



DRAFT DOCUMENT

QUALIS COMMERCIAL
BUSINESS PLAN

2020-2030

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1. Executive Summary

1. Epping Forest District Council (EFDC) set up the Qualis group of companies in October 2019. This Executive Summary relates solely to the Business Plan of Qualis Commercial Limited (QCL), the property development company, of Qualis Group Limited;
2. The creation of QCL enables EFDC as sole shareholder to put itself in a position where it has the correct legal entity, governance, capability and capacity to undertake property development at the scale and ambition set by the Council;
3. QCL will operate as an independent business, governed by its management team and reporting to its board of directors, who will scrutinise its business plan and monthly progress, against clearly defined key performance indicators and targets;
4. QCL will act as Property Developer and Development Manager to appraise, acquire and develop EFDC sites in accordance with detailed business cases which will be approved by the Qualis Group Limited board before land is developed;
5. Risk is an integral part of any business and the competency of Qualis to identify, assess, monitor and manage risk is fundamental to its financial stability, performance and reputation;
6. QCL will initially borrow monies from EFDC at commercial rates to meet its initial working capital requirements including its operational overhead and professional team fees prior to completing full business cases as required by the Qualis Board;
7. QCL will be responsible for strategically developing and managing its own supply chain to deliver its business objectives. It will work with EFDC's procurement team to ensure there is no negative impact with the procurement of any EFDC services or suppliers;
8. QCL's purpose is to act in a commercial manner, and it will not be subject to local government procurement regulations. It will seek to act in a professional and transparent manner to seek best value from its supply chain, and business partners;
9. QCL will as a Property Developer aim to achieve maximum profit return and mitigate risk, detailing this in each full business case, which will include its advice as to whether a project should be directly developed, developed in joint venture or in partnership;

1. Executive Summary

10. QCL's initial commercial priority will be to deliver its objectives within the Epping District over the next 5 years, comprising the development of 7 sites to be transferred to it by EFDC which have a gross development value in the region in excess of £250m;
11. The first 5 sites to be appraised with a full business case are those in Epping Town Centre - St Johns, Bakers Lane, Cottis Lane, Condor Building and Hemnell Street, and QCL has prepared a Design & Quality Statement of its aspirations to develop these;
12. The remaining 2 sites will be considered in more detail over the coming months. The large employment site at North Weald is subject to a strategic review being undertaken on behalf of EFDC which is expected to be completed by June 2020;
13. The key milestones for 2020 are to secure business case approvals for the 5 sites in Epping by the end of June, secure planning permissions by Q1 2021, with starts on site in 2021, and projects completions in the years 2022-2027;
14. To create a sustainable business from inception QCL will target acquisitions in the residential, mixed-use and commercial property sectors, which will include strategic land promotion, new Garden Town settlements, retail, leisure, office and industrial opportunities, with a GDV of between £5-50m; QCL will be loaned £30m from EFDC to target such acquisitions;
15. QCL's business model, as developer trader and developer manager, may be broadened to include the acquisition of income producing property investments, particularly in and around its land and property developments, to add more value to;
16. QCL's working capital requirements for the 7 current projects based on our target activity schedule set out above. The cashflow assumes land draw down at current residual value, finance costs on 100% debt at current market rates and fees to take each project through to the pre-development phases;
17. QCL will resource appropriately experienced and qualified staff to meet its operational and project specific needs. Qualis Group will appoint non Executive Directors to support the Managing Director and Development Director in delivering the strategic objectives of its Business Plan.

2. Project target timelines

Qualis Commercial Limited will initially consider the development viability of the following 7 sites owned freehold by EFDC. Each site will be fully appraised and a full business case prepared and presented to the Qualis Board as set out in the sections above. A Business Case Template is included below using the St Johns site as a worked example

Project	Description	Stage of review	Business Case submission date/target	Start on site target	Completion target
St Johns	Mixed use	PPA	31st March 2020	31st March 2021	31st March 2023
Bakers Lane	MSCP	PPA	31st March 2020	31st March 2021	29th Sept 2022
Cottis Lane	Residential apartments Private for rent	PPA	31st March 2020	29th Sept 2022	29th Sept 2024
Condor Building (Civic Centre)	Family housing and apartments private for rent OR Senior Living	High Level Review	24th June 2020	24th June 2021	24th June 2022
Hemnell Street	Mixed tenure affordable housing	High Level Review	24th June 2020	31st March 2023	29th Sept 2024
Round Hills	Mixed tenure family housing	High Level Review	24th June 2020	31st Dec 2020	24th June 2022
North Weald Airfield	Workspace, industrial, distribution and amenity	High Level Review	29th Sept 2020	24th June 2021	Phase 1 31st Dec 2022 Full development complete 2027

3. Potential Development Returns

The scheme proposals as set out below have been assessed at a high level with reference to EFDC planning policy and to achieve the financial and social objectives of QCL, namely to deliver sustainable income producing assets to EFDC and a development profit to be retained by QCL to offset its overhead and borrowings or returned to EFDC as shareholder.

Qualis Commercial Ltd will receive a loan from EFDC cascaded through Qualis Group for the purchase of the initial 6 sites (excluding North Weald Airfield). The loan is to be £22m on a single draw down facility over a 30 year principle and interest basis. The sale contract between EFDC and QCL will allow all properties to return to EFDC at value sold if not developed in 5 years.

Subject to completion of full business cases for each site approved by the Qualis Board, further loan facilities will be made for development and construction of each site. It is anticipated that full business cases for the first 6 sites will be submitted and approved by 30th Sept 2020. The sites at St Johns, Bakers Lane and Cottis Lane will be brought for full business case approval in April 2020 as linked sites as set out below and in the Design and Quality Statement and PPA attached as appendices.

The total anticipated gross development values created by development of the 6 sites and based upon our initial high-level analysis is set out below. The values have been appraised against the proposals and objectives for each site described below.

Site	Gross Development Value
St Johns	£54.8m
Bakers Lane	£11.2m
Cottis Lane	£61.5m
Condor Building	£14.6m
Hemnell Street	£13.5m
Roundhills	£11.3m

The full business case for each site will consider how to ensure the financial objectives of each site are met both for income return and capital profit receipts. Where social and affordable housing is provided the net reduction in viability will be calculated unless the S106 Agreements reduce through viability assessments the quantum below the target 40%. Where other community facilities, operational/non development profit generating buildings are developed, the social value created will be measured and reported against the opportunity cost of delivering non-social or community assets.

4. Project Proposals and Objectives

St Johns, Epping

The proposed development will be built on the site know as St Johns with frontage to St Johns Road, and possibly in due course to the High Street. The site is in a good quality town centre location and is of sufficient size to create genuine transformational change in the core of this thriving and successful town. The site boundary is illustrated on the plan below and encompasses two contiguous sites the larger of which is owned by Epping Forest District Council and the balance the current home of Epping Town Council.

The site is partially in a conservation area and is also close to the magnificent St Johns Church. The site is set back from the high street but has sufficient immediate proximity to it that it is possible to create a destination centre, with well-designed public spaces, but consideration must be given to ensure the vibrancy of the high street and the sustainability of its businesses are maintained and enhanced.

The site sits roughly in the centre of the town and towards the southern end of the High Street with the primary shopping area located to the north and secondary retail frontage between the St Johns site and High Street. Epping itself is an historic market town and has a number of listed and locally listed buildings some of which sit on the site. Epping benefits from a regular street market that further enhances the vibrancy of the town and any development must also protect and enhance this valuable asset.

Key development objectives

1. A new leisure centre for Epping to replace the facility currently located at Hemnell Street. The scheme shows a facility of approx. 2,200m² and will include a new 25 metre pool, children's pool, gymnasium and multi-use sports hall with wellness centre and spa facilities. The new Leisure Centre will act as a destination anchor to the scheme.
2. A new 3 screen boutique cinema. A much-needed addition to the town, this will act as primary destination focus for daytime and evening users of the scheme. Boutique cinema operators such as Everyman and Curzon have already expressed interest in our proposals.

3. A1 retail, A3 food and drink and A4 Bar space totalling 2,170m². These spaces sit at ground floor level beneath the residential, leisure centre and hotel space and offer, in this early stage of design, flexible areas for any combination of potential uses.

4. 61 residential apartments. These will provide a range of 1 and 2 bedroom apartments designed to meet the requirements of the Private Market and/or the Build to Rent market.

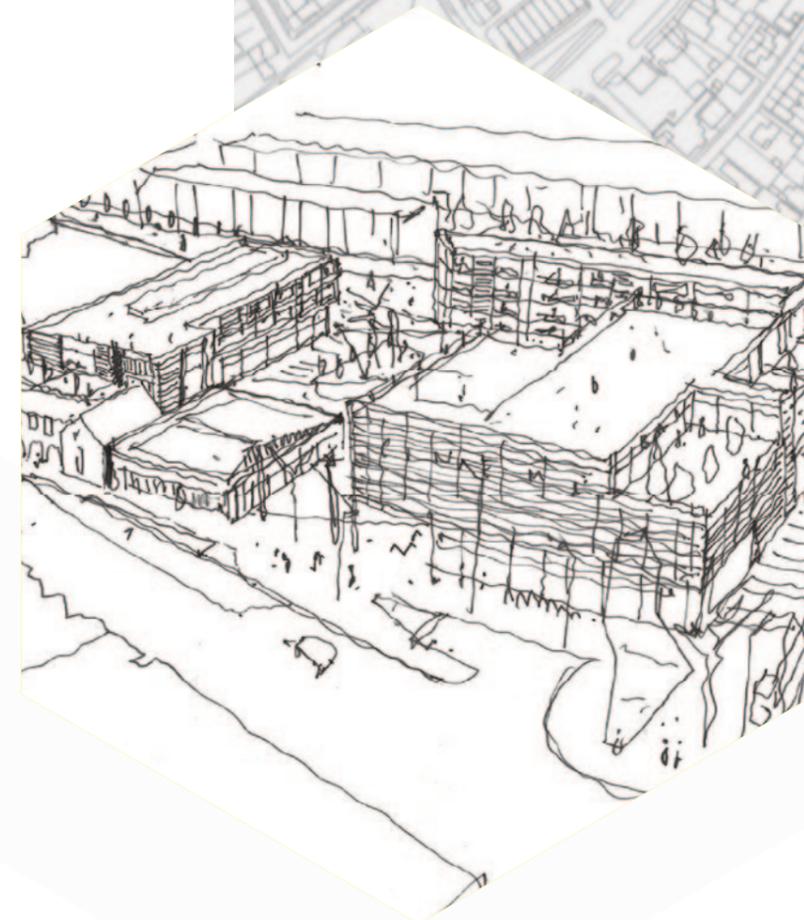
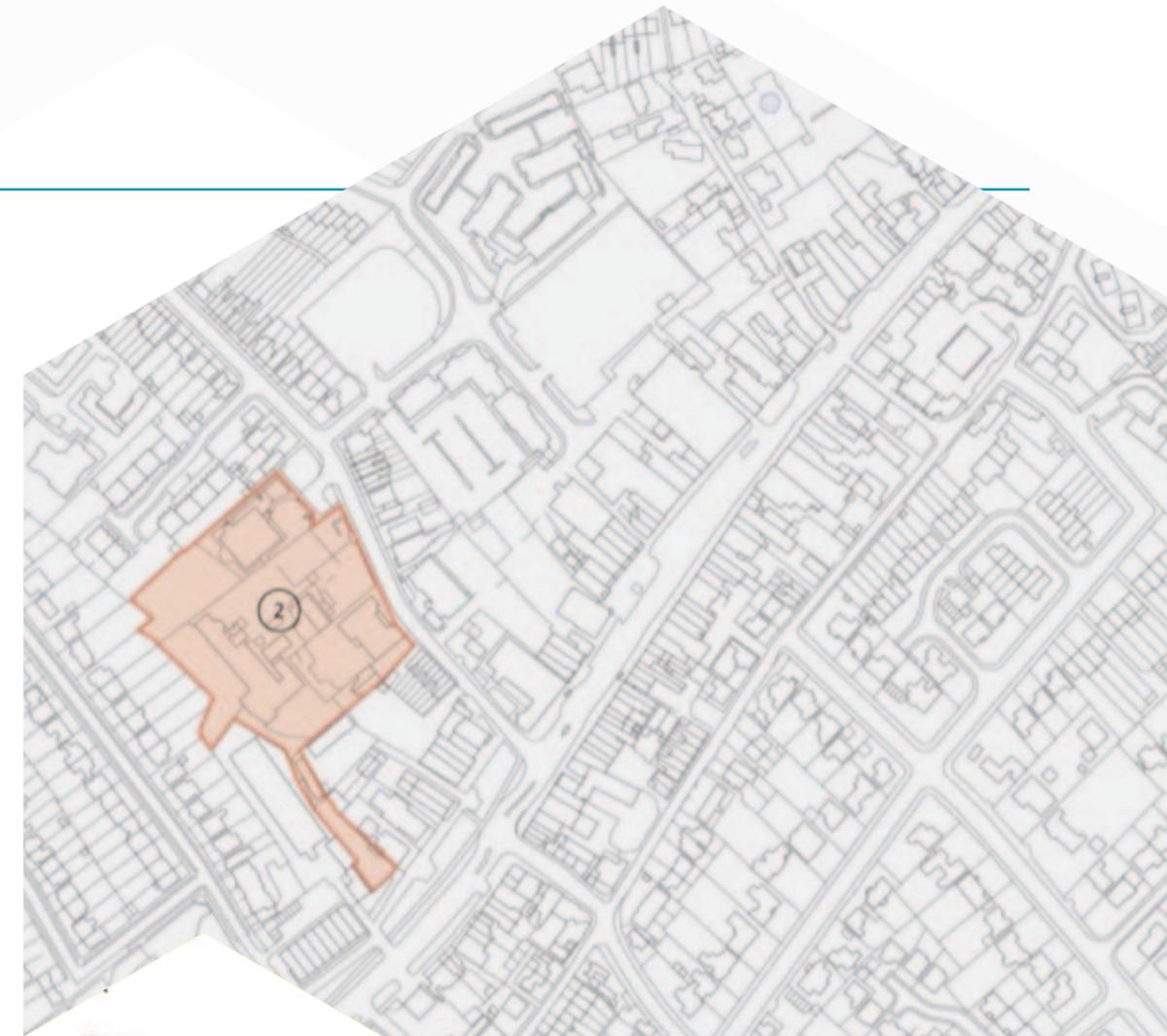
5. 72 room 3* hotel. Initial engagement with the market has confirmed interest from Premier Inn, Travelodge and Holiday Inn for up to 100 beds in the town. This block could alternatively provide more residential apartments if the hotel interest is not secured.

6. New Public square. Designed to be a new focal point for the town centre and to support the development with outside dining and other cultural activities to create a vibrant and dynamic space.

Key dates

Activity	Target Date	Longstop Date
Full Business Case	31 Mar 2020	24 June 2020
Planning application granted	Dec 2020	Apr 2020
Start on site	Mar 2021	June 2021
Practical Completion	Mar 2023	June 2023

The full business case to be finalised and presented to the Qualis Board will outline in more detail the return forecasts and model multiple outcomes to ensure QCL meets its targets. The returns from St Johns should also be considered in conjunction with Bakers Lane and Cottis Lane sites as the developments and cost/benefits are interlinked.



4. Project Proposals and Objectives

Bakers Lane, Epping

Bakers Lane is currently a surface carpark owned and operated by Epping Forest District Council and providing long and short stay car parking for approximately 100 cars. The site is immediately behind the high street and approximately 200metres from St Johns Road

Key development objectives

The site is allocated in the Local Plan for residential use however QCL believe the site to be more suited to providing consolidated multi-level car-parking for the town and to support the St Johns development above. The proposals being considered by QCL are to consolidate the car-parking currently provided on this site and the Cottis Lane site immediately east, to provide up to 300 car park spaces over 3 levels of multi storey car park.

Car parks need to be sensitively designed to meet the needs of the vehicle driver and have aesthetic merit, and be future proofed as much as possible with multiple electric charging points, to be valuable and sympathetic to the town. There are some excellent examples of modern car park designs in the UK & Europe.

Key dates

Activity	Target Date	Longstop Date
Full Business Case	31 Mar 2020	24 Jun 2020
Planning application granted	Dec 2020	Apr 2020
Start on site	Mar 2021	June 2021
Practical Completion	Mar 2023	Jun 2023



Cottis Lane, Epping

The site is immediately behind the High Street and adjacent to Bakers Lane. The site is currently used as a surface car park providing long and short stay car parking for approximately 200 vehicles. The site is allocated in the local plan for residential use.

Key development objectives

QCL proposes to consolidate carparking on the Bakers Lane site as described above releasing this site for its local plan allocated use of residential. The site could accommodate between 50- and 70-unit houses however QCL believe the site to be more appropriate for a denser apartment led scheme to meet demand from the private rented sector for high quality serviced apartments. The Private Rental Sector (PRS) in the UK has grown significantly in the last 5 years with institutional investors seeing the asset class as a strongly performing addition to their property portfolios. The PRS sector seeks to provide managed apartments with amenities to residents on a short to medium term lease basis.

QCL is analysing proposals for a mix of 1, 2 and 3 bed apartments on the site with densities of between 150 and 250 units. Car-parking would not be provided on site other than parking for visitors and drop-off however comparable PRS schemes provide pool cars and other green travel initiatives as part of the rental offer.

Key dates

Activity	Target Date	Longstop Date
Full Business Case	31 Mar 2020	24Jun 2020
Planning application granted	Dec 2020	April 2020
Start on site	Mar 2021	Jun 2021
Practical Completion	Mar 2023	Jun 2023



4. Project Proposals and Objectives

Condor Building, Epping

The site is currently used by Epping Forest District Council as Council offices and staff/visitor carparking. The buildings are no longer fit for purpose and surplus to the operational requirements of the Council. The site is allocated in the local plan for residential use.

Approx. Site Area: 0.66 Hectares.

Key development objectives

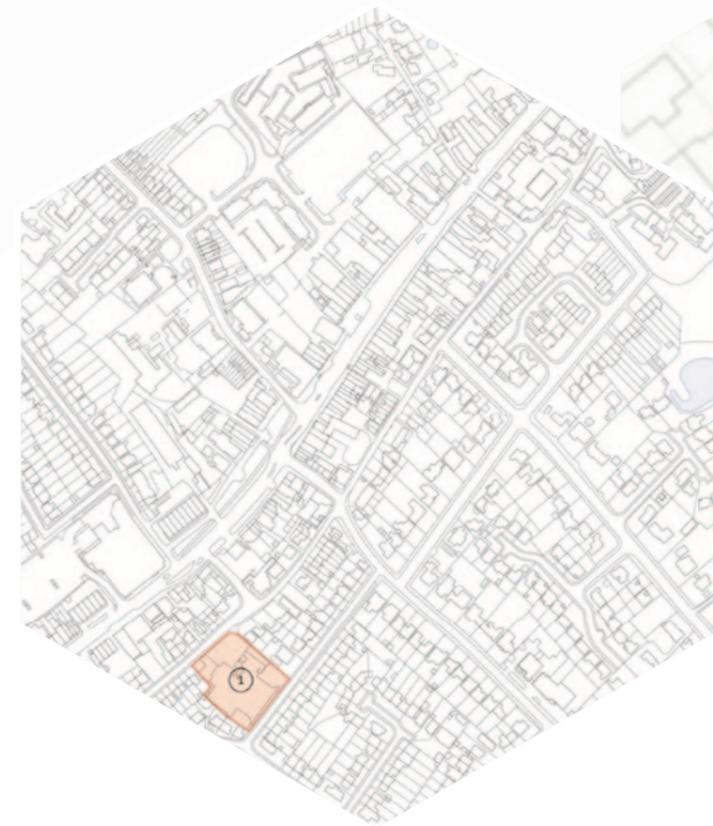
QCL proposes to redevelop the site for a mixture of family housing and apartments to meet the objectives of the local plan. The existing building may be suitable for conversion however our initial studies suggest that the more viable option is to demolish the building and maximise the sites potential.

The site has been assumed in our appraisals to provide discounted affordable housing for families, young couples and individuals in accordance with EFDC policy. The indicative layout below has been used for our initial appraisal.

As a predominantly landlocked site, the development is sensitive to the North, East West (Buttercross Lane, Rayfield and Homefield Close existing residential dwellings).

Key dates

Activity	Target Date	Longstop Date
Full Business Case	24 Jun 2020	24 Sep 2020
Planning application granted	Mar 2021	Jun 2021
Start on site	Sep 2021	Dec 2021
Practical Completion	Sept 2023	Dec 2023



Hemnell Street, Epping

The site is currently used as a leisure centre and associated car park. It is bounded by Hemnell Street to the north, Nicholl Road to the south and residential development to the west and east.

Approx. Site Area: 0.43 Hectares.

Key development objectives

QCL proposes to redevelop the site for a mixture of family housing and apartments to meet the objectives of the local plan. The existing building will be demolished to maximise the sites potential.

The site has been assumed in our appraisals to provide discounted affordable housing for families, young couples and individuals in accordance with EFDC policy. The indicative layout below has been used for our initial appraisal.

Key dates

Activity	Target Date	Longstop Date
Full Business Case	24 Jun 2020	29 Sep 2020
Planning application granted	Mar 2021	Jun 2021
Start on site	Jun 2021	Sep 2021
Practical Completion	Mar 2023	Jun 2023



4. Project Proposals and Objectives

Roundhills, Waltham Abbey

The site is located approximately 6 miles to the south west of Epping town centre, and the M25 motorway runs from east to west to the southern side of the site. The site for development has been created from a land swap arrangement associated with the recent construction of a new leisure complex on some playing fields.

Key development objectives

QCL proposes to develop a wholly residential housing scheme on this site, with a mix of market and affordable housing comprising 23, 3 bed houses, and 4, 4 bed houses, around a central estate road, as shown above.

The site has been assumed in our appraisals to provide market and affordable housing for families, young couples and individuals in accordance with EFDC policy. The indicative layout below has been used for our initial appraisal.



Key dates

Activity	Target Date	Longstop Date
Full Business Case	24 Jun 2020	29 Sep 2020
Planning application granted	Dec 2020	Apr 2020
Start on site	Mar 2021	Jun 2021
Practical Completion	Mar 2023	Jun 2023



North Weald Airfield, Epping

A strategic employment site close to junction 7 of the M11 via the A414. The site is adjacent to north Weald airfield which is owned and operated as a commercial airfield by EFDC. The site extends to approximately 10 hectares.

Key development objectives

An allocated strategic employment site which could provide a range of accommodation to meet the business needs of light industrial, manufacturing, logistics and distribution users together with office and amenity retail provision.

The site sits along-side an area of strategic green space which would be protected and enhanced by the development proposals. An area of land immediately to the East of the site is allocated for housing development and is being promoted through the planning process by Countryside Homes.

A development viability assessment is currently being prepared by Turner and Townsend of behalf of EFDC and is expected to be completed by September 2020. Their assessment will consider the costs associated with highway and infrastructure provision and will enable a more accurate assessment of development viability to be prepared by QCL in the autumn.

An initial market analysis by QCL has confirmed that the site would be considered strategic by potential occupiers providing distribution and delivery services to industry and the public. Demand for space is likely to be high across all unit sizes given the shortage of available industrial accommodation in Essex and north London.

Key dates

Activity	Target Date	Longstop Date
Full Business Case	31 Sep 2020	25 Dec 2020
Planning application granted	Jun 2021	Sep 2021
Start on site	Sep 2021	Dec 2021
Practical Completion	Mar 2023 Phase 1	Jun 2023 Phase 1

NOTE: full scheme build programme 5 years from Sept 2021



**If you would like this information in another format
or language please contact:**

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