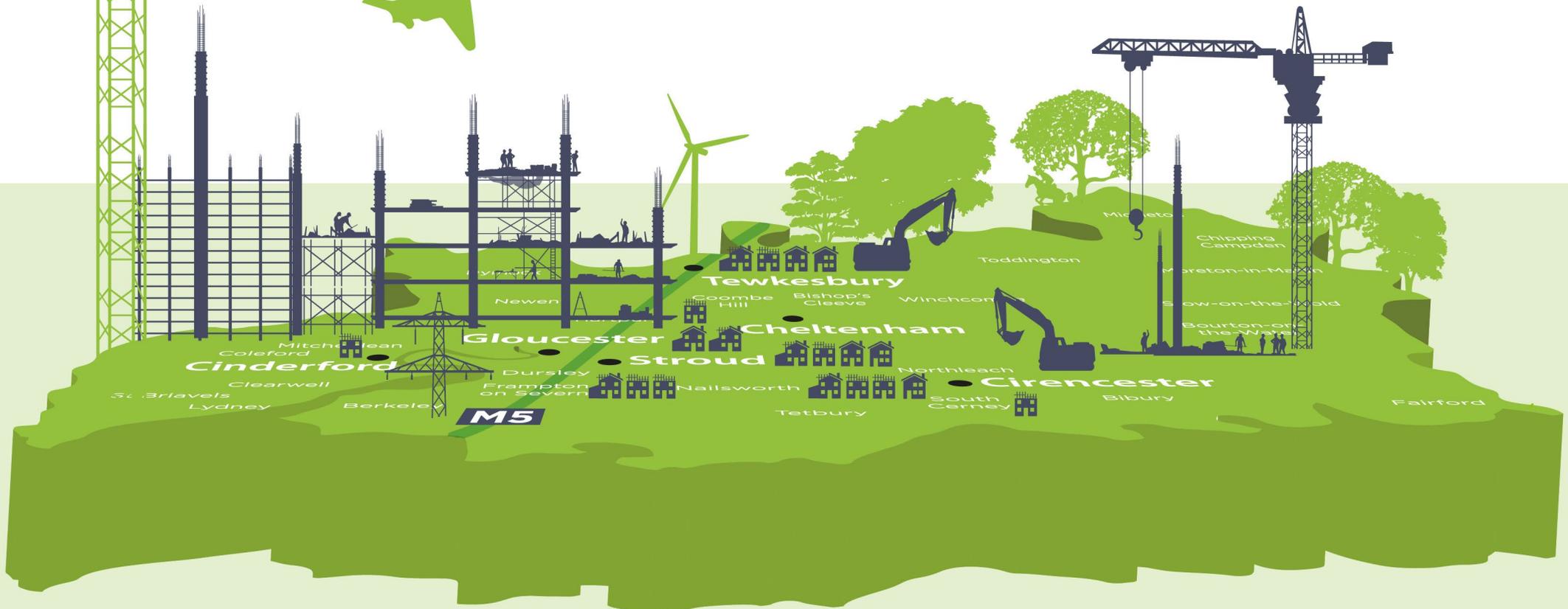


# Appendix 6

## Business Case - Littlecombe Housing Littlecombe Regeneration Site



The proposal submitted by the project promoter is based on information and consultation available at this early stage. Further research, consultation and development will follow before funds are allocated. NB There is no guaranteed funding for the project until this has been secured from Government by GFirst LEP and the project has been through an appraisal and due diligence process.



# Business Case - Littlecombe Housing

## The Proposal

The Littlecombe site has a strong industrial past, with varied uses before being absorbed into the Lister Petter industrial engine production site in 1917. At its peak, iconic British brand, Lister Petter, employed over 4,000 people and was the major employer in this area of Gloucestershire. The main factory and foundry ceased works in the late 1990s and the site was subsequently acquired by the South West Regional Development Agency (RDA) in 2000, for circa £17m.

The RDA's direct public investment at Littlecombe, was made to address market failures that were constraining economic development and business growth and to achieve wider economic benefits for the area. A combination of market failures can mean that sites remain devoid of activity for generations, undermining the long term competitiveness of an area while being associated with social problems. Without RDA investment, it's likely that no market provision would have taken place, with the area deteriorating. Instead Littlecombe became a flagship regeneration scheme designed to safeguard jobs and bring new investment to Dursley.

Working closely with the RDA, St. Modwen, the UK's leading regeneration specialist, secured planning permission for a mixed use, urban community in 2007. Following the winding up of the RDA's and the financial crisis that halted investment and development, Stroud District Council stepped in to secure the future of the site, with the transfer to SDC ownership in June 2011.

The main market failures that manifested in a private sector reluctance to invest were abnormal costs such as the remediation of significantly contaminated land, related to the former industrial uses on site and planning and infrastructure burdens. Some of these costs are still evident now, particularly with regard to development

for employment use. While numbers employed were down considerably on the heyday of Lister Petter, jobs still totalled in the hundreds across a handful of companies with high proportions of local employees.

These remaining businesses occupied premises that were verging on derelict which were to be demolished to make way for comprehensive mixed use redevelopment. Initially businesses were to relocate on site, but eventually left Dursley. This led to another economic shock for the area with the loss of jobs and some long standing local employers. This also meant that the development of new business space became all the more crucial to help provide replacement jobs, opportunities for other local companies and to balance residential and employment prospects.

Since 2011, and SDC's partnership agreement with St Modwen the property market has picked up considerably. Littlecombe has seen the development of over 150 homes with the first 74 home phase sold out, the opening of the Vale Community Hospital, refurbishment of office space at Drake House, refurbishment and opening of The Towers, providing nine assisted living units and 55 bed nursing home and the development of a first phase of employment units at Littlecombe Business Park.

All this development followed a huge site-wide remediation scheme involving the treatment and movement of 330,000 tonnes of material, including treating old foundry sand and cleaning up a former gasworks site.

The remediation has brought back 1.36 hectares of brownfield land that previously could not be built on, but has been massively costly. This first phase comprising 16 small business units was completed and fully occupied in 2013, highlighting the demand.

## Business Case - Littlecombe Housing

However, development was undertaken well under market cost, to kickstart development, provide much needed space for employment following the high level of job losses and to safeguard the ambition of creating a sustainable community.

These development losses were borne by the private sector, St Modwen. In 2015 a revised masterplan received planning permission which, mainly due to a compromise on the retention of an additional area as open space following a village green application,, led to a substantial reduction in the number of homes. In turn this has meant the development value of the site has fallen, increasing the viability challenges of further development. Added to the abnormally high remediation costs, St Modwen now face a deficit on development, bringing an understandable reluctance to bear the full development costs a second time for the next phase of much needed business units.

Demand has been expressed from existing occupiers and agents report demand from potential new occupiers, while with a further 270 houses planned, demand for local employment space will only increase. Growth at nearby Berkeley and in related nuclear and energy sectors could well see overspill of requirements to Dursley particularly from within the supply chain of major companies and Littlecombe could provide a perfect location.

Full design and build costs are prohibitive, particularly as units would be aimed at local companies expanding and new investors from the SME community, often without the financial wherewithal to carry D&B costs. Given the issues facing St Modwen, speculative development will not happen and this is why the application is being made for inclusion in the Growth Deal.

£3.5m Growth Deal funding would overcome the viability challenges, bringing forward the final 2 acres of employment land, funding the cost of development, offsetting remediation and infrastructure costs, delivering new workspace, (up to 20 business units, 40,000 sq ft) for local companies and new investors, potentially accommodating around 100-125 jobs, with income being reinvested. Growth Fund investment here could also attract further private sector support to the wider area.

SDC has committed up to £1.75m towards the costs of employment development, highlighting the belief in the project and the need to deliver jobs and growth in the Dursley/Cam area. Funding through the Growth Deal would show how different parts of the public and private sector can work together for the benefit of the local community while enhancing the wider Gloucestershire economy.

The area has seen substantial job losses and bringing forward this employment space with the support of the LEP will deliver much needed job opportunities to an area that hasn't had the required economic development investment to balance residential growth and will see the realisation of the sustainable urban community envisaged in 2000.

The attached slide presentation 'Littlecombe Presentation 8.6.16' provides a photographic record of progress undertaken on site to date.

# Business Case - Littlecombe Housing

## Demand

Initial business development was quickly fully let/sold. Demand has been expressed from existing occupiers and agents report demand from potential new occupiers. With a further 270 plus homes online, demand for local employment space will only increase, which cannot be met as the full costs of design and build are prohibitive.

We have met local agents Ash & Co, reviewed relevant press and St Modwen's sales rates at Hardwicke. The last two years has seen constant and increasing interest in buying and leasing space at Littlecombe but at previous sub-cost levels and with no forward commitment, so effectively, browsing. There is a consistent view that local demand exists but because of commercial inexperience is waiting for the buildings to be built.

There is evidence of demand for this type of high quality employment space within the district for indigenous companies to expand into and for start-ups.

There is a strong pool of labour in the area because of the long employment use of the site and the impact of the housing development and business units on the site is demonstrated by an increased vibrancy in the town, with new shops and cafe's opening, the Council's fitness suite extension at Dursley Pool and increasing demand on parking.

The site is close to the Berkeley site and there is considered to be synergies with the employment uses and demand there.

## Rationale for intervention

The project takes on the risk of speculatively developing out units from St Modwen's when it is still uncertain whether the overall project

will break-even because of the high clean up and infrastructure costs and reduction in unit numbers.

It is anticipated that the employment land will remain undeveloped. As the developer now starts the final phases of house building there is a real risk that there will be pressure to change the allocation of the land from employment to more housing.

The Council is willing to take on 1 acre of the site, but does not have the resources to bring forward the remaining 2 acres. Intervention through funding from the LEP will enable the vision of a mixed use site and reestablishment of employment uses here to be realised.

## Options appraisal

St Modwen/SDC have invested £70m in the wider site already.

The HCA has part funded the acquisition of affordable homes on the site

The initial employment phase was built out and occupied at well under market value, at the developers' cost, to kick-start development. The private sector is not prepared to subsidise full development costs for the next phase of much needed units.

Other than borrowing, there are no other sources of funding available. The GIIF payback is considered to be too short term for this project as the shortest estimated payback with no borrowing is 12 years payback. The site units would have to be sold on to clear borrowing.

# Business Case - Littlecombe Housing

## Strategic Growth

The Local Plan highlights the importance of completing development at Littlecombe delivering the required homes and jobs.

This major regeneration project complements the SEP's growth programme and is endorsed by the GEGJC.

Development is led by national regeneration specialists, St Modwen, in partnership with SDC.

## Context: Local

The project is consistent with and complements the major investment at Berkeley

## Context : Regional / National

Development of the business units will effectively complete the regeneration of this large brownfield site, home to a new community, as envisaged when SWRDA acquired the site in 1999. St Modwen will invest a further £8m to complete remediation, infrastructure and housing development; SDC has recently allocated £1.75m capital funds.

## Outputs

*20 apprenticeships during build*

| Category                  | Description                | Year 1       | Year 2       | Year 3 | Year 4 | Year 5 |
|---------------------------|----------------------------|--------------|--------------|--------|--------|--------|
| Jobs (direct)             |                            |              | 80           |        |        |        |
| Housing units             |                            |              |              |        |        |        |
| Business Starts           |                            |              |              |        |        |        |
| Qualifications            |                            |              |              |        |        |        |
| Infrastructure/ Transport | Business units constructed | 20,000 sq.ft | 20,000 sq.ft |        |        |        |
| Land (in Ha)              | Brownfield land developed  | 1 acre       | 1 acre       |        |        |        |
| Other                     |                            |              |              |        |        |        |
| Other                     |                            |              |              |        |        |        |

## Outcomes

| Category        | Description                          | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|-----------------|--------------------------------------|--------|--------|--------|--------|--------|
| Jobs (indirect) | Apprenticeships during build         | 10     | 10     |        |        |        |
| Housing units   |                                      |        |        |        |        |        |
| Skills          |                                      |        |        |        |        |        |
| Infrastructure  |                                      |        |        |        |        |        |
| Land (in Ha)    | Completion of major development site |        |        |        |        |        |
|                 | Environmental enhancement            |        |        |        |        |        |

# Business Case - Littlecombe Housing

## Funding request for Growth Deal 3

2017/18 £1.75m  
2018/19 £1.75m

SLGF request: up to £3.5m to build up to 40,000sqft business units

NB – if there is the likelihood of funding but this is not available until 2019-20 it will be possible to agree with the developer to protect the employment land until that year, because of the commercial relationship between St. Modwen’s and SDC. However, the Long stop date for the development agreement is 2020.

## Financial: Capital and / or Revenue leveraged in to the project

SDC: £1.75m to construct 20,000sqft business units

SWRDA: £19m to acquire site  
St Modwen/SDC: £3m current deficit on development

SDC: £50k pa for Surveyor to lead development  
SDC : £20k for demolitions  
SDC : £1.3m acquiring affordable homes

## Project viability with reduced funding

SDC’s funding of the initial phase of business units will ensure that these are brought forward, the further 2 plots would be built in 2 phases. Less funding may mean that only one phase could be delivered although, once lettings are secured revenue from the first and /or second phases could be used to invest in the construction of the final acre.

The project is still potentially viable with less funding allocated.

## Sustainability

Revenue funding is not required. Units will be owned by SDC who will support any revenue funding required in the future (e.g. from void), through income from the units or they will be sold on.

## Financial Summary

Key: C - Capital R - Revenue

|                             | 2017   |     | 2018   |     | 2019 |     | 2020 |     | Total  |
|-----------------------------|--------|-----|--------|-----|------|-----|------|-----|--------|
|                             | /18    |     | /19    |     | /20  |     | /21  |     |        |
|                             | C      | R   | C      | R   | C    | R   | C    | R   |        |
| Growth Deal 3               | £1.75m | n/a | £1.75m | n/a |      | n/a |      | n/a | £3.5m  |
| Total Private match funding |        |     |        |     |      |     |      |     |        |
| Total other public funding  |        |     | £1.75m |     |      |     |      |     | £1.75m |
| Other                       |        |     |        |     |      |     |      |     |        |
| Totals                      | £1.75m |     | £3.5m  |     |      |     |      |     | £5.25m |

# Business Case - Littlecombe Housing

## Timeline

|                                      | Start | End |
|--------------------------------------|-------|-----|
| Refining Business Case               |       |     |
| Project Planning & Development       |       |     |
| Due Diligence and LEP Board Approval |       |     |
| Capital Investment                   |       |     |
| Implementation / Delivery            |       |     |
| Project Completed                    |       |     |

## Risks

| Risks Description  | Owner | Probability | Impact | Mitigation   |
|--|-------|-------------|--------|--|
| If economic conditions decline or there is a collapse of demand for business property, then units may remain un let for long periods | SDC   | low         |        | Terms of sale or leases can be adjusted to meet market conditions and generate a return. The repayment period will be extended |

## Procurement and State Aid

SDC will seek legal advice on whether the funding would constitute State Aid or would fall within one of the exemptions. Recent advice on the HCA’s funding at Brimscombe Port suggest that it may be exempt, but the contractual arrangements may influence this.

## Governance and delivery arrangements

### Reporting lines

1. SDC Project Team: mixed skills officers, external agents
2. SDC Housing and Regeneration Panel: Legal, Finance, Planning, Chief Officers, CX, Councillors
3. SDC Strategy and Resources Committee
4. Gfirst Officers/Board

1 – monthly; 2 - bi-monthly; 3 – quarterly; 4 monthly written report, quarterly meeting

SDC’s Corporate Project Management procedures are being followed. SDC has a successful track record of delivering large projects and has been working with St Modwen’s on the Littlecombe project for 5 years. SDC’s intervention and proactive management of the site re-started the development and resolved some significant challenges.

## Appendices

Where there are appendices referenced but not included in this document, they are available on request from GFirst LEP.

# Growth Deal Round 3 for Gloucestershire - Building on Success - Appendix 6

## Business Case - Littlecombe Housing

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**Notes:**  
To be read in conjunction with relevant consultants drawings.

- Revisions:**
- A 11 31.07.2014 zone K2 extra care facility layout added.
  - B 17 09.12.2014 Layout updated.
  - C 27 16.12.2014 Layout updated to include comments.
  - D 11 12.01.2015 Layout updated to revised site contours.
  - E 11 02.02.2015 Layout updated to revised gate position.
  - F 11 09.02.2015 Prior to final application boundary, K2 unit no.'s amended to 20.
  - G 11 13.02.2015 Zone K1 layout boundary updated/ Additional references added.



- Tree Condition Key**
- high quality/ value
  - moderate quality/ value
  - low quality/ value
  - little/ no value

- Accommodation Schedule**
- Zone A1 + A2  
74no. dwellings
  - Zone B
  - Zone C  
183no. dwellings
  - Zone F  
17no. dwellings
  - Zone K1  
94no. dwellings
  - Zone K2  
58no. dwellings
  - Total: 426no.



**Aspects | Modwren**  
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Dursley, Littlecombe  
Indicative Masterplan

|                 |              |
|-----------------|--------------|
| Drawing status: | PLANNING     |
| CAD reference:  | 7101-007004b |
| Drawn:          | LS           |
| Team:           | LY           |
| Date:           | 07.2014      |
| Scale:          | 1:1000 @ A1  |

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