

Executive Report

APPENDIX 7a

'Blackpool Central': Additional information relating to the development proposals

1.0 Background Information

1.1 Blackpool Central (formerly known as Central Leisure Quarter site) lies at the heart of Blackpool and is one of Blackpool's most strategically important development sites. Redevelopment of the site is central to Blackpool's ambition of developing a new, exciting and unique tourist destination. Incorporating the former Central Station and adjoining promenade frontages this prominent site occupies a prime seafront location on Blackpool's Golden Mile within the defined Town Centre, just south of the Tower.

1.2 Historically, Blackpool Central was the site for the main railway station in Blackpool and was noted for being one of the busiest stations in the world during the early 1900's. It brought visitors in from all over the country to this popular seaside resort, giving access directly to the town centre, seafront and main attractions such as the Tower. However in 1964, following a restructuring of the railway system the station was closed, leaving the land available for redevelopment. This redevelopment saw the construction of a number of seafront attractions, amusement arcades and venues together with the development of a new complex for the Police and Courts services, a multi storey car park and in later year's surface level car parking.

1.3 Over many years the site has been the focus for ambitious development proposals, with recent times seeing plans for the development of a mega casino complex and an ice/snow park being proposed. However neither of these proposals were progressed leaving the site underutilised and somewhat falling into decline.

2.0 Leisure Quarter Development Brief

2.1 In 2011 the Council published the 'Leisure Quarter Development Brief' a Supplementary Planning Document which sets out the vision for the site, which was to:-

- Provide unique leisure attractions of national significance, widening the resort offer to attract new audiences and creating compelling new reasons to visit Blackpool all year-round
- Provide development of sufficient scale, composition and attraction to create

the critical mass to assist with wider resort regeneration

- Underpin a year-round economy promoting sustainable local employment opportunities
- Ensure excellence in design quality, delivering a distinctive high quality experience for visitors through creative architecture and urban design that responds to Blackpool's historic townscape and character
- Create a new welcome experience which presents a spectacular sense of arrival for visitors at Blackpool's key gateway
- Improve permeability by creating strong active connections through the site, and between the site and the town centre, seafront, central corridor and surrounding resort neighbourhoods, enhancing vitality and viability during the day and evening
- Provide a suitable level of convenient town centre car parking in addition to car and coach parking requirements for the development
- Promote sustainable development through design, access, energy conservation and operational management.

3.0 Land and Property Ownership

- 3.1 In 2016 the Council reached an agreement with Lancashire Constabulary to relocate from their current premises (Divisional Headquarters) on the site to a new location on the edge of town, the former Progress House site, Clifton Road. This coupled with the acquisition by the Council of the King Edward Apartment building on Central Drive means the Council is the majority landowner of the site with circa 90% freehold title.
- 3.2 There are a number of privately owned properties and long leasehold assets which remain on the site, notably Blackpool County and Magistrates Courts and a number of private tenures such as the King Edward building retail units, which remain to be acquired to complete the redevelopment and on which negotiations are ongoing.
- 3.3 The Council's Growth and Prosperity Team has been in negotiations with all the remaining leaseholders on the site and with Her Majesty's Courts and Tribunal Service (HMCTS) with respect to the Court's facilities. These negotiations continue at this present time, with the Council seeking agreement to acquire remaining leases in due course, thereby enabling the later phases of the development to be delivered in accordance with the Masterplan.
- 3.4 There are also a number of properties on the site in the "Promenade Properties" which are in private ownership (11-15 New Bonny Street, 61, 63-73 and 91-101 Promenade) or owned by the Council and on long leaseholds (Sea Life and Madame Tussauds) which are included within the overall Masterplan but for which there are currently no firm proposals and which the Council is not currently planning to

acquire. Negotiations with some of these occupiers are underway regarding their aspirations to develop proposals which will complement and enhance the Blackpool Central Masterplan objectives.

4.0 Exclusivity Agreement

- 4.1 During 2016 the Council was approached by media company Media Invest Entertainment (MIE) and property developer Nikal Ltd, who collectively expressed an interest in the site and who have ambitions to develop the site with a number of new world class attractions to create a new leisure destination that accorded with the Council's vision.
- 4.2 Following a series of discussions with Nikal Ltd. and MIE in March 2017 the Council entered into an 'Exclusivity Agreement'. The principle of the agreement was set in place to enable them to undertake necessary market research, design, feasibility and financial viability studies to satisfy themselves and the Council that their proposed development could be funded, constructed and operated successfully and would provide significant economic and social benefits to Blackpool and the wider region. The agreement was also essential to give the Developers' confidence to invest the considerable sums necessary to develop the Masterplan.
- 4.3 In consideration of the agreement, the Council agreed not to grant any new rights, new options or other new long term interests on the site or any part thereof to any third party within the term of the exclusivity period, which expires on 28 February 2019, subject to notification and discussion with them.
- 4.4 Over the past 18 months Nikal Ltd and MIE have discussed with Council officers their proposal for the Blackpool Central site and these proposals have evolved as a result of a particular emphasis on deliverability.

5.0 The Development Proposal

- 5.1 The proposal from the Developer is to create a completely new leisure destination at the heart of Blackpool, with circa £300M of investment from the developer. The development will deliver year-round attractions, with the main anchor attraction being the Flying Theatre, the first of its kind to be delivered in the UK.
- 5.2 The Developer is proposing that the scheme will be themed on the concept of 'Chariots of the Gods' (COTG) a series of novels written by Eric Von Däniken in the 1960's and 1970's, based upon unsolved mysteries of the past such as the pyramids of Egypt and Mexico, ancient cave drawings, the monuments of Easter Island and hypothesis of extra-terrestrial visitors.

- 5.3 Having established a theme for the site Nikal and MIE commissioned internationally renowned architects Gensler to develop proposals for a world class destination, which would deliver on the concepts of the proposals and ambitions for the site.
- 5.4 The proposals for the site are illustrated on the 'Masterplan' drawings in Appendix 7b. It should be noted that the Masterplan contains the key elements of the proposed development on which there may be some modifications to the overall layout, (including minimum build requirements), as it goes through the planning application process and as the later phases of the development potentially evolve over time. The core proposals submitted to the Council by the developer, however, contain six main stages of the project, as follows:-

1. ENABLING PHASE:

- Multi-storey car park – c1,000 spaces
- Required infrastructure works
- Temporary relocation of coach drop-off and pick-up

In accordance with the Leisure Quarter Development Brief Nikal are proposing to construct a 1,000 space multi storey car park at the outset to ensure that there is no loss of existing car parking provision as a result of the proposals being implemented and to have continued the use of the existing Chapel Street provision (circa 300 spaces), thereby providing 1,300 in total on site. To offset any loss in the overall provision Nikal will then be making a financial contribution to the Council for off-site car parking to meet planning requirements, which the Council will use to assist in funding sufficient spaces in line with its emerging Car Parking Strategy which is shortly to be finalised.

Under the proposed land sale arrangement the proposal would involve the Council selling a long term lease to Nikal for the site), following which Nikal would construct the car park. Nikal would then look to invite potential operators to enter into management arrangements for the ongoing operation of the facility which could be a third party company or Blackpool Council Parking Services.

2. PHASE 1:

- Public realm space
- Chariots of the Gods attraction with 6 components and a proposed minimum build requirement of 7,000m² :-

1. The Flying Theatre:

- The UK's first Flying Theatre
- True Flight Movement provides an unparalleled, real flying sensation
- The No.1 attraction in major cities and theme parks around the world
- Reaches the largest demographic of riders, age 4 – 85

- Fully immersive, including exciting on-board effects (like wind, fog, vibrations, scents, water-spritz, etc.)

2. Adventure Land:

- Fully themed indoor interactive entertainment
- Roll-glider – a free falling and hang-gliding sensation
- Rope Courses – the ultimate experience of height
- Adventure Trail – challenging obstacles and great adventure
- Quick Jump – overcome your fear
- Climbing Walls – dynamic and interactive fun walls

3. Thrill and Gaming Zone:

- Exciting High - thrill and family rides
- Arcade Games
- Bounce Park
- Inflatable Attractions
- Laster Tag Arena
- Bumper Cars and much more...

4. Virtual Reality Experience:

- The world's most advanced "Virtual Reality" experience
- Epic scale, free-roam, multi-player
- Whole body, fully immersive, hyper-reality
- State-of-the-art visuals and body tracking
- Smell, touch and feel
- Custom motion simulators for unmatched realism

5. Multi-Media Exhibition:

- The world's first "Greatest Mysteries" multi-media exhibition
- Scientific, educational and entertaining
- Discover the most astonishing unsolved mysteries
- Exploring a possible extra-terrestrial influence
- A fully immersive and mind-blowing experience
- Created with the latest technology

6. Alien Diner:

- Fully themed bar and event restaurant
- Breath taking "Roller-coaster" service

- A one-of-a-kind place of fun, adventure and discovery
- Hourly special effects show
- Parties and special events
- Healthy and organic food

3. PHASE 1B

- New Promenade hotel

4. PHASE 2

- Residential (proposed minimum 100 apartments), food and beverage, and hotel (proposed minimum 150 bedrooms)
- Public realm

5. FUTURE CHARIOTS OF THE GODS EXPANSION

- Future COTG attractions (with a proposed minimum build requirement 2000m²)

6. PROMENADE PROPERTIES

- Engagement with other interested parties/landowners regarding development/refurbishment of properties.

Upon completion of the development it is anticipated that the gross internal floor areas (GIFA) of the various uses will be:

Direct leisure / attraction space	19,000m ²
Food and beverage	9,400m ²
Hotel	25,000m ²
Leisure retail	7,000m ²
Car parking	33,000m ²
Residential and amenity	25,000m ²

5.5 PROPOSED PROJECT TIMESCALE

The proposals would see a substantial regeneration of the site by Nikal, with the Council's input being through exercise of its planning powers and setting desirable outcomes in relation to the development. It would be delivered in a number of development phases over a period of 8-9 years, with potential to commence the enabling works early 2020, subject to final commercial and legal contracts being agreed.

Key project milestones are estimated to be as follows:-

Autumn 2018	Blackpool Council Executive Approval and agreement to Heads of Terms
Spring 2019	Land agreement completes
Winter 2019	Planning application
Spring 2020	Enabling phase commences
Summer 2021	Enabling phase completes
Summer 2021	Start Construction - Phase 1
Summer 2023	Fit out phase 1
Summer 2024	Opening of Phase 1
Autumn 2024	Start Construction – Phase 2
Spring 2026	Fit out Phase 2
Summer 2026	Opening Phase 2
Winter 2026	Start Construction - Phase 3
Winter 2028	Fit out Phase 3
Spring 2029	Open Phase 3

Promenade Properties phase - timing subject to further discussions with relevant parties

5.6 Key Factors / Benefits

Together with the comprehensive regeneration of the area the other key factors / benefits of the scheme are set out below:-

- Build cost c £250m
- Fit out costs of c £50m
- Chariots of Gods Flying Theatre attraction costing c £30m.
- **Total investment of circa £300m**
- 1.3 m sq ft of floor space in Phases 1-3
- Flying Theatre as anchor attraction
- Over 1,300 car spaces

- Approximately 400 new hotel bedrooms
- Foodhall with c 30 operators
- Music venue and nightclub
- c100 apartments
- c 20 further restaurants and bars
- Over 75 new tenants and sub tenants
- Local market of 470, 400 persons (30 min drive)
- Primary market of 3,124,000 persons (60 min drive)
- Secondary market of 8,355,000 persons (2 hour drive)
- Additional c600,000 visitors per year
- Increased annual tourist spend of circa £75m per annum
- Up to 1000 employment opportunities

6.0 Heads of Terms

- 6.1 The general principles of the agreement between the parties will be in the form of a Land Sale (long-term lease) arrangement. This has been elected as the preferred approach as it has been determined by the Council and its Professional Advisors to better suit the Council's overall objectives of maximising growth and opportunity across Blackpool and creating a strong community. The Council will not impose enforceable obligations on Nikal to carry out works, or seek to control or specify the works to be carried out, specifying only desirable outcomes in the Land Sale contract.
- 6.2 The proposed Heads of Terms (HoT's) establish the general principles to be incorporated into a Sale Agreement to be entered into between the Parties relating to the disposal of the Development phases. The HoT's are not legally binding but do capture the intended commercial terms to inform the Sale Agreement. The Sale Agreement will incorporate the legally binding elements to be entered into between the parties and will be negotiated over the next few months with more detailed development viability appraisals relating to the proposals are considered by the Council.
- 6.3 A copy of the draft Heads of Terms has been included in Appendix 7c (with a number of matters in relation to car parking provision for example, which remain outstanding). These are commercially sensitive and will therefore remain confidential between the parties.
- 6.4 The intention of the parties will be that the Sale Agreement will be exchanged by 28 February 2019, which will coincide with the expiry of the existing exclusivity period.

6.5 The conditions of the Sale Agreement will place an obligation on the Council to dispose of the land to the Purchaser (Nikal Ltd and Media Invest Entertainment) in relation to Development Phases and conditional upon the satisfaction of a number of conditions precedent for each of the Development Phases.

7.0 Legal considerations:

7.1 There are a number of remaining leases on the site which the Council will need to acquire prior to commencement of certain phases on which negotiations are underway.

7.2 Agreement for the Council will be sought to exercise, if appropriate, its powers of Appropriation or to seek Compulsory Purchase Order (CPO) of the remaining properties on the site, to enable it to obtain vacant possession and assist the Developer in progressing the proposed Master Plan.

7.3 In order to provide comfort to the Developer in relation to continued vehicular access to the site via the main arterial routes, the Council will also seek agreement from the Local Highways Authority for the adoption of Seaside Way.

7.4 Agreement to allow the Head of Legal Services to enter into the formal legal contracts with the proposed Developer, once the terms and conditions in relation to the 'Land Sale' have been agreed between the parties.

7.5 In light of the Court of Appeal's decision, in November 2018, in the *Faraday Development Limited v West Berkshire Council* case, the Council is aware that if it seeks to impose legally-enforceable obligations on Nikal to carry out works specified by the Council, the arrangement risks comprising a "public works contract". Therefore, the Council's extent of control will be limited to the exercise of its planning powers and specifying desirable outcomes of the transaction, which are established principles of a land transaction and do not require a formal public procurement process to be undertaken. The Council is able to achieve its objectives of maximising growth and opportunity across Blackpool and creating a stronger community in this manner.

8.0 Human Resources considerations:

8.1 An appraisal of the development presented gives early indication that that scheme will create up to 1,000 new employment opportunities, with much wider benefits also being achieved to the local, regional and nation supply chain.

8.2 A comprehensive assessment of the employment benefits will be undertaken in due course.

9.0 Financial / Economic considerations:

9.1 The majority of the investment in the development is expected to come from the private sector. There may however be opportunities for the Council to bid to be the operator of elements of the development, such as the car park, which may be of interest. These opportunities will be subject to a further report to the Executive where they lie outside either existing delegations or those being sought in this report.

10.0 Risk Management considerations:

10.1 The proposal presented by the Developer has a strong focus on its deliverability. At this present time the majority of the development is speculative. The Developer is therefore reliant upon the market appetite for entering into pre-let agreements of the properties before construction commences on each individual building. Inherently this presents a risk in relation to the general market conditions.

10.2 Whilst the main attractions are contained within Phase 1 and discussions with Media Invest Entertainment have been extremely positive, the pre-letting agreement is yet to be signed. There are currently no other pre-lets signed at the time of writing the report.

10.3 The overarching basis of the proposal will be based upon a Land Sale (long-term lease) arrangement with the sale of each developable plot being agreed following the successful completion of the previous plot/phase, or a substantial proportion of the proceeding phase being pre-let. The timescales and certainty for each phase is therefore a risk factor that needs to be taken into consideration.

As noted the nature of the future agreement will be that of a Land Sale (long-term lease). Given this, it should be recognised that there are a number constraints which this type of legal arrangement will have once the contracts have been signed. The main factors to be noted are as follows:-

- The Council will not be able to set the specification for the works or put the buyer of the land under any enforceable development obligations to carry out works.
- The Council is therefore, only able to control delivery of the Project through specifying desirable outcomes, exercising its planning powers and non-development buy back provisions. This can be partially mitigated through conditions contained in any Sale Agreement so that land is only drawn down when the buyer is ready and has committed funds to be in a position to

commence development. The leases under which the buyer will draw down land will contain break rights in favour of the Council that can be exercised if certain milestones have not been delivered.

However, there are potential benefits of this type of arrangement, which relate to the potential for time saving and having advanced delivery on site, together with potential reduction in scheme delivery costs. In addition, as a land transaction, the Council is not required to conduct a formal public procurement process as it would be required to do in the event that it wished to specify requirements and influence the works and development to be carried out by Nikal.

- 10.4 The Council has sought initial legal advice on the proposed land sale arrangement with the Developers in order to progress the scheme and bring it forward for development. It is however anticipated that further advice will be required to firm up these proposals prior to the completion of the arrangements in February 2019.
- 10.5 As mentioned in 7.2 the Council may need to exercise its powers of Appropriation or pursue Compulsory Purchase Orders to acquire the remaining properties on the site and ensure vacant possession for the Developer. The route to either Appropriation or CPO is likely to result in additional expenditure and potential time delays to the project. Further analysis of these potential risks will be undertaken prior to entering into the Land Sale agreement with the Developer.