



14th July 2020 Cabinet

South Bristol Light Industrial Workspace

Appendix A - Further essential background / detail on the proposal

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Additional documents:

Appendix A – Part 2 – Stage 2 Design Report

1. Operating Model

The following outline draft Operating Model has been based on internal discussions within BCC Economic Regeneration and Property Services and our existing knowledge / experience of small workspace operations in South Bristol, and without prejudice to further advice on the appropriate commercial model which is to be provided by Savills in June.

The strategy driving the proposed model to manage and operate the 14 small industrial units at 601 Whitchurch Lane can be summarised as the adoption of as fully commercial a model as possible consistent with also meeting the local economic and regeneration objectives for the workspace project, which are to provide suitable modern accommodation and facilities for primarily (i) established and growing micro enterprises in a variety of industrial sectors important to the current and future (post Covid) economy of South Bristol, i.e. creative and media (linked to the Bottle Yard Studios) and construction, engineering and light manufacturing, and secondarily (ii) start up enterprises in the above sectors – assessed to have potential to grow and create jobs and wider local economic benefits.

To this end, it is assumed that the pre Covid market conditions of active demand and relative under-supply in the local area for industrial units (as evidenced, for example, in the draft Bristol Employment Land Study, JLL, 2019) will be largely restored by March 2022, when the marketing of the scheme to prospective tenants is scheduled to commence, and that the 1,740m² workspace will be fully let within 15 months of the completion of construction in Oct 2022, i.e. by Dec 2023, and capable of sustaining a high (90%) level of on-going occupancy comparable to the levels seen in recent years for small industrial units at the nearby Filwood Green Business Park and The Bottle Yard Studios.

It is anticipated that the Council will commission a commercial property agency to undertake the marketing and initial letting of units, and that all units, irrespective of their size, will be let at a competitive market rent. This is subject to further commercial advice, but is expected to be set at around £10 per sq. ft. (based on market evidence) in conjunction with tenants paying a service charge of circa £2.50 per sq. ft., and responsible for all utility costs, The lease term is expected to be on a 5 year (renewable) basis but this may need to be flexible depending on the market or type of occupier, and a shorter term (eg. 3 years) allowed for start ups, as appropriate. Further work will be undertaken on a letting strategy/lease terms. Tenants wishing to extend and customise their floorspace will be offered the option, prior to or during occupation, of installing a mezzanine floor on a self-financing basis, and subject to building regulations approval.. A total additional floor area of 870m² is incorporated in the building design for take-up in all 14 units. This is in line with current trends in new build industrial schemes, and expected to be a commercially attractive option for growing businesses, seeking to maximise their operational flexibility.

Thus, overall, the model will be a more commercial one in comparison to that applicable to the first five years of FGBP’s operation and tenancies at The Bottle Yard. However, the the Council will offer tenants, including start-ups within the first 12 months of trading, that can demonstrate a need, limited financial assistance, in the form of a 6 months initial rent free period. . A closer benchmark for the model would be the Avon Valley Business Centre, at St Anne’s in Brislington East ward, which the Council manages as part of its commercial property portfolio and which offers similar-sized, surmansltd@gmail.com (though, on average, slightly smaller) industrial units and overall floorspace area.

For the purpose of forecasting outputs for ERDF / WECA co-funding of the project, it is assumed that all 14 ‘shell’ units and at least 65% of the additional mezzanine floorspace will be let by December 2023, providing approximately 2,300m² of new floorspace for growing local industrial businesses in South Bristol.

An estimate of annual operating income and expenditure has been made, as below. It should be noted that this is *before* any repayment of WECA grant funding is deducted. Repayment of grant is expected to be sought by WECA as far as the operating model and surplus made permit , but it is assumed that ERDF is approved as a non-repayable grant.

Item	(£ per annum)	Notes
Income	160,376	@£10 per sq. ft. rental + £2.50 per sq. ft. service charge based on 90% occupancy level from Year 2
Costs	61,132	(management costs and BCC overheads, repairs and maintenance sinking fund, charge liability on voids, initial marketing and letting)
Surplus	99,244	Earnings Before Tax

- Notes:**
- i) initial marketing and letting contract fees @ £20,000) **not** included
 - ii) base cost for management of units estimated at £20,000 per annum but vary up to x 2 higher as leases are negotiated / renewed

2. Design and Procurement

A design team led by AHR Architects has been appointed to progress design work required to support development of the full business case for the ERDF and WECA funding bids. Designs have been developed to RIBA Stage 2 and a pre-application advice request was submitted to the Planning Authority in May 2020. A copy of the RIBA Stage 2 outline plans are provided as Part 2 of this appendix.

2.1 Summary

The proposed development comprises of approximately up to 1740m² ground floor area light industrial business units, designed to have potential for an additional 870m² of mezzanine space to provide an overall potential floor area of 2600m². It is proposed that up to 14 light industrial business units will be developed on the site with the potential for tenants to combine multiple units where they require more space. It is proposed that the business units will be developed to a shell-and-core specification with the tenant undertaking the fit-out, to provide flexibility for different uses.

2.2 Future Adaptability

The design of the units will consider the ability to remove internal walls in a proportion of units to combine them into larger units and also for tenants to add mezzanine floors where not included in the base build. Features such as incorporation of spare rear louvers will allow for tenants air extraction requirements if required as part of their use. All units will benefit from full height roller shutter access to the front suitable for vehicular access.

2.3 Transport

The site has existing access from both Whitchurch Lane and Bamfield will incorporate an internal private road between these. Input into the access arrangements is presently being provided by the Councils Transport Development Management team through a pre-application submitted in May 2020.

The development will aim to encourage travel using cycling; walking and public transport and discourage car use, which will be reflected in the number of parking spaces and the facilities provided / available for the tenant to incorporate. Electric charging points will be accessible to each of the units.

2.4 Sustainability

The development will take account of the need to be resilient to climate change and the Council's citywide carbon neutrality target, which requires reducing carbon emissions as far as possible. It will consider use of carbon neutral materials in construction and will design for low energy / natural ventilation and where appropriate good natural light. It will aim to achieve a minimum BREEAM rating of 'Very Good' and will aspire to / target achieving 'Excellent'.

A summary from the Eco Impact Assessment for the development is provided below; the full assessment is included in appendix F.

The significant impacts of this proposal are: the creation of waste through site clearance and demolition works. Consumption of non-renewable resources and emission of Climate Changing Gases associated with the construction and operation of the business units.

The proposals include the following measures to mitigate the impacts: The development will replace an existing poor quality building with a low level of insulation and energy efficiency. Construction impacts will be reduced through design measures, including measures to achieve a minimum of BREEAM 'Very Good' and Construction Management Planning. The new building will be constructed to higher environmental standards and will be designed for future adaptability to minimise waste with future changes. The development of a more intensive use of a brownfield site will improve the use of land resources and decrease development pressures elsewhere. The provision of workspace in this location will reduce distance of travel for businesses operating in South Bristol and in particular providing services related to the Bottle Yard Studios. The proposals are expected to have a positive effect on quality of the built environment, including through providing a greener site.

The net effects of the proposals are: negative in the short term for Consumption of non-renewable resources and emission of Climate Changing Gases associated with the construction, but positive in the longer term through the benefits of well-designed and more energy efficient building stock and more efficient land use, reducing development pressure in other parts of the city and/or greenfield sites outside of the city.

2.5 Procurement

A traditional Procurement approach will be used for the appointment of the building contractor. To minimise the disruption of filming at the adjacent Bottle Yard Studios site the project is considering options to reduce construction durations and on-site activities, including Modern Methods of Construction and undertaking demolition and clearance works as a separate enabling package that can be timed based on booked filming schedules.

Social Value

All key procurements will take account of social value in the evaluation, using the Council's Social Value Tool Kit. AHR Architects put forward social value proposals as part of their appointment under the South West Consultants Framework to create links with the Construction Department at City of Bristol College, which is in close proximity to the site. This will include Student engagement throughout the life of the project, in particular the build stage.

3. Funding, Costs and Programme

3.1 Funding and Costs

The project is proposed to be 100% funded via the following grants:

- a. European Regional Development Fund (ERDF) - £1.2m
- b. West of England Combined Authority (WECA) Investment Fund – up to £2.7m.

ERDF funding will be non-repayable, WECA funding is profiled to require part repayment on an interest free and best endeavours basis over a 15 year period.

The combined WECA and ERDF grants will provide a maximum total funding envelope of up to £3.9m, which includes project contingencies and an optimism bias allowance, calculated in accordance with Green Book guidance and detailed in the below table. The final value of the bids will be based on further cost assessment following completion of detailed designs and additional site investigations. A summary of costs is detailed in the table below:

Item	Budget
Fees, including ground investigations, statutory fees and internal Council costs.	£330,000
Works – including Package of Demolition / Enabling Works	£2,640,000
Project Contingency	£460,000
Optimism Bias	£470,000
Total	£3,900,000

Costs allow for a minimum of 1,740m² ground floor area to be developed. The level of mezzanine provision developed as part of the works will be based on that achievable within the approved budget envelope. The project shall future proof all units to allow mezzanine provision to be fitted out by tenants where not undertaken as part of the base build.

Expenditure in advance of funding confirmation

Circa £75,000 of expenditure has been committed to date on pre-planning design work. A further £155,000 project development budget will be required in advance of ERDF and WECA funding being confirmed to develop the project to the end of RIBA Stage 4, including securing Planning Consents.

3.2 Programme

The below table details the forecast key milestone dates for the South Bristol Workspace Project. The programme has been scheduled to fit around booked filming schedules within the adjacent Tank House buildings, which form part of the Council run Bottle Yard Studios. The project will be coordinated with the Bottle Yard Studios so as to minimise the disruption caused by construction and so that the programme can be optimised should there be any changes to schedules or other mitigation measures identified. The construction durations are indicative and will be finalised following the appointment of the Contractor.

Milestone	Dates
Planning Application (13 week determination period)	August 2020 to November 2020
Confirmation of ERDF and WECA Funding	November 2020 to December 2020
Enabling Works Procurement	February 2021 to May 2021
Period for demolition and enabling works.	July 2021 – October 2021
Contractor Procurement	December 2021 to March 2022
Construction	June 2022 to February 2023
Operation of light industrial units	March 2023