



Clifton Hill

Opportunity Paper (Part One Report)

Version 1.4 (Part One)
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CONFIDENTIAL

1.0 Introduction

Following the closure of Clifton Hill Leisure Centre and subsequent Council resolutions regarding the sale of site, Exeter City Living (ECL) have considered development on the Leisure Centre site. A development appraisal has been undertaken, which demonstrates the site would be commercially viable for Exeter City Living. This paper seeks Council agreement to provide a loan facility for ECL to purchase and develop the site, in accordance with the proposals outlined below.

2.0 The Site

The site is the footprint of the existing leisure centre facility, associated car parking area and adjacent rifle range facility. This site and development is known as 'Clifton Hill'.



The site is bounded by residential properties along Clifton Hill, and a golf range sits in the land behind the site. Any development on the site would need to maintain access to the golf range and ski slope behind, plus access to the rear of properties on Clifton Hill where arrangements currently exist in the location of the rifle range.

Development Area - Identified within the redline on the below :



3.0 The Proposed Development

An initial development appraisal has been prepared. The purpose of this appraisal is to advise on the potential for development, known restrictions, development density and potentially achievable unit mix and floor area.

The appraisal was based on general planning guidance documents, access considerations and site restrictions. No site investigations and only limited utility information on below ground services was available and the local planning authority has not been consulted at this stage.

The site is within a conservation area and contains a locally listed building, 'the Brickwork Office'. The site is adjacent to a landfill site and further investigations will be required to close out the risk of contamination.

The initial appraisal illustrates how the site could be redeveloped for residential purposes providing 44 No residential units including 11 flats and 33 dwelling houses including car parking and new access.

To further develop these proposals, confirm the actual scale of the development as well as consider any technical and planning constraints, further input and discussions with the local planning authority and other specialist consultants will be required.

Indicative notional layout of proposed development (exact layout to be confirmed) :



Artist impression of proposed development:



4.0 Financials

Exeter City Living Limited has completed a development appraisal for the proposed scheme, the results of which will deliver 44 new homes. The Financials relating to the appraisal are detailed within a Part Two Report.

Item	Amount
Total number of new homes created	44
Of which :	
Open Market Sales homes	33
Affordable homes	11

With regards to the Land Purchase Price (Land Value), the site has been independently valued by a third party valuer, on behalf of Exeter City Council. This valuation has been determined based on the value of the land for the proposed development mix and constraints. Please note : other values would be derived for alternative uses of the site. As Exeter City Living are proposing this particular mix of new homes in the city, this is the valuation applied to the land.

The development is proposed to be low carbon (certified Passivhaus), climate ready to at least 2080 and provide healthy homes by adopting Building Biology principles.

Taking account of the available Vacant Building Credit, 11 new affordable homes will be provided on site (25%).

5.0 Loan Requirement

The development financial appraisal has identified the total forecast cost of the development and therefore the loan required to undertake the development. This has identified a loan requirement that is detailed in the Part Two Report

Please note, the loan requirement is specifically required for this project. It does not include any funding / loan requirements for Exeter City Living operational business costs during the circa 24 – 27 months required to develop this scheme. The ECL operational business costs are reconciled and addressed in the annual ECL Business Plan submitted to Council.

6.0 Programme

The high level project programme includes a six month initial design and planning stage phase, followed by a 3 month demolitions & enabling works stage and then a seventeen month construction phase, with the indicative projects dates as follows;

- Project Commencement – February 2020.
- Initial design & planning Phase – February 2020 to August 2020.
- Demolitions and enabling works Phase – August 2020 to October 2020
- Construction Phase – October 2020 to February 2021.
- Completion & Development Sale – March 2021.

7.0 Risks

The risks that are set out below are not exhaustive but represent the main risks that have been identified by the project team as those which could hinder delivery of the proposed development or represent future financial risks to Exeter City Living as developer.

The key risks identified that may impede delivery of the development are:

a) Market based construction costs increase above current contingencies allowed in viability modelling (particularly considering BREXIT)

This could make the project unviable to progress. This may prevent or delay bringing the project forward and mean that expenditure in advance of starting construction may be at risk (i.e. Feasibility and Pre-Construction stages). This is addressed in viability analysis by including suitable contingencies and by constantly monitoring the construction market – looking at cost sensitivities and also considering alternative construction methods to avoid materials with high cost increases. We also monitor the contractor procurement market and are continually exploring alternative construction management methods. Additionally, this risk can also be addressed through appropriate value engineering where possible without reducing the sales value.

b) Inability to generate sufficient sales/income in a timely manner causes the project to become unviable after funding has been provided – potentially caused by reductions in sales values post BREXIT

This has been addressed to some extent by including robust contingencies in viability analysis, and can be managed further by procuring appropriately skilled marketing and sales agents to generate sales and by managing construction cash flow / sales to limit the levels of peak debt on the project.

c) Public Sector regulatory processes lead to increased costs and programme delays.

The business operates within the public sector procurement rules. Amongst other factors, these requirements could increase the bureaucratic burden on the company and could increase operating costs whilst also creating the opportunity for development programme delays in order to accord with procurement regulations. The team are knowledgeable in the requirements of public sector procurement and include such requirements within their programming & project timelines. Additionally, we have also employed the expertise of ECC legal department to advise on detailed procurement matters if / when required.

d) Future financial and/or policy context differs significantly from forecasts in the Development Appraisal (particularly as a result of BREXIT)

The development plan would need to be revised to reflect the changed circumstances.

e) Lack of discipline in contract management process leads to delays and/or cost over-runs, causing the project to become unviable after funding has been provided

This can be proactively addressed by ensuring that ECL appoints appropriately qualified consultants to ensure robust contract management of construction activities. ECL will be a responsive client and a client which avoids changes to the contract / specification which can lead to delays or additional costs.

f) Potential for public mis-understanding the extent of the development and impact on green space

It is the intention that the project positively impacts on the current situation and amenity at Clifton Hill, however there is the risk that local residents mis-understand the plans and are concerned the development negatively impacts on the green space in Clifton Hill. A proactive community engagement approach will be followed on the project, to meaningfully engage and communicate with the public & local residents.

g) Contamination from the adjacent site negatively impacts on the delivery of our project

Early engagement with Geotechnical specialists to test existing subsoils and contamination, in order to fully understand the extent of the matter. Detailed review of existing monitoring equipment on-site, and early dialogue with the Environmental Health officers to determine the most appropriate solutions for the site.

8.0 Conclusion

This development would provide 44 new homes in the city.

With current plans suggesting the homes being:

4 bedroom homes : 23Nr

5 bedroom homes : 10Nr

1 bedroom flats : 5Nr

2 Bedroom flats : 6Nr

Of the above, 33 homes would be for open market sale and 11 new affordable homes would be created. (Affordable Housing Policy compliant when vacant Building Credit is taken into consideration).

The development site is an exciting opportunity to create homes in a residential area only 0.5 miles away from the city centre. The development can be delivered circa 24 – 27 months from approval to proceed and will generate an estimated profit of 20% to the Council.

In addition to the improvement in the financial standing of Exeter City Living (& associated potential improvement in dividends to Exeter City Council), the Council will benefit from the 'on-borrowing' margin (the difference between the rate we are likely to secure the loan from PWLB and the commercial rate at which we will loan the monies to Exeter City Living), whilst also benefitting from the land sale receipt income, the payment of CIL monies, the creation of Council tax income, and the use of existing Exeter City Council services on Service Level Agreements with Exeter City Living.

Funding for the development is being sought via a loan from Exeter City Council.