1.0 Purpose of the report:

1.1 To inform of progress made with the developer in relation to the Blackpool Central scheme since 10 December 2018, when the Executive gave approval to the developer’s outline masterplan for investment and regeneration of the site.

To seek agreement to delegate authority to the Chief Executive in relation to financial and legal terms of the ‘Land Sale’ arrangement based on the offer to be submitted to the Council and assessed by the Council’s property advisors, JLL, for the purposes of verifying best consideration for the site. In addition to the above, to delegate authority to the Head of Legal to enter into any proposed legal agreements relating to the scheme.

To seek approval on the resources model shown in Appendix 9a, which sets out the requirement for £1.9m to support and protect the Council’s interests in the delivery of the Blackpool Central scheme. Appendix 9a will remain exempt from publication given the commercial sensitivity of the information.

2.0 Recommendation(s):

2.1 To agree to delegate authority to the Chief Executive for approval of the final terms of the Land Sale arrangements, having undertaken all necessary financial and legal due diligence.

2.2 To agree £1.9m funding, as outlined in Appendix 9a to cover aspects identified to enable delivery of the scheme and protect the Council’s interests.

2.3 To delegate authority to the Head of Legal to enter into any proposed legal agreements relating to the scheme.

3.0 Reasons for recommendation(s):

3.1 To ensure progress in relation to the Blackpool Central scheme can continue to be made over the next few months and in line with the Developers timescales for submission of a planning application during Autumn 2019, with a view to
commencement on site in Spring 2020.

A delay in agreeing a land sale until early summer could have a significant impact on the delivery programme and would slow down the momentum which has gathered for this important project.

The acquisition of the remaining assets is required to ensure vacant possession of the site can be achieved in preparation for the development to progress as planned.

Subject to the acquisitions referred to above, the Council would hold the freehold title with vacant possession on the whole of the King Edward buildings and the former police building. Both these assets will incur costs associated with future security and maintenance, until the point of handover to the developer under the terms of the land sale agreement. These costs will include, taking appropriate security measures to ensure they are not unlawfully occupied, payment of ongoing business rates (where unable to obtain reduced rates or zero rates terms), utility charges and ongoing maintenance costs.

The situation with regards to the Courts and Police station is extremely complex. The Council have been working with Her Majesty’s Courts and Tribunals Services (HMCTS) to identify solutions for the Courts relocation, however at this present time and without significant capital investment (£10m–£13m) this is unlikely to occur in the short term. Meanwhile with Lancashire Constabulary vacating the police station on the 31 December 2018 all holding costs lie with the Council for the vacant property. Therefore, within the schedule of costs shown in Appendix 9a there is a request for funding to identify and resolve issues relating to the access and separation of the police building from the courts. In the event that no satisfactory solution is found to relocating the courts then there may be an option of demolishing the police building leaving the courts completely independent, thereby making the site of the police station available for redevelopment and resulting in reduction of future costs. Whilst this is not seen to be the optimum solution, it should be considered and recognised as an interim option, if the situation with the courts cannot be resolved in a timely manner. A delay in managing and resolving future premises for the courts may have an impact only on the delivery of Phase 3 (not the early phases) of the proposed development.

It should also be noted that the Council’s CCTV Team currently occupies a small area within the former Bonny Street building and would require relocating prior to any future demolition work being undertaken.

In light of the above and in effort to resolve matters relating to the relocation of the courts the Council has identified a suitable vacant site within the town, with the agreement of Her Majesty’s Courts and Tribunals Services. At this present time the site is owned by a private company, however negotiations have been undertaken with the land owner who is prepared to reserve the site for future development. The costs associated with reserving the site are also identified within Appendix 9a.

3.2a Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No
3.2b Is the recommendation in accordance with the Councils approved budget  Yes

3.3 Other alternative options to be considered:

Not to proceed with the recommendations which would undermine the previous Executive decision (EX57/2018) to proceed with the Blackpool Central Masterplan.

4.0 Council Priority:

4.1 The relevant Council Priorities for this project are:

- “The economy: Maximising growth and opportunity across Blackpool”
- “Communities: Creating stronger communities and increasing resilience”

5.0 Background Information

5.1 In March 2017 the Council entered into an Exclusivity Agreement with Developers, Nikal Limited and Media Invest Entertainment, who had expressed an interest in developing proposals for the Blackpool Central site. An extension to the original exclusivity period was issued in October 2018, with the effect of extending the exclusivity term to 28 February 2019. The Council, at its discretion, could extend this period further while looking to bring the negotiation to a close.

5.2 On 10 December 2018 the Executive agreed to adopt the proposed Master Plan for Blackpool Central, as presented by the developers (reference EX57/2019).

5.3 Following the agreement, Nikal Limited has been refining the proposal and have been preparing the Development Appraisals for the site, carrying out further due diligence work in order to confirm financial viability of the scheme, including the financial offer to be made to the Council for the land.

5.4 On 28 January 2019, Nikal Limited presented the Council with their initial appraisal for the site and details. Following submission of the appraisal the Council has been working closely with property consultants, Jones Lang LaSalle (JLL), to undertake assessment of the Developer’s appraisal. This assessment will seek to validate the information and to provide commercial comfort and confidence relating to the proposed scheme and the potential offer being made to the Council for the land. In addition to this the Council have been working with DWF Solicitors to commence the preparation of the legal documentation in relation to the land sale agreement.

5.5 It is now anticipated that a formal offer will be made by the developers to the Council shortly, upon receipt of which JLL would be requested to give their opinion as to best
consideration being achieved for the development proposed. JLL’s initial advice will be updated in the light of the offer received. Following this there will be a period of further due diligence and negotiation required to ensure that the final terms are agreed between each party, which supports the delivery of a viable scheme whilst meeting the financial, economic and regeneration objectives of the Council. An update on the latest position will be presented to the Executive.

5.6 **Principles of Sale Agreement**

The main principles of the land sale will be based upon an initial sale of areas of the site to deliver the following phases, in accordance with the concept masterplan:

A) Enabling Phase (Multi-storey car park);

B) Phase 1 (Chariots of the Gods attractions, food hall /artisan market, hotel and public realm works) and

C) Phase 2 (Hotel, residential and music venue/nightclub).

A fixed financial offer will be made by the Developer to the Council for the above areas of the site. These areas are illustrated on the drawing in Appendix 9b, as follows:

- Enabling Phase - Orange hatching,
- Phase 1 - Dark Grey shaded area
- Phase 2 - Light Grey shaded area.
- Phase 3 (area shaded Orange Appendix 9b) of the development, which includes; Chariots of the Gods expansion, a new hotel and residential apartments, will be dealt with by way of an initial minimum fixed land value. This will then be subject to an open market valuation at the time of drawdown (circa 2024).

This will provide some cost certainty in relation to the value of the land, whilst also allowing both the Council and the developer to consider the wider opportunities of accommodating the courts off site and to engage further with Her Majesty’s Courts and Tribunals Service.

Phase 4 of the developer’s masterplan (Promenade properties) will be considered at a time when further dialogue has been held with the private owners of the assets along the promenade and their aspirations are understood in the context of the wider scheme.

The drawdown of each phase will be subject to a number of conditions as set out in the legal agreement, such as; successful completion of previous phase and level / percentage of prelets agreed with operators.

When the final financial offer is received and validated, then the Council will seek authority to sign the land sale agreement, subject to and in accordance with Recommendation 2.1 of this report, for the Executive to delegate authority to the Chief Executive.
5.7 **Wider Benefits**

In addition to these fiscal benefits there are a number of wider regeneration and economic benefits which should be delivered through the development of the proposed scheme, which were outlined in the previous Executive report, these are:

- Ensuring Blackpool continues to be a world class destination for tourism, bringing new high quality, innovative leading-edge, and year round attractions set in a first class leisure environment for the enjoyment of both local residents and visitors.

- Regeneration of the Blackpool Central area, which will see wider direct and indirect benefits to businesses, the visitor economy and local economy.

- Improved visitor spend and business rate growth.

- Provision of good quality employment opportunities for people ensuring resilience and sustainability within the local area and beyond.

- Maximise the use of a prime seafront location within the heart of Blackpool, adjacent to the town centre, Promenade and a number of other key destinations within the town, including Blackpool Tower, Sealife Centre, Madame Tussauds, the Winter Gardens and Houndshill Shopping Centre

An initial assessment of the Developer’s proposal has identified the following benefits:

- UK’s first Flying Theatre
- Creation of up to 1000 new jobs
- Development of approximately 1.3m sqft of new floor space
- Increased annual tourism spend of circa £75m
- 600,000 new visitors
- 150 new high quality residential apartments
- 2 New hotels

5.8 Additional background information in relation to the project is included in Appendices 9a, 9b and 9c. Due to the ongoing negotiations at the time of publication these documents are not for publication by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered on balance that the public interest would be not served by publishing information at this stage. It is anticipated some elements of these documents will be published as the Blackpool Central project is implemented.
5.9 Does the information submitted include any exempt information? No

5.10 List of Appendices:

Appendix 9a: Blackpool Central financial resources requirement (exempt)
Appendix 9b: Blackpool Central Phasing Plan

6.0 Legal Considerations:

6.1 DWF LLP is supporting the Council and is preparing the drafting for the Land Sale Agreement, in accordance with the Head of Terms previously agreed and outlined in the Executive Report EX57/2018.

6.2 The Council may need to consider seeking a Compulsory Purchase Order resolution to ensure vacant possession of the whole site, to enable delivery of the Phases 1 and 2 of the scheme, in which case a further report would be brought to the Executive.

6.3 The Council's focus for the project is maximising growth and opportunity across Blackpool and creating stronger communities and the Council will not seek to control or specify the works to be undertaken by the developer. The Council would specify desirable outcomes of the transaction and rely only on its planning powers and the conditionality in the land sale agreement so it does not compromise a “public works contract” which requires a formal public procurement process to be undertaken. In addition, the Council would have the benefit of a non-development buy back should development not proceed.

7.0 Financial considerations:

7.1 The developer’s proposal will be to deliver the scheme in 4 phases over an 8 year period. The overall length of the programme and current uncertainty in the market has given rise to concerns of agreeing a land sale price so far in advance of completion. For this reason it is likely that the later phases will be based on the understanding that a minimum guaranteed land value will be offered in the initial appraisal by the developer with an agreement to undertake a market assessment nearer to the time of phase 2 / 3 delivery. This would provide the Council with some cost certainty, whilst allowing sufficient flexibility in the agreement to reappraise at a more appropriate time in the future.

7.2 Given the scale and quality of the development on the site, it is reasonable to assume that there will be significant long term financial benefits in relation to both increased business rates and increased visitor spend within the resort. Further details in relation to this will be provided prior to entering into the proposed Land Sale Agreement.

7.3 Blackpool Council currently derives an income stream from the site being the car park income that it yields. This income may or may not be replaced as a result of the development, currently yields around £1.5m per year to the Council’s General Fund Revenue Budget.
8.0 **Risk Management Considerations:**

8.1 Given that the agreement with the developer will be a land sale arrangement then the control mechanism for the development will be limited to conditions of the land sale agreement, non-development buy back provisions and those which can be imposed via the planning system.

8.2 There will be a number of risks associated with the land sale, these will be outlined following further discussion and due diligence undertaken with Jones Lang LaSalle.

8.3 Blackpool Council will have incurred legal, commercial property fees and in house costs, which will have to be met even if the scheme should fail to materialise.

8.4 Existing site information held by the Council has been furnished to the Developer for consideration within their due diligence and appraisal of the site. It is anticipated that within the offer presented to the Council that the Developer has made allowance for further site investigations and issues that may arise from these assessments.

8.5 Whilst the developer will be funding certain elements of the scheme and is likely to retain some interest in the final development, the majority of the funds will be sought from external investors. At this present time, the Developer has yet to secure all the investment required to deliver each component of the proposed scheme. It is reasonable to assume however, that the basis of the proposal is developed upon deliverable and fundable packages, as opposed to one large scale investment and the Developer has confirmed that this is their intent. This is likely to be a more effective method of funding in the marketplace, which is not unusual for a multi-phased development of this size.

8.6 Given that the overarching requirement is for a comprehensive redevelopment of the Blackpool Central site, it is evident that certainty of Phase 3 delivery is predicated on the relocation of the court facilities. In order to achieve delivery of Phase 3 further cooperation will be required with Her Majesty’s Courts and Tribunals Service and funds will need to be sourced to enable their relocation, options for which are being explored. The costs for new court provision within the town is currently estimated at between £10-£13m.

9.0 **Ethical Considerations**

9.1 None.

10.0 **Internal / External Consultation undertaken**

10.1 On 6 December 2018 a consultation event was held with the Executive Members of the Council, which was followed by approval of the developer’s proposed Master Plan for the site on 10 December 2018.
10.2 During March 2019, the developer will be providing a display of the Blackpool Central scheme within a shop front in the heart of Blackpool town centre. As the scheme progresses towards a planning application in the autumn, there will be further consultation including additional display material and scheme models.

11.0 Background papers:

11.1 None.

12.0 Key decision information:

12.1 Is this a key decision Yes

12.2 If so, Forward Plan reference number 1/2018

12.3 If a key decision, is the decision required in less than five days? No

12.4 If yes, please describe the reason for urgency.

13.0 Call-in information:

13.1 Are there any grounds for urgency, which would cause this decision to be exempt from the call-in process? No

13.2 If yes, please give reason:

TO BE COMPLETED BY THE HEAD OF DEMOCRATIC GOVERNANCE

14.0 Scrutiny Committee Chairman (where appropriate):

Date informed: 15 February 2019 Date approved:

15.0 Declarations of interest (if applicable):

15.1

16.0 Executive decision:

16.1

16.2 Date of Decision:
17.0 Reason(s) for decision:

18.1 Date Decision published:

19.0 Executive Members in attendance:

19.1

20.0 Call-in:

20.1

21.0 Notes:

21.1