

<b>Report to:</b>	<b>EXECUTIVE</b>
<b>Relevant Officer:</b>	Alan Cavill, Director of Communications and Regeneration
<b>Relevant Cabinet Member:</b>	Councillor Mark Smith, Cabinet Member for Business, Enterprise and Job Creation
<b>Date of Meeting:</b>	12 May 2021

## TALBOT GATEWAY PHASE 3 - OFFICE ACCOMMODATION

### 1.0 Purpose of the report:

- 1.1 To outline the steps to facilitate a specific demand for grade 'A' office accommodation in the Town Centre and to provide the additional financial and physical resources required to construct and building of 15,494m<sup>2</sup> net indoor area to accommodate this demand once the client has signed the Agreement for Lease.
- 1.2 This report updates EX23/2019.

### 2.0 Recommendation(s):

- 2.1 To delegate authority to the Chief Executive, after consultation with the Leader of the Council and relevant Cabinet Members, to:
- a) agree the terms of a third Supplemental Deed Agreement with Muse Developments Limited for delivery of the Office Accommodation development on King Street as part of the Talbot Gateway Project (Central Business District) Phase 3.
  - b) agree the Forward Funding Agreement with Muse Developments Limited for the development of the office accommodation and associated infrastructure.
  - c) agree and approve the terms of the Agreement for Lease, Lease and the licence for works with the third party interested in leasing the proposed office (with a gross indoor area of circa 20,300m<sup>2</sup> and a net indoor are of 15,494m<sup>2</sup>) on King Street.
  - d) authorise expenditure and contracts to facilitate a, b and c above.

2.2 To approve the overall scheme budget of £99,750,000 which will be funded in accordance with the Financial considerations section of the Executive report.

**3.0 Reasons for recommendation(s):**

3.1 The Council has been actively looking to bring forward more office-based developments through relocation or inward investment into the Town Centre as part of the Talbot Gateway Masterplan and the Town Centre Strategy. Discussions have taken place regarding several potential opportunities with one now at the stage where an agreement for lease could be signed. The client has requested confidentiality at this stage and a non-disclosure agreement has been signed so the Council is not able to disclose who they are until after the agreement for lease has been signed. Nevertheless, it is vital that the Council is in a position to respond quickly to progress this opportunity once the client is in a position to commit to the lease.

3.2 Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

3.3 Is the recommendation in accordance with the Council's approved budget. Subject to the approval of recommendation 2.2 in this report? Yes

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

4.1 None (other than not to do the scheme) as this builds on the previous work on the Talbot Gateway Masterplan and is entirely consistent with the next phase of its delivery and to achieve its stated objectives.

**5.0 Council priority:**

5.1 The relevant Council priority is: "The economy: Maximising growth and opportunity across Blackpool".

**6.0 Background information**

6.1 The Council and Muse Developments Limited have been working in partnership to develop the Central Business District since entering into a Development Agreement signed on 12 March 2009. The Masterplan contained in the Development Agreement was subsequently varied following Executive approval on 18 September 2009.

- 6.2 The Development Agreement was not varied at the time of the original approval to reflect the new Masterplan as it was considered that as development progressed, supplemental deeds would record any variations that were needed at that time. Thus:
- the First Supplemental Deed was signed on the 23 December 2010 for the delivery of a supermarket, Council office, Banks Street Car Park and refurbished Talbot Multi-Storey Car Park (EX73/2010 refers).
  - the Second Supplemental Deed was signed on 19 September 2017 for the development of the eastern side of the area formally occupied by the Wilko's Building as a Holiday Inn (four star equivalent) 144-room hotel (including restaurant) with retail units on the lower ground floor and the provision of a wide interconnecting underpass under the Hotel and High Street between the new tramway terminus and Blackpool North Station (EX59/2016 and EX17/2020 refer).

- 6.3 The first phase of Talbot Gateway Central Business District, completed in 2014, saw £80 million of investment with over 1,000 employees brought into the town centre based in Grade 'A1' office accommodation with accompanying retail units, the construction of a flagship Sainsbury's store, the refurbishment of Talbot multi-storey car park and the provision of much improved traffic management and public spaces in the surrounding area.

Talbot Gateway Phase 2 commenced in 2020 with the demolition of the Wilko building and this will see the construction of the new hotel, a temporary car-park, a much improved underpass providing connectivity between the tram network and Blackpool North Station under High Street and the completion of the tramway extension and a transport interchange (connecting the tram to the rail system).

- 6.4 As a result of this success, the Council is looking to bring forward more office-based developments to increase footfall in the town centre and support the town's continued economic growth as a key part of its overall Growth and Prosperity programme. This will be achieved through either relocation or inward investment into the Town Centre as part of the Talbot Gateway Masterplan.

- 6.5 On 25 February 2019 the Executive approved the expenditure of funds (under EX23/2019) in order to carry out feasibility studies, as well concept and initial design to identify how the demand for a Grade 'A' office accommodation could be met in the town centre.

- 6.6 As part of the feasibility study, a large organisation has been identified that wishes to relocate to a large office development in Blackpool Town Centre, and therefore the initial design has been centred around providing a Grade 'A' office to meet their particular needs

- 6.7 The priority for Talbot Gateway is to secure more high quality jobs not only to expand and drive footfall into the town centre (with the knock on effects of encouraging the

upgrading of the town centre retail, restaurant and other facilities) but also to secure and increase job opportunities for local residents.

- 6.8 The Council and Muse Developments have been negotiating with the prospective tenant and have been developing designs for the scheme that meets their requirements. As a result of this work Muse Developments submitted a hybrid planning application (no 20/0751) which was approved by the Planning Committee on the 16 November 2020. This application is for 'Outline' consent for the construction of the new office building (GIA circa 20,300sq. m.) and 'Full' consent for the relocation of the King Street Dental Surgery to the former Hop Inn.
- 6.9 The necessary land has been secured through prior acquisitions and the making, confirmation and implementation of a Compulsory Purchase Order known as the "Blackpool Borough Council (King Street No1) Compulsory Purchase Order 2020" to secure the few residual interests.
- 6.10 Authority for this scheme is being sought subject to the completion of the negotiations and the signing of an Agreement for Lease with the prospective tenant to ensure that the Council will only commit to the construction of the building once they are committed to occupying it.
- 6.11 It is intended that:
- The new building will be designed and delivered by Muse Developments Limited.
  - The Tenant will enter into an Agreement for Lease prior to the construction work starting.
  - There will be a Lease for a period of 25 years to the tenant.
  - The Agreement for Lease and the Lease have been negotiated on a commercial basis.
  - The Council will forward fund the construction and own the freehold of the office building.
  - The Council will forward fund the construction of the CAT B and C fitting out of the building. The Tenant will reimburse the Council for their costs associated with these fit-out works as they are incurred and prior to them taking occupation of the building.
- (Note: 'Cat A', 'Cat B' and 'Cat C' are industry accepted terms relating to the standard of the internal fit out of an office building)
- 6.12 To enable this development there is a need to enter into another (third) Supplemental Deed with Muse Developments to allow the scheme to proceed.

6.13 Does the information submitted include any exempt information? No

The schedule of risk and opportunities at Appendix 2(d) could undermine the Council's position in continuing and future negotiations so at the time of publication this document is not for publication by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

## **7.0 List of Appendices:**

- 7.1 Appendix 2(a) - Talbot Gateway Masterplan
- Appendix 2(b) - Talbot Gateway Phase 3 Plan
- Appendix 2(c) - CGI Image of Proposed New Office from Weaver Walk
- Appendix 2(d) - Schedule of Risks and Opportunities (Exempt)

## **8.0 Financial considerations:**

- 8.1 The total estimated development costs is £99,750,000.
- 8.2 The Council's share of the above is estimated to be £82,250,000 and this will be financed through Prudential Borrowing.
- 8.3 The estimated Tenant's share of the above is £17,500,000 and this will be refunded in monthly stages by the Tenant as these costs are incurred by the Council.
- 8.4 The income from the lease or any future disposal of the asset will be used to offset the remaining costs of the Prudential Borrowing. During years 1 to 7 there is a modest cash flow shortfall which will in the short term be managed via the Medium Term Financial Strategy. These monies should be repaid in the later stages of the lease. This small deficit is more than offset by the wider economic and financial benefits derived as a result of a regeneration scheme of this magnitude.

## **9.0 Legal considerations:**

- 9.1 This is subject to the Agreement for Lease being entered into with the prospective Tenant. The AFL will contain a draft copy for the Lease and the licence for works.

## **10.0 Risk Management considerations:**

- 10.1 Project risk management will be applied throughout the life of the scheme and this will include ongoing risk assessment, analysis, evaluation and monitoring. As part of this, all key risks and opportunities will be considered and appropriate controls will be

Implemented to reduce any unacceptable level of risk. The risk management considerations are explored further in Appendix 2(d).

**11.0 Equalities considerations:**

11.1 None.

**12.0 Sustainability, climate change and environmental considerations:**

12.1 None directly from the report, although consideration will be given to minimise the carbon footprint of any development.

**13.0 Internal/external consultation undertaken:**

13.1 Finance, Legal, the Growth and Prosperity Board, Blackpool Council Planning, Muse Developments Limited

**14.0 Background papers:**

14.1 None.

**15.0 Key decision information:**

15.1 Is this a key decision? Yes

15.2 If so, Forward Plan reference number: 1/2021

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

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

15.2 If **yes**, please give reason:

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

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

Date informed: 29 April 2021 Date approved:

**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