



## Herefordshire Council, Development & Regeneration Programme

### Station Approach Site

#### Stage 2 Submission – 22 May 2019

## 1. Introduction

- 1.1. The Station Approach (SA) site has been earmarked by the Council as a site suitable for the development of a student accommodation scheme primarily for the Hereford College of Arts (HCA). The College recognise that the lack of quality accommodation for their higher education students is serving as a barrier to recruitment. It is therefore imperative to supporting the HCA's growth ambitions that an accommodation block be provided ready for the September 2020 academic year.
- 1.2. The building will also be shared by a nominee of the Council for the first three years, starting September 2020. The block will therefore have the benefit of supporting a number of education providers in the city.
- 1.3. A New Project Request setting out the requirements of the Council was issued on 1 August 2018 and signed by Engie on 2 August 2018. A copy is included in Appendix 1. Engie's development partner is Cityheart Partnerships and the project has been developed jointly by the two organisations.
- 1.4. The Stage 1 Submission was made on 18 October 2018 and updated on 9 November 2018. The Council's Cabinet approved the Stage 1 submission on 13 December 2018. The only minor changes to the Council Criteria were:
  - 1.4.1. Revising the number of units to upto180 units (previously upto 220 units)
  - 1.4.2. To clarify funding options for the project and recommend a preferred approach (previously just identifying options).
- 1.5. This Stage 2 Submission sets out both the qualitative and quantitative analysis of the final proposal for the scheme. The submission makes reference to various reports which, for a period of time will be commercially sensitive and sometimes subject to restricted circulation given the way in which they were procured.

## 2. Qualitative Analysis

### Site Selection

- 2.1. The site was selected since it formed part of the Council's existing landholding and was historically identified as a potential location for the Project during the competitive tender process to appoint Engie as the Development & Regeneration Programme (DRP) partner. The site also featured in both the strategy for construction of the City Link Road (as evidenced in the Council procured fly-through) and the Cabinet approval of the OPE strategy in June 2017. Other options were considered as part of a masterplanning exercise and were discounted, either because of the complexity in site assembly or the likelihood of delay in being able to complete the Project by the start of the earliest possible academic year.



### **Design Development**

- 2.2. The preliminary design work evolved through the masterplanning exercise and responding to HCA's urgent requirement for up to 220 student bedrooms to support their business plan and growth assumptions in the absence of any other purpose built accommodation within the City.
- 2.3. HCA visited a Cityheart reference project in Chester in February 2018 and design solutions were tested with the Principal and Finance Director (in addition to the Council) as they evolved.
- 2.4. The design seeks to make full use of the available site which is constrained by a Welsh Water sewer running diagonally under the south west side and also an area reserved for a highways visibility splay in connection with the City Link Road and the Transport Hub to be developed by the Council in front of the station. The design has been optimized to create the greatest possible massing consistent with planning policy, site constraints and other relevant factors. This approach was taken both to best meet the HCA requirements so far as possible and to achieve financial and commercial viability.
- 2.5. Detailed planning consent for the scheme was obtained at the planning committee meeting held on Wednesday 27 February 2019, subject to conditions.
- 2.6. A café was originally intended to be included within the building but this was later moved to a separate structure following a design review once the location of the Welsh Water sewer was identified. This element is not important to the overall scheme viability and will be developed if site constraints permit and assuming detailed planning consent can be obtained.

### **Space utilisation and efficiency**

- 2.7. The design responds to HCA's requirements for the majority of the bedrooms to be en-suite and arranged in clusters of between 5 and 7 rooms. This model best meets the needs for the majority of Higher Education ('HE') students who are moving away from a home or family environment for the first time and is regarded as current 'market standard' for accommodation of this type.
- 2.8. The majority of cluster bedrooms are around 13.3m<sup>2</sup> (four to an accessible standard at 19.6m<sup>2</sup>) and arranged over identical floor plates on the first, second, third and part fourth floors. There is some mechanical plant on the roof area and bin and cycle stores and service and management areas are incorporated into the ground floor given the lack of external areas (and those which do exist are prominent and to the front of the building) and so to enhance the appearance of the overall development.
- 2.9. The HCA student population includes a number of students who might find it more difficult to cope with communal living and so six self-contained studios have been incorporated in a block close to the Reception area to facilitate an appropriate degree of oversight and welfare supervision. These are around 27.9m<sup>2</sup> (three to an accessible standard at 37.5m<sup>2</sup>) which is larger than market standard but considered appropriate given design constraints and will provide a high quality environment for these students.



- 2.10. High quality external landscaping will provide an appropriate appearance at this 'gateway' site, highly visible to visitors to Hereford arriving by train and by car from the east.
- 2.11. Design workshops have been held with HCA students to ensure their input is incorporated into the 'look and feel' of the building and, in particular, the large ground floor common room and group study area which is a particular feature of the Project. Students will also be involved in the development of artwork to be incorporated into the external design of the building and to the external areas.

#### **Construction approach and quality**

- 2.12. Following the discovery of the Welsh Water sewer and the subsequent re-design works that had to be undertaken it became clear that the only way of preserving the occupation date of September 2020 was to adopt a modular approach to the construction. A number of organisations were approached and Caledonian emerged as the preferred supplier. Factory visits confirmed their approach to a quality build process with the majority of build activities taking place in controlled conditions. Finished modules are then brought to site and craned into position. The form of construction has the added benefit of reducing the number of deliveries to the site which will reduce the overall disruption to traffic in this part of the city.

#### **Whole life costs**

- 2.13. Lifecycle and Hard / Soft FM services have been developed together with the design and construction cost planning to optimize whole life costs. This involved both cost consultants and FM service providers attending design team meetings to input from a practical perspective into component, product and finishes selection and specification.

#### **Environmental sustainability**

- 2.14. Environmental technologies have been assessed and incorporated into the design on an evidence based and structured (rather than token) approach and have had regard both to cost and environmental benefits.

#### **Accessibility**

- 2.15. The building has been designed for equal accessibility for all student residents, staff and visitors, with optimum circulation space, natural daylight provision (including siting desks close to windows) and with ventilation designed to create a relaxing and positive environment. The quality of materials and finishes have been carefully selected so as to enhance spaces and provide students with a pleasant, comfortable and safe environment, conducive to their studies individually and in groups.

### **3. Quantitative Analysis**

#### **Build Cost**

- 3.1. The cost to design and construct the building inline with the requirements and timeframes noted above have been developed by Engie Regeneration. A full build up to the build cost has been provided on an open book basis and this has been reviewed by Greenwood Projects Ltd on behalf of the Council. Greenwood have



confirmed that the proposals and costs represent value for money. The commercially sensitive report produced by Greenwood Projects is retained by the Council as they were the commissioning body for the report.

#### **Source of finance**

- 3.2. In September 2018 specialist financial advisors QMPF were engaged by Cityheart to review the options available to the Council to fund the scheme. The two options that emerged were the use of an income strip finance arrangement via a special purpose vehicle where funds would be obtained from an institutional investor or the Council funding the scheme direct either via their own resources or Public Works Loan Board. The two options were reviewed and the Council approval on 13 December 2018 noted that the preferred funding model for the project was for a commercial investor (via the SPV model) to provide funding for the construction and operational phases with the Council to act as guarantor during the operational phases.
- 3.3. QMPF were instructed jointly by the Council and Cityheart to undertake a market engagement exercise to secure the optimum funding source for the project. Following the market engagement a preferred funding provider was identified and negotiations progressed with them. The commercially sensitive report produced by QMPF is retained by the Council as they were the joint commissioning body for the report.

#### **Site acquisition**

- 3.4. The acquisition price agreed with the Council is £677,300. This valuation was provided by the Council and is in line with its own financial statement of accounts.

#### **Funding model**

- 3.5. As part of the due diligence process with the funder Cityheart commissioned the development of a detailed financial model from QMPF. The details of the model and the outputs generated by it form the basis of the overall financial agreement between the parties. The model and report have been shared with the Council. These are commercially confidential and subject to a limited circulation.

#### **Management and lifecycle costs**

- 3.6. The cost to manage and maintain the building by the SPV have been assessed by Cushman & Wakefield on behalf of the Council. C&W have confirmed that the proposals and costs are reasonable and represent value for money. The commercially sensitive report produced by C&W is retained by the Council as they were the commissioning body for the report.

### **4. Programme**

- 4.1. A copy of the construction programme is included in Appendix 2. The key dates and critical path on the programme are as follows:
  - 4.1.1. Mobilisation period 15 May to 10 July 2019
  - 4.1.2. Start on site 15 July 2019
  - 4.1.3. Enabling works 15 July to 2 September 2019
  - 4.1.4. Ground floor slab and steel frame 3 September to 16 December 2019



- 4.1.5. Installation of modular units 9 December 2019 to 7 August 2020
- 4.1.6. Ground floor internal construction 24 February to 29 July 2020
- 4.1.7. Complete side wide external work 4 August 2020
- 4.1.8. Complete and handover building 28 August 2020

## 5. Risk Review

- 5.1. A full Risk Register is attached in Appendix 3. The following are the key risks identified and associated mitigation measures:

<b>Risk</b>	<b>Mitigation</b>
Delays to the final approvals and signing of contracts delay the September 2020 deadline	All parties to continue to target the agreed financial close and contract signing dates
September 2020 date is not achieved	Contract documentation has the completion date of 28 August 2020. Monitor site activities.
Commissioning activities are delayed meaning students can't occupy the building in September 2020	Alternative accommodation for students would need to be provided
No occupiers can be found for the Council to nominate during the first three years	Council to continue dialogue with a number of potential organisations to share the building with HCA

## 6. Conclusion and Recommendation

- 6.1. The programme for the delivery of this project has always been challenging. The discovery of a sewer crossing the site called for a redesign of the scheme and compounded the concern over programme.
- 6.2. The requirement to have a sizeable student accommodation block ready for the September 2020 intake of students to support the growth plans of HCA has not changed.
- 6.3. Buildability of the scheme within the programme was highlighted at Stage 1 and the decision to adopt a modular construction approach to reduce the risk associated with the depth of the local supply chain was approved by the Council.
- 6.4. The Project has achieved detailed planning consent subject to conditions that are not considered onerous.
- 6.5. Cityheart have supported the Council over the review and selection of the preferred funding route for the Project. Specialist financial advisors have been jointly commissioned to provide the evidence base for the selection of the funder and to produce detailed financial models to agree the basis of the overall financial offer. The Council have separately commissioned advisors to assess value for money for the design and build cost and the ongoing management and



maintenance of the building. All reviews have indicated that the Council is achieving value for money.

- 6.6. The preferred funder has carried out their own due diligence on the Project and confirmed they will provide the funding on the agreed terms.
- 6.7. A suite of contracts appropriate to the proposed structure of the deal have been agreed between all parties to the Project and are ready for signing.
- 6.8. The Programme Board is requested to recommend this Stage 2 Submission to the Council.

**Appendix 1**  
**New Project Request**



Appendix 1,  
StationApproach-NF

## **Appendix 2 Programme**



Station Approach -  
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**Appendix 3**  
**Risk Register**



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Approach Risk Log.>