

## Confidential Appendix – Viability Cost Appraisal

### Statement of costs

- 1.1 The statement of cost set out within Appendix 3, as updated identifies the s106 contribution from the Nickolls Quarry development at both Nickolls Quarry and Princes Parade. However, by considering indexation it identifies that the contribution for a future leisure centre at Nickolls would be £5.175m, compared to £4.792m at Princes Parade.
- 1.2 For both sites the land value from the sale of the existing swimming pool South Road site has been identified as £5m, which is considered a reasonable return for a seafront site within Hythe, for which the principle of medium to high density residential development is acceptable. The site is proposed for allocation in the emerging Places and Policies Local Plan, with a capacity of approximately 50 dwellings.
- 1.3 In addition to the income sources above, for Princes Parade the Statement of Cost identifies further income from Community Infrastructure Levy associated with the development of £1.19m, a contribution from existing s106 funds towards affordable housing provision to ensure 30% is provided on site of £1.4m and a contribution of £14.3m from the sale of the residential components of the application site, based on a gross development value for the residential plots of £59.4m.
- 1.4 As such, the Statement of Costs identifies an income of £10.175m for development of the Nickolls Site and £26.7m for the development of Princes Parade.
- 1.5 It is considered these costs are realistic and reasonable and have been supported by independent expert advice that has been reviewed in full by officers of the Council and shared with Historic England for their own independent assessment.

### Appendix A – Cost plan for 3013m<sup>2</sup> scheme at Nickolls Quarry

- 1.6 This appendix tests both a two storey and single storey leisure centre on land identified within the outline planning permission at Nickolls Quarry for the delivery of a leisure centre, as well as a leisure centre that matches in area to that applied for at Princes Parade. The appendix has been supported by evidence from Henley Camland, the developer of the Nickolls Quarry site and a feasibility study by GT3, the architects for the Princes Parade development. The leisure centre at Nickolls Quarry would be located within a prominent location at the heart of the development. It is reasonable to expect a high standard of design, akin to that proposed at Princes Parade would be required.
- 1.7 In considering the redevelopment of the Nickolls site a cost for the capping of the contamination at the Princes Parade site has been included, as the applicant considers this will be necessary should the site not be developed. This has been

identified as £2.09m. However this forms a significantly greater cost when the additional project costs are applied.

1.8 The s106 agreement for the residential development of Nickolls Quarry makes it clear that the leisure centre land must be remediated, raised and serviced by the developer (of the Nickolls site) and transferred to the Council for £1. The appendix excludes these costs from the cost of developing the site, which is appropriate, however does include abnormal construction costs that are associated with stability and construction on raised land with a high water content. These costs have been informed by a report from Icom Merebrook 'Potential abnormal cost items for leisure centre development' which has considered the remedial and verification reports for the Nickolls Quarry development, as well as discussion with Henley Camland, the developers of the site with regards to the land raising methodology undertaken and the remedial measures necessary. It is therefore concluded that the applicant has a good understanding of the likely abnormal costs in developing at the Nickolls Quarry site, and that these have informed the cost appraisal report.

1.9 The report assumes construction would commence in Q3 2020, following advice from the landowner relating to phasing and land raising timescales and requirements and this is reflected in the BCIS costs used. It is also likely the tender cost would increase over the next 2 years. The following costs are set out in the report:

	Option 1	Option 2	Option 3
Construction Cost	£17.65m	£21.5m	16.3m
Contract Cost	22.56m	£27.5m	20.8m
<b>Project Cost</b>	<b>£26m</b>	<b>£31.7m</b>	<b>24m</b>

1.10 Options 1 and 2 are based on the delivery of a 3397m<sup>2</sup> facility, rather than the square meterage applied for at Princes Parade (as potential alternative schemes that could be suitable to the site). Following a request from officers Option 3 has been provided, based on the delivery of a 3013m<sup>2</sup> facility (to replicate the size of that within the planning application for Princes Parade) and both including and excluding the remediation costs the Council would incur at Princes Parade, for transparency in identifying the funding gap.

1.11 Based on option 3, it is clear that the project cost of the development at Nickolls is estimated at £24m or £21.1m when amended to remove the remediation capping cost at Princes Parade that would not directly relate to the development of a leisure centre at Nickolls Quarry.

1.12 Taking in to account capital receipts available from both the sale of the existing swimming pool site and leisure centre there is a funding gap of 13.86m, or £10.9m if the remediation capping costs at Princes Parade are excluded.

- 1.13 For the purpose of this assessment it is therefore considered that a funding gap of £10.9m for the delivery of a new leisure centre at Nickolls Quarry is a reasonable conclusion to reach.
- 1.14 **Appendix B** of the report provides a Viability Cost Appraisal for the remediation of the site, delivery of a 3397m<sup>2</sup> leisure centre, realignment of Princes Parade and relocation of sewers, construction of a new promenade, associated external works and drainage and provision of main services. It excludes costs associated with residential plots (apart from remediation) as these are proposed to be sold for development.
- 1.15 This appendix concludes that the Project Cost Estimate for the Leisure Centre is £21.29m, with an overall Project Cost for the development of £30.72m, with income sources of £26.67m creating a funding gap of £4.046m. The funding gap for the scheme now proposed is £2.1m
- 1.16 It is unclear why this appendix has been included when the application at Princes Parade seeks a smaller leisure centre building, as set out in Appendix D.
- 1.17 **Appendix D** of the report is completed on a similar basis, and provides for the remediation of the site, the delivery of a 3013square metre leisure centre, realignment of Princes Parade and relocation of sewers, construction of new promenade, associated external works and drainage and provision of main services. It excludes costs associated with residential plots (apart from remediation needed across the site) as these are proposed to be sold for development.
- 1.18 This appendix concludes that the Project Cost Estimate for the development is £19.26m for the Leisure Centre and a total of £28.78m for the site as a whole with income sources of £26.67m creating a funding gap of £2.1m.

Option 1	Appendix D
Construction Cost	£13.76m
Contract Cost	16.65m
<b>Project Cost</b>	<b>£19.26m</b>
<b>Total Project cost*</b>	<b>£28.78m</b>

\* to include realignment of Princes Parade and relocation of sewers, construction of new promenade, associated external works and drainage and provision of main services

- 1.19 The report identifies that this funding gap could be further reduced if the Council decided to construct the 45 affordable residential dwellings itself, thus saving the developers profit on cost, however the report does not calculate this saving.
- 1.20 Other funding sources may be available, with the most likely and suitable route for funding new leisure facilities in the district from Sport England. Sport

England's Strategic Facilities Prospectus makes it clear applications can be made for between £0.5 - £2m. If such an application were to be successful this could significantly reduce the funding gap at Princes Parade. Even with such funding for a proposal at Nickolls Quarry the finding gap would still be significant.

### Conclusion

- 1.21 The applicant has provided a Viability Cost Appraisal Report to the Council that has been shared with Historic England at their request. Officers have reviewed the report, requesting additional information and clarification where required. The appraisal provides a proportionate level of detail required to evaluate the viability options for proposals to provide a leisure centre at both Princes Parade and the alternative Nickolls Quarry site, in the form of a RIBA stage 2 cost plan for Concept Design.
- 1.22 The report identifies that for the development of a Leisure Centre at Nickolls Quarry there would be a funding gap of £10.9m, excluding the cost of remediation at Princes Parade as this would not be connected to the delivery of a new Leisure Centre.
- 1.23 The report identifies that for the development of a Leisure Centre at Princes Parade there would be a funding gap of £2.1m.
- 1.24 Given the above, it is reasonable to conclude that the delivery of a Leisure Centre at Princes Parade is a significantly more viable project than at Nickolls Quarry. At this time there is no evidence as to how the funding gap of £10.9m or even the additional funding gap of delivering a Leisure Centre at Nickolls Quarry of £8.8m could be met.