



# Oadby & Wigston

## Town Centres Area Action Plan

# Delivery Strategies Update Paper 06-06-2012





## OADBY AND WIGSTON TOWN CENTRE'S AREA ACTION PLAN – DELIVERY STRATEGY UPDATE PAPER

- 1.1 In August 2011, BE Group produced Delivery Strategies for the Oadby and Wigston Town Centre Masterplans (since combined into the single Area Action Plan (AAP) document). These advised on the viability and deliverability of the six AAP projects based on the approved masterplan designs issued at that time.
- 1.2 Since August 2011, preparation of the AAP has led to amendments to the design of the Burgess Junction (formally Junction Road) project, Wigston. These are outlined in Table 1 and include:
- A 4,505 sqm increase in the proposed commercial floorspace
  - A 304 sqm decrease in the proposed retail floorspace
  - The removal of all housing from the project
  - An overall increase in the floorspace proposed of 2,586 sqm.

**Table 1 – Changes to Burgess Junction since August 2011**

Use	Floorspace in the Delivery Strategy, sqm	Floorspace in the AAP, sqm
<b>Commercial</b>		
Commercial Block (C1)	1,520	4,525
Commercial Block (C2)	2,700	4,200
Commercial Block (C4)	1,750	1,750
<i>Total Commercial</i>	<i>5,970</i>	<i>10,475</i>
<b>Retail</b>		
Retail Block (R1)	6,830	6,830
Retail Block (R2)	2,900	2,596
<i>Total Retail</i>	<i>9,730</i>	<i>9,426</i>
<b>Residential</b>		
Residential Block RES7	1,300	Removed
Residential Block RES8	315	Removed
<i>Total Residential</i>	<i>1,615</i>	-
<b>Project Total</b>	<b>17,315</b>	<b>19,901</b>

Source: BE Group, 2012



- 1.3 This Paper provides updated comments on the viability and deliverability of Burgess Junction, based on the revised floorspace provision.
- 1.4 BE Group has also been asked to consider the impact that two further changes in the office floorspace provision, proposed in the Town Centres' AAP, would have on the Plan's viability and deliverability. The proposed changes are:
- Brooksby Square (Formally East Street), Oadby – The removal of Commercial Block C4 (1,500 sqm of three-storey offices), whilst retaining the proposed 500 sqm of ground floor retail (R5)
  - Burgess Junction, Wigston – The loss of one storey (2,100 sqm) of office space in Block R1/C2, whilst retaining the remaining commercial space and ground/first floor retail.

#### **Burgess Junction – Amended AAP Design**

- 1.5 Prior to August 2011, the Burgess Junction project design included 1,300 sqm of residential apartments which were originally shown in a 3-storey building fronting Junction Road, along with 315 sqm of second floor apartments within Block R1. Subsequent appraisal has identified this as a poor location for housing as it would place the bulk of the apartments on a backland site between a multi-storey car park and a narrow access road, facing the low quality flats of Maromme Square. Constrained by such surrounding uses, such a site is unlikely to be attractive either to housebuilders or prospective residents. For this reason residential uses are now excluded from Burgess Street.
- 1.6 In the place of housing, the AAP proposes an expanded office development in Blocks C1 (4 storey office building) and C2 (2 storey above retail) of 8,725 sqm (10,475 sqm with block C4, which is unchanged in this design). This is considered a more appropriate use to locate to the rear of the Burgess Junction project, while retail uses continue to be focused on the 'front' of the project, off Leicester Road.
- 1.7 Increasing the proposed office supply in Burgess Junction will help to establish this location as the prime office centre for Oadby and Wigston. The Borough presently lacks office space, with most existing employment land and premises (particularly in South Wigston) being in industrial and warehouse uses. Burgess Junction would provide good quality office suites, which could meet both local and sub-regional needs and help to build both a market and critical mass of office provision.



- 1.8 In terms of financial viability, removing the apartments and increasing the office provision in Burgess Junction significantly improves the profitability of the project. As Table 2 shows the original project design (as set out in the Wigston Delivery Strategy) makes a modest profit of just over 10 percent. Removing the apartments and increasing the office provision increases the development value by £6,502,574. This reflects the fact that the housing was originally valued at a low level (reflecting the likely undesirability of the site to the housing market). In comparison, evidence from new build developments in adjacent districts suggests that rents of up to £150/sqm could be achieved for a good quality office scheme.
- 1.9 This increases the profit generated by the project to 13.58 percent, a level of profitability which would be more attractive to developers than the previous 10.29 percent.

**Table 2 – Burgess Junction Revised Viability Appraisal**

Option	Costs, £					Development Value, £	Surplus (Deficit), £	Profit (Loss) as a Percentage of Cost, Percent
	Freehold(s) Purchase/ Lease(s) Acquisitions	Demolition/ Construction/ Refurbishment	Public Realm	Other Development Costs	Total Costs			
Burgess Junction – Delivery Strategy Version	6,437,380	21,823,000	1,896,300	3,173,095	33,329,775	36,850,768	3,520,993	10.29
Burgess Junction – AAP Version	6,437,380	26,113,300	1,896,300	3,722,411	38,169,393	43,353,342	5,183,949	13.58

Source: BE Group, 2012



### ***Burgess Junction – Proposed Reduction in Office Floorspace***

- 1.10 In response to Matter Three, Issue 3.13, the Council's statement refers to the proposed removal of 2,100 sqm of commercial floorspace from Block R1/C2. The block would then become a three-storey development with two storeys of retail and a single storey of offices above.
- 1.11 As is shown in Table 2 above, with the 2,100 sqm of office space included, Burgess Junction makes a reasonable profit of 13.58 percent (see Table 2). If that floorspace is excluded then the cost of construction reduces by £3,149,400. This assumes the average office construction cost of £1,500/sqm, used in the Delivery Strategy. Other Development Costs (which include planning, legal and letting fees, as well as finance costs) reduce by £329,238 reflecting the smaller scheme proposed.
- 1.12 However, reducing the lettable office floorspace also reduces the value of the property and thus the overall value generated by the project as a whole. The loss of value is estimated to be £4,238,000.
- 1.13 As the loss of value exceeds the cost savings made by reducing the office floorspace, the surplus generated by Burgess Junction is reduced by £759,012 to £4,424,937. The percentage profit of the scheme is reduced by 0.82 percent to 12.76 percent. This represents a comparatively modest reduction in profitability which does little to alter the overall viability of the project.

**Table 3 – Burgess Junction Revised Viability Appraisal**

Option	Costs, £					Development Value, £	Surplus (Deficit), £	Profit (Loss) as a Percentage of Cost, Percent
	Freehold(s) Purchase/ Lease(s) Acquisitions	Demolition/ Construction/ Refurbishment	Public Realm	Other Development Costs	Total Costs			
Burgess Junction – Delivery Strategy Version	6,437,380	21,823,000	1,896,300	3,173,095	33,329,775	36,850,768	3,520,993	10.29
Burgess Junction – AAP Version	6,437,380	26,113,300	1,896,300	3,722,411	38,169,393	43,353,342	5,183,949	13.58
Burgess Junction – Excluding 2,100 sqm of offices in C2	6,437,380	22,963,300	1,896,300	3,393,173	34,690,155	39,115,092	4,424,937	12.76

Source: BE Group, 2012



### **Brooksby Square – Proposed Reduction in Office Floorspace**

- 1.14 In response to Matter Four, Issue 4.14, the Council's statement refers to the proposed removal of 1,500 sqm of upper floor offices in Block R5/C4, Brooksby Square. By removing that office space, Block R5/C4 becomes a wholly retail scheme, replacing two existing terraced shops (43 and 45 The Parade) with one or more modern, high quality retail units. Such a change could be undertaken through the refurbishment and enlargement of the two properties, without the necessity of full demolition and redevelopment.
- 1.15 Such a refurbishment could be completed by the existing owners, so the developer(s) of the wider Brooksby Square project would not have to purchase these shops. As Table 4 shows, removing both the cost of developing the offices and the cost of purchasing the ground floor retail reduces project costs by £3,578,790. However, as the value generated by the development also reduces by a similar amount the net result is a small (0.48 percent) increase on the loss made on this project to 17.19 percent. The Oadby Delivery Strategy discusses how this loss can be overcome.
- 1.16 Table 3 also considers the implications of redeveloping 43 and 45 The Parade and delivering new build retail. As can be seen, the costs of redevelopment, along with reduced values generated by removing the office element, mean that this option generates a very large loss of 26.29 percent. This is not therefore a viable delivery option.
- 1.17 As such it would therefore be more appropriate to show block R5/C4 as suitable for remodelling and refurbishment rather than redevelopment.



**Table 4 – Brooksby Square Revised Viability Appraisal**

Project	Costs, £					Development Value, £	Surplus (Deficit), £	Profit (Loss) as a Percentage of Cost, Percent
	Freehold(s) Purchase/ Lease(s) Acquisitions	Demolition/ Construction/ Refurbishment	Public Realm	Other Development Costs	Total Costs			
Brooksby Square – Including 1,500 sqm of offices in C4	1,616,712	8,187,000	1,896,300	1,463,041	13,163,053	10,963,755	(2,199,298)	(16.71)
Brooksby Square – Excluding 1,500 sqm of offices in C4 and assuming refurbishment of R5	814,080	5,837,000	1,896,300	1,036,883	9,584,263	7,936,380	(1,647,886)	(17.19)
Brooksby Square – Excluding 1,500 sqm of offices in C4 and assuming purchase and redevelopment of R5	1,616,712	6,087,000	1,896,300	1,167,589	10,767,601	7,936,380	2,831,221	(26.29)

Source: BE Group, 2012

**Oadby and Wigston Borough Council**

Tel: 0116 288 8961, Fax: 0116 288 7828

Email: [forwardplans@oadby-wigston.gov.uk](mailto:forwardplans@oadby-wigston.gov.uk)

Oadby and Wigston Borough Council,  
Council Offices, Station Road, Wigston, Leicestershire, LE18 2DR.