

Addendum

Job No.: 1/72 Harlequin's Centre EconIA Addendum

Addendum Note Title: Harlequins Centre Redevelopment Economic Impact Assessment Update Addendum

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Prepared by: Russ Porter, BSocSc (Hons), MA, GDip(QS), MRICS, Director at PorterPE

Quality Statement: In preparing this report, the authors have acted with objectivity, impartially, without interference and with reference to all appropriate available sources of information. No performance-related or contingent fees have been agreed, and there is no known conflict of interest in advising the client group on the economic impact assessment of redeveloping the Harlequin's Centre, Exeter.

Approved by: Russ Porter, Director, 07/05/20

On behalf of: **Porter Planning Economics Ltd**
 t: +44(0)1626 249043
 e: enquiries@porterpe.com
 w: www.porterpe.com

Introduction

Porter Planning Economics Ltd (PorterPE) has been commissioned by Curlew Alternatives Property LP as an independent consultancy to identify and assess the economic impacts on the local business and resident population in Exeter from the delivery of a mixed-use development at the Harlequins Centre, Paul Street, Exeter. In doing so, PorterPE undertook an economic assessment of the proposed scheme during Summer and Autumn 2019 and published the *Harlequins Centre Redevelopment Economic Impact Assessment Final Report* (October 2019).

Since that work was produced, a slightly amended scheme has been prepared. The amended scheme is based on the same mix of uses across the site that was previously assessed, with purpose-built co-living accommodation in one building and a new hotel in the other. But there are changes in the number of accommodation rooms and building scales, which are summarised in **Table A1** and shows that the number of co-living beds has reduced from 298 to 259, but the number of hotel beds increased from 1114 to 128. These changes are likely to change, albeit very slightly, the economic impact of the proposed scheme. Therefore, a revised estimation of economic impact is required, which is set out in this Addendum.

Table A1 Proposed scheme

	Block 1 (Co-living)	Block 2 (Hotel)
Proposed floorspace (sqm)	8,571	5,635
Proposed (nr of beds)	259	128

Source: Curlew Alternatives Property LP

The red site boundary line still includes part of Queen Street and Paul Street, where there are proposals for the enhancement of the public realm that were previously assessed are considered to remain, and are therefore not addressed in this work. Nor are the social impact on local facilities, since the impact on them will be

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deminimus and do not change the findings about these impacts that were established in the previous report (hereon referred to as the '2019 EconIA main report').

It is important to note that the approach, methodology and assumptions used to assess the economic impact of the amended scheme are largely the same as those described and used in the 2019 EconIA main report. Therefore, the 2019 EconIA main report should be read in conjunction with this Addendum. Where any information or assumptions in the 2019 EconIA main report has been updated in this report, the information/assumptions in the 2019 EconIA main report should no longer be relied on.

Further to this, it is important to note that since the preparation of the original report, the Covid-19 pandemic has significantly impacted on the economy of the world, as well as that of Exeter. So, while this addendum report has been prepared using industry data and follows an accepted approach, reflecting best practice, the future is uncertain except the likelihood that significant investments, such as proposed for the Harlequin's Centre, will be important to the future economy of Exeter and its recovery.

Economic Impacts

This following economic impact assessment is guided by HM Treasury's 'Green Book', which sets out the standard approach to undertaking economic impact assessment.

Construction Phase (direct impact)

A detailed cost plan is yet to be generated for the scheme, so the build and other costs based on the size and type of the proposed scheme has been re-estimated using the Royal Institution of Chartered Surveyors Building Cost Information Service (BCIS) plus industry standard allowances for external works and professional fees. The estimated construction costs for the economic impact assessment are presented in **Table A2**.

Table A2 Estimated Construction Costs

Building	Floorspace (sqm)	Build / demolition costs psqm	+ Externals & Professional fees	Total (rounded)
Block 1 Co-living	8,571	£1,870	27%	£20,350,000
Block 2 Hotel	5,635	£1,946	27%	£14,000,000
Demolition costs	4,900	£100	12%	£550,000
Total				£34,900,000

For the purpose of testing the economic impact, as shown in **Table A2**, the construction costs have been assumed at just under £35m. Based on the other annual turnover per construction job and permanent job years, the number of direct construction job years supported by this spending is estimated to be 22.9 construction jobs.

Operation Phase (direct and indirect impacts)

Operational Jobs (direct jobs)

The Management Plan as updated for the amended proposal for the co-living facilities identifies an on-site directly employed team of seven personnel.

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Business Occupiers (indirect jobs)

The jobs within the hotel occupier business are estimated using the same industry standard ratio of floorspace or beds to jobs¹. Based on 1 FTE job per 4 beds, the total number of indirect limited service/budget and a mid-scale hotel is 32.

Additional occupier spending (first round induced impacts)

Based on information obtained from the ONS for household expenditure and the average national turnover per job across all sectors (excluding finance services) that was identified in the 2019 EconIA main report, the identified average annual occupier spend of the residents in the co-living apartments, across the different sectors, is £4.9m. This would support 34.5 induced gross jobs.

Additional visitor spending (first round induced impacts)

With the same assumptions for tourism spending and the average national turnover per job across all sectors (excluding finance services) that was identified in the 2019 EconIA main report, the hotel occupation visitor expenditure across the different sectors is estimated to be £3.9m per year. This would support 27 gross induced jobs.

Gross Impacts

The gross direct and indirect jobs associated with the proposed scheme, and additional (first round) spending induced by the proposed scheme could support some 124 gross jobs. This is summarised in **Table 3.4**.

Table A3 Gross jobs impacts

	Gross jobs
Construction – direct jobs	22.9
Co-living operational phase – direct jobs	7.0
Hotel operational phase – indirect jobs	32.0
Resident expenditure – induced spending	34.5
Visitor spending – induced spending	27.1
Total	123.5

Net additionality

To estimate the local additionality impacts for businesses and residents, the same additionality assumptions identified in the 2019 EconIA main report are applied. **Table A4** summarises the adjustments in moving from gross to net additional impacts on the study area. The table shows that from the identified 124 gross jobs in **Table A3** that could be supported, it is estimated that there would be nearly 56 net additional jobs within the Exeter economy.

¹ HCA, 2015. Employment Density Guide 3rd edition. November 2015

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Table A4 Net additional employment impacts (may not sum due to rounding)

	Gross jobs	Leakage	Displacement	Multiplier	Net local jobs
Construction – direct jobs	22.9	50%	10%	1.3	13.4
Co-living operational phase – direct jobs	7.0	50%	0%	1.3	4.6
Hotel operational phase – indirect jobs	32.0	50%	25%	1.3	15.6
Resident expenditure – induced spending	34.5	60%	50%	1.3	9.0
Visitor spending – induced spending	27.1	25%	50%	1.3	13.2
Total	123.5				55.7

Gross Value Added

Estimates of GVA per job for different sectors are taken from the UK National Accounts² that were identified in the 2019 EconIA main report. After applying them to the estimated gross and net jobs supported by the investment in the proposed scheme, the results are shown in **Table A5**.

The GVA that would be generated by the gross and net additional jobs supported by the scheme is estimated to be £5.3 million per annum, with approximately £2.4 million per annum being added to the Exeter economy.

Table A5 Gross and Net Additional GVA of the proposed scheme (may not sum due to rounding)

From	GVA per job	Gross additional GVA	Net additional GVA
Construction	£67,651 ³	£1,551,331	£907,529
Operational phase	Co-living facilities staff	£22,911 ⁴	£160,376
	Hotel staff		£733,149
Additional spending	New resident expenditure	£46,441 ⁵	£1,601,136
	New visitor expenditure		£1,257,206
Total		£5.3m	£2.4m

² Annual Business Survey UK Non-Financial Business Economy (released November 2018)

³ Using assumptions derived from the Annual Business Survey (2018) regarding GVA per job for category 'F - Construction'

⁴ Using assumptions derived from the Annual Business Survey (2018) regarding GVA per job for category 'I - Accommodation and food services'

⁵ Using assumptions derived from the Annual Business Survey (2018) regarding GVA per job for category 'G-S - Distribution and Non-Financial Service industries'

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Conclusion

The economic impact assessment of the proposals to redevelop the Harlequins Centre in Exeter identifies that in delivering the proposed development, there would be substantial economic benefits arising from the plans, which fit with the strategic objectives for the area. In summary, these are as follows:

- Approximately £35m of direct investment in delivering the proposed development, providing accommodation for 259 households and 128 bedrooms at the proposed hotel, which could, combined, have the potential to generate expenditure of £8.8m per annum, with some of this investment and expenditure going to local businesses and supporting local jobs.
- The construction investment, the operation of the co-living accommodation and hotel, and the spending by new residents and visitors, could support nearly 124 gross jobs, of which some 56 are estimated to be net additional jobs in the local economy.
- These activities will support local prosperity, which when measured in economic output using the gross value added to the local economy (GVA), is estimated to be equivalent to £2.4 million per year in increased output in Exeter.
- Such improved prosperity is likely to occur from providing tertiary jobs that will be accessible to local residents, increasing economic activity within Exeter and providing jobs being sought by local unemployed residents, helping to move them from benefits.
- There will also be no or limited negative impact on local community services, improved public realm and well-being around the vicinity, notably Paul Street, and scope for achieving increased business rates to help pay for council services.

Overall, the proposed scheme that has been assessed is estimated to generate significant positive benefits to Exeter and notably to Exeter City Centre. Such investments in the Harlequin's Centre, and their impacts, are also likely to be more significant to Exeter's future economy and its recovery from the current Covid-19 pandemic, given its predicted substantial impact on all economies.

End