted for remediation in our site clearance costs
- We have a 15% contingency on the build at this stage to cover any unforeseen costs

*The contaminated land HAS to be dealt with - even if no project went ahead on this site it would have to be cleaned up because its presence is known*

# What alternatives were considered?

- 6 options were considered. Of these, 4 are sufficiently different to compare.

## Southwold Enterprise Hub

Cost: £2.8m

Grant: £809k

Jobs: 73

Higher Vue: 66

Capital cost/job: £38k (£27k with grant)

NPV: £525,131

## Business units & retail

Cost: £2.8m

Grant: 0

Jobs: 62

HV: 52

Capital cost/job: £45k

NPV: -£498,430

*As proposed design but including shops*

*A smaller building 1, existing shop retained in old building, new garages & workshops behind*

*Demolish site & build new garages & workshops in current place. Keep existing shop in old building.*

*This is calculated by taking the capital investment cost and dividing by the estimated number of jobs*

*A positive NPV means you will make money; a 0 NPV means you break even; a negative NPV means you lose money. All calculated at 'today's values'*

## Building 1, existing shop, new garages

Cost: £1.64m

Grant: 0

Jobs: 19

HV: 11

Capital cost/job: £89k

NPV: -£963,378

## Rebuild garages & workshops

Cost: £749k

Grant: 0

Jobs: 8

HV: 5

Capital cost/job: £96k

NPV: -£531,889