

Agenda item 5

For decision: Bringing forward development of land at Saxonvale

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Summary

The purpose of this report is to seek approval to appoint an agent that can work with FTC to identify a potential joint venture (JV) partner to develop the Council's land at Saxonvale. The emphasis would be on delivering workspace to meet local demand but the Council should also explore the potential for a mixed-use development.

Background

Cllrs will be aware that FTC purchased 0.56 ha (1.39 acres) land at Saxonvale from the Homes & Communities Agency in 2013 ([see Appendix 1 for plan](#)). The purpose of this acquisition was to help safeguard the Saxonvale Training Centre and to enable the Council to influence the overall development of the former industrial area of Saxonvale. To the north and west lies land owned by Notts Industries Pension Fund. To the south, Garsdale separates the site from land owned by Terramond. Current uses of the site include Saxonvale Training Centre occupied by SSL, storage for Fair Frome (both on a tenancy at will) and open storage by FTC to support environmental work.

FTC has led a process of trying to build partnerships and momentum around a coordinated and comprehensive development of Saxonvale. This work continues especially through the Saxonvale Steering Group that brings together all three tiers of local government. In this context, it is important that we are clear about the contribution the Council's own land can make to the overall development of Saxonvale.

The options

Advice has been taken from a partnership of Jeremy Smalley Consulting Limited, Penhalt and Myddleton & Major on the various options open to FTC. Their main conclusion is that whilst residential development is likely to generate the highest value, FTC should consider 'plugging the gap' in the provision of employment space especially in the town centre where demand is buoyant and supply is scarce. Possibly, a mixed-use development including office space, more permanent training space and residential accommodation could be considered as an alternative.

A separate report prepared by Team Consulting (Jeremy Smalley & Seamus Cleary) identifies that there is a gap in provision of appropriate affordable office-based premises suitable for the 'micro business' (employing under 10 people) in the range 250 - 1,000 sq. ft. although FTC is also aware of larger requirements. Many businesses in the town wish to 'grow on' from their existing location but currently cannot find accommodation that is suited to their

needs in the town centre. Further information to illustrate the buoyancy of the current market will be provided at the meeting.

The Council's land at Saxonvale presents a perfect opportunity to support such businesses by providing suitable workspace. It would also fit with planning policy in the Mendip District Local Plan which encourages the provision of at least 50% of the 11,500 sq. m. flexible office/studio requirement in the town centre including Saxonvale.

Options open to FTC include:

- Option 1 - Introduce a developer and FTC take a head lease of space provided
- Option 2 - FTC act as developer
- Option 3 - Joint venture (JV) partnership with a developer/investor

The advantage of Option1 is that public sector organisations are considered by the development industry as a good covenant. However, this is risky for FTC if we cannot sublet and find tenants as we would still be liable to pay the developer/investor a rent over an agreed period.

Option 2 would involve raising the finance, market testing, scheme design, securing planning consent, securing tenants and then awarding a build contract. Whilst FTC would have complete control over the process, there is a higher risk and up-front cost associated with this approach.

Option 3 would involve FTC putting the land into a JV company with the developer contributing in terms of cash and expertise. The developer would then promote the planning application and development with the parties sharing the development profit/income. One scenario could be to enter a JV with a managed workspace operator/investor who could bring the expertise to create the right kind of workspace and then manage this element as well as invest in the scheme itself. The benefits of this approach are that we have enough resources within the Saxonvale EMR to get the ball rolling and along the way can take advantage of the cash resources and expertise offered by the developer/investor to make it happen.

Next steps

It is proposed that Option 3 be pursued based on the arguments already outlined. This will require appointment of an agent that can assist with:

- Identifying potential developer/investor partners
- Exploring possible structures for a joint venture
- Identifying best consideration for FTC
- Negotiations with a prospective partner

Contact has already been made with one agent but it is proposed that the field is widened and each agent is asked to pitch for the work. The work would be funded using the existing Saxonvale EMR. At an appropriate point, legal advice would be taken around the details of any JV agreement which would also be funded using the EMR.

It is also proposed that we have informal discussions with existing tenants about their plans and establish whether there is scope for incorporating their requirements within any scheme. We should also explore the opportunities to raise external finance for this venture and approach the County and District Councils to secure their support whether financial or otherwise.

Recommendations

That delegated authority be granted to the EDRM in consultation with Cllrs Mel Usher and Colin Cobb to:

1. Appoint an agent that can work with FTC to identify a potential joint venture (JV) partner to develop the Council's land at Saxonvale. The emphasis would be on delivering workspace but the Council should also explore the potential for a mixed-use development.
2. Take legal advice on the form of any JV agreement
3. Have informal discussions with current tenants regarding their future plans
4. Explore the opportunities to raise external finance and approach the County and District Councils to secure their support
5. Use the Saxonvale EMR to fund the above work – it is anticipated that the cost would not exceed £25k
6. Report back to Council on the outcomes before any joint venture agreement is entered into