



CABINET REPORT

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| Report Title | Sites in the Northampton Waterside Enterprise Zone |
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AGENDA STATUS: PUBLIC

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| Cabinet Meeting Date: | 21 October 2015 |
| Key Decision: | Yes |
| Within Policy: | Yes |
| Policy Document: | No |
| Directorate: | Regeneration, Enterprise and Planning |
| Accountable Cabinet Member: | Cllr Tim Hadland |
| Ward(s) | Castle Ward |

1. Purpose

- 1.1 To update Cabinet on progress made to date in the Northampton Waterside Enterprise Zone and to take forward the development of Four Waterside.

2. Recommendations

- 2.1 Cabinet notes the progress made to date.
- 2.2 Cabinet approves the Council to take a lease of up to 30,000 sq ft of space at Four Waterside on terms to be agreed by the Director of Regeneration in consultation with the Chief Finance Officer and the Cabinet Member for Regeneration, Enterprise and Planning and Cabinet Member for Finance.
- 2.3 Cabinet to delegate authority for the delivery of Four Waterside to the Director of Regeneration and Chief Finance Officer in consultation with the Cabinet Member for Regeneration, Enterprise and Planning and Cabinet Member for Finance.

- 2.4 Cabinet note the funding source for the lease, if required, is Business Rates Uplift from the Waterside Enterprise Zone.
- 2.5 Cabinet to agree that New Home Bonus monies, if required, can be used to forward fund the development in advance of receiving the Business Rates Uplift through the Waterside Enterprise Zone.

3. Issues and Choices

3.1 Report Background

- 3.1.1 Members will be aware that the Council was awarded Enterprise Zone status by the Government in October 2011, with provisions starting in April 2012. We are one of only 24 in the country. The EZ runs along the River Nene from Sixfields in the West over to Avon Nunn Mills in the East. It comprises 120 hectares of land which has the potential to create over 420,000 square metres of high quality commercial and industrial floor space.
- 3.1.2 The EZ has a 25 year masterplan agreed with Government, with set targets on the creation of new jobs and business investment. The initial target agreed with Central Government was for the Enterprise Zone to create at least 908 new jobs by 31 March 2015.
- 3.1.3 The EZ has an established Governance structure, key to managing the implementation of the sites and co-ordination of approvals process. The South East Midlands Local Enterprise Partnership (SEMLEP) EZ Board are responsible for the strategic delivery of the Enterprise Zone.
- 3.1.4 The EZ Board has overall responsibility for the delivery of the EZ and includes representatives from Northampton Borough Council (NBC), Northamptonshire County Council (NCC), Department of Communities and Local Government (DCLG), SEMLEP, Northamptonshire Enterprise Partnership (NEP), HCA, University of Northampton and the private sector. The EZ Board reports to the SEMLEP Board and DCLG for monitoring purposes.

3.2 Progress to Date

- 3.2.1 By March 2015 the following outputs have been achieved:-
- 1,118 jobs created or brought into the EZ
 - £152m private sector investment levered into the EZ
 - 25,000 sq m new floor space created
 - Northampton Waterside EZ now in the top quartile for performance (DCLG).
- 3.2.2 Whilst there have been many successes within the EZ between 2011 and 2015, there are some challenges which need to be addressed. There has been a lack of quality office development in Northampton with the majority of speculative modern office development being based on out of town business

parks. Four Waterside will provide the perfect opportunity to develop new quality office space within the town centre as part of the EZ.

3.3 FOUR WATERSIDE

- 3.3.1 Four Waterside comprises 225,000 sq ft of commercial space within the heart of Northampton town centre and forms a key part of the EZ. The scheme will provide flexible spaces and high quality design. Importantly, it would be the first commercial development in the town centre for 20 years and as such has been designated an EZ priority. The land has been cleared, is ready for development and is in the ownership of the Borough Council.
- 3.3.2 West Northamptonshire Development Corporation WNDC entered into a contract with Kier to develop the site in 2014 and this included no requirement for speculative development. This agreement was novated to NBC following the demise of WNDC. The rights and obligations of WNDC under this agreement were transferred to NBC following the operational closure of WNDC.
- 3.3.3 In order to bring the site forward in a timely way, NBC have been in discussions with Keir to take a lease on the first 30,000sq ft, with Kier developing out the remaining 30,000 sq ft. Draft proposals include the Council taking a 15 year lease at a gross rent of approximately £650,000 per annum. The council is proactively marketing the site to potential users and there have been a number of enquiries for new large office space within the town centre over the last few months. Furthermore, this development along with Project Angel, will attract more people to the town centre.
- 3.3.4 The SEMLEP Board agreed on 15 September to use Business Rate Uplift (BRU) to deliver Four Waterside. Through the EZ, SEMLEP agreed the use of BRU for the Council to underwrite a lease on up to the first 35,000 sq ft to enable the development of the site, however current discussions involve a total lettable area of 30,000 sq ft.
- 3.3.5 The Business Rates Uplift is a key income stream from the Enterprise Zone, and is defined as the difference between the combined rateable values of the businesses within the Enterprise Zone on any given date compared to the business rates baseline for the Enterprise Zone agreed with Government. In years when business rates exceed the baseline, the increase/growth in business rates over and above the baseline is classed as uplift and can be used to help fund the EZ and be available to SEMLEP to be used to meet their local economic priorities. This uplift can only be achieved through the continued development of the EZ.
- 3.3.6 It is anticipated that the Four Waterside development could generate a rateable value of approximately £500,000. This in turn could generate up to

£222,000 of BRU per annum delivering approximately £6m of BRU over the lifetime of the EZ. The likelihood of BRU use is needed only as a precautionary measure. This approach is outlined in the table below (based on 35,000 sq ft) which estimates the high level best, mid and worst case scenarios utilising current Net present Value calculations across the 15 year lease period.

Four Waterside

| | Scenario | | |
|-----------------------------|-------------|-------------|-------------|
| | Best | Mid | Worst |
| | <i>£m</i> | <i>£m</i> | <i>£m</i> |
| Net BRU over 25 yr. EZ life | 30.5 | 30.5 | 30.5 |
| Use of BRU | 0.0 | (4.1) | (16.2) |
| Remaining Net BRU | 30.5 | 26.4 | 14.3 |

Scenarios

Best - Tenant found at required rate, no BRU requirement

Mid - Subsidy required to secure tenant and take into account local market rents for 15 years

Worst - No tenant is found, NBC liable for all cost for 15 years

3.3.7 Discussions are ongoing with Kier to agree the precise heads of terms and it is proposed that these negotiations are delegated to the Director of Regeneration, Enterprise and Planning in consultation with the Cabinet Member. It is anticipated that a planning application for the development will be submitted in January 2016 and the building completed for occupation sometime during 2017.

4. Choices (Options)

4.1 Do Not Approve lease of Four Waterside:

This would have the immediate impact of NBC and partners being unable to bring forward the development of Four Waterside as Kier developments will not build speculatively, thus not meeting future DCLG job targets and NBC's own economic aspirations. It would also have a major negative effect on the forecast BRU uplift for the whole of the EZ. This is not recommended.

4.2 Approve Lease of Four Waterside:

This will allow this project to be delivered promptly. The development agreement requires Kier to develop out and seek to lease the remainder of the first phase thus bringing in new investment and creating more jobs. Recommended option.

5. Implications (including Financial Implications)

5.1 Policy

This report is within policy, as the EZ is both an NBC Corporate and a SEMLEP priority.

5.2 Resources and Risk

5.2.1 Although SEMLEP have approved the use of Business Rates Uplift in the event of the worst or mid scenarios, BRU is not guaranteed. BRU has been estimated based on a number of assumptions (business rates achievable, completion dates of developments, inflation assumptions etc.). As such, the value and timing of BRU being received is uncertain. If BRU is not achieved as forecasted, NBC would be liable under the lease agreement for all costs. The BRU forecast model is regularly reviewed and at present does show sufficient BRU to cover the cost of the lease over the 15 year period.

5.2.2 The potential costs of the 15 year lease both under the mid and worst cases have been modelled at a high level based on the most up to date data. There is a risk that these costs estimated could be higher.

5.2.3 It is unlikely the BRU will be available immediately to fund any shortfall in leasing costs. This is due to timing factors or BRU arising from the Four Waterside development and existing commitments against BRU in the Enterprise Zone. Therefore, the Council maybe required to forward fund the lease until BRU is available. In accordance with existing practice for forward funding of certain Enterprise Zone costs it is suggested New Homes Bonus (NHB) monies are used to finance any shortfall. The NHB monies will be replenished from BRU one it is available.

5.2.4 As the timing of BRU is uncertain, NBC may need to use its NHB monies for longer than anticipated. This could have wider cash flow implications for NBC.

5.3 Legal

5.3.1 This recommendation is in line with NBC's Memorandum of Understanding with SEMLEP.

5.3.2 The implementation of this reports recommendations will require the preparation and completion of formal legal documentation.

5.4 Equality and Health

5.4.1 Successful delivery of the EZ will improve the economic health of Northampton and will provide long term sustained job prospects for residents.

5.5 Consultees

5.5.1 Responsible Cabinet Member and senior officers

5.6 How the Proposals Deliver Priority Outcomes

5.6.1 Delivers against Corporate Plan priority Northampton Alive – A Vibrant Town.

5.7 Other Implications

5.7.1 None

6. Background Papers

6.1 None

Steven Boyes
Director of Regeneration, Enterprise & Planning