

Station Yard Redevelopment Scheme - Q and A

As with all projects, this scheme will evolve over time. Therefore, although these responses are correct as of June 2021, circumstances will almost certainly change and the project will respond and develop accordingly.

1. *What are the conditions of the grant and could it be used for an alternative scheme?*

The Grant from MHC&LG was given as a contribution to the building of a capital project - namely an Enterprise Hub.

The conditions of the Grant are that it is to encourage job creation and create the Enterprise Hub for which the application was submitted. It is very specific, the Project is well underway, and grant monies have to be spent by the beginning of April 2022.

The view of ESC as the Project's Accountable Body:

- *In terms of grant conditions and alternative schemes, any alternative scheme would need to be presented to ESC as Accountable Body and also to MHCLG (the Funder). Alternative schemes would need to be broadly in-line with the original application (project), particularly around project outputs and outcomes. The numbers could flex within those, but the overall ambitions would need to be broadly in line. This would need to be backed up by a fully costed and evidenced business plan. For the avoidance of any doubt, ESC would still expect to see a business hub delivered, with mixed flexible units.*

2. *Is the grant dependent on the creation of jobs? Does the grant have to be repaid if the required number of jobs are not created? If so, what is the minimum number of jobs required?*

The view of ESC as the Project's Accountable Body:

- *The number of jobs created is one of the key outputs stated within the funding application. It is a target that was set pre-pandemic. Not all targets will be fully achieved due to a number of factors. The grant would not have to be repaid if the original target was not met, however, we would expect some justification/reasoning as to why the target was not fully met and also some commentary in terms of how the project lead would look to continue to deliver against that target. There is no minimum in terms of jobs created, however, if no jobs were going to be created then this would call into question if the project is fit for purpose. Any revised targets would need to be provided with justification.*

The Town Council has stipulated that it will seek to maintain the presence of a Convenience Store, for which a pre-lease agreement will be pursued.

3. *Why is the Town Council ignoring the many risks pointed out in the recent report on the business case – and the views of members of its own Finance Committee who have concluded from the report that the scheme is not viable?*

The Town Council is not ignoring risk – on the contrary, as with all projects, risk registers are predominant and although all projects come with a degree of risk attached; there are invariably ways to mitigate them.

STC's Finance and Governance Committee is charged with considering the financials of the enterprise with the professional team, and while one or two Members may have individual, specific, reservations, the Committee has not made this statement while continuing to examine risk, together with attitudes and exposure towards risk aversion.

4. *What evidence is there of demand for office space at £22 per sq. ft and that occupancy of 80% is achievable?*

As set out, above, and in accordance with the permitted planning application, the Hub will be a mixed use facility and occupancy will be the responsibility of an operator.

5. *Has the assessment of demand taken into account the new work spaces in development at SouthGen, the new offices soon to be available in the unused live-work units at Reydon Business Park and the mass move to agile working and working from home resulting from lockdown experience?*

The Project's rationale has always been to complement any other offers within the Town.

Have VAT, Rates and Parking been considered properly?

Yes.

6. *What is the position with regard to VAT both for the capital expenditure and the operating costs. Will a third party operator have to charge VAT on rents and pay VAT on its maintenance and operating costs? How has VAT been factored into the proposals?*

This will be dealt with between STC's advisers and potential operators.

Operators that we have spoken to have confirmed that our VAT position aligns with other schemes of this type with which they are involved.

7. *What is the position with regard to the payment of rates? The cash flow forecasts assume rates are paid by the Hub users but the proposed 'walk in and work' model does not allow for this. The rates therefore represent an additional cost that has not been accounted for.*

Rates form part of the consideration with regard to whatever commercial model STC and the Hub's operator select.

8. *The review assumes an income of £6000 from charging Hub users to park in the Millennium car park. Why does the Town Council think that Hub users would choose to pay for parking when they can park for free in the surrounding streets?*

Any arrangement for parking in the Millennium car park will be determined by the Trustees of the Millennium Foundation.

What About Contamination and Remediation Costs?

Decontamination and remediation costs are factored within the overall build budget.

9. *Has the contamination been fully assessed and what are the full costs of remediation and demolition? What effect will this have on the overall costs? What evidence is there for the Town Council's reliance on the project contingency for build costs of £157.5k to cover this liability?*

As you are aware the extent of contamination can only be fully assessed when ground has been broken. Costs will be required to be covered within the overall budget for this Project.

10. *Why is the Town Council continuing to insist that a contamination survey can only be undertaken after demolition when the Project Manager has advised that the survey is possible without demolition?*

The options around the optimal timing and/or the necessity for the demolition of the buildings on the site (or not) - in order to enable meaningful site investigations to establish the extent of contamination at the site - were developed and assessed with the inputs of the following specialist advice:

- JP Chicks –Consultant Engineers commissioned by Southwold Town Council Consultant
- East Suffolk Council's Environmental Protection Officer

Those options and their assessment, informed by the views of the specialist professionals, were captured and presented to the Project Board for consideration. Site investigations with the building in place would not, in the opinion of these specialists, provide the optimal site investigation solution.

The Board decided that based on the professional advice and opinions of the parties, including those of the relevant regulator, that the optimal option – i.e. one which would enable the most comprehensive assessment of contamination at the site - was to undertake demolition on the site before the site investigations. This concurred with the advice/opinion of both JP Chicks and the stated preference of the East Suffolk Council Environmental Protection Officer, (who is the most relevant the regulatory authority on this matter) and who was consulted at that time on this specific issue.

11. *As remediation of contaminated subsoil/water course could be extremely financially onerous, why was a design team appointed before a contamination survey was undertaken? How can a contractor agree to a contract programme and hold a commitment to costs if the scope and method of remediation is not established?*

Activities to progress the demolition on the site, undertake investigations to establish the extent of any contamination, run in parallel with the procurement of the design team and design review/design development work for the Southwold Enterprise Hub.

To undertake the exercises, sequentially, would elongate the programme, increase the overall cost and jeopardise the grant.

How Will the Costs Be Paid For?

Costs of remediation are, as stated above, contained within the overall budget.

12. *The current estimated build cost is £2.8m but the identified budget is only £2.63m or only £2.2m if VAT cannot be reclaimed on the capital costs, leaving a shortfall of £170k - £600k. How will the shortfall be met?*

All contractors are aware that the total budget is £2.63m.

13. *In addition, there has been a substantial shift in the brief from a normal (Cat B) fit out to fully serviced offices. Has the budget been increased to support this? If not, how will this further funding gap be covered?*

As above, all contractors are aware that the total budget is £2.63m.

14. *It has been suggested that the project budget can be contained within £2.63m by “paring back” the build costs (also known as value engineering). What would be pared back and how will post value engineering cost creep be avoided?*

The team selected includes a professional Quantity Surveyor, who will lead on such matters with relevant inputs of the rest of the professional team on the project.

Why not re-use rather than demolish?

The Project is to demolish, decontaminate and rebuild - therefore the proposition does not arise. Reuse is not part of the brief to the Project Manager nor was it the remit given to the Project Board.

15. *In view of an identical footprint, why will the existing substructure and ground floor slab be unsuitable for the new scheme? What evidence is there to suggest that the existing steel frame (with shot blasting, priming and supplementary members) will not be suitable for the new building envelope? It has been stated that the Town Council has surveyor reports stating that these are not re-useable. When will these reports be published? Why have these options, which would significantly reduce costs of any redevelopment scheme, not been fully explored?*

The approved planning application is not based on an identical footprint (see Appendix A). The Town Council provided an opportunity for an alternative proposal to be considered in early 2020, including financing a business consultant to consider the feasibility of such a proposal. No signed report from a QS was provided to evidence suitability of lengthy continuing use of these 120 year old structures (see history of site ‘Changing times, Changing needs’) (see Appendix B).

The Town Council considered the proposal and cost implications in March 2020.

The business consultant advised that the capital project for this proposal was calculated as £1,759,110 including contingency, design reserve and inflation to year end, plus professional fees of £236,600. giving a total capital spend of £2,018,210 net of VAT, which it was considered should be able to be reclaimed on the project by onward charging of VAT to an end-user. Additionally, decontamination had been estimated at £225,000.

Based on the facts presented the ‘Alternative Scheme’ was rejected in March 2020. The Town Council was unconvinced that the option presented would significantly reduce costs of any redevelopment scheme.

16. *Why has the Town Council, in April 2021, taken a decision, in principle, to proceed as soon as possible to demolition of the existing structure? Is this designed to preclude any further possibility of developing an 'Alternative Scheme' based on refurbishment of the existing structure and re-cladding? Why can any decision not be delayed given that the current planning permission remains valid until January 2022?*

Options with regard to an 'Alternative Scheme' put forward by some members of the public were, after careful consideration and thought, rejected by STC in March, 2020.

Why can any decision not be delayed given that the current planning permission remains valid until January 2022?

Covered elsewhere, but there cannot be any further delays to the project. Project Plan timescales need to be adhered to in order to enable the grant to be spent in the permitted timescale and to ensure that the time-sensitive planning application remains valid. Contractors require time to mobilise on site.

17. *The cost of the operating company has a significant impact on viability. A local commercial letting agent should be capable of managing lettings. A resident FM manager could be employed by STC for day to day administration. Why engage an operating company on such a small scheme?*

This is very relevant.

See conclusion of DLA report which provided various options. The Moss King report provided alternatives as well.

All options are currently under discussion and will continue to be fully examined.

18. *The operating company will take the primary income which protects their profit but, as proposed, the Town Council takes all the commercial risk whilst providing 100% of the finance. Mindful of the optimistic occupancy prediction, what shortfall of rental or occupancy levels (or both) represent an income of zero to STC? What would be the impact on STC of the scheme falling into a loss-making position?*

See response to Q17.

19. *The form of construction contract already appears to have been chosen as a JCT Design and Build Contract. Having spent £130,000 on a design team, why? Is this an attempt to shift design responsibility to the main contractor? And how will the Town Council ensure that it does not pay twice for elements of the design and that the point of professional design responsibility is clear?*

JCT - This is an industry standard tried and tested form of procurement for projects of this type, which has been widely and successfully used on various projects across the UK for decades, for sound reasons. This methodology operates whereby the client design team develops a design to the client's core requirements or 'design brief' up to the level of detail needed to support any planning considerations and to inform and enable a tender pack to be issued which contractors can develop. And, further, to enable a contractor to price robustly and consistently. Once the preferred contractor has been selected and commissioned, the remaining detailed design works, building upon the initial work

undertaken by the team, is the responsibility to the main contractor. There is no duplication in this established method of procurement and delivery, more a transfer of design responsibility at the point at which the contract is awarded to the contractor. It is to be confirmed at this time whether the selected team would be 'novated' onto the selected contractor (i.e. work for the contractor to complete the design) or whether they would be retained client side by STC with a watching brief.

Spending to date – As landlords we always need to spend monies on our properties and this site is no exception. This site has required significant investment for many years and the opportunity to apply for grant aid came at an opportune time. A condition of the CCF grant application was that all applicants needed to be as close to RIBA stage 4 as possible, with an approved planning permission as a condition of the submission. £112k was subsequently invested in the proposal to enable an application to be submitted.

Post submission – the sum of £20k has been spent on matters such as; submission follow ups/clarifications/review of options, further reviews/research consideration of grant funding/non-funding options, further research and updates/responding to queries raised/review of financial models, preparation for public presentations/responding to queries and correspondence and suggestions for alternative proposal Business case for alternative proposal.

20. *There is a large contingent of the electorate who are not in favour of the plan and who think the architectural design is not appropriate to the entrance to Southwold. Why progress something against the wishes of the electorate?*

The design was modified in 2019 as a direct result of community comments. The LPA Design and Conservation Officer also had design stipulations. The permitted planning application reflects a combination these opinions.

Equally, a body of opinion that supports the creation of new jobs at this site, as set out above, and the interest and enthusiasm of potential operators confirms a market for such provision.

21. *The garage has now relocated, the corner shop is empty and the second garage and cycle business have closed. The cladding of the current buildings is in urgent need of repair and all accept that major refurbishment and/or redevelopment is needed. This seems a golden opportunity to create a creative hub for Southwold to enhance its tourism and arts, craft and design offer – which would be provided by the alternative scheme or in a more modest rebuild project. Why is the Town Council not prepared to consider this?*

Refer to all previous responses.

The presumption that *the cladding of the current buildings is in urgent need of repair* is a red herring, insofar as the Project is to build an Enterprise Hub, for which some funding has been received, and there is no alternative scheme, per se, although it is anticipated that there will be amendments to the original design as part of a fresh look by the newly appointed Design Team.

Refer to the ESC statement in question 1 regarding the terms of the Grant.

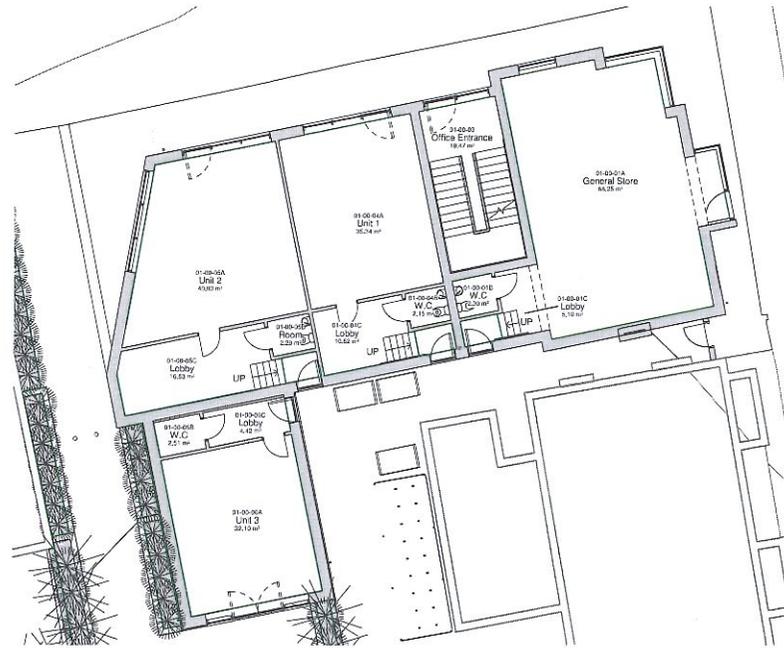
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All dimensions are to be checked and verified on-site by the Main Contractor prior to construction. Any discrepancies are to be reported to the Contractor Administrator.

This drawing is to be used in conjunction with all other relevant drawings and specifications.

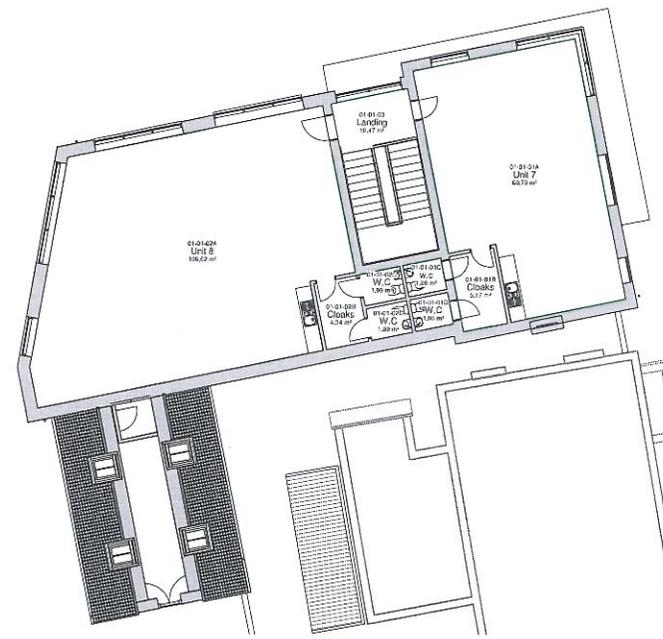
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Building 1 Ground Floor

1:100



Building 1 First Floor

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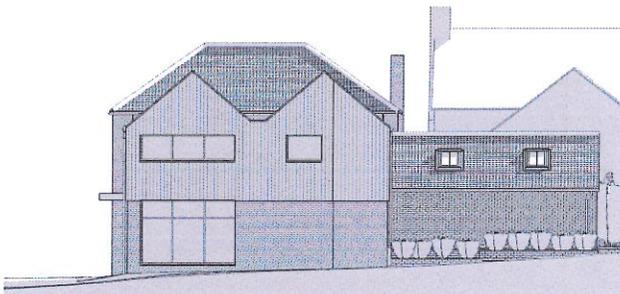
Building 1 Elevation 1

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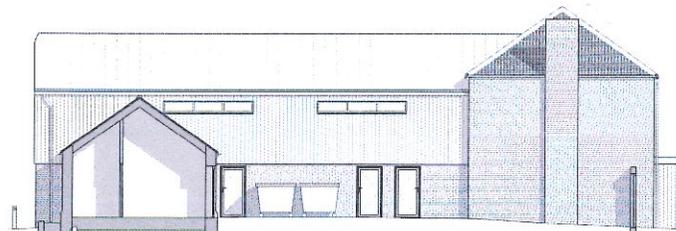
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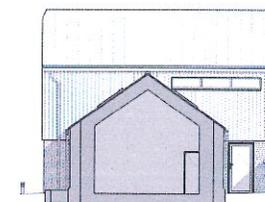
Appendix A Footprint

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Building 1 Elevation 4

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Building 1 Elevation 5

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Project Name	304529	Scale @ A1	1:100	Drawn By	DPF
Client	Southwold Town Council	Project	Proposed Mixed Use Development Station Road Southwold	Revision	P4



Vision, form and function
 Proposed Mixed Use Development
 Station Road
 Southwold

Client:
 Southwold Town Council

Title:
 Building 1 GA Plans & Elevations

Drawing Number:	304529-IW-DR-A-2504
Scale:	1:100
Purpose of Issue:	Information
Revision:	P4



Building 1 3d View 1



Building 1 3d View 2



Building 2 View 2



Building 1 3d View 3

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Rev	Comment	Date	Chk	Apr
P4	Building 1 Updated	29/08/18	DF	DF
P3	Building 1 Updated	23/08/18	DF	DF
P2	Client Updates	18/04/18	DF	DF
P1	First Drawing Issue	10/04/18	DF	DF
Project No:	304529	Scale @ A3:	Drawn By:	DPF

Project:
Proposed Mixed Use Development
Station Road
Southwold

Client:
Southwold Town Council

Title:
Proposed 3d Views

Drawing Number:
304529-IW-DR-A-2502

Status: S2 Purpose of Issue:
Information

Revision:
P4



Vision, form and function

APPENDIX B

CHANGING TIMES, CHANGING NEEDS - The Redevelopment of Station Yard, Southwold

Station Yard's dilapidated condition has long been a concern to the Town Council. In March 2021 Southwold Town Council agreed to procure demolition contractors as a first step in creating new employment opportunities in the Town. Previously, it had commissioned an updated business plan for the site in order to understand the impact of the Covid-19 pandemic on the types of employment space required.



A recent picture of the Station Yard structures.

Station Yard has been used for employment purposes since the end of the Victorian era. The different businesses are a microscopic study of the town and country's changing economy over many generations. This part of the town was one of the last parts to be developed in the 19th century. Hurren Terrace, which is sited at the end of Station Road, and Stanley Cottages on Blyth Road, were built in the 1890's. Southwold and Son records a steam laundry operating from the Yard behind the housing in 1901.



Basil Douglas Barr-Hamilton, Laundry Manager, Southwold Steam Laundry sets off on his linen round. c1907.

In the 1920s, with the rise in the automobile as a primary means of transport, branch railway lines, like the Southwold Railway, became redundant. In 1929, the expanding Eastern Omnibus Company built a one storey parcel sorting and waiting room on the corner of Blyth Road and Station Road and a bus depot and repair garage facing Blyth Road.



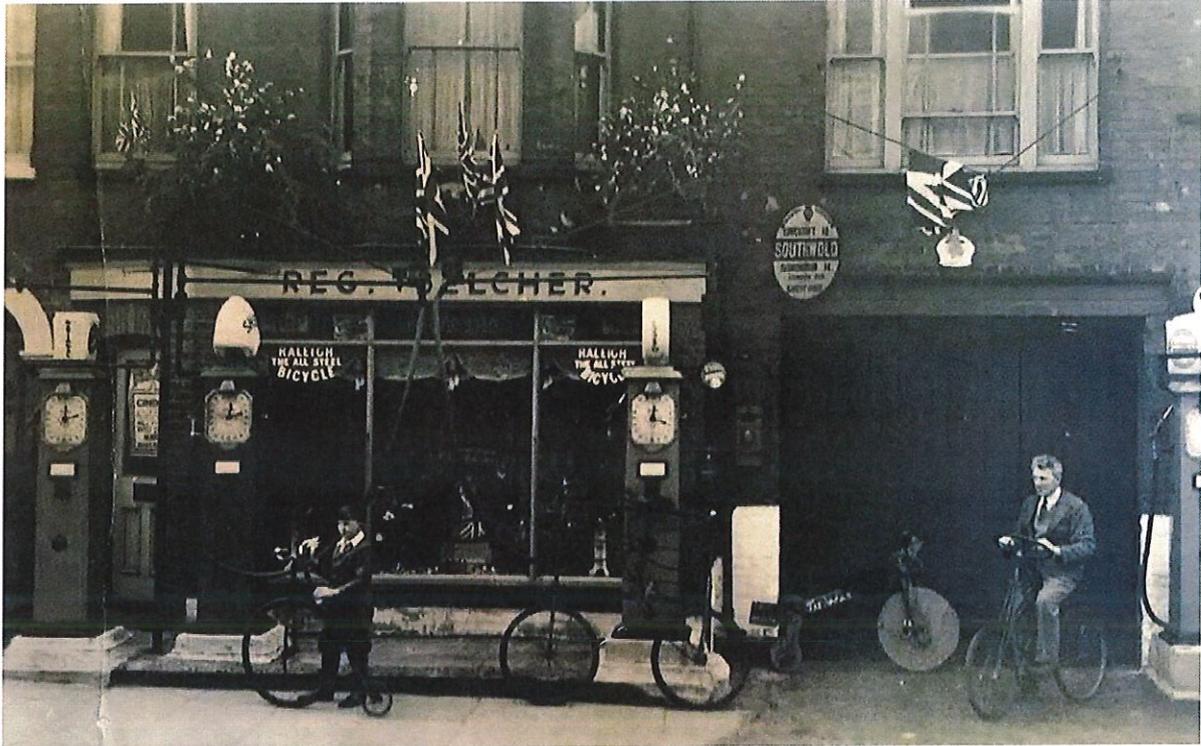
The shed, built in the 1920s, was most recently occupied by the late Barry Cambridge's Cycle Shop, to the left, and Finch's Garage, on the right hand side.

Later, WH Smith took over the waiting room. Subsequently, it was occupied by various small independent traders who sold confectioneries, tobacco and newspapers. Eventually, it became a convenience store. When this shop was operated by the Barbrook family in 2005, it was named Little Joes after Matthew and Katie Barbrook's first child. (The Barbrooks now operate Little Gems in the Market Place.) Eventually, it became Clancy's when the lease was taken over by Teresa and Derek Baggott in 2015.

The new development will retain a convenience store on this corner. The Town Council consider this to be an important amenity for people living in and coming to the town and foresees a bright future for the business because of the growth planned in this area. Hastoe Housing Association is planning a development of 13 dwellings on the Fire Station site and the Southwold Neighbourhood Plan allocates the Police Station site for community and permanently affordable housing. Anyone with a potential interest in renting the new shop should contact the Town Clerk: email: townclerk@southwoldtowncouncil.com

The most recent occupants of the Eastern Omnibus depot and garage were Finch Motors and a cycle shop operated by the late Barry Cambridge.

When the Railway closed, other new trades sprang up and found employment space in Station Yard. These included a removal company which transported fish from Blackshore to Lowestoft. John Tooke operated a removal company there, for many years. A prominent business was Belcher's all-service (including car hire) automobile, motorcycle and bicycle business, established in 1924. The residential ground floors of the houses on either side were transformed into Belcher's show rooms and petrol pumps were established on the pavement, with service and repairs done in the Yard. For twenty years, Wiggie Goldsmith had a welding shop in the Yard. Later, the Yard was used by an automobile paint shop and, for a time, Crown Electrical.



Belcher's all-purpose automobile services in c1930.

In 2000, when the leases of the tenants who then occupied the site were coming to end, the Town Council commissioned Akermans of Framlingham to provide a development appraisal for Station Yard. The industrial sheds erected in the 1920s and 1930s were coming to the end of their life cycle and the dilapidated Yard detracted from the visual appearance of the Town. Akermans concluded that the buildings were 'substandard by modern requirements'. The Town Council decided on a staged approach. The first phase would be to improve Hurren Terrace by creating a parade of retail premises on the ground floor that could provide an affordable rent for independent businesses who were increasingly unable to afford the High Street's rents. It also decided to modernise the flats above to create affordable dwellings for local people. The second phase would be to redevelop the corner shop and Station Yard as a mix of affordable housing and employment space for small and start-up businesses. In minutes of a Town Council meeting in 2005, the then Town Clerk, Jenny Hursell, summarised the discussion: 'From anecdotal evidence all of these are in short supply in the town and surrounding area.' This second stage was postponed until the Town Council could obtain additional funding and, in the meantime, premises were given final leases with an end date of 2019.

Ten years later, in 2015, when Southwold Neighbourhood Plan team began conducting research into the town's sustainability issues, little had changed – affordable housing was still insufficient, and businesses complained of the acute lack of affordable employment space.

The Neighbourhood Plan Team also discovered that lack of affordable employment space was not just a Southwold problem. 88.7% of the East Suffolk's economy is based on microbusinesses employing between 1 to 10 people. As noted in the East Suffolk Economic Strategy, 'There is insufficient existing provision for small businesses and limited move-on space – and developers are reluctant to build speculatively.' This is because developers expect a return of 20% profit on their investment, and small businesses cannot afford commercial rents. The lack of affordable, flexible business space was acting as a brake on economic opportunities for local people. The disinterest of property developers in providing such space requires public bodies or not-for-profit organisations to step in to fill the gap.

As 2019 approached, a decision on the future of Station Yard became increasingly urgent. Repairs were needed to keep the industrial sheds minimally habitable and their cost outweighed the value of the decaying structures.

In January 2017 Southwold had received confirmation from the Department for Communities & Local Government (DCLG) that its bid to become a Coastal Community Team had been accepted. The CCT is a local partnership consisting of the Town Council, District Council and a range of stakeholders representing the community who have an understanding of the issues facing the area and can develop an effective forward strategy for the town.

The CCT successfully applied for a c£1 million grant to complete a funding package in relation to regenerating the area known as Station Yard. The funding included much needed support for the town's existing businesses - a Town Development Manager to head a team of three as part of a joint and inseverable package to promote employment at the site and throughout the wider town.

The rest of the funding package for the Station Yard redevelopment comes from the leasehold sale of two properties on Strickland Place, whose occupancy is restricted to principal residences.

The Coastal Communities grant required a robust business plan as part of the application process. Following the pandemic, the Town Council decided to revisit the business plan to understand the impact of Covid-19 on the local economy and the demand for employment. After a tendering process, it selected David Lock Associates (DLA) to conduct an independent business plan review with a fresh set of eyes, taking account of the shift from office-based work in metropolitan areas to remote working in rural areas and other Covid-19 economic impacts.

At a well-attended public Zoom meeting, DLA presented the results of its review and answered related questions. Although Covid-19 has revealed that some degree of remote working is desirable and more efficient, working from home is less than ideal for many people. Instead, the workplace of the future is expected to be a mix of office, home, and regionally dispersed employment centres. The Station Yard hub would draw on demand from businesses throughout East Suffolk that are within an easy commute from Southwold. The local operators and agents who were consulted were strongly of the view that the proposed hub should cater to as wide a variety of business types as possible, and that there was sufficient demand to make Station Yard a financially sustainable investment.

Throughout its history, there has never been public parking for those using Station Yard. This will now change. The Millennium Foundation, using a field donated by the Town Council, has just obtained planning permission to build a 150 space car park opposite the Stella Peskett Hall. Works are scheduled to begin in late 2021 and should be completed within the year. The new car park will be a great asset to the town, serving the needs of employees, residents and visitors.

The DLA updated Business Case Review may be found on the Town Council website southwoldtown.com along with all other reports and minutes of meetings related to Station Yard.