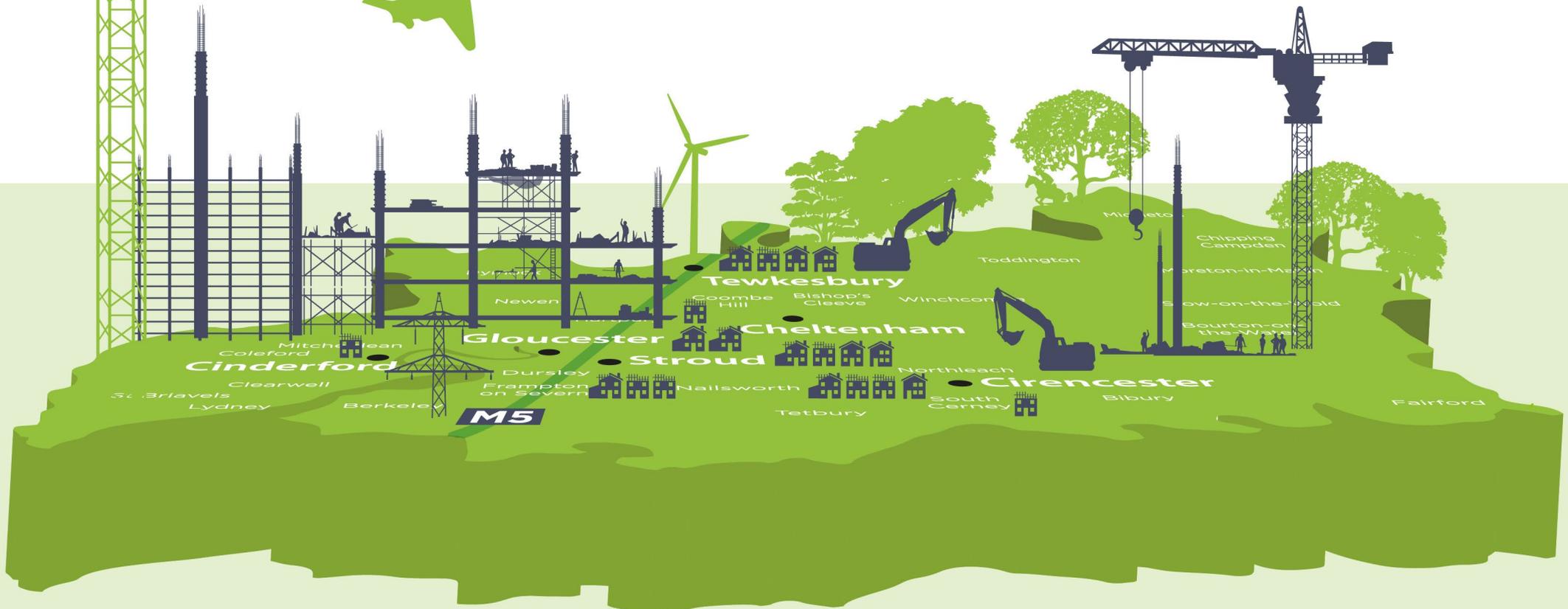


Appendix 7

Business Case - Brimscombe Housing Brimscombe Port



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 - Brimscombe Housing

The Proposal

Stroud District Council (SDC) is promoting the redevelopment a brown field site known as Brimscombe Port, Stroud for mixed use development (site is shown edged red on attached plan, see appendix 1).

Stroud Valleys Canal Company (SVCC) is the owners of the site although the Homes and Communities Agency (HCA) is the mortgagee who have duly instructed SDC as project development lead and asset manager.

Brimscombe Port is a former inland trans-shipment port dating back to the 1780's. Following the decline of the canals as a mode of transport the Port became redundant and was in-filled in the 1930's and latterly developed as an industrial estate in the 1960's. Today the property still comprises the same industrial estate but it is now showing the signs of age and is burdened by previous activity that left the ground badly contaminated.

The vision is to reinstate this historic inland port and create a unique waterfront development comprising a mixed use destination scheme to include residential, commercial, hospitality and leisure uses.

As part of the development of the Port, it is proposed to create a new canal through the site, central mooring basin, 2 flood alleviation weirs (upstream and downstream that connect the River Frome with the canal) a new bridge on Brimscombe Hill and a river feed to serve the canal basin at the eastern extremity of the site.

The site is next to the River Frome and is subject to significant risk of flooding and requires the provision of considerable infrastructure to deliver the objective of creating a development project themed on a canal waterside. Our hydrologist advises that by using the restored canal as a flood relief channel and raising the level of the site by 0.5m

we can protect against a 1:100 year flood event (>20% climate change); this is the key to redevelopment and the starting point from which we have produced worked-through solutions.

Previous attempts to generate interest from developers have been thwarted due to the high cost of enabling the site and the associated civil engineering work, such costs are estimated at £10m+. Our schemes and appraisals show that, with proper gap-funding, we can unlock this situation.

The Local Plan identifies the site in Stroud District Council's 'industrial heritage conservation area'. It is part of the Cotswold Canal corridor, a waterways project championed by the Cotswold Canal Trust which has seen 5 miles of canal restored through urban Stroud. The vision is to reinstate the canal and connect with Brimscombe Port, creating a residential led redevelopment with mooring basin and public realm square with cafe culture facilities. The 10 acres Brimscombe Port site could deliver approximately 150 new dwellings and generate new employment uses. (For indicative interpretation of proposed scheme see attachment 'B Port Options – optimised 2').

The original intention was that a commercial developer would redevelop the site and fund the costs of reinstating the canal. However marketing in 2011 to choose a developer via the HCA's DPP disposal process produced only one bid from 70 candidates. The viability gap from this sole bid was c£5m. This is a real shortfall, and without plugging this gap, regeneration is a faint prospect.

The shortfall is solely due to the cost of enabling works and canal engineering infrastructure, estimated by Gleeds at £10m+. This is more than the gross redevelopment value of the site. Public sector cutbacks since 2011 amongst the stakeholder partners have meant no alternative funding sources. 2013-14 redevelopment plans were suspended and factories were re-let. The project was to be revisited if economic

Business Case - Brimscombe Housing

conditions improved.

In 2015 we instructed Savills to update the development valuation and they have identified that Brimscombe Port remains unviable without gap funding.

In 2015 SDC submitted an application to the HCA for funding towards the shortfall in development viability. In response the HCA subsequently awarded loan finance of £2m to Council. In turn the Council have added £1m towards the funding gap. However despite forecasted land receipts of c. £5m with infrastructure costs of c. £10m this still leaves a development shortfall of £2m. Although we anticipate that net rental income from the Port's industrial estate will generate £500,000 over the next 2 years we are requesting £1.5m from the LEP Growth Deal to make the project viable.

By GFirst LEP providing the shortfall in funding this will allow the site's enabling works to be completed and will allow the full development to begin.

By completing this leg of phase 1A of the Cotswold Canal project will result in all but one remaining section of 300m to be completed, located half a mile away at Ironworks Estate, Hope Mills Lane. By completing this section will result in navigable water between Stonehouse and Brimscombe Port (approximately 5 miles in distance).

By reinstating the canal elsewhere in Stroud it has been proven that land alongside has become the catalyst for regenerating complicated sites primarily through enhanced values e.g. Newland Homes at Cheapside and Bowbridge and Persimmon at Ebley Mill. The photo montage in appendix 3 demonstrates the regenerative affect on adjoining land following completion of earlier phases of canal works.

Demand

In 2011/12 SDC and SVCC carried out a soft marketing exercise as part of a study to establish market demand and the results of the study can be found in the attached appendix 2.

In essence there was interest shown by numerous developers wishing to build residential units at Brimscombe Port including Persimmon, Crest Nicholson, Lioncourt Homes, David Wilson Homes.

Latterly we have received serious interest from St Modwen Developments.

However virtually all the aforementioned house builders that were interviewed expressed reluctance to invest in the site without the enabling and infrastructure being completed first namely site remediation, flood alleviation, canal road and bridge civil engineering. By providing this infrastructure will ensure that the site is 'oven-ready' for ongoing development.

Rationale for intervention

In SDC's Local Plan, Brimscombe Port is identified as land comprising part of the proposed reinstated Cotswold Canal. Consequently the site is highly unlikely to be developed for a non-canal related scheme. The very nature of the canal related project involves considerable additional expenditure beyond that of a conventional development site and with such abnormal costs of providing such infrastructure will mean the canal will be stalled without external intervention.

The site will deliver a mixed development comprising of residential, employment and leisure uses. By completing this penultimate section of canal will mean that Stroud is one step closer to delivering a hugely important and previously lost heritage asset that provides an excellent leisure attraction that will draw on visitors/tourism thereby

Business Case - Brimscombe Housing

giving the town a less one dimensional feel. Furthermore the delivery of the canal that will act as a catalyst for adjacent development alongside the reinstated watercourse.

Options appraisal

The Growth Deal money is essential to deliver the much needed final element of funding to deliver the abnormally high infrastructure costs that will allow the site to be offered as an opportunity to developers without being hampered by excessive up-front infrastructure cost that has previously prevented the project from proceeding. With the funding from the HCA (£2m) and SDC (£1m) it still requires funding to the tune of £2m to deliver the all important site enabling infrastructure works.

Strategic Growth

The rationale for this investment is to help to complete the penultimate and most challenging section of Phase 1A of the Cotswold Canal Project.

The project has been supported by the following stakeholders: Gloucestershire County Council, Stroud District Council, The Homes & Communities Agency, Stroud Valleys Canal Company, Cotswold Canal Trust. The project which is to regenerate the site and to reduce the risk of flooding is endorsed by the Environment Agency.

The Canal Project has for many years been SDC's priority development project and a leading contender for funding from Gloucestershire County Council and its LEP.

Context: Local

There are many sites located along the Stroud Valley floor that are unable to be developed due to the risk of flooding and without the flood alleviation measures that are proposed at Brimscombe Port the site will remain at flood risk. Although an engineering

solution has been proposed at Brimscombe Port we are currently investigating further modifications to the flood alleviation design that may allow a further 5 acres of mixed use land on the downstream side at Brimscombe Mills to be developed. This additional area of land has been shown coloured purple on the plan shown in appendix 4. This plan shows the proposed civil engineering infrastructure that is anticipated.

The estimated effect of bringing forward this site will create a further 50+ residential units and further job creation estimated around 20 full time positions.

Context : Regional / National

Brimscombe Port and adjacent Brimscombe Mills are planned to assist in deliver units that will meet the HCA's starter homes targets.

Outputs

Category	Description	Year 1	Year 2	Year 3	Year 4	Year 5
Jobs (direct)						
Housing units					20	130
Business Starts				5	5	10
Qualifications						
Infrastructure/ Transport	Business units constructed		0.5 mile of roads		10,000 sq.ft	10,000 sq.ft
Land (in Ha)	Brownfield land developed		1 Ha			3 Ha
Other	Boat moorings					30+
Other	New Business Enterprise Centre in conjunction with Parish Council and Trustees of Social Club					5,000 sq ft

Business Case - Brimscombe Housing

Outcomes

Category	Description	Year 1	Year 2	Year 3	Year 4	Year 5
Jobs (indirect)	Apprenticeships during build		10	10		
Housing units					20	130
Skills					10	10
Infrastructure						
Land (in Ha)	Completion of major development site			1Ha		3Ha
	Environmental enhancement					

Narrative outcomes/assumptions

Provided by SDC inward investment team

Financial: Capital and Revenue

As previously stated Gleeds, quantity surveyors estimate that site enabling and infrastructure costs will be in the order of £10m. This will enable 5-6 acres of land to be sold as development land.

Funding request for Growth Deal 3

2019/20 - £1.5m

SLGF request: up to £1.5m to contribute towards site enabling and civil engineering infrastructure

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

Revenue
 SDC: £1m
 HCA: £2m
 Net Rental Income: £500k
 Site plots: £5m
 LEP Growth Deal £1.5m
 Total £10m

Infrastructure costs estimated by Gleeds (quantity surveyors) c. £10m

SDC: £50k pa for Surveyor to lead development

Project viability with reduced funding

The HCA and SDC's currently allocated funding will ensure that an early phase of infrastructure will begin (i.e. bridge on Brimscombe Hill with a short section of canal trough underneath, river diversion and new road access junctions as circled pink on plan on appendix 4). However it will be insufficient to complete all infrastructure that is necessary to allow development of plots to begin. By completing the infrastructure will mean that the site will be transformed from a dated and harsh looking 1970's industrial estate to one involving canal wharfs and marina basin, attractive waterside development involving apartments, housing, restaurants, shopping with new employment to complement a number of retained businesses. In essence the project is at the tipping point of great things that will result in bringing the life and heart back into Brimscombe, thereby making it a destination to live, work and play.

Sustainability

Revenue funding is not required.

Business Case - Brimscombe Housing

Financial Summary

Key: C - Capital R - Revenue

	2017 /18		2018 /19		2019 /20		2020 /21		Total
	C	R	C	R	C	R	C	R	
Growth Deal 3		n/a		n/a	£1.5m	n/a		n/a	£1.5m
Total Private match funding									
Total other public funding	£3m								£3m
Other									
Totals	£3m				£1.5m				£4.5m

Future funding beyond Growth Deal period, where applicable:

	2021 /22		2022 /23		2023 /24		2024 /25		Total
	C	R	C	R	C	R	C	R	
Total Private funding									
Total other public funding									
Other									
Totals									

Financial: Follow on investment

Timeline

	Start	End
Refining Business Case	Q2. 2017	Q4. 2017
Project Planning & Development	2017	2022
Due Diligence and LEP Board Approval	2016	2020
Capital Investment	2017	2019
Implementation / Delivery	2017	2020
Project Completed	2020	2023

Risks

Risks Description	Owner	Probability	Impact	Mitigation
Previous contamination requires a strategy to remediate the site. This will probably involve removing contaminated hotspots within the in-filled historic canal channel and to overlay the remainder with an inert capping layer. There may be unforeseen additional expenditure to focus on the hotspots.	SVCC	Medium	Medium	Further removal of contamination off-site.
Infrastructure costs may escalate for bridge, roads, canal and river flood alleviation.	SVCC	Medium	High	SDC have taken advice from consulting engineers and quantity surveyors to establish costs.
If economic conditions decline or there is a collapse in demand for residential property then units may remain unsold. However this does not affect the delivery of infrastructure and latter phases of development may be stalled until improved market conditions return.	SVCC	Low	Low	Await market conditions to return to normal.

Business Case - Brimscombe Housing

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

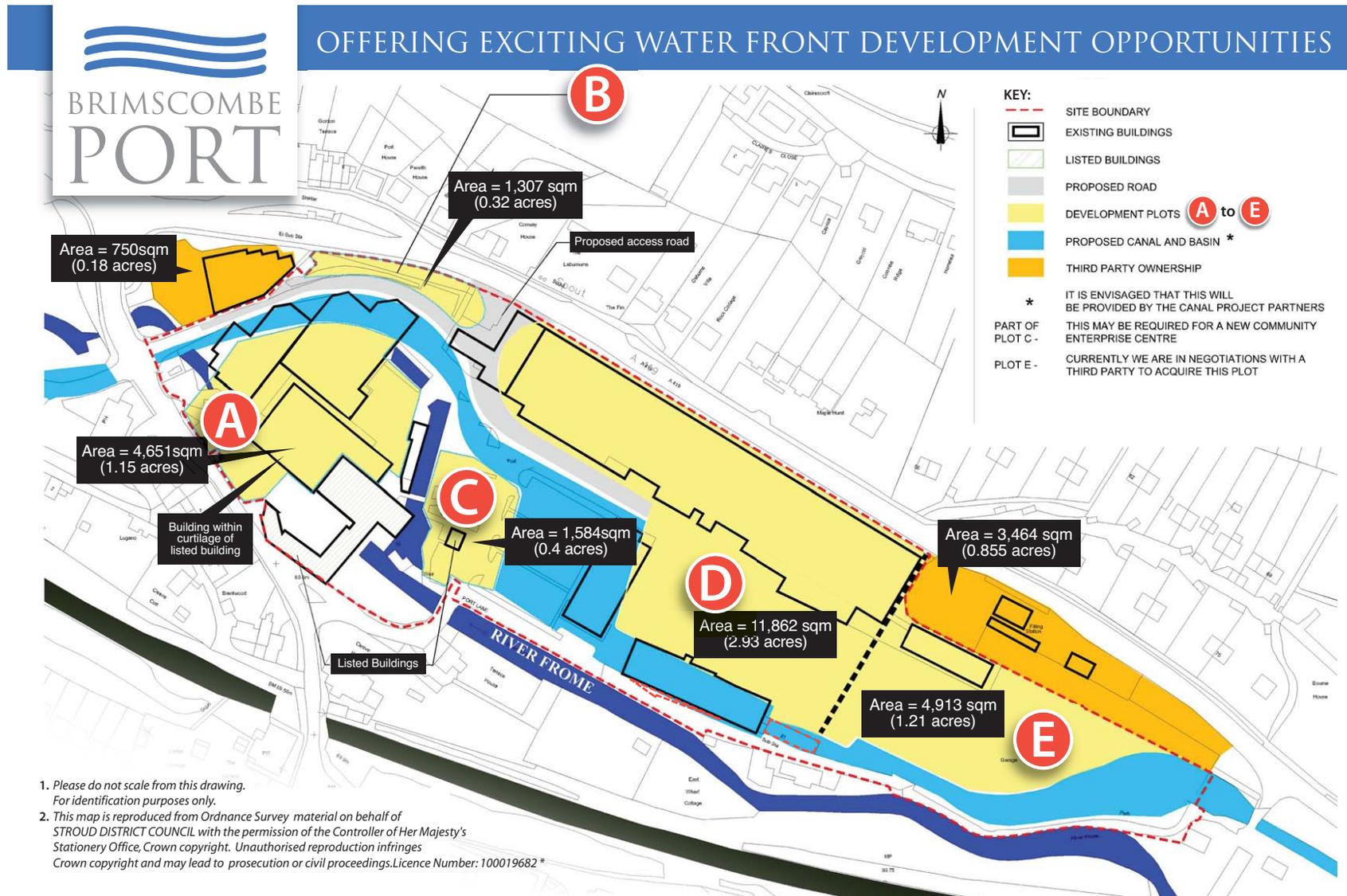
SDC's Corporate Project Management procedures are being followed.

SDC has a successful track record of delivering large projects including in conjunction 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.



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