



Belfast City Council

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| Report to: | Strategic Policy & Resources Committee |
| Subject: | Forthriver – Proposed Innovation Centre |
| Date: | 25 April 2012 |
| Reporting Officers: | Gerry Millar, Director of Property & Projects John McGrillen, Director of Development |
| Contact Officers: | Cathy Reynolds, Estates Manager, Property & Projects Lisa Toland, Economic Development Manager |

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| 2.0 | Relevant Background Information |
| 2.1 | The Development Committee at their meeting of 27 th September 2011 agreed to support an application for ERDF (European Regional Development Fund) funding in respect of a proposed Innovation Centre project at Springvale/Forthriver. The Strategic Policy & Resources Committee at their meeting on 23 rd September 2011 also agreed to support the application for this project and agreed in principle to meeting the Council contribution from either the Council's City Investment Fund and/or capital programme subject to attaining an economic appraisal demonstrating a positive economic benefit to the city and being awarded projected grant funding. These approvals were subsequently ratified by Council on 3 rd October 2011. |
| 2.2 | The Forthriver Innovation Centre project is included as an emerging Council-led Investment project in the Council's draft Investment Programme 2012 – 2015. Further reports are to be brought to the Strategic Policy & Resources Committee in relation to the proposed governance arrangements and prioritisation of the Investment Programme. However, due to the timing issues around the ERDF grant funding application, Members are being asked in advance of this to note the INI procedural stepped process which now involves a requirement to submit a Scoping Document to Invest NI as part of the funding application and to seek their approval on the proposed Development Brief process as outlined below. |
| 2.3 | It is intended that the Innovation Centre will complement the recent investment by Belfast Metropolitan College in their E3 campus at Springvale. This campus – which was just handed over to Belfast Met at the beginning of April – is to be the base for the college's project-based learning activity, involving students working with local businesses on company-based projects. In tandem, the students will be provided with entrepreneurship training and there will be facilities for students to work on their own business ideas. It is intended that, should the students require additional space and facilities, they may then consider locating in the new |

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| | <p>Innovation Centre. This will help build a critical mass of new growth businesses in this location and will create a positive regeneration project at this site, which currently attracts significant levels of anti-social behaviour.</p> <p>2.4 The Forthriver site is owned by INI and is a serviced site which has been set aside for use by INI eligible businesses. The approximate location of the proposed site is shown on the map enclosed at Appendix 1. INI, whilst supportive of the application, have reiterated the following points which are relevant in terms of taking forward this funding application:</p> <ul style="list-style-type: none"> • This is a Council/EU scheme. Belfast City Council are the applicant for the purposes of this funding, which is a Local Economic Development (LED) project, and LED funding constraints will steer the type of development and conditions attached to the funding. The development will have to fit within the scheme rules and equally must align with the Council's objectives. • Procurement is a BCC issue and INI will expect BCC to be complete and compliant in terms of procurement including the procurement of an operator to deliver and manage the scheme, and in terms of any subsequent land or property disposal. • The funding is viewed by INI as being 50% EU funding, 25% Council funding and up to 25% 3rd party which could be INI if the project aligns with INI objectives. In this instance INI are willing to consider grant aiding up to the 25% subject to a successful funding application and approval process. INI would require the Council to purchase the land (by way of a 999 year lease) and have indicated a value of circa £130,000 per acre and are prepared to make 2 acres available, therefore total cost £260,000. The lease and the grant would have conditions in terms of user clawback etc. One of the conditions is that the completed development cannot be occupied by a public sector body. INI cannot sub-vent the land element, i.e. they cannot make this part of their (up to) 25% contribution, although the land value can form part of the Council's 25% contribution. <p>2.5 If the funding application is successful and the Council draws down the 75% funding and commits a further 25% of its own funding there needs to be clarity as to how the Council wishes to utilise the funding, develop the project and who the potential owner/operator of the completed scheme will be and whether an operator will lease or have to financially contribute to the project. The Council will own the land upon which the proposed project is to be developed. In order to provide transparency and for legal and audit compliance, any such decisions will need to be in line with procurement, legal and land disposal regulations.</p> <p>2.6 Rather than the Council constructing the proposed Innovation Centre itself and risk building something speculatively which the market doesn't want or which is not compatible with the end users requirements, it is proposed that the Council alternatively consider progressing down the route of a Development Brief process. This process would entail the Council offering the site on the market for disposal (usually by way of long lease) and subsequent development. A development agreement would be entered into with the successful applicant/developer requiring them to develop within a certain timeframe & subject to certain criteria, and on practical completion title would be granted.</p> <p>2.7 The Development Brief would contain criteria in terms of both the economic objectives and anticipated outcomes (aligned to the Council's economic objectives and LED funding constraints) as well as the usual financial and property related criteria. It would be open to potential end users/operators to</p> |
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| | <p>respond to the brief accordingly; subject to any funding conditions in terms of the end user. Clarification is currently being sought from both INI and DETI (as the managing agent for the EU funding) to confirm specific conditions around end users, namely whether this project is only accessible to voluntary and social enterprise businesses.</p> |
| 2.8 | <p>If Members are agreeable to progressing via this route, it is proposed that a Steering Group with Member representation could be involved in the Development Brief process in terms of drawing up criteria and the subsequent evaluation of bids. Land disposal, procurement and legal advice will also be required. Reports would however still be brought to Committee for approval to all stages of the process.</p> |
| 2.9 | <p>INI have provided a stepped process in terms of taking this project forward. One of the initial stages is that a 'Scoping Document' is to be submitted to INI outlining the proposed terms of the project and the potential outcomes and economic considerations. INI would then provide initial feedback on the potential viability and suitability for funding under the LED measure. This would then allow the Council to instigate the Development Brief process, if Members agree that this is the most appropriate route</p> |
| 2.10 | <p>The Development Brief would make the scheme conditional on the Council being successful on drawing down the ERDF funding and on the proposed scheme receiving a positive economic appraisal. It could require the operator to provide a financial contribution to the scheme although this is subject to clarification from INI as to how this financial contribution would be treated in terms of the grant application. Upon completion of the completed development the Council could potentially then lease the site either on the basis of a capital premium or alternatively a ground rent (as with Balmoral & Duncrue Industrial Estates) or equity rent (as with the Gasworks Business Park). INI are to also advise further as to whether this would impact on the amount of grant</p> <p>If the Council do not propose to seek any financial return they will need to make sure that it complies with their legal obligation in terms of land disposals and in particular the requirements of the Local Government Act 1976 (Section 96) which requires all disposals to be at best price or on best terms, otherwise DOE approval is required.</p> |
| 2.11 | <p>On receipt of the completed responses to the Development Brief, the Council would make an assessment of the relative merits of all submissions. The preferred submission could then be approved in principle, and a full application for support made to Invest NI based on this submission. This application would then undergo economic appraisal and subject to a positive outcome of this, Invest NI would approve the requisite budget for the development. Following a letter of offer from INI, the Council in turn, would enter into a simultaneous development agreement and agreement for lease with the end operator.</p> |
| 2.12 | <p>INI can only formally allocate the site at Forthriver to the Council following the LED letter of offer. Up until this point INI are officially holding this site as being available for other interests. Once INI allocate the site for this project, the Council would be required to enter into an agreement to lease (i.e. agree to purchase the site) with INI and pay a 10% non refundable deposit to INI.</p> |
| 2.13 | <p>Invest NI have advised that the LED letter of offer may be forthcoming towards the end of this year if the Scoping Document and other decisions on the part of the Council are initiated now. In any case, all letters of offer for projects under the LED budget must be in place by the end of 2013 at the latest and all spend must be incurred and accounted for by the end of 2015.</p> |

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| 2.14 | Central Procurement Department (CPD) is used by INI to verify construction costs and the procurement process on the part of INI. Based on CPD approval to INI the LED funds would be released to the Council, either at the end of the completed project or on a staged basis. The Council would be the recipient of the funding and an agreed governance and audit arrangement would require to be put in place in terms of utilising these monies for the construction of the proposed development. |
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| 3 | Key Issues |
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| 3.1 | The Forthriver Innovation Centre project is included as an emerging Council-led investment project in the Council's draft Investment Programme 2012 – 2015. The Development Committee & the Strategic Policy & Resources Committee in September 2011 granted approval to proceed with a grant application for ERDF funding. |
| 3.2 | Due to the timing issues around the ERDF Grant Funding application, Members are being asked to note the INI stepped process, which now involves a Scoping Document having to be submitted to INI. Members are also being asked to give their approval on the proposed Development Brief process as outlined above. |
| 3.3 | Subject to Members agreeing to the proposed Development Brief route the Scoping Document can be submitted to INI for consideration. It will set out the proposed terms of the project and the potential outcomes and economic considerations, in order to get initial feedback from Invest NI on potential viability and suitability for funding under the LED measure. |
| 3.4 | The subsequent Development Brief would contain criteria in terms of both the economic objectives and anticipated outcomes (aligned to the Council's economic objectives and LED funding constraints) as well as the usual financial and property related criteria. The Development Brief would be offered on the market and it would be open to end users to respond to the brief accordingly, subject to any funding conditions as to the end user. |
| 3.5 | It is proposed that a Steering group with Member representation could be involved in the Development Brief process and the evaluation of bids etc but with reports to be brought back to Committee at each stage of the process. |
| 3.6 | The preferred submission under the Development Brief would be subject to the successful outcome of a funding application to DETI/Invest NI for the EU and possible Invest NI match funding. This application would be made by Belfast City Council. One key element of the application process is an economic appraisal which will be carried out by an externally-appointed organisation. |
| 3.7 | The Council would only enter into an agreement with the bidder for the site once all of these processes had been completed and on transfer of the land from Invest NI. |
| 3.8 | Members should note that there is likely to be significant demand on the EU funds and therefore any significant delays in the application process could jeopardise the availability of this funding source. |

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| 4 | Resource Implications |
| | <p><u>Finance</u></p> <p>Until a fully worked out business case is completed and detailed costings are obtained it is not possible to state with certainty the financial contribution required from the Council towards this project; however it had been previously estimated that the total cost of the project was circa £8m with potential funding of £6m and a Council contribution of £2m. The Council's contribution could include the land acquisition or land value and other eligible costs. The Council will however be required to purchase the land from INI at an estimated site valuation of £260,000.</p> <p>Depending on how the Council propose to eventually dispose or sublease the land to the end operator, and subject to INI advice on how this would be treated in terms of the grant application, a rental income and or capital premium may be payable by the developer/end operator. A further report will be brought back to Committee on this and the overall financial details in due course.</p> <p><u>Human Resources</u></p> <p>There will be a significant staff resource (primarily from Property & Projects; Economic Development Unit and Legal Services) in taking forward this project.</p> <p><u>Asset & Other Implications</u></p> <p>The development of this site should lead to improved social economic and regenerative benefits.</p> |

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| 5 | Recommendations |
| | <p>Members are asked to:</p> <ul style="list-style-type: none"> i) Note the update as provided above and the proposed next steps in the grant funding application, which now requires the submission of a scoping Document to INI for consideration. ii) Approve this project being progressed on the basis of the Development Brief process as outlined (subject to a successful ERDF grant application outcome). iii) Note that a further report will be brought back to Committee in due course, following consideration by INI of the Scoping Document, and to advise on financial requirements; and to seek further approvals in relation to the detail of the proposed Development Brief criteria and process. |

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| 6 | Key to Abbreviations |
| | <p>INI – Invest Northern Ireland ERDF – European Regional Development Fund DETI – Department of Enterprise, Trade & Investment LED – Local Economic Development</p> |

