

PICK EVERARD

A photograph of a modern building's interior, featuring a wide staircase with glass railings and large windows. The ceiling has a grid pattern with circular pendant lights. A wall in the background has a quote by Edward Hopper: "If you could say it in words there would be no reason to paint. Edward Hopper The way to get started, is to quit talking and begin doing. Well, they say genius is inspired by a moment of inspiration." The number '2' is visible on a green wall to the right.

Appendix C - Options Appraisal
for
Market Walk Extension

Chorley
Council

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Document History

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1.1	15.01.18	Final draft Options Appraisal	PDE	PDE



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1.0 Purpose of this report

The Market Walk Extension is a key part of the Council masterplan for Chorley town centre.

Pick Everard issued an instruction on behalf of the Council to the Eric Wright Group Limited (EWC) on 09.11.17 to suspend further enabling works ahead of commencing phase 2 on the Market Walk Extension.

EWC services were procured under the LRPP using a Pre-construction Services Agreement (PCSA).

Following a Full Council meeting held on 21.11.17, the Council instructed Pick Everard and EWC to prepare an Options Appraisal for further consideration on 23.01.18.

This appraisal considers the options currently available to the Council on the Market Walk Extension given that Marks and Spencer failed to sign their agreement for lease, on which EWC has designed and procured an RIBA stage 5 design.

This report will consider the key options available on the Market Walk Extension to the Council as follows:

- Option 1: continue with the Market Walk Extension (*as designed and procured under the PCSA*);
- Option 2: progress an alternative Market Walk Extension that is more flexible; and
- Option 3: Stop and reinstate the Flat Iron Car Park.

The Full Council on 23.01.18 are to decide how they wish to proceed.

This report should be read in the context of the covering report prepared by the Council, to which this Options Appraisal is appended.

Options Appraisal

2.0 Option 1: continue with the Market Walk Extension

The Council could decide to continue with the original vision for the Market Walk Extension as currently designed and procured by EWC under the PCSA based on a reduced pre-let of 27.1% of the total floor area.

*Note: this option is subject to the Council decision on the car park solution as detailed in the covering Council report.

2.1 Design status

The RIBA stage 5 design is virtually complete and awaiting instruction from Full Council for EWC to remobilise, renegotiate work packages and subject to acceptance of a revised tender offer by the Council proceed to the construction phase.

2.2 Financial status

The tender offer submission received from EWC on 05.07.17 confirmed a cost to deliver the Market Walk Extension for the sum of £10,735,510 excluding VAT.

However, virtually all sub-contractors have now been stood down by EWC after the project was suspended in November 17 and 6 months has also elapsed since this tender offer was made.

Therefore, EWC are unable to stand by their original tender offer on 05.07.17.

EWC has confirmed the following total budget cost for option 1, subject to remobilising, renegotiation of work packages and contract in the sum of £11,882,381 excluding VAT.

The reason for the cost uplift from the original EWC tender is primarily due to the following:

- As part of the agreement for lease negotiations between the Council and **[redacted]**, a number of changes to the tendered design were demanded. These changes were to align the base build design to the **[redacted]** tenant specification and were largely non-negotiable
- Further tenant enhancements & additional works
- Temporary works and committed costs included in the increased PCSA
- Inflation and construction cost increases for materials and labour

These changes have been incorporated into the completed RIBA stage 5 design.

This is not a formal tender offer and will be subject to change.

2.3 Estimated programme

The estimated programme for option 1 is set out below in table 1:

Table 1

ID	Activity	Duration	Start	Finish
1	Full Council decision on 23.01.18	1 day	23.01.18	23.01.18
2	Preconstruction period (renegotiate works packages, design & mobilisation)	4 weeks	29.01.18	23.02.18
3	EWC mobilisation period	4 weeks	26.02.18	23.03.18
4	Combined Phase 2 and Phase 3 to build the Market Walk Extension including the S278 works	50 weeks (+ 2 wks Christmas 18)	26.03.18	22.03.19
5	REEL Cinema's fit out	15 weeks (+10)	15.02.19	31.05.19
6	Defects Liability Period	52 weeks	22.03.19	22.03.20

2.4 Key risks

The key risks are as set out in table 2 below:

Table 2

ID	Risk Description	RAG Rating	Mitigation Action / Comment	RAG Rating
1	Failure of Full Council to comply with the 48.4% pre-let agreed		Amend 48.4% pre-let condition based on agreement for lease and continued commitment from REEL Cinema's Ltd (27.1%)	
2	Council unable to let vacant units as current configuration with potential failure to achieve total return on investment		Actively market vacant units for retail, leisure and restaurant use with consideration to committed and recent further interest from [redacted]	
3	No current market interest in units 2 and 3		Continue to actively market units 2 and 3	
4	Cost uplift from original EWC tender cost on 05.07.17		Least costly Market Walk Extension delivery option to continue and remobilise option 1	
5	Programme slippage for delivery of the original Market Walk Extension project		Delivery of the current RIBA stage 5 design for the Market Walk Extension is the shortest delivery option programme	

2.5 Comparison of key advantages and disadvantages of this option

The primary advantages and disadvantages on option 1 are as table 3 below:

Table 3

Option 1: continue with the Market Walk Extension			
Advantages		Disadvantages	
1	Investment by Council demonstrates continued commitment to original vision set out in the masterplan	1	Failure to achieve total return on the Council investment
2	Maintains REEL Cinema's Ltd confidence in the MW Extension and Chorley town centre	2	If Council is unable to let vacant units then this will impact negatively on secured tenants
3	Minimises reputational damage to the Council having successfully delivered Market Walk Extension	3	Creates significant reputational damage to the Council if the Market Walk Extension is not viewed as a success
4	Least costly option to deliver original Market Walk Extension vision	4	Construction cost uplift from original EWC tender offer on 05.07.17
5	Shortest delivery programme for the Market Walk Extension	5	Despite fresh interest from [redacted] , tenant interest still needs to be obtained for the remaining large units 2 and 3

3.0 Option 2: progress an alternative Market Walk Extension that is more flexible

The Council could decide to proceed with an alternative option to deliver a more flexible version of the Market Walk Extension that can react to market interest but still achieve the original vision set out by Full Council on 20.09.16.

The current RIBA stage 5 design could be amended to make the ground floor and part first floor (excluding REEL Cinema's Ltd (unit 6)) more flexible and able to accommodate different unit configurations by limiting changes to key structural elements and the facades.

The RIBA stage 5 design could be amended cognisant of the committed and long standing interest from REEL Cinema’s Ltd, together with the fresh market interest shown by [redacted].

*Note: this option is subject to the Council decision on the car park solution as detailed in the covering Council report.

3.1 Outline description

The completed RIBA stage 5 design could be amended by retaining the overall structural frame design and limiting change to the building footprint and external appearance of the Market Walk Extension.

3.2 Financial implications

The tender offer submission received from EWC on 05.07.17 confirmed a cost to deliver the MW Extension for the sum of £10,735,510 excluding VAT.

However, virtually all sub-contractors have now been stood down by EWC after the project was suspended in November 17 and 6 months has also elapsed since this tender offer was made.

Therefore, EWC are unable to stand by their original tender offer on 05.07.17.

EWC has confirmed the following total budget cost for option 2, subject to limited re-design of the stage 5 information, retendering of work packages and submission of a revised tender offer in the sum of £12,309,912 excluding VAT.

This budget cost is based on a feasibility layout that includes [redacted], but it is not a formal tender offer. This cost will therefore be subject to the flexible layout instructed by the Council.

3.3 Estimated programme

The estimated programme for option 2 is set out below in table 4:

Table 4

ID	Activity	Duration	Start	Finish
1	Full Council decision on 23.01.18	1 day	23.01.18	23.01.18
2	Preconstruction period (re-design, re-tender works packages and submit revised tender offer)	12 weeks	29.01.18	20.04.18
3	EWC mobilisation period	4 weeks	23.04.18	18.05.18
4	Combined Phase 2 and Phase 3 to build the Market Walk Extension including the S278 works	50 weeks (+ 2 wks Christmas 18)	21.05.18	17.05.19
5	REEL Cinema’s fit out	15 weeks (+10)	15.04.19	26.07.19
6	Defects Liability Period	52 weeks	17.05.19	17.05.20

3.4 Key risks

The key risks are as set out in table 5 below:

Table 5

ID	Risk Description	RAG Rating	Mitigation Action / Comment	RAG Rating
1	Failure of Full Council to comply with 48.4% pre-let agreed		Amend 48.4% pre-let condition based on agreement for lease and continued commitment from REEL Cinema's Ltd (27.1%)	
2	Council unable to let vacant units as current configuration with failure to achieve total return on investment		Actively market vacant units for retail, leisure and restaurant use based on flexible layout with consideration to committed and recent further interest from [redacted]	
3	No flexibility in units 2 and 3 to change to meet market interest		More flexible layout created at ground floor level and part first floor to enable various unit configurations to be created to suit market interest	
4	Cost uplift from original EWC tender cost on 05.07.17		Most costly Market Walk Extension delivery option	
5	Programme slippage for delivery of the original Market Walk Extension project		Partial re-design required to Market Walk Extension but this will enable greater flexibility to suit market interest	

3.5 Comparison of key advantages and disadvantages of this option

The primary advantages and disadvantages on option 2 are as table 6 below:

Table 6

Option 1: continue with the Market Walk Extension			
Advantages		Disadvantages	
1	Investment by Council demonstrates continued commitment to original vision set out in the masterplan	1	Failure to achieve total return on investment if insufficient units are let
2	Maintains REEL Cinema's Ltd confidence in the Market Walk Extension and Chorley town centre	2	Reduced risk compared to option 1 in that flexible units can be created to meet market interest and enquiries
3	Minimises reputational damage to the Council having successfully delivered Market Walk Extension	3	Reduced risk of reputational damage to the Council that Market Walk Extension is not viewed as a success
4	Comparative cost uplift secures more flexible layout	4	Construction cost uplift from original EWC tender offer 05.07.17
5	This option creates greater flexibility for the ground floor and part first floor to enable alternative market interest to be sought	5	Longest programme period due to redesign, retendering of works packages and submission of revised tender offer

4.0 Option 3: Stop and reinstate the Flat Iron Car Park

The Council could decide to stop the Market Walk Extension and to reinstate the Flat Iron Car Park.

This decision would impact negatively on the vision of the Council masterplan for the town centre.

*Note: this option is subject to the Council decision on the car park solution as detailed in the covering Council report.

4.1 Design status

The design delivered from phase 1 could be extended to the whole Flat Iron Car Park. EWC will need to procure a design, tender work packages and submit a tender offer to the Council. Subject to Council acceptance, EWC will then need to place material orders.

4.2 Financial implications

EWC has confirmed the following total budget cost, subject to undertaking design and market testing in the sum of £4,637,377 excluding VAT.

The cost of £4,637,377 includes the costs expended to date under the PCSA together with the additional £1,854,144 to reinstate the Flat Iron Car Park.

4.3 Estimated programme

The estimated programme for option 3 is set out below in table 7:

Table 7

ID	Activity	Duration	Start	Finish
1	Full Council decision on 23.01.18	1 day	23.01.18	23.01.18
2	Preconstruction period (design, re-tender works packages & submit tender offer)	8 weeks	29.01.18	23.03.18
3	EWC mobilisation period	4 weeks	26.03.18	20.04.18
4	Combined Phase 2 and Phase 3 to build the Market Walk Extension including the S278 works	30 weeks	23.04.18	16.11.18
5	Defects Liability Period	52 weeks	16.11.18	16.11.19

4.4 Key risks

The key risks are as set out in table 8 below:

Table 8

ID	Risk Description	RAG Rating	Mitigation Action / Comment	RAG Rating
1	£4.6m spend with no return on the financial investment		Take the investment opportunity to build on the development platform established from phase 1	
2	Severe damage to Council reputation for failure to		Instigate communications strategy	

	successfully deliver the Market Walk Extension			
3	Town centre masterplan put in jeopardy that negatively impacts on the future success of Chorley town centre		Recommission new masterplan without Market Walk Extension	
4	Customers are attracted to competing towns with greater level of mixed leisure, retail and restaurant provision		Recommission new masterplan looking to utilise existing Market Walk Shopping Centre to improve the mixed leisure, retail and restaurant provision	
5	The Council does not take the investment opportunity to build on the development platform established from phase I		Continued disruption to the town centre to reinstate the Flat Iron Car Park with no tangible benefit or investment	

4.5 Comparison of key advantages and disadvantages of this option

The primary advantages and disadvantages on Option 3 are as table 9 below:

Table 9

Option 3: Stop and reinstate the Flat Iron Car Park			
Advantages		Disadvantages	
1	Maintains status quo for overall car parking provision in the town centre	1	Significant financial spend of £4.6m without investment return
2	Least costly option	2	Ties up key development site which has already had significant investment to create future development platform
3	Risks associated with building the Market Walk Extension are reduced	3	Failure to achieve return on total Council investment
4	Disruption to town centre and local business trade reduced	4	Creates significant reputational damage to the Council
5	Maintains the status quo in Chorley town centre	5	Loss of generational opportunity to successfully deliver Council masterplan to ensure the future success for the town

Supplementary notes

- 1) All potential costs are exclusive of VAT
- 2) EWC and the Council officers have contributed to this report
- 3) The costs quoted for options 1, 2 and 3 are based on the budget costs provided by EWC on 12.01.18 and have not been validated by Pick Everard. The budget costs are subject to change, noting the exclusions and limitations stated by EWC
- 4) Programme periods stated are informed estimates only by Pick Everard
- 5) Risks are to be developed and updated on Grace system dependent on the Full Council decision.