

Confidential

Canal Centre Redevelopment Proposals - update report

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Key Issue

TO update Members on the progress of David Morley Associates to provide an economic scheme for the redevelopment of the Canal Centre site.

Summary

A large untapped market has been identified for a visitor centre, small paid attraction and up-market camping offer. Projected business plans suggest that if the site is commercially run and marketed it might return a gross profit of £1.09million annually – developing a £83k surplus after operating and interest costs. This suggests that a capital investment of £4.2million would offer an 8% return on investment. A proposed masterplan layout and conceptual designs for the structures have been devised on this basis, but work continues to ensure that development costs meet the projected budget.

1. Introduction and Background

- 1.1. The Canal Centre buildings are approaching the end of their economic lifespan, Surrey County Council therefore needs to consider how they can be replaced economically within the current financial climate.
- 1.2. SCC appointed David Morley Architects [DMA] to develop proposals for the 5 hectare Basingstoke Canal Centre site with the principal objective of being able to increase visitor numbers and revenue generation via improve facilities, better branding and marketing of the site. The brief was clear in that any proposed development must generate sufficient revenue to pay for the maintenance of the site itself and generate a surplus to be used for the maintenance of Canal.
- 1.3. Throughout the project DMA have called on specialist sub-consultants to work on elements of feasibility study and design. The project has been steered by a project steering group made up of SCC Estates and Countryside Officers together with DMA's lead Architect, Chris Roberts.

2. Financial appraisal

- 2.1. Following appointment, DMA were instructed to look more closely at a range of options identified in a previous study (*Colliers International 2010*) with a view to developing more detailed proposals for one preferred option. Working with DMA, visitor experience consultancy A Different View helped to develop the design concept, research demand and estimate potential visitor numbers, income and expenditure.
- 2.2. A Different View carried out primary research with a sample of 500 active people living within 45 minutes of the Centre and discovered that:

- Local people represent a strong, cash-rich audience with higher socio-economic profile and bigger spend on days out than national average;
 - They are looking for a Fun, Affordable, Relaxed day out;
 - There is a huge untapped market - 90% have not visited before, mostly because of lack of awareness;
 - A positive response to a bespoke visitor attraction combining elements of water, themed adventure play and a pay-and-play activity such as adventure golf.
- 2.3. Following from this, and in discussion with the project steering group, the following conceptual ideas for new and enhanced facilities on the site were identified:
- A visitor attraction for children centred around adventure play which could take the form of a 3D sky maze. This aerial maze could potentially incorporate water features such as viaducts and mini locks which emulate canal features and test the visitor's ingenuity. This would create real differentiation for the offer;
 - A 3D adventure golf course which is intertwined with (but following a separate track to) the sky maze. This would differ from a normal adventure golf course in that players would drop between different levels. The course may also incorporate water features. It could be ticketed either separately or jointly with the sky maze;
 - A "glamping" (high quality camping) offer which uses bespoke tree-house structures that take their inspiration from narrowboats placed in and around the trees lining the site and/or the canal.
- 2.4. In agreement with the project Steering Group, forecasts were based on the following:
- Short Stay Accommodation / Camping (including a bespoke glamping offer);
 - An Attraction comprising modern day Adventure Interactive Play ('sky maze') and (3 dimensional) Adventure Golf, with a canal theme running throughout (we see this as two separate but interweaving visitor experiences within a single 3-dimensional structure with appropriate water features);
 - Restaurant/cafe facility - part of which may provide a range of evening snacks and simple food;
 - Canoe Club Storage / WC / Shower / Changing and Club Room Area;
 - Boaters Facilities (pump out area / WC);
 - WC / Shower / Wash up facilities for campers;
 - Reception / Information Centre / Ticket Office (with a retail facility, boat hire sales and limited interpretation of the canal and its heritage);
 - Public WC's / Staff Changing Area / Baby Changing Facilities;
 - Offices / Meeting Rooms / WC / Kitchenette accommodation;
 - Function Room (of similar size to that used at present);
 - Storage / Filing;
 - Car Park;
 - Playground area (free access)
- 2.5. Visitor number forecasts were based on a range of factors including appropriate penetration rates within the centre's local and tourist markets. A Different View estimate that the site will attract approximately 133,000 visitors on a stabilised basis (Year 3), comprising around 62,000 visitors to the attraction, 19,000 using the campsite, 6,000 Canoe Club visits and about 46,000 casual visitors coming to the site each year. Visitors to the attraction are likely to be higher in Years 1 and 2.
- 2.6. A Different View then also produced high-level revenue and expenditure estimates and 5 year forecasts based on estimated visitor numbers and footfall, and assessment of likely operating costs. It should be noted that both the attraction and camping will be highly seasonal. Best endeavours were used to arrive at realistic visitor forecasts for the proposed development based on assumptions which are in turn informed by knowledge and interpretation of relevant comparators, available research data and industry precedents. However these are forecasts and are based on the following assumptions:

- The attraction concept and the mix of different elements on site are however unique and there are therefore no exact industry comparables;
- The site must be effectively and aggressively marketed with appropriate investment in marketing activity particularly in the prelaunch period;
- The Centre will need a strong and unified brand which brings together all the components on the site;
- The new facilities will need to be managed, operated and promoted by an entity with a suitably commercial outlook and management;
- The new Centre will require appropriate numbers of additional staff with relevant skills, training and motivation;
- There will need to be adequate ongoing investment to maintain and refresh the facilities and the Centre's marketing which is based on customer feedback and audience engagement.

2.7. In summary, and acknowledging these caveats, the forecast income and operating costs set out in A Different View's report produce an overall estimated net surplus in Year 3 for the site in the region of £460,000. Based upon financial estimations for Year 3, the following calculation indicates the anticipated loan capital appropriate for the development in order to achieve an 8% return on investment.

| | |
|---------------------------|------------|
| Estimated gross revenue | £1,094,769 |
| Estimated operating costs | £633,418 |
| Estimated interest costs | £378,000 |
| Gross costs inc. interest | £1,011,418 |
| Surplus after Interest | £83,351 |
| | |
| ROI | 8% |
| | |
| Loan capital | £4,200,000 |
| Interest rates | 9% |

3. Design

- 3.1. Developed in conjunction with the business planning process outlined above, the masterplan design proposed for the site is also the outcome of responses to the site conditions (opportunities and constraints) and the mix, amount, and type of accommodation considered appropriate. An iterative process was followed by the project steering group to arrive at the proposed Masterplan contained in **Annexe A** together with conceptual sketches produced by DMA contained in **Annexe B**.
- 3.2. Notable amongst the background information gathering exercise prior to master planning:
- 3.2.1. DMA worked with Mode Transport Planning who concluded that the site has excellent connections to sustainable modes of travel and that the envisaged numbers of car journeys are unlikely to require alterations to the existing road network (subject to discussion with the Highway Authority).
- 3.2.2. The Phase 1 habitats survey considered that the major constraint on the site is its proximity to the Thames Basin Heaths SPA and the potential to cause additional disturbance during the nesting season of the protected ground nesting birds. On the site itself the major consideration is the conservation of bat roost and foraging areas. These are known constraints and the plan has been developed with these in mind, additional detailed surveys and consultation with Natural England will be required before detailed planning.
- 3.3. The design proposals for the components that sit within the proposed masterplan are currently under review with a view towards the total site development costs being commensurate with the recommended capital investment.

4. Consultation

- 4.1. SCC Officers met with the Basingstoke Canal Canoe Club to explore their aspirations and expectations for use of the site. A similar meeting is planned with the Basingstoke Canal Society in the near future.
- 4.2. Consultation will be necessary with statutory stakeholders and the planning authorities to ensure the scheme meets their policy requirements.
- 4.3. Once we have a firm draft scheme, consultation will be carried out with neighbours; and as many of their concerns as possible will be eliminated from the final scheme to be submitted for planning approval.

5. Financial and value for money implications

- 5.1. The proposal is for a development that can exceed its own operating costs, cover interest on capital and generate a surplus for management of the Canal.

6. Equalities & diversity implication

- 6.1. Accessibility is a key consideration of the modern design process; all designs have been and will continue to be subject to an appraisal by an accessibility consultant to meet or exceed all relevant regulations and codes of practice.
- 6.2. The redevelopment will continue to provide free of charge offers in the visitor centre, picnic area and play facilities to ensure that the facility accommodates those of all financial means.

7. Crime & disorder implications

- 7.1. No consultations have yet taken place with the Police, however, as it is proposed that there is a 24 hour supervisor presence on site this is likely to reduce instances of vandalism and anti-social behaviour.

8. What happens next

- 8.1. Officers will continue to work with DMA to ensure that proposed costs meet the budget in their final report
- 8.2. Officers will build the proposals into the overall business plan for the Canal
- 8.3. Consultation will be required with key stakeholders notably Hampshire County Council, Surrey Heath Borough Council, Natural England and our neighbours before a report is made to SCC Cabinet to consider funding for the scheme and progression to the detailed design phase
- 8.4. Detailed design will then be required for the attraction and buildings prior to submission of a planning application.