

# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 07 January 2019

<b>Portfolio:</b>	Policy and Resources
<b>Subject:</b>	<b>Capital funding for the construction of industrial/ business units at Faraday Business Park, Daedalus.</b>
<b>Report of:</b>	Director of Finance and Resources
<b>Corporate Priorities:</b>	A Dynamic, prudent and progressive Council

**Purpose:**

To obtain the approval of the Executive to fund the construction of new industrial/ business units at Faraday Business Park, in line with the adopted Daedalus vision and capitalising on the interest shown by potential occupiers.

**Executive summary:**

The Daedalus Vision and Outline Strategy was adopted in October 2015;

Objective 1 of the strategy included “to unlock the potential of the airfield’s land and infrastructure assets through new commercial development,....”.

Objective 3 of the strategy included “To ensure that the airfield is financially sustainable in the medium to long term.”

Objective 4 of the strategy included “To further improve the infrastructure and facilities at the airfield, by enhancing its quality and making it more attractive to visitors and to new business”.

Faraday Business Park has proven to be an attractive and popular location. Further potential occupiers have expressed interest in locating on Faraday but in the main have felt unable or unwilling to fund or undertake the construction of a building. To capitalise on success to date and ensure the ongoing development of the location it is therefore proposed that several industrial/ business units are built speculatively by the council to accommodate this interest, thus increasing the number of businesses on site and rental income generated.

This paper seeks approval of £5.0m of capital to construct new industrial/ business units on Faraday Business Park in line with the adopted strategy. This capital will be funded via prudential borrowing.

Additional electricity infrastructure may be required dependent on occupier’s demands. Funding for this infrastructure, if required, will form part of a separate paper to the Executive.

**Recommendation/Recommended Option:**

It is recommended that the Executive agrees that:

- (a) funding of £5.0m is approved to construct new industrial/ business units at Faraday Business Park, and
- (b) appointment of a contractor for the development is delegated to the Director of Finance & Resources following consultation with the Executive Leader.

**Reason:**

To fund the further development of Daedalus in line with the adopted Vision.

**Cost of proposals:**

The capital budget for the proposed scheme is budgeted at £5.0 million.

**Appendices:**

A: Proposed perspective views

B: Proposed overall site plan

C: Confidential – Lambert Smith Hampton's Report

**Background papers:**

**Reference papers:** Daedalus vision and outline strategy

# FAREHAM

## BOROUGH COUNCIL

### Executive Briefing Paper

<b>Date:</b>	07 January 2019
<b>Subject:</b>	Capital funding for the construction of industrial/ business units at Faraday Business Park, Daedalus.
<b>Briefing by:</b>	Director of Finance and Resources
<b>Portfolio:</b>	Policy and Resources

#### BACKGROUND

1. Fareham Borough Council purchased Daedalus airfield and associated sites from the Homes and Communities Agency in March 2015.
2. The Vision and Outline Strategy for Daedalus was adopted by Fareham Borough Council in October 2015. The vision states “Our vision is for Daedalus to become a premier location for aviation, aerospace engineering and advanced manufacturing businesses, creating many skilled employment opportunities for local people, which is underpinned by a vibrant and sustainable airfield. Building on the existing general aviation uses, the airfield will be an attractive destination for visiting aircraft and will offer the hangars, facilities and service to attract more corporate and commercial aviation activities, allowing it to be self-sustaining in the medium term and contribute positively to the local community”. The Vision and Outline Strategy incorporated six objectives.
3. The capital funding requested in this paper will provide new commercial development in accordance with objectives 1, 3 and 4 of the Vision and Outline Strategy.
4. Objective 1 “To unlock the potential of the airfield’s land and infrastructure assets through new commercial development, providing clusters for aviation, non- aviation and skills/ innovation activity, thereby increasing private sector investment and contributing positively to the creation of skilled jobs in the Solent Enterprise Zone.”
5. Objective 3 “To ensure that the airfield is financially sustainable in the medium to long term.”
6. Objective 4 “To further improve the infrastructure and facilities at the airfield, by enhancing its quality and making it more attractive to visitors and to new business”.
7. Faraday Business Park has proven to be a successful location. Occupiers include; Proptech, UTP, CETC 1.0 and IFA2. Further potential occupiers have expressed interest in locating on Faraday but in the main have felt unable or unwilling to fund or undertake the construction of a building. To capitalise on success to date and ensure

the ongoing development of the location it is therefore proposed that several industrial/business units are built speculatively by the council to accommodate this interest, thus increasing the number of businesses on site and rental income generated.

8. Working with the Council's property advisors demand has been identified for industrial/business units on both a leasehold and sale basis. There is currently a lack of institutional standard grade A industrial units primarily in the size range of 10,000sq. ft to 20,000sq. ft available within the borough.
9. Existing businesses seeking to expand are having to look at locations outside of the borough, whilst potential new occupiers are being frustrated by the lack of quality stock available.
10. The Councils design consultants have designed a grade A specification scheme of approximately 55,000 sq. ft with the flexibility of providing units of either 10,000 or 20,000 sq. ft. There could therefore be between three and five occupiers.
11. A planning application has been submitted for this scheme.
12. Initial soft marketing by the councils retained agents has identified several potential occupiers who have expressed interest in up to 30,000 sq. ft of this scheme. Discussions are ongoing with the aim of securing pre-let agreements.

### **Design/Cost**

13. The scheme, as shown in Appendices A & B has been presented to and agreed by the Daedalus members working group. The scheme has been designed to be market leading with a flexibility of unit size to cater for a large section of the market and ensure an element of future proofing.
14. The Council's design team estimated the capital cost of the scheme as £5.0m. This is in line with similar schemes in the area, and consistent with recent projects undertaken by the Council.
15. The capital cost includes offices at ground and first floor level. It is proposed that the office content is delivered to individual tenants' bespoke requirements through separate fit out contracts.
16. A full site investigation has been undertaken and has found no particularly abnormal issues to resolve.
17. Additional electricity infrastructure may be required dependent on occupier's demands. Funding for this infrastructure, if required, will form part of a separate paper to the Executive.

### **Timetable/ Risk**

18. The initial programme shows receipt of planning consent in March 2019, with a start on site of April 2019 and phased Practical Completion from January 2020.
19. Any development represents a risk. These risks can include: construction risks, supply chain risks, or a change in economic position that may affect the take up of space and holding costs whilst tenants are sought. Officers will continually monitor and mitigate risk throughout the development period. Mitigation could include some or all of the following;

20. Risks can be managed through the early letting of a building contract once planning permission is secured. To achieve this, certain elements of the procurement will run concurrent with the planning application.
21. The design of the scheme will be kept under review to ensure delivery to budget.
22. One or more of the proposed buildings could be excluded from any construction contract if officers feel the market has taken a significant downturn.
23. All financial modelling has been undertaken with the most prudent of assumptions.
24. As this proposal represents further significant investment by the Council in Daedalus it is proposed that the Daedalus Member Working Group be asked to oversee delivery of the project.

### **Funding/ Payback Period**

25. The capital for this project will be funded through prudential borrowing. Using the most prudent advice from the council's agents on; term, annual rentals, incentives and the phased letting period the proposed development will provide a payback period of less than 12.5 years.
26. There may opportunity to sell completed units to businesses which will reduce this payback period.

### **Conclusion**

27. The Council's Vision for Daedalus is to provide a thriving employment-led development, and this proposal would continue the delivery of this Vision through the development of speculative commercial business units. The scheme has been designed having taken account of current market demand and, if approved, could be available for occupation from January 2020.

**Enquiries:** For further information on this report please contact Grant Hobday. (Ext 4320)