

Report to	Cabinet
Date of meeting	Tuesday 22 nd September 2020
Lead Member / Officer	Cllr Hugh Evans OBE Leader of the Council Lead Member for the Economy and Corporate Governance
Report author	Graham Boase Corporate Director: Economy & Public Realm
Title	Former Savoy Hotel and the Queen's Market, Theatre and Hotel, Rhyl

1. What is the report about?

This report has been prepared to update Cabinet on the future development of the former Savoy Hotel and the Queen's Market, Theatre and Hotel, Rhyl, along with the associated risks and the additional funding required.

2. What is the reason for making this report?

To provide Cabinet with information about the future development of the former Savoy Hotel and the Queen's Market, Theatre and Hotel, Rhyl, along with the associated risks and a request for additional funding.

3. What are the Recommendations?

That Cabinet approves to allocate £1.5m of funding to the project to enable the demolition and complete the planning process.

4. Report details

In March 2019, Denbighshire County Council (DCC) acquired a number of adjacent buildings in Rhyl town centre fronting onto the seafront promenade, known collectively as Queen's Buildings. The buildings were in a dilapidated state, with no active uses on upper floors (the seafront buildings are four stories) and significant void levels on the ground floor. We have developed ambitious plans for the mixed use redevelopment of the site,

plans of which are attached in appendix 1. The redevelopment of this site will not only remove a significant eyesore, but is critical to the regeneration and future economic success of Rhyl town centre.

The redevelopment is planned to progress in the following stages:

- Phase 1 – development of an indoor market hall and flexible event space, with associated external landscaping (further details of phase 1 attached in appendix 2)
- Phase 2a – the development of a 5 storey office building on Queen Street
- Phase 2b – the development of a 5 storey commercial/residential building on West parade
- Phase 3 – the development of a further 5 storey commercial/residential building on West Parade (subject to additional property acquisition)

At this stage we are only looking to deliver phase 1, with additional phases subject to review in light of the COVID impact on public finances and associated grant funding and the impact of the pandemic on the economy and property market. Delivery timescales for phase 1 are attached as appendix 3.

The cost of delivering phase 1 is estimated at £11,734,571. The costs have been subject to extensive examination and we are confident that the project can be delivered within this funding envelope. However, these estimates are considerably more than the original estimate and as a result the project has a current shortfall of £4.3 million. The table below details the funding secured to date:

Funding Source	Amount
WEFO – Building for the Future	£2,500,000
Welsh Government – Targeted Match Funding	£2,500,000
DCC Capital	£1,900,000
DCC Asbestos Budget	£252,000

DCC (WG Economic Stimulus Grant)	£311,000
TOTAL	£7,463,000

Costs have risen from the original estimate for a number of reasons including:

- The estimated budget for demolition and facade retention being over optimistic. This has resulted in the cost of demolition now exceeding £1m;
- The amount and type of asbestos in the building is far worse than we had originally anticipated. The costs for asbestos removal is now costing almost £500k;
- The cost on securing vacant possession and clearing the buildings to prepare for demolition has increased and stands at over £500k;
- Additional costs to clear the building of all the contents and detritus left by the previous owner of approximately £75k; and
- The cost of carrying out the required surveys to support the planning application has increased by approx. £30k.

Furthermore, because we are only developing phase 1 at this stage, there are some additional site infrastructure and landscaping costs which are necessarily being incurred at this stage, the cost of which would normally be shared between all phases. For example, the phase 1 project costs include all the acquisition costs, although only part of the site is being developed in this first stage. The phase 1 costs also include a provision for temporary works and landscaping to ensure the undeveloped parts of the site are presentable and suitable for alternative, “meanwhile” uses.

Given the liability the existing building presents and the need to deliver phase 1 of the project within certain timescales dictated by the grant funding, demolition needs to be progressed as a matter of priority. However, recent market testing has indicated that the demolition contract will cost more than originally estimated. Furthermore, the recent discovery of some extensive asbestos within the structure of the building has further added to the costs, and this asbestos will need to be removed as part of the demolition contract, likely adding as much as a further £300K to the cost of demolition.

With these additional costs there is currently insufficient funding in the project budget to let the demolition contract, so we will be seeking additional Denbighshire capital funding of

£1.5 million to keep the project on track and enable us to progress with the demolition, secure planning consent for the whole site (including future phases) and get to the position where we have a cleared site (with no liabilities associated with retaining the building) ready for the development of phase 1 and future phases. The construction phase will also require additional funding, and we are currently pursuing a number of external grant opportunities for this additional funding element which, if the council provides an additional £1.5 million, will be a requirement of £2.8 million (total project shortfall for phase 1 of £4.3 million). A summary of the various funding streams currently being pursued is attached as Appendix 4.

Unfortunately the timescales associated with grant decisions on the various external funding streams means that if we tried to secure external funding for the demolition contract the demolition would need to be delayed by one year, as the demolition needs to be undertaken outside the bird nesting season in spring/summer. Such a delay would put the whole project at risk and expose the council to the risk of clawback of the £5 million external funding already secured for the project. This is why additional £1.5 million DCC capital is being sought, but Welsh Government have also made it very clear that any further external funding would only be provided on the basis that the council also provides additional funding.

Whilst there is a significant funding shortfall, the scheme still represents good value for money. Indeed, in the context of the overall development estimate of £40 million for the Queens Market site (all phases) it represents a small proportion of this overall cost.

The scheme has changed significantly from the initial concept, but the revised scheme represents a much more market-focused solution which better addresses the economic requirements of the town and region, and in terms of urban design responds to the site much more sympathetically. In fact, in a post-COVID world, the market concept of a market which offers a low risk, low capital opportunity for entrepreneurs is absolutely the right thing to do. It will offer fantastic new facilities for local residents, but also help attract new visitors into Rhyl. With a focus on local food, it also offers opportunities for businesses throughout Denbighshire and the wider region to benefit from the development.

5. How does the decision contribute to the Corporate Priorities?

The decision will contribute to the delivery of the Corporate Priority to achieve an attractive and protected environment supporting well-being and economic prosperity by;

- removing partially derelict town centre buildings and returning the site on which they currently stand to a productive use;
- providing premises which will enable the mix of uses in the town centre to be diversified thereby providing it with a sustainable and economically viable future;
- providing opportunities for new employment and business growth;
- stimulating the private sector to undertake further investment; and
- increasing biodiversity in an urban location.

6. What will it cost?

The current estimated cost to deliver Phase 1 is £11.734m. There is currently £7.463m available towards this cost therefore there is currently an estimated funding shortfall of circa £4.3m. A further breakdown of the costs and funding can be found in Appendix 5.

7. What are the main conclusions of the Well-being Impact Assessment?

The main conclusions of the assessment are that the proposal will have a positive impact on all of the well-being goals through the provision of a low carbon, fully accessible development which will improve communications and transport infrastructure in a location which will enable residents to access a wider range of services on foot or by cycling. The proposal will have a positive impact on the economy by improving the vitality of the town centre and increasing awareness of employment opportunities in the construction and leisure sectors. It will improve the attractiveness of the area by removing dereliction and improving community safety.

8. What consultations have been carried out with Scrutiny and others?

Cabinet Briefing – numerous updates provided to Cabinet Briefing including September 7th 2020.

Asset Management Group - Approved a report to proceed with the conditional agreement to purchase the site in phases..

Rhyl Member Area Group - Supported the approach adopted by the Council as regards the acquisition of the properties on 19th March 2018. Further support received at their meeting held on 22/10/2018 and 08/04/2019. A special WebEx meeting was held on June 23rd and July 6th to update the MAG on the latest proposals, demolition and timescales, along with a further MAG meeting held in September.

Strategic Investment Group - SIG were consulted on the proposal on the 30th October 2018 and recommended its approval to proceed subject to the comments and conditions contained in the Chief Finance Officer statement. A special SIG was held on Wednesday 9th September and they are supportive of the scheme on the proviso that the Rhyl MAG were also in support. An updated Business Case that went to the September SIG is attached as Appendix 6.

Economic and Business Development - Consulted throughout the negotiations and in full support for the purchase. This is the key site required to deliver the Rhyl Town Centre Master Plan.

Queen's Market Project Board - Monthly Board meetings are held to oversee and progress the development of the site. Membership includes high level representation from DCC, ION (DCC's Development Partner) and Welsh Government.

9. Chief Finance Officer Statement

The financial position is clearly summarised in sections 4 and 6 of this report. The detailed review of the current financial position of the project has been extensive and detailed and should provide some assurances that Phase 1 of the project can be delivered within the revised cost estimate. It is clear that the consequences of not providing the additional £1.5m funding at this stage would have adverse consequences for the Council's regeneration aims, for the reputation of the Council to deliver major projects and indeed would result in the clawback of grant funding which would result in even greater costs to be funded by the Council. The additional £2.8m funding requirement remains a risk and progress on identifying this funding will need to be monitored closely

10. What risks are there and is there anything we can do to reduce them?

The key risks are:

Insufficient funds to let a demolition contract, delaying the project by 12 months and thereby jeopardising the whole project and exposing the council to the risk of £5 million grant clawback – seeking additional contribution for DCC capital to mitigate this risk;

Insufficient funds to proceed with construction of phase 1, leaving a derelict site in a key town centre location – seeking additional external grant funding to mitigate this risk

Future phases are not developed – future phases will be reviewed in light of the impact of COVID on public finances and the economy/property market, with a view to identifying and implementing a deliverable scheme for future phases.

11. Power to make the decision

Section 123, Local Government Act 1972