

Report to: Cabinet
Date of meeting: 11th Nov 2013
Report of: Programme Manager Regeneration Projects
Title: Watford Business Park

1.0 **SUMMARY**

- 1.1 Watford Business Park (WPB) is a large industrial estate located in the Holywell ward. The freehold is owned by the council who have granted long leases to various parties. Much of the estate was constructed in 1960 and whilst some areas have been modernised there remain significant areas that are in need of investment and updating.
- 1.2 Historic attempts by Watford Borough Council (WBC) to obtain Local Enterprise Partnership (LEP) funding to develop a strategy and to provide funding to initiate early phases of work to WBP had proved unsuccessful. WBC recently approached the LEP again jointly with Greenhill Asset Management (GAM) who manage the adjacent Croxley Business Park, as there are a number of potential synergies for both parties in improving each other's assets as well as the area. This application was successful and the LEP agreed to provide £1.5m of loan funding for the project.
- 1.3 The LEP funding consists of £300k to develop a regeneration strategy by March 2014 and a further £1.2m contribution for the implementation of identified projects from that strategy. Completion of the strategy does not commit WBC to draw down further funds or commit to projects. A further report will be brought to cabinet for consideration when the strategy is completed so next steps can be discussed.
- 1.4 It has been provisionally agreed that £150k of the strategy development costs will be a fee for GAM and their sub consultants. The fee will be paid against agreed milestones whilst the remaining £150k is anticipated to be incurred on general due diligence work and technical studies
- 1.5 LEP funding conditions require the funds drawn to be paid back by 2019 with interest. The property department have identified a number of existing opportunities on the estate that could generate revenue and repay the £300k strategy work in that timescale in the event of no additional projects being identified. It is thought greater returns could be generated in the context of an overall strategy and consequently these short term opportunities will not be pursued individually at this stage until the strategy review is complete.
- 1.6 An exemption to the Contract Procedure Rules can apply in exceptional circumstances or where prior approval for that exemption has been granted at a Cabinet meeting. An exemption is proposed in this case to allow a single tender action with GAM for them to lead on the strategic review. This is based on the synergies and potential opportunities that could be realised from their association

with the adjacent estate and on the success of the joint approach with them to the LEP.

2.0 RECOMMENDATIONS

- 2.1 To agree the appointment of Greenhill Asset Management to undertake a review of the Watford Business Park as described against agreed milestones without going through a formal competitive procurement.
- 2.2 To agree to enter an agreement with the LEP to draw down up to £300,000 of funding to develop a strategy for Watford Business Park. This draw down amount is within the currently agreed £10 million borrowing limit.
- 2.3 To note a further report will be submitted to Cabinet regarding any further drawdown of funds for project implementation on completion of the strategy

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Report approved by:

Jane Custance, Head of Regeneration and Development

3.0 DETAILED PROPOSAL

- 3.1 Watford Business Park is a large industrial estate of 67 acres the freehold of which is owned by the Council. The estate was built in the 1960s and whilst a proportion has been rebuilt or refurbished many older buildings remain. Much of the estate is inefficient from a land use perspective and presents opportunities to enhance both value and the socio economic benefits, as they are not realising their full potential.

The Council granted 55 long ground leases of terms of between 99 and 125 years on most of the units in the 1960s. Many of the long leases are now at a length which discourages further investment by the long leaseholders. It is intended that as part of this process we enter dialogue with these parties with the aim of renegotiating and regearing the leases or possibly relocating uses.

The tighter access to funding over the last number of years has also exasperated the issue of lack of investment.

- 3.2 Watford Business Park is seen as an underperforming estate both in terms of employment opportunities and financial returns and the purpose of this report is to encourage further investment as well as identifying individual projects to act as a

catalyst for regeneration purposes. The estate generates an income of [£600,000pa] from the ground leases which is a significant portion of the Council's income from investment property and this project's aim would be to increase long term revenue and capital gain and reverse the erosion of income that has occurred over recent years.

- 3.3 The Business Park is in a key regeneration area close to the newly open Morrison Supermarket at Ascot Road and with Croxley Rail Link and a new station opening close by in 2017 it is an opportune time to review the Business Park and investigate what opportunities present themselves.
- 3.4 A strategy needs to be put in place to deliver and take forward the Business Park for the next 20 years. This may include infrastructure improvements, a decant strategy within the estate and improved public realm, which could free up other development opportunities and add value to the Council's assets.
- 3.5 The successful application for LEP funding with GAM now enables a strategy to be developed and due diligence work to commence.

The due diligence work includes:-

- Full review of freehold title
- Full review of head leases
- Full review of Occupational leases
- Land use survey and mapping
- End user research
- Planning
- Estate zones and land use block plans
- IT Infrastructure
- Building design concepts
- Transport Infrastructure
- Public realm
- Valuation appraisals

- 3.6 GAM's element of the work is proposed to be:

- leading the steering group
- leading the operational work groups
- co-ordinating the delivery of the due diligence work
- preparing a draft report for consideration by Dec 2013
- preparing final report by March 2014

- 3.7 The Council are also implementing parking enforcement on the estate from Christmas 2013 and this is likely to generate issues that will need to be addressed in the report.

4.0 **IMPLICATIONS**

4.1 **Financial**

- 4.1.1 The Shared Director of Finance comments that the LEP funding is a loan and subject

to interest payments. The loan will be financed via re-gearing and obtaining premiums from existing leases on the business park and will therefore not impact on the revenue budget. The expenditure will be treated as capital, which will be funded from the revenue savings released from the re-gearing and renegotiations of the existing leases.

4.2 **Legal Issues** (Monitoring Officer)

4.2.1 The Head of Democracy and Governance comments that the LEP funding is a loan and is also subject to interest payments. The Council will also require GAM to sign a confidentiality and competition warranty agreement, to protect the Council's interests, in view of GAM's interest in the adjoining business park.

4.3 **Equalities**

Regeneration of the Business Park is an opportunity that is identified in the adopted Local Plan – Core Strategy. The Local Plan was subject to a full Equality Impact Assessment. Any strategy arising from the work commissioned with GAM would be subject to a further EqIA.

4.4 **Potential Risks**

Please identify potential risks using the graph below. An example is given to demonstrate how the graph should be used. The score is reached by multiplying the likelihood by the impact.

Potential Risk	Likelihood	Impact	Overall score
No projects identified to generate sufficient revenue to pay back funds to LEP in timescale.	1	4	4
Communication around implementation plans and possible relocating businesses badly received	3	2	6
Controlled Parking zone enforcement in December resulting in complaints linking this approved work stream with the strategy review.	3	2	6
Those risks scoring 9 or above are considered significant and will need specific attention in project management. They will also be added to the service's Risk Register.			

4.5 **Staffing**

4.5.1 It is proposed that a steering group be set up with officers from WBC, LEP and senior representation from GAM. All of which have been identified

4.6 **Accommodation**

4.6.1 GAM will make their offices at Croxley Business Park available as a base for the various consultants we appoint and for regular meetings.

4.7 **Community Safety**

4.7.1 As part of the review security, lighting and road safety issues will be addressed.

4.8 **Sustainability**

4.8.1 Many buildings in WBP date back to the 60s and are inefficient both in terms of configuration and do not meet basic energy standards. This report will assist in addressing how to improve issues.

One of GAM's core skills is addressing sustainability issues as is demonstrated by their management of Croxley Business Park.

4.8.2 With the delivery of Croxley Rail Link in 2017 transport issues will be reviewed and if any Green Travel Plan initiatives can be made to work in this area.

Appendices

Appendix 1.....Plan of Estate
Appendix 2.....Aerial Photo

Background Papers

None

File Reference

- None.