

Rye Central Garage site
Supplementary information to SEEDA application

1. Background

A key project within the Rye Partnership strategy and the 'Rye Bay Renaissance' SRB bid has been the development of a 'Rye Resource Centre' on the derelict Central Garage site in Cinque Ports Street.

Following demolition of the redundant garage, a modern new building has been planned to be constructed incorporating:

- Modern Library
- Adult Education Centre
- Offices for Rother Homes
- A 'One Stop Shop' for public sector services
- Space for either flats.

Negotiations had been taking place with the owner of the site, with the Partnership providing grant support to facilitate the development. Recently the owner has indicated that he wished to dispose of the property and terms have been agreed for the Rye Partnership to purchase the site on a 125-year lease.

2. Proposals

The anticipated development is set out on plan **A**

Plan A shows a three-story development covering the whole site. On the ground floor there is proposed a communal reception area, first stop shop to access public services, a new modern library for Rye and an area to service Rother Homes clients. At first floor an Adult Education Centre is proposed together with offices for Rother Homes. The use of the second floor is yet to be finalised. The preferred solution would be to enable a quasi-public sector occupier to take the available space. However, no user has been identified and the development appraisal has been prepared on the basis of flats occupying the second floor.

Given its location and the range of potential users the opportunity exists for the creation of a new 'icon' building in Rye. Although it is recognised that this may add to the development costs and timetable.

Terms have been agreed for the Rye Partnership to acquire an 125 year lease of the site with a ground rent payment structure as follows:-

Year 1	£15,000
Year 2	£15,000
Year 3	£15,000
Year 4	£15,000
Year 5	£30,000
Year 6	£30,000
Year 7	£30,000
Year 8	£30,000 (plus Rate of Price Inflation (RPI) for year 2 – 7)

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And thereafter 5 yearly rent reviews reflecting RPI.

A District Valuer Valuation has been prepared **B** indicating an open market rental value on a 125 year lease of £25,000pa for a proposed development which has planning permission i.e. shops on the ground floor and flats on first and second. On appraisal the above payment schedule is better than starting from £25,000pa from Year 1 and this has been confirmed by District Valuer **C**.

It is proposed that the Rye Partnership acquire the site and undertake the development, retaining the property as an asset on completion, albeit with an outstanding mortgage. A development appraisal has been prepared (see below). Rother District Council and Horizon Housing Association have agreed funding of up to £1,100,000. Funds from the Local Investment Fund are being finalised, informal discussions have indicated that this will be available.

Given the complexity of the project, the level of resources, and significant commitments in other areas, it is felt that the Partnership is not able to project manage this development without professional support. ✓

The parent company of Rother Homes, Horizon Housing Association, are already key players in helping the Partnership achieve its objectives by being potential providers of development funding and being a principal occupier of the premises on completion. It is proposed that Partnership utilise the organisations considerable project management expertise to oversee the construction phase for which it is proposed that they are offered a fee of 12% of the building contract to include the fees of all architects, quantity surveyors and structural engineers.

Rother Homes have also indicated that, if invited, they would like to become a member of the Rye Partnership.

A budget specification and cost schedule for the development has been prepared by Reeks Sinclair in December 2002 **D**.

Discussions have taken place with the proposed occupiers and each has indicated a willingness to move forward on the envisaged floor areas. Points of detail still need to be resolved. An informal proposal of rents between £9.70 and £10.10 per square foot have been mooted and none of the potential occupiers have baulked at this figure, although they are waiting for formal proposals to be presented.

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3. **Development Appraisals**

Capital Income – Development Phase

A. Grants

Single Regeneration Budget (SEEDA)	£119,600
Countryside Agency	tbc

B. Development Finance

Local Investment Fund (top slice)	£250,000
Rother District Council	£550,000
Rother Homes (Horizon Housing)	£550,000

	£1,470,000
Rye Partnership own funds	£17,551
	£1,487,151

Capital Expenditure – Development Phase

Legal Fees	£15,000
Ground Rent	£30,000
Construction Costs	£1,229,650
Professional Fees	£147,558
Planning and other fees	£5,000
Finance costs 1.5 yrs x 0.4 x 7%	£59,943

Total Development Costs	£1,487,151
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Assumptions:

- i. VAT recoverable by Rye Partnership Ltd.
- ii. Flats are acquired for shared ownership housing by Rother Homes.

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Financing on Practical Completion of Project

Total loans outstanding on completion of construction phase	£1,350,000
Less value of flats	£300,000
Monies requiring long term funding solution	£1,050,000
Funding arrangement fee (if required)	£10,000
Total Capital to be mortgaged	£1,060,000

Assume mortgage to be funded at base rate +1% = 5%

Interest only repayments	5% x 1,060,000 = £53,000 pa
Plus Ground Rent (initially £15,000 rising to £30,000 pa)	£15,000pa
Total repayments	£68,000pa

Income Recoverable on Practical Completion of Project

ESCC Library service	£28,000 pa
HCAT	£26,000pa
Rother Homes	£24,500pa
Rother DC	£5,000pa
Common Parts	£5,500pa
Total Income Recoverable	£89,000pa
Anticipated initial profit rent (to be used to repay capital)	£21,000pa
Profit Rent when Ground Rent is £30,000pa is	£6,000pa

It is proposed that the development has two phases.

Phase I (pre 31/3/03) involves the exchange of contracts to purchase the site, planning permission to demolish the building and further feasibility and development work. These costs of £125,000 equate to the funding to be provided by SEEDA (to be spent by the end of March 2003) and funds committed by the Rye Partnership. The costs incurred are secured against site value of the existing planning permission should Phase II not proceed.

The anticipated costs of this phase are set out in Schedule E.

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Phase II (post 31/3/03) will involve the obtaining of full planning for the scheme; finalisation of agreements to lease with the tenants (ESCC, Rother District Council, Hastings College, Rother Homes), completion of tender documentation and thereafter finalisation of a building contract and funding agreements to enable the development to take place.

The risk for Phase I is minimal. The costs incurred can be recouped on sale of the long leasehold should planning, development finance, or satisfactory agreements with tenants not be forthcoming.