

## Officer Non Key Executive Decision

<b>Relevant Chief Officer (Decision Maker):</b>	Neil Jack, Chief Executive
<b>Relevant Cabinet Member (for consultation purposes):</b>	Councillor Mark Smith, Cabinet Member for Business, Enterprise and Job Creation
<b>Report Author (Officer name and title):</b>	Antony Hill, Head of Programme Delivery
<b>Implementation Date of Decision:</b>	27 September 2021

### TALBOT GATEWAY PHASE 3 - OFFICE ACCOMMODATION

#### 1.0 Purpose of the report:

1.1 To approve the development of a site within The Talbot Gateway (Central Business District) as grade 'A' office accommodation and to authorise the execution of the Contracts necessary to facilitate this Development.

1.2 This report provides an update on the decisions made in EX25/2021.

#### 2.0 Recommendation(s):

2.1 To authorise the Head of Legal Services to enter into and exchange on the Agreement for Lease and subsequently grant the Lease with the third party interested in leasing the proposed office (with a GIA of circa 20,300m<sup>2</sup> and a NIA of 15,494m<sup>2</sup>) on King Street.

2.2 To approve the terms of the 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.

2.3 To approve the terms of the Forward Funding Agreement with Muse Developments Limited for the development of the office accommodation and associated infrastructure.

2.4 To authorise the expenditure and contracts to facilitate the above.

#### 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 with an interested party have progressed well and they are now at the stage where they are willing to sign an agreement for lease. The client has requested confidentiality at this stage and a non-disclosure agreement has been signed so we are not able to disclose who they are until they are willing to do so after the signing of the Agreement for Lease.

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:

None

#### **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 For the background information please refer to the Executive Decision EX25/2021 which was approved by the Council's Executive on 12<sup>th</sup> May 2021.

5.2 Negotiations with the interested party are now at the stage where they are ready to sign an Agreement for Lease. The client is still requesting confidentiality at this stage and the non-disclosure agreement is still in place so we are not able to disclose who they are until they are willing to do so.

5.3 The Council and Muse Developments have also agreed the terms of the third Supplemental Deed Agreement and the Forward Funding Agreement for them to deliver the development of the office accommodation (with a GIA of circa 20,300m<sup>2</sup> and a NIA of 15,494m<sup>2</sup>) and associated infrastructure on King Street.

5.4 The terms of (1) the Agreement for Lease with the Tenant and (2) the third Supplemental Deed Agreement and the Forward Funding Agreement are that: No

- The new building will be designed and delivered by Muse Developments Limited.
- The Tenant will enter into an Agreement for Lease confirming that they are committed to a Lease for a period of 25 years.
- The Agreement for Lease and the Lease have been negotiated to reflect the commercial deal agreed between the parties.
- The Council will forward fund the acquisition of the necessary property, the demolition of the existing structures & site clearance, the construction of the office building (i.e. the CAT A works), the construction of the surrounding public realm & infrastructure and the construction of the temporary car park.
- The Council will forward fund the construction of the CAT B & 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.
- The Council will retain the freehold of the office building.

(Note: 'Cat A', 'Cat B' and 'Cat C' are industry accepted terms relating to the construction of a commercial property and the standard of the internal fit out of an office building.

'Cat A' is the basic office block fitted out but as an open space with lighting, ventilation decorating & carpet.

'Cat B' is where the office is fitted out with internal partitions for meeting rooms, offices and kitchens, along with the installation of underfloor electrics and where necessary ICT cabling & switches etc.

'Cat C' covers the installation of furniture such as desks chairs)

5.5 Executive Decision EX25/2021 delegated authority to the Council's Chief Executive after consultation with the Leader of the Council and relevant Cabinet Members:

1. To authorise the Head of Legal Services to enter into an Agreement for Lease and subsequently grant the Lease to the prospective Tenant.
2. To approve the terms of the third Supplemental Deed Agreement with Muse Developments Limited to enable the delivery of the Office Accommodation development on King Street as part of the Talbot Gateway Project (Central Business District) Phase 3.
3. To approve the terms of the Forward Funding Agreement with Muse Developments Limited for the development of the office

accommodation and associated infrastructure.

4. To authorise the Head of Legal Services to enter into the contracts with Muse Development Limited for the third Supplemental Deed and Forward Funding Agreement for the development of the office accommodation and associated infrastructure
5. To authorise the necessary expenditure to facilitate the above.

5.6 The Maximum commitment to Muse Developments for the delivery of the enabling work, the 'Cat A', 'Cat B' and 'Cat C' work and the infrastructure work is £89,560,665.

5.7 Does the information submitted include any exempt information? **NO**

**6.0 Legal considerations:**

6.1 The Legal agreements with the Tenant & Muse Developments Limited must be completed simultaneously.

**7.0 Human Resources considerations:**

7.1 None as a consequence of this report.

**8.0 Equalities considerations:**

8.1 None as a consequence of this report.

**9.0 Financial considerations:**

9.1 The total estimated development costs is £98,250,000.

9.3 The total Maximum Commitment to Muse Development Limited to deliver the Office Accommodation development and associated infrastructure on King Street is £89,560,665.

9.4 The estimated Tenant's share of the above is £15,965,045 and this will be refunded in monthly stages by the Tenant as these costs are incurred by the Council.

9.5 Other costs incurred by the Council are £8,599,335.

9.6 The maximum expenditure incurred by the Council will be £82,284,955. (Financed through Prudential Borrowing).

**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.

10.2 The risk management considerations were explored further in EX25/2021 Appendix 2(d) Schedule of Risks and Opportunities (this document is Exempt)

**11.0 Ethical considerations:**

11.1 None.

**12.0 Internal/ External Consultation undertaken:**

12.1 None.

**13.0 Decision of Chief Officer**

- 13.1
1. To authorise the Head of Legal Services to enter into and exchange on the Agreement for Lease and subsequently grant the Lease with the third party interested in leasing the proposed office (with a GIA of circa 20,300m<sup>2</sup> and a NIA of 15,494m<sup>2</sup>) on King Street.
  2. To approve the terms of the 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.
  3. To approve the terms of the Forward Funding Agreement with Muse Developments Limited for the development of the office accommodation and associated infrastructure.
  4. To authorise the expenditure and contracts to facilitate the above.

**14.0 Reasons for the Decision of the Chief Officer**

14.1 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 with an interested party have progressed well and they are now at the stage where they are willing to sign an agreement for lease. The client has requested confidentiality at this stage and a non-disclosure agreement has been signed so we are not able to disclose who they are until they are willing to do so after the signing of the Agreement for Lease.