

SOUTHWOLD TOWN COUNCIL



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THE SOUTHWOLD ENTERPRISE HUB QUESTIONS AND ANSWERS

WHAT DID THE TOWN COUNCIL VOTE TO DO AT ITS 29TH OCTOBER MEETING?

On 19 September 2019, the Coastal Communities Fund (CCF) announced that it was awarding c. £1 million to the Town of Southwold to help redevelop Station Yard as an Enterprise Hub that would create and retain as many as 73 jobs in the town and also to pay for a three person Economic Development Team to support all of the independent businesses in the town.

One month later, at the Southwold Town Council (STC) meeting on 29th October 2019, councillors were asked to confirm a legal requirement to receive the award: all monies would be spent in accordance with the grant application -- c £800,000 to be allocated towards the cost of the build and c £200,000 to fund the Economic Development Team.

In a recorded vote, 10 Councillors voted “Yeah.” Two Councillors abstained.

The Town Council discussed and then voted against an amendment that would have postponed deciding whether or not to accept the £1 million grant to the Town in order to allow for further consultation on whether and how Station Yard should be redeveloped.

WHY IS THE COASTAL COMMUNITIES FUND GRANT IMPORTANT TO SOUTHWOLD?

Southwold has become barely sustainable. Its community well-being score is the same as Great Yarmouth -- both are below the national average. The town’s population is steadily shrinking and elderly. About 60% of the housing stock is occupied as second homes/holiday lets and the house price/earnings ratio is double that of London. Volunteers are overstretched. Civic organisations – like the Chamber of Trade and the Town Band – have lapsed or been disbanded. Shops, especially those serving ordinary needs, are struggling because of the lack of year-round footfall and high rents and rates.

The Town Council is redeveloping Station Yard as an employment centre. An estimated 73 people will be working there. This will bring new and younger people into the town year-round – to spend money in our shops, send their children to our nursery, churches, school, Scouts and Guides and, in time, become the town’s business and civic leaders.

This grant will help to finance the costs of the build. The Economic Development Team will provide support to the town’s independent businesses, all of whom are under stress and struggling.

When will the Economic Development Team be in place?

The team consists of a Development Manager, an administrator and an apprentice – all great new work opportunities in the Town. The position of Development Manager is being advertised. The Coastal Communities Team (CCT), which applied for the grant, has already received applications.

Anyone interested in this position should send an up to date CV to: The Coastal Communities Team, c/o the Town Hall, Market Place, Southwold IP18 6EF or email their CV to townclerk@southwoldtowncouncil.com, Attention Coastal Communities Team.

The deadline for submitting CVs is 2 December 2019. Interviews will take place the week commencing 9th December 2019.

What happens to the Economic Development roles after the funding expires?

In other towns like Falmouth, which pioneered this role to regenerate their town, the development management teams have become self-funding.

Could STC have refused the grant after it was awarded?

It is unheard of for a town to refuse a grant after pursuing it.

The CCF grant is highly competitive. It is one of the few capital finance grants available to fund a local authority project. Without a grant, STC would have to finance any redevelopment of Station Yard by selling assets and borrowing money at a rate of 4% from the Public Works Board.

East Suffolk District Council's Economic Development Team put a huge amount of work into obtaining this grant, giving Southwold's needs priority over other parishes and towns in the District. The loss of credibility would make it difficult to obtain grant funding again. This would jeopardise other regeneration projects for which the Town will need grant monies, including the restoration of the Boating Lake and implementing the Suffolk Wildlife Trust's Management Plan for the Common and Marshes.

How did the Southwold Town Council obtain the grant?

In 2017, when the government announced that a new round of CCF funding was coming on stream, STC asked its then District Councillor to make a case to East Suffolk (then Waveney) to back a bid for funds for Southwold.

The process for obtaining a CCF grant is long (2.5 years), with multiple stages, and has been driven by the East Suffolk Economic Development Team. Step one was to apply for Southwold to be designated a Coastal Communities Town, step two to form a Coastal Communities Team (CCT).

The grant is earmarked for spending on job growth and economic transformation and the CCT consists of local businesses and stake holders. The Southwold CCT's Steering Group consists of the East Suffolk Economic Development Team, STC, Reydon Parish Council, the Southwold and Reydon Society, and business leaders.

The CCT Steering Group developed an Economic Plan for Southwold, on which the public was consulted, that identified a number of projects that could be eligible for grant funding.

So far, the CCT has won grants totalling £1,172,958. This includes £35,000 that paid for the new seats in the Arts Centre, a £15,000 feasibility study for the Boating Ponds, and £108,000 to build a new Visitor Centre on the Millennium Field at the entrance to the town.

Could the Town Council apply the grant to a new idea for a scheme for Station Yard based on Live Work units and a garage?

No, minor modifications can be made to a proposal after a grant is awarded. But this is an entirely different scheme that would require starting all over, with a new design, a new

planning application, and for a project that does not align with the criteria of the CCF. Moreover, future funding for the CCF programme is not certain.

When did the Town Council decide to redevelop Station Yard?

Station Yard consists of a single story shop and two light industrial sheds erected in the 1940's. All of the buildings are of poor design, constructed with low-grade materials. The garage buildings have no long term future as they are clad in asbestos panels and are in a very poor condition, partly because no significant maintenance work has been undertaken because of the presence of asbestos. In 2000, the Town Council's Surveyor advised that the condition of the garages was unacceptable.

In 2004, when all of the leases expired, there was a window of opportunity for the Town Council to redevelop the site. It resolved to renovate the Hurren Terrace shops and flats and to redevelop the garages as affordable housing and business units. The first tranche of work was done but redevelopment of the garages was postponed. The Council granted new leases, including to Southwold Auto Services in 2009. In 2015, when urgent repairs could not be undertaken because of the poor condition of the buildings, the Town Council decided to redevelop the site when the leases expired at the end of 2019. It commissioned Ingleton Wood to develop a design framework for Station Yard and the rest of the entrance to the town. It included redevelopment of the site for office space in its 2016 Town Strategy.

What consultation has gone into the development of the Southwold Enterprise Hub?

Consultation has taken various forms including: surveys of what residents and businesses perceive to be the needs of the town and specific consultations on Station Yard.

- In the 2012 Town Plan questionnaire, 82% of residents and 64% of businesses identified the need for flexible office space for small start-up businesses.
- In 2015, Ingleton Wood held a one day drop in session at Stella Peskett Hall for feedback on its design framework for Station Yard and the entrance to the town; the design framework was publicised in local print, and the design boards have been available to the public to view in the Town Hall since then.
- In the 2016 Neighbourhood Plan survey, support for 'non-tourism-based businesses' was the first or second priority for nearly 60% of respondents, with start-up units for new businesses being a priority for over 50%. In addition, 84% of respondents thought it important or very important for 'small, flexible-use premises for small and start-up businesses' to be provided.
- In the 2017 Southwold Business Confidence Survey, 53% of businesses said that lack of suitable premises was a problem.
- In the 2018 Southwold Town Centre Strategy, 35% of businesses -- compared to 3% nationally -- said that finding business space was a problem.
- In the July 2018 consultation on the Planning Application for Station Yard, over 100 people attended the day long drop in session to give their views on the plans, which did not include a garage.

How does the current scheme differ from the planning consultation scheme?

In a nutshell, unlike the planning scheme, the current scheme has less financial risk and delivers more of what the Town needs now.

The design developed for the planning application was based on the Town Council strategy of 2016 -- a mix of retail, office space, two small flats and four retail units. It did not include a garage.

In early 2019, these uses were re-visited by a business planning consultant. The Town Council had retained the consultant to develop a robust business plan for a financially sustainable scheme at Station Yard that would meet the CCF's specific decision-making criteria.

One of the consultant's first tasks was an options appraisal; she assessed the proposed uses in the planning application against:

- the needs of the Town as identified through six years of consultations/surveys and;
- *Critically*, the priorities of the CCF grant scheme.

The CCF priorities are: job creation; higher value jobs; the capital cost of generating jobs; and the financial viability of the scheme.

Is a higher value job the same as a high status job?

No, a higher value job means a job that, among other things, does not pay minimum wage or involve a zero hour contract.

What was the outcome of the options appraisal?

The development scheme was reconfigured to increase the number of office units, eliminate the café and housing, and reduce the amount of retail to one convenience store.

Why?

1. Retail shops create few jobs and fewer higher value jobs. Moreover, bricks and mortar retail is declining. There are now retail vacancies in the town.
2. The cafe would compete directly with the existing convenience store and the Blyth Hotel, putting jobs at risk.
3. The flats did not generate any jobs or offer a good return in terms of rental. Moreover, building two small affordable flats was no longer the highest priority. There are only two office spaces in the town, both with high rents, but now we have 20 new affordable homes on Duncan's Yard, 9 more coming on stream at the Old Hospital and Hastoe Housing Association is negotiating with the County Council to build more affordable housing on the Fire Station Site.

Did the CCT tell the CCF that it was changing the planning application scheme?

Yes, but this is a simple application for change of use because the design will be the same. The Town Council has taken advice that it is unlikely to be refused.

Will SCT need to obtain a new planning consent before it builds out the site?

The design would be the same, therefore, this would only be for change of use. STC has taken advice that the LPA would be unlikely to refuse change of use.

Why did the Town Council not include a garage on Station Yard?

The Town Council considered six options for using the site – two included a garage. It asked the consultant to compare, for each option, the cost of development, the number of jobs that might be created, how many would be higher value (HV), the capital cost of creating each job, and their Net Present Values (NPV).

The results of four options, including two garage scenarios, are set out in the slide below.

What alternatives were considered?

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

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|---|---|
| Southwold Enterprise Hub Cost: £2.8m Grant: £809k Jobs: 73 HV: 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 |
| 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 |

What is the NPV and why is it important?

Any person, business or public body needs to know whether a proposed investment would be prudent. This is the purpose of the NPV – it is a standard measure used to evaluate the rate of return on different types of investments.

An NPV of zero (0) means that an investment covers its operating costs. A negative NPV means that the investment generates losses.

A local authority could not knowingly invest in a loss-making scheme. It could justify an investment with an NPV of zero (0) if this delivered a public benefit such as a hospice or affordable housing, which are not for profit public services.

What is the NPV for the garage scenarios?

For both scenarios, there would be a **negative NPV** of, respectively, nearly **minus c £1 million** and **minus c £0.5 million pounds**. In addition:

- The garage would have to relocate for the period of construction (around 15 months);
- The rent of the new garage would be 2-3 times the normal market rent of a garage due to the high building costs;
- A new planning application would have to be obtained and consented by the Local Planning Authority.
- The CCG grant would not be available for these scenarios.

Why are building costs so high?

- Regardless of what is built, STC would still have to decontaminate the site.
- The design would still have to be high specification because of its prominent location in the Conservation Area and the AONB.
- The CCF grant could not be applied to either scenario because neither aligns with the CCF's funding criteria.

Could STC leave the garages in place and extend their leases?

The planning application surveys identified asbestos and potential ground contamination. This means that regardless of any project proposal, the Town Council has landlord responsibilities with regard to the decontamination on the site. Even if no development takes place, the Council might be required to 'mothball' the site, i.e. secure both the buildings and the site itself, to prevent public access.

Why not build artisan/creative workshop spaces on this site?

Like a garage, workshops would likely need affordable rents that cannot be delivered on this site because of the design and decontamination costs, and the lack of grant funding. The Town Council is considering other sites around the Town which could be developed potentially for these types of employment.

Why not build Live Work units on this site?

The same considerations equally apply to Live-Work Units. Moreover, Live-Work units were built at the Reydon Business Centre but never taken up, which indicates a lack of demand.

What is the Town Council doing for the tenants of Station Yard?

The tenants of Station Yard have been aware for some years that the buildings are at the end of their life, and of the Town Council's plans to redevelop the site. STC has had many discussions over the past five year with its four tenants, each of whom has different circumstances. For example, the owner of the bike shop decided not to continue the business. Discussions with other tenants will continue to take place in private and not on social media.

Could the cost of decontamination prevent the redevelopment of the site?

Decontamination is a routine problem in the UK because most development is on brown field sites. The planning application required a desk top survey to assess the likelihood of contamination. Richard Uttings Associates, a reputable national quantity surveyor, costed the construction based on detailed specifications, taking into account the presence of contamination. Any unexpected decontamination costs could be covered by the 15% contingency fund (£370,000).

The planning consent is conditioned on further detailed studies and remediation. Early surveys, along with additional decontamination information, including that from the 2004 works on Hurren Terrace, will help to scope out the risks, detailed costs and timescales. In the worst case scenario, the Town Council would increase the contingency fund somewhat *but it would not be so much as to need to stop the project.*

Will there be enough "takers" for the office space?

The CCF requires an evidence led business case for a successful application. The assessment of demand is supported by data provided by the East Suffolk Development team, Suffolk Chamber of Commerce, locally knowledgeable sources and third party market research.

Start-up, micro and small businesses are a thread running through the East Suffolk economy. The trend towards self-employment and small scale businesses is a national phenomenon and increasing, which is generating growing for affordable, flexible work space. Commercial property developers are not satisfying this demand.

But are there enough businesses in Southwold and Reydon who would want to move into the Hub?

The market for office space is not limited to the town and its immediate vicinity. One of the roles of the Economic Development Team is to attract new businesses from further afield into the town.

Is the proposed rent competitive?

Yes. The rate of £27/sq. ft. (which works out at £9 per weekday per person) covers not only rental, but heat, light, security, broadband (and potentially telephone services too, depending on the specific provider selected), business support/tuition and networking, waste services, grounds maintenance. There is no inclusion of any repair requirements in the leases, which will all be short-term.

STC is also confident that its rate is reasonable because SouthGen separately undertook extensive research as part of their business planning, and have priced their dedicated desk

package at £150 a month. This fits with co-working hubs around the country and is undoubtedly an affordable rent. It is also in line with two of the smallest units in the Enterprise Hub.

Will the Station Yard Enterprise Hub compete with the Southgen Co-working Space?

The SouthGen scheme and the Station Yard scheme serve different, complementary business needs. SouthGen is offering temporary, serviced, shared work space where a desk can be hired as needed. Its market is solo workers and entrepreneurs moving from a make-shift setting to an office environment. Some of these businesses will outgrow SouthGen and, if no other business office space is available, they will leave the Town, a huge waste in investment, and one that the Town cannot afford.

Has the Business Plan taken account of what can go wrong?

Pp 36-38 of the Business Plan sets out the risk assessment. The role of a Project Manager is to report on risks and their mitigation.

The chief risks are slow take up/depressed demand and rental rates. But even with depressed take-up and lower rents, the financial modelling shows that the hub would generate a healthy return on investment. STC could potentially reduce the rent at the Enterprise Hub to £17.10, the lowest to achieve a positive return on the investment, but this is not a desirable option.

However, if, after proactive marketing, it turns out that demand for business space has been over-estimated, then the space could be converted to retail or workshops at low cost without losing the CCF grant provided.

How do I obtain more information?

The Town Council website has a dedicated page for the Station Yard development, and publishes relevant documents as they become available. The Council welcomes the public to its monthly meetings. You may, also, complete the "We would like to keep in touch" form on the back page of the recently published Town Flyer – Connecting the Community. This will, for example, enable you to receive communications from the Town Council, directly to your email address. You can also follow the Town Council on social media at @Southwold Town and on Face Book on @Southwold Town Council.