

Meeting: Cabinet

Date: 15th December 2020

Wards Affected: Tormohun

Report Title: Economic Growth Fund investment to deliver 5 x light industrial units at Lymington Road Coach Station.

When does the decision need to be implemented? As soon as possible.

Cabinet Member Contact Details: Councillor Swithin Long, Cabinet Member for Economic Regeneration, Tourism & Housing, 07419 111618, Swithin.Long@torbay.gov.uk

Supporting Director Contact Details: Liam Montgomery, Director of Asset Management, Investment & Housing, 01803 208720, Liam.montgomery@tda.uk.net

1. Purpose of Report

- 1.1 **To seek authorisation for** Torbay Council to commit £850,000 from the borrowing allocation approved for the Economic Growth Fund to contribute towards the costs of building 5x light industrial units on the site of the former CCTV building and café.

2. Reason for Proposal and its benefits

- 2.1 We want Torbay and its residents to thrive.

We want Torbay to be the premier resort in the UK, with a vibrant arts and cultural offer for our residents and visitors to enjoy; where our built and natural environment is celebrated and where we play our part in addressing the climate change emergency.

We want Torbay to be a place where we have turned the tide on poverty and tackled inequalities; where our children and older people will have high aspirations and where there are quality jobs, good pay and affordable housing for our residents.

- 2.2 The proposals in this report help us to deliver this ambition by investing in a Council property to redevelop a site that currently contains a derelict building. This proposal will see the construction of five new light industrial units to be let on the open market and the provision of a new public toilet, coach arrival layout and the remarking of the remainder of the car park. Drawings illustrating these proposals are available at Appendix B.

- 2.3 At the end of August 2020 Torbay Council submitted a funding proposal as part of the Getting Building Fund (the full proposal is available at Appendix A). This

proposal was to seek a funding contribution of £2m to develop 11,367sqft of speculative new modern high quality small business studios and industrial units.

2.4 It is envisaged that this proposal will:

- Create 29.6 full time equivalent (FTE) construction jobs
- Create 38 new direct FTE jobs
- Create 7.6 new indirect FTE jobs
- Generate £2.5m of GVA per year in the local economy

2.5 The Getting Building Fund application was successful and the Council has been awarded £1,960,000 (£2m bid minus the LEP administration deduction). This proposal seeks a contribution from Torbay Councils Economic Growth Fund to meet the development shortfall and allow the project to go ahead.

2.6 The loan necessary to fund the Councils contribution will be repaid in full from the rental stream of the let units.

3. Recommendation(s) / Proposed Decision

That the Chief Executive in consultation with the S151 Officer and Cabinet Member for Economic Regeneration, Tourism and Housing be authorised to:

- i) Obtain prudential borrowing of £850,000 from the Economic Growth Fund to be meet the funding shortfall required to construct five light industrial units at Lymington Road Coach Station.

Appendices

Appendix A – Getting Building Fund application – Confidential item – Part 2

Appendix B – Feasibility Study

Appendix C – Financial summary – Confidential Item – Part 2

Background Documents

Report clearance:	This report has been reviewed and approved by:	Date:
Interim Chief Executive	Anne-Marie Bond	
Monitoring Officer		
Chief Finance Officer	Martin Phillips	
Relevant Director/Assistant Director	Liam Montgomery	

Supporting Information

1. Introduction

- 1.1 The proposal is seek a £850,000 contribution from Torbay Council to supplement the circa £2m of funding that has already been secured from the Getting Building Fund.
- 1.2 The project will create 11,367sqft of new modern business/light industrial units on the former Torquay coach station building on Lymington Road. These units once constructed will be let on the open market which, in turn will generate a rental stream which will be used to service the loan required to support the Councils contribution.
- 1.3 As part of this proposal it is the intention to also provide a new public toilet and layout for coach arrivals. Diagrams illustrating these proposals are available at Appendix B
- 1.4 Further information on the potential outputs this proposal will generate are contained within the Getting Building Fund application at Appendix A.

2. Options under consideration

- 2.1 The proposed development will see the demolition of some existing derelict buildings which have historically been hard to let and are beyond their economic life. An alternative option to the proposal is to enhance the existing structure and then continue to try and find a potential tenant.

3. Financial Opportunities and Implications

- 3.1 The financial summary at Appendix C sets out the funding model and how the projected rental stream will support the loan financing required to meet the Councils contribution. Without the additional grant funding this project would not have been financially viable.
- 3.2 The proposal looks to invest part of the borrowing allocation approved for the Economic Growth Fund by providing additional employment space. Using this money on this project means that the same money cannot be used elsewhere. However, there is significant money within this fund and currently investing in this project is not preventing investment elsewhere.

4. Legal Implications

- 4.1 The property will remain in the Councils ownership with the individual units being leased to interested tenants at market value. The leases will be full repairing and insuring leases and will clearly set out all tenant and landlord obligations.

5. Engagement and Consultation

- 5.1 Other than briefings with the Ward Councillors and Portfolio Holder, no engagement or consultation is planned on the principle of the Council providing a contribution towards these works.
- 5.2 Torbay Council will need to obtain planning consent in the event a decision is made to proceed and therefore the normal engagement associated with planning applications will take place as part of this process.

6. Purchasing or Hiring of Goods and/or Services

- 6.1 All services necessary to bring forward the development will be procured in line with the Council's financial regulations and standing orders.

7. Tackling Climate Change

- 7.1 The Council will need to obtain planning consent and building control approval for the works, which will involve meeting environmental standards required under policy.

8. Associated Risks

- 8.1 There will be development risk associated with a speculative project of this nature. This risk is mitigated by the fact that £2m of the funding required has been from grants which reduces this financial exposure.
- 8.2 Market research tells us there is good levels of demand for a product of this nature and it is envisaged that the units will be in demand. It is important to note however that the loan repayments have to be made and therefore if there was insufficient interest from tenants and the rents were not achieved then the Council would need to fund the repayments from the revenue budget. The cashflow and development appraisals assume prudent timeframes to have the units let.
- 8.3 The site does sit within flood zone 2 and 3 which does present development risk. This risk has been identified as medium by consultants. Work is underway to ensure that any proposal takes account of these risks and is designed in a way to make it acceptable.
- 8.4 The works contract will be let on a fixed price design and build, helping to mitigate the risk of any cost overrun.
- 8.5 Like all speculative developments the units will need to be let to service the Council's loan. The appraisal makes prudent assumptions on voids and tenant churn.