

**Notice of:****EXECUTIVE****Relevant Officer:**

Alan Cavill, Director of Communications and Regeneration

**Relevant Cabinet Member:**

Councillor Mark Smith, Cabinet Member for Business, Enterprise and Job Creation

**Date of Meeting:**

13 July 2020

## **BLACKPOOL AIRPORT ENTERPRISE ZONE: COMMERCIAL DEVELOPMENT AND LEASE WITH MULTI-PLY COMPONENTS LTD.**

### **1.0 Purpose of the report:**

- 1.1 On 18 June 2018 the Executive considered a report in respect of Blackpool Airport Enterprise Zone and approved recommendations including agreement to the Enterprise Zone delivery.

This report seeks approval for the Council to develop a commercial unit of 40,000sq ft on the Enterprise Zone and subsequently enter into a 25 year lease with Multi-Ply Components Limited for the occupation of the premises, at a market rent without a premium.

The development could see over 100 new jobs brought into Blackpool in the key medical technology sector by a Lancashire based company looking to expand their business and bring valuable skilled employment into the area.

### **2.0 Recommendation(s):**

- 2.1 To approve the proposed development and subsequent grant of a lease in accordance with the Heads of Terms.
- 2.2 To agree to the conditions set out in the Heads of Terms. These have been agreed between the parties and are contained within Appendix 7a (Confidential).
- 2.3 To agree that the Council enter into a building contract for the construction of the proposed development, with agreement for the Council to negotiate construction costs up to the agreed budget costs, outlined in Appendix 7c (Financial Information).

- 2.4 To agree to the Council entering into a 'pre-emption agreement' for an additional lease with Multi-Ply Components Limited to be coterminous with the original lease for an area of land directly adjacent to the site for further expansion, in the future, if required.
- 2.4 In addition to the above, agreement 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 The agreement to construct a commercial unit on the Enterprise Zone falls within the requirements set out in the Enterprise Zone Masterplan.

The agreement between the Council and Multi-Ply Components Limited (tenant), supports in delivering on the priorities and objectives of the Council, bringing additional revenue income into the authority, whilst supporting business growth and additional skilled employment opportunities in the private sector.

This initial development starts to deliver on the ambitions of the Enterprise Zone Business Plan, bringing in new business to Blackpool and providing economic growth. This investment will help to stimulate and support the opportunities that the Enterprise Zone has to offer to new and existing businesses. The building will be a substantial unit on the Enterprise Zone and will set a precedent for the type of development Blackpool is seeking on the business park helping to promote further investment.

To provide good quality employment opportunities for people ensuring resilience and sustainability within the local area and beyond.

- 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 Council's approved budget? Yes

**3.3 Other alternative options to be considered:**

- i) The Council not to take forward this proposal, this was dismissed as there was a credible business with forecasted growth, which also offered commercial opportunity for the council.
- ii) For the Council to dispose of the land as either freehold or leasehold for Multi-Ply to develop independently of the Council. These options were explored throughout initial discussions, but not seen to be the preferred route by either party.

**4.0 Council priority:**

4.1 The relevant Council priority is: “The economy: Maximising growth and opportunity across Blackpool”.

**5.0 Background Information**

5.1 Since June 2018, significant progress has been made with the delivery of the Enterprise Zone Delivery Plan.

**Multi-Ply Components Limited.**

5.2 Multi-Ply Components Limited contacted the Council back in 2019 expressing an interest in opportunities to expand and deliver their business from the Enterprise Zone.

5.3 The company is currently located in Inskip, near Preston and is one of the world’s leading specialists in the design and manufacture of carbon fibre composite components for the medical X-Ray equipment industry manufacture. The company has been operational for over 20 years and has a strong business with proposals for growth and expansion significantly over the next 10 years.

5.4 The company currently employs circa 69 staff and they are seeking to increase this by approximately 15-20 staff in line with expansion of the business onto the Enterprise Zone, with potential further employment (in excess of 100) over the next five years and beyond. Their current premises have constrained and restricted plans for growth, as they are simply not large enough to accommodate the forecasted growth.

5.5 With credible business proposals for the future, the Head of Enterprise Zones continued to engage in discussions with a view to supporting and encouraging the relocation to the Enterprise Zone site.

5.6 The proposal to support the project has led to an opportunity for the Council to develop and construct the commercial unit and to enter into a lease arrangement with Multi-Ply Components Limited over a term of 25 years. Heads of Terms for the proposed development were negotiated and agreed between the parties earlier this year.

5.7 The terms of the proposal are contained with the Appendices, with the Council proposing to enter into an Agreement for Lease, during which the construction of the development will take place. Thereafter and upon practical completion of the construction Multi-Ply would then be obliged to take the lease of the premises on a

full repair and insure (FRI) basis. Due to the commercial nature of these negotiations 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.

#### 5.8 **Development Feasibility / Viability**

Early scheme feasibility and viability exercises were worked up by the Council's Growth and Prosperity team to assess the initial financial viability of the project.

5.9 Given the specific nature of the business and following this early feasibility work, further discussions with Multi-Ply were held. It was agreed that the Council would look to construct the main shell of the structure, Multi-Ply would provide capital funding for specific elements of the initial fit out, which would be included under the Council's main building contract and they would independently procure and undertake the main quantity of the internal fit out themselves. This arrangement reduces the capital risk to the Council and reinforces the commitment by Multi-Ply to invest in the Enterprise Zone. It is a significant investment by the company, representative of their ambitions for the future.

5.10 In order to develop the proposals the Council commissioned Architects Cassidy and Ashton Architects via the framework agreement already procured for the Enterprise Zone.

5.11 In addition to this and due to the required timescales for delivery of the project, early engagement and discussion had also been held with a building contractor to obtain contractor input both in relation to the design and construction costs. The contractor was selected from the Procure Northwest Framework.

5.12 A planning submission for the development was also made in July 2019, with approval being granted in October 2019.

#### **Design Development**

5.13 Over the recent months the Council's architects have been developing the proposals through to detailed design. It is anticipated that by the end of July the Contractor will be in a position to have obtained the full costs for the project. Subsequently and subject to agreeing the Contractors prices, the Council will be in a position to commission the project to construction delivery.

5.14 **Pre-emption agreement for future expansion**

Multi-Ply Components Limited have also sought to negotiate with the Council the ability to acquire an additional area of land to the east of the proposed site, for further expansion in future years. This area is illustrated on the location plan shown in Appendix 7b.

5.15 Does the information submitted include any exempt information? Noe

5.16 **List of Appendices:**

Appendix 7a - Heads of Terms (Exempt)

Appendix 7b – Location Plan

Appendix 7c – Financial Information (Exempt)

6.0 **Legal considerations:**

6.1 The Council will be entering into a formal building contract for the construction of the commercial premises. It is anticipated that the Standard JCT Design and Build Contract will be the form of contract entered into between the appointed Contractor and the Council.

6.2 An Agreement for Lease will also be entered into between the parties setting out the terms for the lease and each parties obligations under the agreement.

6.3 The term for the lease will be for a period of 25 years from practical completion of the building works. There will be no break provision within the term of the lease.

6.4 The tenant will have the ability to acquire the additional land from the Council during a 10 year period from the lease commencement date under the terms of a separate 'Pre-emption Agreement'.

6.5 The Council under Section 123 of the Local Government Act 1972 is to obtain best value, and in this respect the terms offered for the 25 year lease are in line with market values

7.0 **Human resources considerations:**

7.1 There are no additional Human Resources considerations.

8.0 **Equalities considerations:**

8.1 There are no additional Equalities considerations.

## **9.0 Financial considerations:**

- 9.1 The financial details for the scheme are contained with Appendix 7c. Given the commercial sensitivity of the negotiations these are to remain confidential.
- 9.2 Funding for the project will be a combination of Prudential Borrowing and Growth Deal Funding. The Growth Deal fund, has been approved by the Lancashire Enterprise Partnership (LEP), the funding administrators, although it is subject to formal documentation being completed in accordance with Growth Deal terms and conditions.
- 9.3 On completion and occupation of the new premises Multi-Ply Components Limited will be subject to business rates, which is anticipated to be in the region of £75,000 per year. This will be confirmed by the District Valuer in due course.
- 9.4 Negotiations with Multi-Ply have led the Council to agree that the building will be insured under the Council's insurance cover, with costs being recovered from the tenant.
- 9.5 There will be annual service charge levied to recover the general costs and expenses for common areas on the Business Park, such as grounds maintenance, security, unadopted highways maintenance and street cleaning.
- 9.6 At the end of the initial 25 year term the asset will either recovered by the Council or the tenants could look to enter into another lease at market rental. In the situation where the asset is recovered by the Council then a full dilapidations survey will be undertaken to assess works required in accordance with the terms of the lease. However it should be noted that some refurbishment works may be required by the Council in order to prepare the property to be marketed and leased to an alternative commercial occupier.

## **10.0 Risk management considerations:**

- 10.1 The scheme presents a number of potential risks to the Council.
- 10.2 The initial agreement involves the Council acting as developer, with the Council providing the core shell of the building. The tenant would be responsible for funding and fitting out the building as per their specific requirements. There are risks associated with the type of agreement, however throughout the course of negotiations the Council will seek to mitigate these risks via appropriate drafting in the legal contracts.

10.3 In the event that tenant does not take the property, then the Council may have to look to make modifications to the building prior to marketing the property for an alternative commercial tenant.

**Budget and Cost Forecast**

10.4 There is a risk that the Contractors prices are higher than those forecasted. Under this particular circumstance the Council and the Contractor will seek to undertake a value engineering exercise, in effort to bring the cost of the development / building within the budget parameters. In the event that these costs cannot be managed within the budget then the project is at risk of not being undertaken.

10.5 Under the terms of the Agreement for Lease, the Council will be contracted to deliver the building for occupation within a defined set of parameters. Should the Council fail to deliver in accordance with the terms of the lease, then the Council will be liable to reimburse all costs that the tenant has previously paid to the Council.

10.6 There may be an option for the tenant to agree to deliver the Part C fit-out works via the council's building contractor. This may reduce timescales for the overall delivery and therefore the commencement of business operations. In the event of the Council agreeing to this, the tenant would have to agree to make a series of advanced milestone payments for the fit out works and this would be reflected in the Agreement for Lease, along with other associated terms under this situation.

**11.0 Ethical considerations:**

11.1 None.

**12.0 Internal/external consultation undertaken:**

12.1 Internal consultation has taken place with the Council's Legal Services team and Finance team.

12.2 Approval for the scheme to be progressed has also been obtained via the Council's Growth and Prosperity Board

12.3 Planning approval was granted for the development in October 2019. Therefore the necessary statutory consultations were undertaken as required through the planning process.

**13.0 Background papers:**

13.1 EX30 – Enterprise Zone Masterplan Update (July 2019)

Planning Decision Ref 19/0391

**14.0 Key decision information:**

- 14.1 Is this a key decision? Yes
- 14.2 If so, Forward Plan reference number: 19/2019
- 14.3 If a key decision, is the decision required in less than five days? No
- 14.4 If **yes**, please describe the reason for urgency:

**15.0 Call-in information:**

- 15.1 Are there any grounds for urgency, which would cause this decision to be exempt from the call-in process? No
- 16.2 If **yes**, please give reason:

**TO BE COMPLETED BY THE HEAD OF DEMOCRATIC GOVERNANCE**

**16.0 Scrutiny Committee Chairman (where appropriate):**

Date informed: 3 July 2020 Date approved: N/A

**17.0 Declarations of interest (if applicable):**

17.1

**18.0 Executive decision:**

18.1

**19.0 Date of Decision:**

19.1

**20.0 Reason(s) for decision:**

20.1



**21.0 Date Decision published:**

21.1

**22.0 Executive Members in attendance:**

22.1

**23.0 Call-in:**

23.1

**24.0 Notes:**

24.1