

Report to	Cabinet
Date	24 April 2012
Report By	Director of Economy, Transport and Environment
Title of Report	Growing Places Fund
Purpose of Report	To seek approval for the County Council to underwrite the proposals arising from successful East Sussex bids to the Government's Growing Places Fund

RECOMMENDATIONS: Cabinet is recommended to agree:

- 1. to support the proposals to secure funding for the projects set out in the report from the Growing Places Fund;**
 - 2. to delegate authority to the Director of Economy Transport and Environment to agree the terms of, and enter into, the loan agreement with Essex County Council as the South East Local Enterprise Partnership's accountable body, necessary to secure the funding; and**
 - 3. to delegate authority to the Director of Economy Transport and Environment to take any action, including agreeing the terms of and entering into any agreements with East Sussex Energy and Infrastructure Development Limited, he considers appropriate to give effect to, or in consequence of, recommendations 1 and 2.**
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1. Financial Appraisal

1.1 The South East Local Enterprise Partnership (SELEP) was initially allocated circa £33m to allocate funding to projects commensurate with the Government's Growing Places Fund (GPF) criteria. A further £16m allocation has now been made following the recent budget announcement, although this funding has not yet been received. The SELEP Board has determined that Essex County Council (ECC) will be the accountable body, issuing funds on a project by project basis to the relevant authority (or 'borrower') primarily through loan agreements, who will then secure repayment via various forms of reimbursement.

1.2 The SELEP Board agreed which projects would be allocated funding at a meeting on 23 March 2012, subject to a due diligence process. The due diligence process is being designed as a single process to satisfy the needs of both SELEP (and ECC as accountable body) and the relevant authority or 'borrower'. Section 151 officers from each authority are being invited to specify the due diligence process. Should the East Sussex projects progress through due diligence, ECC will enter into a Primary Loan Agreement with East Sussex County Council who will remain liable for its repayment.

1.3 Two East Sussex projects have successfully been allocated funding; North Queensway, Hastings (£1.5m; to construct a new junction and preliminary site infrastructure to facilitate the development of a business park); and Priory Quarter, Hastings (£7m; to construct a new office block). East Sussex Energy and Infrastructure Development Limited's (ESEID) is the project promoter, developer and own the land. The bids are included at Appendix A and B to this report, and the repayment mechanisms and profiles are set out in the table at the end. Both bids form part of ESEID's business plan, and will contribute positively towards the economic regeneration and growth of the county.

1.4 The bids represent an acceptable level of risk to the County Council as a 'borrower', principally on the basis that should they be successful following due diligence, and prior to the transfer of any funds to ESEID a separate agreement will be entered into between the County Council and ESEID which will seek to indemnify the County Council against the financial risk. This may include for example a mechanism for only allows funds to be paid over to ESEID when expenditure has been incurred effectively creating or enhancing an asset against which a charge can be placed. It's not possible however to mitigate all risk and there will remain some residual risk in the event that the anticipated income streams which facilitate repayment of the loan are not forthcoming and that the assets have no or less than required realisable value. The likelihood of both eventualities occurring is considered to be low. An interest rate will be applied to successful bids which will go some way towards protecting the capital value of the fund consistent with

the concept of a rolling fund. The level of interest, although still to be determined will generally be at a level lower than can otherwise be secured by local authorities in order to make it a viable and attractive alternative to prudential borrowing.

1.5 The recently approved capital programme included an allocation for Priory Quarter, Hastings. Following the success of these funding bids, this element will now need to be reconsidered within the overall context of the capital programme.

2. Supporting Information

2.1 The purpose of the South East Growing Places Fund (GPF) is to unlock growth across the SELEP area. Government has recognised the crucial role of infrastructure in supporting housing and economic growth; accordingly GPF has been designed to unlock stalled projects by providing investment capital to stimulate growth.

2.2 GPF is intended to be used to support the delivery of homes and/or jobs in the short term; contribute to the delivery of the LEP's strategic priorities; and establish a sustainable revolving fund. The government has indicated that future rounds of GPF are being considered beyond the recent budget announcement and that if further funding becomes available allocations are likely to be distributed based on the achievements made with the initial rounds of funding.

2.3 All upper tier authority members of the SELEP issued an initial call for proposals at the end of 2011. Five bids were submitted from East Sussex, and a précis of each can be found at Appendix C. The Executive Group of the SELEP met on 10 February 2012 to consider an initial high level assessment of responses to the first call for proposals for the GPF. Councillors Jones and Tutt represent the County Council on the Executive Group. It agreed that 21 projects in total have the potential to progress and it was agreed to invite the submission of detailed information in the form of a Project Pack.

2.4 The Government's GPF prospectus focussed on supporting projects which could be demonstrated to be deliverable within strictly defined timescales. Projects which have been assessed as not being ready for support, may still be eligible for support from the fund in future rounds. The amount and type of funding ultimately offered to any project will reflect the SELEP's assessment of the minimum support needed for the project to proceed.

2.5 It is intended that GPF will provide a balanced portfolio of investments which takes into account spatial distribution, level of risk and timescales for payback over a 10-15 year timescale. The question of certainty over repayment (both amount and timescale for repayment) is fundamental to the planning of future rounds of investment for GPF. Simply, greater certainty in terms of payback and shorter loan terms will allow more leverage to be extracted through reinvestment.

3. Conclusion and Reason for Recommendation

3.1 The North Queensway and Priory Quarter projects will contribute positively to the economic regeneration and growth of the county and securing GPF funding will facilitate early delivery of both projects. A separate agreement with ESEID will mitigate the County Council's financial risk. It is therefore recommended that the Cabinet supports the bids which were approved at the SELEP Board meeting on 23 March 2012, and delegates authority to the Director of Economy Transport and Environment to agree the terms of, and enter into the loan agreement with the Essex County Council; and to also give authority to the Director to take any action, or enter into any further agreements, he considers appropriate to give effect to, or in consequence of, this, which will include entering into a separate agreement with ESEID.

RUPERT CLUBB

Director of Economy, Transport and Environment

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Tel. No. 01273 481268

Local member: Birch, Daniel, Fawthrop, Lock,
Pragnell, Scott, Waite, Webb

BACKGROUND DOCUMENTS

Government GPF Prospectus/SELEP GPF Project Pack Guidance Notes

PROJECT SUMMARY

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Project Title:	“Unlocking Business Growth” – North Queensway, Hastings
Contracting local authority (the Borrower)	East Sussex County Council
Decision making process	East Sussex County Council Cabinet as “borrower “ - Cabinet - 24th April 2012 - Full Council - 15 th May 2012 East Sussex Energy, Infrastructure and Development Limited (ESEID) Board Decisions of 28 th November 2011 for business plan and 11 th Jan 2012 for Growing Places Fund bid.
Project Description	To construct a new junction and preliminary site infrastructure to open up the development of a new business park providing serviced development sites with the capacity for circa 16,000m ² (gross) of high quality industrial and office premises.
Growing Places Funds required	£1,500,000
Timescale for project delivery (start and finish date)	Physical Start Date: October 2012 Anticipated Completion Date: March 2013
Draw down profile (£ per year)	2012/13: £1,500,000 NB Contract Retentions and final account 2013/14
Repayment profile (£ per year)	2014/15: £500,000 2015/16: £500,000 2016/17: £500,000 With a further 3% return to SELEP subject to sales targets being met.
Total Cost of Project	£32,000,000 for infrastructure and the built environment (excluding sunk costs).
Other Funds and Status thereof	ESEID will provide from its own funds sufficient capital to progress pre-development design and planning work. The full site infrastructure works will be funded by funds generated by receipts from sale of development land to owners/occupiers.
Strategic Fit	North Queensway is a core project in delivering the economic vision of Coastal East Sussex. It supports local, sub-regional and SELEP priorities namely business growth, private sector job creation, and coastal regeneration through unlocking business growth
Benefits (jobs/homes/leverage – direct and indirect – see Explanatory Notes)	Gross indirect Jobs: 734 gross jobs Net additional indirect Jobs: 865 GPF: private sector investment leverage £1.5m : £30.5
Additionality – why is GPF required to prevent stalling development	There is no experience or history of commercial employment land being developed without preliminary infrastructure being funded by the public sector in this regeneration area.
Value for Money (expressed as cost per job and home and leverage - see explanatory notes)	Cost per net additional job: £1,734/net additional job. Leverage ratio 1: 20.3
Dependancies and risk factors	Dependant on market for third party purchasers. Main risk is rate of disposal (NB. Lack of competition and need make this low to medium risk)

Project Pack – Growing Places Fund

A: PROJECT SUMMARY		
A.1	Project Title	“Unlocking Business Growth” – North Queensway, Hastings
A.2	The contracting authority (the Borrower) – upper or lower tier or unitary	East Sussex County Council
A.3	Lead Point of contact	John Shaw, Chief Executive, (ESEID)
A.4	Contact email	johnshaw@eseid.co.uk
A.5	Contact telephone	01424 858287
A.6	Location of the project including which Local Authority Area(s) it falls within	East Sussex County Council Hastings Borough Council
A.7	How much funding is sought from the Growing Places Fund?	£1,500,000
A.8	Brief description of project and what it will deliver	<p>To construct a new junction and preliminary site infrastructure to open up the development of a new business park which will provide serviced development sites with the capacity for circa 16,000m² (gross) of high quality industrial and office premises. To satisfy known demand and existing interest in business expansion and inward investment.</p> <p>The site is one of the last areas designated for employment use within Hastings. The masterplan for the site has the flexibility to provide for the bespoke needs of larger potential occupiers.</p> <p>Current enquiries and our external property advisors confirm that low values of the property market prevailing in the local (and regional) property market, combined with low interest rates and comparatively low building costs are driving potential employers, particularly manufacturing to opt for self build for owner occupation, hence our proposal to open up this important site and provide the development platforms for owner occupation development.</p> <p>The project will enable private sector enterprise and job creation in coastal East Sussex through investment in high quality business premises to achieve strong, sustainable and balanced growth in an area heavily dependent on public sector employment.</p>

		<p>The project is part of an evolving business corridor close to the A21 and the proposed Bexhill to Hastings Link Road. The corridor forms a key part of physical regeneration measures as part of the wider regeneration strategy which local and regional partners have been jointly supporting for several years.</p> <p>The aim is to put in place a ladder of quality business accommodation to meet the needs of businesses throughout their life-cycle and secure key sector growth in coastal East Sussex. To address the growing demand for businesses to invest in self build solutions for owner occupation, particularly to allow successful businesses to expand and locate in Hastings.</p>
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B: STRATEGIC FIT		
B.1	Please outline how the project fits with the LEP Vision and objectives	<p>The direct result of the funding will be the construction of a new road junction and preliminary site infrastructure to provide access to a new business park, providing serviced development sites with the capacity for circa 16,000m² (gross) of high quality industrial and office premises.</p> <p>In economic development terms, the provision of the new employment space will:</p> <ul style="list-style-type: none"> • Provide high quality premises for growth companies requiring premises above 1500m²; • fill the void in Hastings' business infrastructure, addressing a proven local demand for high quality business premises; (see annex 8 Joint Agents Review) • contribute directly to private sector employment in a location over-reliant on the public sector for jobs; • safeguarding existing employment opportunities in the town; • provide existing companies with the opportunity of retention and expansion and attracting new companies to Hastings; • Exploit key economic assets and drivers such as the University of Brighton - Hastings Campus, which is supporting business/education collaboration and up-skilling the local workforce; • Support the growth of knowledge-based sectors and the development of a skilled

		<p style="text-align: center;">workforce that is ready to drive business growth and innovation.</p> <p>The project will thereby contribute towards the South East LEP Vision within the next 20 years of:</p> <ul style="list-style-type: none"> • Established and new businesses across the area creating between 250,000 and 300,000 new jobs. • All our coastal and rural communities will aim to match the prosperity of our small cities and market towns. • Formerly deprived areas will be making significant progress towards becoming thriving communities. • Unemployment to below the average for other prosperous regions. <p>The project is directly aligned with ‘OBJECTIVE 2: Promote investment in our coastal communities’.</p> <p>Hastings is the most deprived community in the South East, ranking poorly in metrics prepared by BIS for Regional Growth Fund awards – for example ranked 321st out of the 326 local authority areas listed for proportion of the 16-64 population claiming out of work benefits (19.7%), and with the private sector showing just 1.5% employee job growth between 2003 and 2008, and 28.3% dependency on public sector employment (Hastings ranked within the highest 20 authority). Despite this picture, the town does however offer considerable unrealised potential and the possibility of significant economic growth. Hastings is specifically identified as one of the coastal towns for the LEP to focus on promoting investment in.</p> <p>The area has a number of business sectors with the potential for growth and these include high value manufacturing/precision engineering, business/ financial services and creative/cultural industries.</p> <p>The initiative will also provide a contribution towards the ambition that ‘all parts of the South East LEP area will prosper’ and the single goal of the LEP of ‘steady, sustained economic growth’.</p>
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B.2	<p>Please outline the policy and strategic context (local policies, strategies, local investment plan etc)</p>	<p>A vision for economic recovery and growth</p> <p>The proposals for North Queensway and the wider economic regeneration of Hastings and Bexhill are aligned to a raft of local economic policies.</p> <p>For Hastings, the economic agenda is transformational. Ambitious plans are in place to secure a significant amount of private sector investment over the next 10 years. Set within the wider LEP framework, the economic vision for Hastings and coastal East Sussex is to deliver economic transition and urban renaissance by unlocking key investment, infrastructure and sector growth opportunities; to create the conditions for a higher value economy with higher rates of entrepreneurial activity and greater business competitiveness.</p> <p>North Queensway forms a key part of the vision and will build on the delivery success achieved over the last decade - over £400m of investment in coastal East Sussex. This includes significant private sector investment of over £20m in Hastings and Bexhill in business premises in Priory Quarter, with the flagship One Priory Square securing the recent decision by SAGA to locate new services in Hastings creating up to 800 new jobs.</p> <p>New manufacturing growth has also been delivered through the Enviro21 business park, whilst major investment has also been delivered to support education-led economic growth through the provision of high quality business and teaching space at University Centre Hastings.</p> <p>Private sector job growth will be supported through continued investment in new, high quality 'Buildings for Business', delivering a spectrum of high quality business locations of national standing and making coastal East Sussex a destination of choice for investment in the South East. Business growth will be stimulated through targeted marketing and a responsive business and innovation support infrastructure, expanding on the success of the SEEDA Enterprise Hub for East Sussex and through wider integration with inward investment and business support networks at the wider LEP level.</p>
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		<p>Local Investment Priorities</p> <p><u>East Sussex Energy, Infrastructure and Development Limited (ESEID) Business Plan 2012-2017</u></p> <p>ESEID Ltd is the key agency for the delivery of major capital development projects to further the economic regeneration of Hastings, Bexhill and East Sussex. It is a not-for-profit company whose members include the business community, voluntary sector, local authorities and the University of Brighton.</p> <p>Its intention is to spread the economic regeneration footprint across East Sussex. The initial focus from existing resources is to progress the pre-development works related to a £60m programme during 2012-17 delivering 3,500 jobs focused on the Priory Quarter central business district in Hastings and strategic employment sites in Queensway and North East Bexhill unlocked by the Bexhill Hastings Link Road (BHLR).</p> <p><u>Hastings & Bexhill Economic Development and Inclusion Strategy 2008 -2013</u></p> <p>This 5-year Economic Development and Inclusion Strategy is designed to support the Five Point Plan and supports the Local Strategic Partnership’s aim to close the gap between our most deprived neighbourhoods and the rest of East Sussex. The overarching strategic objective is the creation of an inclusive, successful and sustainable economy in Hastings and Bexhill by:</p> <ul style="list-style-type: none"> • increasing business activity and creating employment opportunities; • providing a range of local job opportunities and increasing average earnings; • raising skills and aspirations; and • achieving and maintaining environmentally-sustainable prosperity. <p>The provision of high quality sites and premises to support the growth of indigenous companies and to attract inward investors is a key priority of the strategy in terms of generating new employment opportunities and a healthy and diverse economy.</p> <p>North Queensway is identified as a priority action in the Strategy Implementation Plan</p>
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		<p>(1.1.2 Expand provision of business accommodation, affordable and high quality premises, start-up and move-on accommodation, and managed workspace) and will play a key role in delivering the targets and strategic aims of the strategy, in particular:</p> <ul style="list-style-type: none"> • increasing employment space through the creation of 32,000m² of business floorspace in Hastings and up to 50,000m² of business floor space in North Bexhill; • safeguard existing employment sites and premises and encourage the redevelopment of outdated stock, increasing density where appropriate; • expand provision of business accommodation, affordable and high quality premises, start-up and move-on accommodation and managed workspace; • provide high quality office accommodation in order to attract new business and stimulate the economy; • develop business locations which are built to high environmental specifications as well as offering quality and flexibility; • attract businesses to locate in Hastings and Bexhill through the provision of appropriate business sites and premises; and • create the environment for vibrant and sustainable businesses in order to raise job density levels, skill levels and employability amongst the adult population and reduce average unemployment. <p><u>Local Community Strategies</u></p> <p>Through supporting sustainable business and employment growth, North Queensway also supports the implementation of the principal aims of the Hastings & St Leonards Sustainable Community Strategy and the East Sussex Integrated Sustainable Community Strategy. The former sets out long term plans to continually improve the economic, social and environmental well-being of the town, including a vision for an economically successful town. The Strategy supports the economic growth aspirations of the Five Point Plan with a specific focus on creating the conditions to increase business activity, providing a diverse range of local job opportunities and increased average earnings and establishing Hastings as a location for investment and for small businesses to set up and grow.</p> <p><u>Local Planning Policy</u></p> <p>Hastings Borough Council is developing planning frameworks which will shape planning</p>
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		<p>decisions on land use up to 2026. With limited land availability and the pressure to build houses, sufficient land needs to be set aside to meet future business needs and economic growth aspirations, including industrial sites, office accommodation and smaller premises for workshops.</p> <p>To inform the preparation of the Local Development Framework , informal public consultation was undertaken between February and April 2010 in order to develop the draft Site Allocations and Designations Development Plan document. The Local Development Framework is not sufficiently advanced at this time to enable specific definition of development or regeneration areas. However, the Hastings Local Plan (2004) sets out a comprehensive provision for high quality business space with the main development sites being located in Queensway, notably the site which is the subject of this application.</p> <p><u>East Sussex Economic Development Strategy</u></p> <p>The East Sussex Economic Development Strategy (2007) sets out a strategy for creating a high value-added knowledge-based economy based on sustainable employment growth. Ensuring the implementation of the Five Point Plan is seen as key to delivering this aspiration and delivering tangible and lasting benefits to the local economy and community. The future success of Coastal East Sussex requires Hastings and Bexhill to become a magnet for innovative, knowledge-based entrepreneurs, attracted by the high quality business growth support from its high quality business infrastructure (e.g. enterprise and incubation centres) and the expansion opportunities provided at Priory Quarter, North Bexhill, Queensway and on the A21 Innovation Corridor. These priority schemes will create a stimulus for further inward investment and enhancing the entrepreneurial culture of Hastings and Bexhill, encouraging more local people to set up businesses and improve their skills.</p> <p>Investment in capital infrastructure is being complemented by targeted investment by ESEID to support inward investment and indigenous business growth priorities, including establishing a network of LEP-wide ‘Enterprise Hubs and Innovation Centres’, programmes to stimulate growth and knowledge transfer to business, improve access to finance for SMEs (including community and social enterprise), skills and training along with marketing</p>
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		<p>activity to raise the profile of coastal East Sussex as a high quality business destination and assist job creation. In parallel, wider transformational activities are being delivered, including cultural programmes in Hastings and Eastbourne, education and skills improvements through the University, FE college and schools, and priority infrastructure improvements, including advanced broadband and transport links to ensure that economic growth in coastal East Sussex is accessible and well connected with wider communities, including the rural hinterland.</p> <p>Supporting the national and ‘local growth’ agenda</p> <p>The Coalition Government has focussed on empowering local business communities and public sector partners to deliver local economic growth and has set out this vision in the Local Growth White Paper dated 28th October 2010. East Sussex County Council, its business partners and wider stakeholders are represented on the South East England Local Enterprise Partnership (SELEP) and East Sussex stakeholders view ESEID Ltd as a key delivery agency for the SELEP.</p> <p>The Coalition Government’s land use policy is focussed on delivery of economic growth as set out in the draft National Planning Policy Framework. The North Queensway infrastructure project has a strategic fit with the Government’s economic growth and land use policies.</p> <p>Summary</p> <p>The North Queensway Infrastructure Project supports local and sub-regional priorities by continuing to develop the economy of East Sussex and by building on the success delivered to date. North Queensway is a core project in delivering the economic vision of Coastal East Sussex as a key strategic location in the wider LEP area - importantly, it supports the wider actions and policies of local partners, through addressing wider LEP priorities of business growth, private sector job creation, and coastal regeneration.</p>
B.3	Who are the key partners in the project	<ul style="list-style-type: none"> • Hastings, Bexhill and East Sussex Business Association Ltd • East Sussex County Council, Hastings Borough Council and Rother District Council • University of Brighton

		<ul style="list-style-type: none"> • Voluntary Sector <p>All as members of ESEID</p>
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C: INFRASTRUCTURE REQUIREMENTS			Evidence and Supporting Information Required
C.1	Please outline the infrastructure requirements for which funding is sought (e.g. Completion of a road, flood defences etc)	<p>To construct a new junction from the B2092 and preliminary site infrastructure (stub access and provision of services to the site) to provide access to a new business park site, which will provide serviced development plots with the capacity for circa 16,000m² (gross) of high quality industrial and office premises.</p> <p>Annex 1 - Location Plan Annex 2 – Layout/Site Plan</p>	Location, Layout and Site Plans to be provided

D: VIABILITY			Evidence and Supporting Information Required
D.1	Total cost of the project	<p>The total cost of the project, including the £1.5m sought for the key infrastructure investment from the Growing Places Fund, is £32m comprising –</p> <p>£0.5m - pre-development costs £1.5m - junction construction and preliminary infrastructure provision <u>£30m</u> - for 4 x £7.5m costs for average of 4,000m² developments. <u>£32m</u></p> <p><u>NB</u></p> <p>1. <u>Experience from current and recent enquiries is highlighting a development mix of 50:50 offices/light industrial (B1A/B1C) which is reflected in the estimated build costs.</u></p>	

		<p>2. <u>This excludes sunk costs for land acquisition or for pre development work including land acquisition.</u></p> <p>The elemental cost plan for the “junction construction and preliminary infrastructure provision” has been prepared by Peter Brett Associates, our engineers, as this is a Civil Engineering Contract.</p> <p>Annex 3 – Elemental Cost Analysis</p>	
D.2	Growing Places Funding required	£1,500,000	
D.3	What other sources of funding will contribute to the project and how secure are they?	<p>The applicant, East Sussex Energy, Infrastructure and Development Limited (ESEID) and its development predecessor Sea Space have already invested in this site to acquire the site, carry out development appraisal work including intrusive site investigations; water table monitoring (on-going) and environmental impact analysis and management (species translocation complete and habitat management on-going) and site engineering and drainage design solutions. These are sunk costs and have been spent.</p> <p>ESEID Ltd has taken a Board decision to progress the design work for the “junction construction and preliminary infrastructure provision” and to appoint ecology advisers to support this work. This funding is secure and comes from the limited pre-development budget of ESEID Ltd for all its projects.</p> <p>Sale income comes from purchasers, likely to be owner occupiers in the light of current inquiries and will be achieved from largely expanding local businesses and inward investors for whom there are no alternative sites in Hastings and its environs.</p>	
D.4	Project viability in terms of value, cost and programme assumptions demonstrating the need for GPF;	The site has been utilised since 2008 as a response to enquiring businesses but has not progressed due to the unwillingness of interested parties to fund the upfront infrastructure costs.	Financial appraisals with details of underlying assumptions

		<p>The two principal employment sites in Hastings developed over the last thirty years have only progressed after all the strategic infrastructure had been constructed and connected to the public highway. There is simply no history or experience of key employment sites being opened up in Hastings for development without upfront infrastructure investment by the public sector over the last thirty years.</p> <p>The level of investment sought from the Growing Places Fund will allow development of the first development platform, which will then finance the remaining phases or development platforms.</p> <p>Hastings is still a regeneration area where development is challenged by market failure and requires a statement of confidence in a site such as North Queensway before either an occupier or commercial lender will commit.</p> <p>There will always be a capital value deficit which takes away traditional lending security. Development is therefore dependent on cash flow models which can demonstrate income prior to the commitment of private finance.</p> <p>Local successful manufacturing businesses, seeking funds, secure their growth from their core business trade income and not property valuations. It also makes business sense as interest/capital repayments are unlikely to exceed market rents and “write down of value” in early years gives a tax benefit.</p>	
<p>D.5</p>	<p>Please provide a project cashflow. A suggested format is included at Annex A – this should show both the Drawdown and Repayment Profiles for GPF</p> <p>Annex 5 – Project Cashflow Annex 3 – Elemental Cost Analysis</p>		<p>Detailed data and reports should be provided to support the summary figures included in the cashflow</p>
<p>D.6</p>	<p>What is the basis of these cost and</p>	<p>Supporting reports and consultations with public utility providers.</p>	<p>Attach supporting</p>

	income estimates? (source and date)	Annex 3 – Elemental Cost Analysis	reports or data for both cost and income
D.7	What is the approximate total cost of the wider development the funding will unlock?	£32m Annex 6 – Detailed Breakdown	Provide a detailed breakdown

E: DELIVERABILITY		Evidence and Supporting Information Required
E.1	<p>What evidence is there of market demand for the project/proposed development?</p>	<p>Planning Evidence of Need.</p> <p>The Hastings Local Plan of 2004 allocated “5.7 hectares of land West of Queensway” (Policy E3) [Annex 7] The only location where development has not occurred and which does not benefit from infrastructure or connection to the public highway is North Queensway.</p> <p>The 2008 Hastings and Rother Employment Strategy and Land Review Update calculated that Hastings and Rother needed 207,600m² of further employment space for the period 2006-2026 to meet employment needs. Of this total (table 47) it was recommended that 107,000m² be found from Hastings sites.</p> <p>The 2008 update goes on to indicate that “the clear catalyst to early investment and investment” were the sites brought forward by Sea Space, the development company whose role is now delivered by ESEID.</p> <p>The 2008 update gives an analysis of the take up of existing allocated land and planning consents, again indicating that the only substantive allocated land is North Queensway – against a forecast shortage of employment land prior to the Link Road releasing the North East Bexhill sites later in the decade.</p> <p>The August 2011 Hastings and Rother Employment Strategy and Land Review update by the Local Planning Authorities of Hastings and Rother, reviews the Business Land Supply for 2008-2028 indicating total sites requirement to accommodate a total of 163,000m² in Hastings and Rother, with only 65 – 70,000m² being found in Hastings due to the limited land supply.</p>

		<p>The reduction in forecasted employment space between the 2008 and 2011 reviews is a direct result of Sea Space’s activities over this period, and now succeeded by ESEID.</p> <p>Again the review indicates that the largest allocated development site in Hastings is North Queensway still without infrastructure and connection to the public highway.</p> <p>The Market Assessment of Demand</p> <p>Current enquiries and our external property advisors confirm that low values of the property market prevailing in the local (and regional) property market, combined with low interest rates and comparatively low building costs are driving potential employers, particularly manufacturing to opt for self build for owner occupation. The joint agents review is annex 8 and is summarised below.</p> <p>The project will provide high quality premises for growth companies requiring premises above 1500m² and will address the growing demand for businesses to invest in self build solutions for owner occupation.</p> <p>The 2010 Industrial Sites Survey (annex 8) gives a comprehensive market overview of the total industrial stock of 269,210m² on 78.99 hectare of land. It shows a vacancy rate of 10.56% of floor space, the vacancies being largely the oldest stock and unlikely to be reoccupied. Only two buildings are over 2,000m², a derelict mill and a recently vacated facility specifically developed for a major food manufacturer.</p> <p>The survey also shows a total of only 6.09 hectares of undeveloped land – not including the 5.5 hectares at North Queensway hence the need to provide sites targeted for both local expansion and investment which will come from developed buildings over 1,500m² and in particular 4,000m²</p>	
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		<p>and above.</p> <p>Joint Agents Review (November 2011) (Annex 8) DTZ, Cluttons and Dyer & Hobbis, joint agents for ESEID Ltd produced a Market and Economy report to inform the preparation of the (now adopted) ESEID Ltd Business Plan for 2012-2017. The report gives a useful overview of the Hastings Industrial Market (approximately 1 in 6 of private sector jobs in Hastings are in the manufacturing sector (ONS). This re-affirmed their experience of the market which has indicated that “inward investment and growth enquiries have tended to be directed towards site purchases for owner occupation with requirements exceeding 40,000 square feet”</p> <p>The agents’ and direct enquiries have produced interests over the last six months for inward investment and expansion. Converting these enquiries will depend largely on the ability of ESEID to demonstrate that it is able to deliver the upfront infrastructure needed to open up this key employment site as quickly as possible. Annex 7 – Planning Evidence of need Annex 8 – Market Assessment of demand</p>	
E.2	What is the planning status of the project?	<p>A planning application for the works for which funding is being sought will be submitted to Hastings Borough Council by July 2012.</p> <p>Annex 9 – Planning Annex 10 – Programme</p>	Provide references to planning decisions and reports. If planning has not been approved demonstrate evidence that it is likely to be by October 2012
E.3	Are all other relevant approvals and permissions in place to start the works in 2012-13 or 2013-14?	<p>All relevant approvals are not presently in place. However, these are being pursued and will be in place to allow works to progress in 2012/13. The other required approvals are:</p> <ul style="list-style-type: none"> • S278 agreement with ESCC (to include consent to construct over the highway verge) 	Provide details of all other approvals required and the status of each. If approvals are not already in place demonstrate evidence that it is likely

		We anticipate a start on site by October 2012. Please refer to the programme provided. Annex 10 – Project Programme	to be by October 2012
E.4	Is all of the land/property needed for the project under the control of the project promoters?	ESEID own the North Queensway development site of 5.5 hectares access rights thereto from B2092 and have an option (currently being exercised) to acquire surplus highway land. Annex 11 – Land/Property Ownership	Provide a clear statement of land/property ownership required to deliver the project and if third party land/property is required the steps being taken and the timescales to acquire control
E.5	Provide a Project Programme showing anticipated start and completion date and project milestones	Please refer to Annex 10 – Project Programme.	A project programme key tasks to start on site
E.6	Confirmation of roles of developer, and other partners involved in delivering the scheme e.g. RSL, bank, contractor	The applicant, ESEID is the developer.	

F. EXPECTED BENEFITS									Evidence and Supporting Information Required
F.1	Estimate jobs and homes								
		2012/13	2013/14	2014/15	2015/6	2016/7	2017+	Total	

	Jobs								Show net additional jobs and home separately for direct and indirect outputs. Describe the basis for these estimates (refer to Explanatory Notes)
	Gross Jobs			250	200	150	134	734	
	Deduct for Leakage (5%)			237.5	190	142.5	127	697	
	Deduct for displacement (20%)			190	152	114	102	558	
	Add multipliers (1.55 for B1c/B1a primary uses)			295	235	177	158	865	
	Deduct deadweight			Nil	Nil	Nil	Nil	Nil	
	NET ADDITIONAL JOBS			295	235	177	158	865	
	Homes								
F.2	Other outputs (please state)	The table above shows the additionality adjustments which have been made to move from the gross employment estimates of 714 jobs to net additional 865. This includes an allowance for a combined indirect and induced employment multiplier of 1.55 averaged across a number of manufacturing sectors assuming a mix of B1c/B2 and supporting B1a site uses (drawn from Scottish input/output assessment). This includes the estimate of							

		around 307 indirect jobs which will be generated in the local economy as a result of new occupying businesses' supply chain purchasing and employee expenditure locally.	
F.3	Is the realisation of the above outputs contingent on any further investment which is not yet secured?	<p>The outputs projected are based upon projected plot disposals to owner occupier manufacturing businesses based upon known enquiries and market assessment by our retained agents and include a fairly cautious enquiry conversion assumption ratio.</p> <p>We are at a fairly advanced stage of negotiation with one particular enquiry, and confident of conversion assuming our request for Growing Places funding is awarded.</p>	Provide details as appropriate
F.5	<p>Deadweight - Please demonstrate that without support from the Growing Places Fund the project would:</p> <ul style="list-style-type: none"> • Not proceed • Not proceed within the same time frame <p>Not deliver the same quantum and/or quality of outputs</p>	<p>The opening up of North Queensway simply will not proceed in a reasonable timeframe without the Growing Places Funding award.</p> <p>Initial infrastructure investment to open up the site is critical to provide the confidence needed to occupiers to commit to plot purchases and their own capital investment plans. If ESEID cannot secure Growing Places funding for this, then it will rely on a forward land sale which can then be invested by ESEID in site infrastructure. This will be much more difficult to achieve. Given that the site has been allocated for development since the 2004 Hastings Local Plan was adopted, and has not been brought forward, there is little reason to think that it will be without the assistance of GPF from the LEP.</p>	Provide an economic statement to support the data provided
F.6	<p>Please outline the proposed leverage associated with the project.</p> <p>The leverage associated with the project can be calculated as follows ESEID: £0.5m Owner occupier investment: £30m</p> <p>GPF : private sector investment £1.5m : £30.5m Ratio: 1 : 20.3</p>		Provide calculations to show ratios of GPF to other public investment; GPF to private investment and GPF to both public and private investment distinguishing between direct leverage and indirect (or consequential) leverage

	Source (e.g. Regional Growth Fund, ERDF, private investment)	Scale (£)	Certainty/Status	
	<i>ESEID (company funds)</i>	£500,000	High	
	Owner occupier investments	£30 million	Deliverable over build out of the North Queensway site if initial tranche of GPF funding for infrastructure can be secured.	

G: CONTRIBUTION TO THE ESTABLISHMENT OF A REVOLVING FUND			Evidence and Supporting Information Required
G.1	How will the Growing Places fund be repaid? (e.g. developer contributions)	Growing Places funding will be repaid from plot sales to either developers or more likely owner occupiers.	Provide full details of the proposed arrangements and status thereof with supporting documentation e.g. draft S106 agreements
G.2	Please provide confirmation that the Borrower will contract to repay GPF in accordance with the Repayment Profile	Yes	
G.3	Anticipated timetable for repayment		
	2014/2015	£500,000	
	2015/2016	£500,000	
	2016/2017	£500,000	
	etc.		
	Total	£1,500,000	

H: RISKS	Evidence and Supporting Information Required

H.1	What risks have been identified in achieving the outcomes of the project and what are the mitigation plans?	Please refer to Annex 12 – Risk Register.	Provide a risk register identifying risks, likelihood, impacts and mitigations
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I: STATE AID			Evidence and Supporting Information Required
I.1	Provide confirmation (with reasons) that by supporting this project the Growing Places Fund will not be providing State Aid	<p>By supporting this project, the Growing Places Fund will not be providing a State Aid:</p> <ul style="list-style-type: none"> • ESEID is a ‘not for profit’ company with the primary aim of progressing the economic development of Hastings, Bexhill and East Sussex for the benefit of all residents and Business. • The project will not distort or threaten to distort competition and will not affect aid between member states • ESEID is a ‘small enterprise’ <p>The level of grant funding requested represents less than 20% (5%) of the total investment that will be delivered by this project.</p>	Refer to Guidance Notes at the end of the Project Pack

J: AUTHORITY			
J.1	Please set out the approvals process, what approvals are in place for the Borrower to enter into a Loan Agreement and what approvals are required and the timescales for obtaining these	<p>East Sussex County Council Cabinet as “borrower “</p> <ul style="list-style-type: none"> - Chief Officers Management Team – 21st March 2012 - Cabinet -24th April 2012 - Full Council - 15th May 2012 <p>ESEID Ltd Board Decisions of 28th November 2011 for business plan and 11th Jan 2012 for Growing Places Fund bid.</p>	
J.2	If approvals are not in place please confirm that the	Please refer to Annex 13 – Letter from the leader of East Sussex County Council	

	<p>project has the in principle support of the Council and understanding that the Primary Loan Agreement will provide a contractual obligation for the Borrower to repay the loan according to the repayment profile.</p>	
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PROJECT SUMMARY

To be completed on one side of A4 with size 11 font

Project Title:	“Unlocking Business Growth” - Priory Quarter Phase 3, Hastings
Contracting local authority (the Borrower)	East Sussex County Council
Decision making process	East Sussex County Council Cabinet as “borrower “ - Cabinet - 24th April 2012 - Full Council - 15 th May 2012 ESEID Ltd Board Decisions of 28 th November 2011 for business plan and 11 th Jan 2012 for Growing Places Fund bid.
Project Description	To provide 2,323m ² (25,000sq ft) of high quality office premises at Priory Quarter in Hastings town centre to meet the needs of expressed private sector employer interest wishing to expand their operation in the town with the potential to create over 400 jobs.
Growing Places Funds required	£7,000,000
Timescale for project delivery (start and finish date)	Demolition is due to commence in mid 2012 and the building works in quarter 3 of 2012.
Draw down profile (£ per year)	The GPF funded works will be complete by July 2014.
Repayment profile (£ per year)	2016/17 £400k; 2017/18 £400k; 2018/19 £400k; 2019/20 £400k; 2020/21 £5,400k (and potentially a 3% return to SELEP assuming target sales are achieved).
Total Cost of Project	£7,500,000 in phase 3 (but will be catalyst for investment in Priory Quarter phase 4)
Other Funds and Status thereof	East Sussex Energy, Infrastructure and Development Ltd (ESEID) has funds set aside for the project to be used in conjunction with Growing Places Funding. ESEID (and its predecessor HBRL) has incurred land assembly costs and pre-development activity including design, market research and planning application costs.
Strategic Fit	Priory Quarter is a core project in delivering the economic vision of coastal East Sussex. It supports local, sub-regional and SELEP priorities namely business growth, private sector job creation and coastal regeneration.
Benefits (jobs/homes/leverage – direct and indirect – see Explanatory Notes)	Gross indirect jobs: 440 Net additional indirect jobs: 502 GPF: private sector investment leverage £7m: £7.8m
Additionality – why is GPF required to prevent stalling development	No recent history (30 yrs) of private sector investment in employment infrastructure without public intervention. Earlier phases of Priory Quarter showed that demand followed supply financed by a mix of commercial and public sector gap funding. This was pre credit-crunch and availability of this financing is no longer available.
Value for Money (expressed as cost per job and home and leverage - see explanatory notes)	Cost per net additional job: £13,944 Leverage ratio: 1:1.11
Dependencies and risk factors	Dependent on timescale of letting achievement (regarded as low to medium risk in light of recent experience including SAGA inward investment).

Project Pack – Growing Places Fund

A: PROJECT SUMMARY		
A.1	Project Title	“Unlocking Business Growth” – Priory Quarter, Hastings
A.2	The contracting authority (the Borrower) – upper or lower tier or unitary	East Sussex County Council Hastings Borough Council
A.3	Lead Point of contact	John Shaw, Chief Executive, ESEID
A.4	Contact email	johnshaw@eseid.co.uk
A.5	Contact telephone	01424 858287
A.6	Location of the project including which Local Authority Area(s) it falls within	Havelock Road, Hastings Hastings Borough Council and East Sussex County Council
A.7	How much funding is sought from the Growing Places Fund?	£7,000,000
A.8	Brief description of project and what it will deliver	<p>To provide 2,323m² (25,000 sq ft) of high quality office premises at Priory Quarter in Hastings town centre to meet the needs of expressed private sector employer interest wishing to expand their operation in the town with the potential of creating over 400 jobs.</p> <p>The project forms Phase 3 of the Priory Quarter masterplan. It is one of two new proposed office buildings within Priory Quarter, the second being Phase 4. The prior development of Phase 3, which is the subject of this application, will enable Phase 4 of Priory Quarter to be brought forward as a subsequent project, with the benefit of private funding and bank finance.</p> <p>The project will enable private sector enterprise and job creation in coastal East Sussex through investment in high quality business premises to achieve strong, sustainable and balanced growth in an area heavily dependent on public sector employment.</p> <p>The project represents the latest phase of a series of redevelopment schemes in Hastings town centre which are creating a new business and education quarter providing sustainable employment in the heart of Hastings. The town centre has been the focus for physical regeneration measures as part of the wider regeneration strategy for Hastings and Bexhill, which local and regional partners have been jointly supporting for several years</p>

		<p>and which has achieved measurable success, initially through public funding but more recently through private sector funding and investment.</p> <p>The aim is to put in place a ladder of quality business accommodation to meet the needs of businesses throughout their life-cycle and secure key sector growth in coastal East Sussex.</p> <p>Hastings has the available labour and skills to attract new occupiers and has demonstrated, through the attraction of SAGA and other occupiers, its ability to be successful in securing new businesses to the area when the constraint of poor economic infrastructure and a failed property market are removed.</p>
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B: STRATEGIC FIT		
B.1	<p>Please outline how the project fits with the LEP Vision and objectives</p>	<p>The investment will generate direct employment to construct the facility and will facilitate private sector investment and employment opportunities within the new premises.</p> <p>In economic development terms, the provision of new office space will:</p> <ul style="list-style-type: none"> ▪ fill the void in Hastings’ business infrastructure, addressing a proven local demand for high quality business premises; ▪ contribute directly to private sector employment in a location over-reliant on the public sector for our jobs; ▪ safeguarding existing employment opportunities in the town; and ▪ providing existing companies with the opportunity of retention and expansion and attracting new companies to Hastings. ▪ Demonstrate and evidence that the circumstances of market failure are being overcome. <p>The new office space will meet the needs of occupiers from a range of growing business sectors in Coastal East Sussex including:</p> <ul style="list-style-type: none"> ○ Financial and insurance activities - SIC code 64, 65 and 66 ○ Information and communication – SIC code 62, 63 ○ Professional, Scientific and Technical activities – SIC code 69, 70, 71, 73,74

		<p>Direct goods and services:</p> <ul style="list-style-type: none"> • Scheme Development: Construction of new business accommodation to meet identified needs – SIC code 41.20/1 (construction of commercial buildings) • Premises Occupation: Office administration, office support and business support activities – SIC code 82 <p>The project will thereby contribute towards the South East LEP Vision within the next 20 years of:</p> <ul style="list-style-type: none"> • <i>Established and New Businesses across the area creating between 250,000 and 300,000 new jobs.</i> • <i>All our coastal and rural communities will aim to match the prosperity of our small cities and market towns.</i> • <i>Formerly deprived areas will be making significant progress towards becoming thriving communities</i> • <i>Unemployment to below the average for other prosperous regions</i> <p>The project is directly aligned with 'OBJECTIVE 2: Promote investment in our coastal communities'.</p> <p>Hastings is the most deprived community in the South East, ranking poorly in metrics prepared by BIS for Regional Growth Fund awards – for example, it ranked 321st out of the 326 local authority areas listed for proportion of the 16-24 population claiming out of work benefits (19.7%) and with the private sector showing just 1.5% employee job growth between 2003 and 2008 and 28.3% dependency on public sector employment (Hastings ranked within the highest 20 authorities). Despite this picture, the town does however offer considerable unrealised potential and the possibility of significant economic growth. Hastings is specifically identified as one of the coastal towns for the LEP to focus on</p>
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		<p>promoting investment.</p> <p>The area has a number of business sectors with the potential for growth these include high value manufacturing/precision engineering, business/financial services and creative/cultural industries.</p> <p>The initiative will also provide a contribution towards the ambition that <i>'all parts of the South East LEP area will prosper'</i> and the single goal of the LEP of <i>'steady, sustained economic growth'</i>.</p>
<p>B.2</p>	<p>Please outline the policy and strategic context (local policies, strategies, local investment plan etc)</p>	<p>A vision for economic recovery and growth</p> <p>The proposals for Priory Quarter and the wider economic regeneration of Hastings & Bexhill are aligned to a raft of local economic policies.</p> <p>For Hastings, the economic agenda is transformational. Ambitious plans are in place to secure a significant amount of private sector investment over the next 10 years. Set within the wider LEP framework, the economic vision for Hastings and coastal East Sussex is to deliver economic transition and urban renaissance by unlocking key investment, infrastructure and sector growth opportunities to create the conditions for a higher value economy with higher rates of entrepreneurial activity and greater business competitiveness.</p> <p>Priory Quarter Masterplan</p>

		<p>investment and business support networks at the wider LEP level.</p> <p>Local Investment Priorities <u><i>East Sussex Energy, Infrastructure and Development Limited (ESEID) Business Plan 2012-2017</i></u></p> <p>ESEID Limited is the key agency for the delivery of major capital development projects to further the economic regeneration and growth of Hastings, Bexhill and East Sussex. It is a not-for-profit company whose members include the business community, voluntary sector, local authorities and the University of Brighton.</p> <p>Its intention is to spread the economic footprint across East Sussex. The initial focus from existing resources is to progress the pre-development works to unlock a £60million programme during 2012 – 17 delivering 3,500 jobs focused on the Priory Quarter Central Business District in Hastings and strategic employment sites in Queensway and North East Bexhill, unlocked by the Bexhill to Hastings Link Road (BHLR).</p> <p>A further 3,000 jobs are intended to be unlocked in 2017-2022 by a further extension of this development activity including later phases of Priory Quarter.</p> <p><u><i>Hastings & Bexhill Economic Development and Inclusion Strategy 2008 -2013</i></u></p> <p>This 5-year Economic Development and Inclusion Strategy is designed to support the local regeneration strategies and supports the Local Strategic Partnership’s aim to close the gap between our most deprived neighbourhoods and the rest of East Sussex. The overarching strategic objective is the creation of an inclusive, successful and sustainable economy in Hastings and Bexhill by:</p> <ul style="list-style-type: none"> • increasing business activity and creating employment opportunities; • providing a range of local job opportunities and increasing average earnings; • raising skills and aspirations; and • achieving and maintaining environmentally-sustainable prosperity. <p>The provision of high quality sites and premises to support the growth of indigenous companies and to attract inward investors is a key priority of the strategy in terms of generating new employment opportunities and a healthy and diverse economy. Priory</p>
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		<p>Quarter Phase 3 is identified as a priority action in the Strategy Implementation Plan (Action 1.1.3 – the provision of high quality office accommodation to attract new business & stimulate the economy) and will play a key role in delivering the targets and strategic aims of the strategy, in particular:</p> <ul style="list-style-type: none"> • increasing employment space through the creation of 32,000m² of business floorspace in Hastings and up to 50,000m² of business floorspace in North Bexhill; • safeguard existing employment sites and premises and encourage the redevelopment of out-dated stock, increasing density where appropriate; • expand provision of business accommodation, affordable and high quality premises, start-up and move-on accommodation and managed workspace; • provide high quality office accommodation in order to attract new business and stimulate the economy; • develop business locations which are built to high environmental specifications as well as offering quality and flexibility; • attract businesses to locate in Hastings and Bexhill through the provision of appropriate business sites and premises; and • create the environment for vibrant and sustainable businesses in order to raise job density levels, skill levels and employability amongst the adult population and reduce average unemployment. <p><u>Local Community Strategies</u></p> <p>Through supporting sustainable business and employment growth, North Queensway also supports the implementation of the principal aims of the Hastings & St Leonards Sustainable Community Strategy and the East Sussex Integrated Sustainable Community Strategy. The former sets out long term plans to continually improve the economic, social and environmental well-being of the town, including a vision for an economically successful town. The Strategy supports the economic growth aspirations of the Five Point Plan with a specific focus on creating the conditions to increase business activity, providing a diverse range of local job opportunities and increased average earnings and establishing Hastings as a location for investment and for small businesses to set up and grow.</p>
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		<p><u>Local planning policy</u></p> <p>Hastings Borough Council is developing planning frameworks which will shape planning decisions on land use up to 2026. With limited land availability and the pressure to build houses, sufficient land needs to be set aside to meet future business needs and economic growth aspirations, including industrial sites, office accommodation and smaller premises for workshops.</p> <p>To inform the preparation of the Local Development Framework informal public consultation was undertaken between February and April 2010 in order to develop the draft Site Allocations and Designations Development Plan document. The Local Development Framework is not sufficiently advanced at this time to enable specific definition of development or regeneration areas. However, the Hastings Local Plan (2004) sets out a comprehensive Town Centre Strategy which includes the provision of high quality business floorspace.</p> <p><u>East Sussex Economic Development Strategy</u></p> <p>The East Sussex Economic Development Strategy (2007) sets out a strategy for creating a high value-added knowledge-based economy based on sustainable employment growth. Ensuring the implementation of the Five Point Plan is seen as key to delivering this aspiration and delivering tangible and lasting benefits to the local economy and community. The future success of coastal East Sussex requires Hastings-Bexhill to become a magnet for innovative, knowledge-based entrepreneurs, attracted by the high quality business growth support from its high quality business infrastructure (e.g. enterprise and incubation centres) and the expansion opportunities provided at Priory Quarter, North Bexhill, Queensway and on the A21 Innovation Corridor. These priority schemes will create a stimulus for further inward investment and enhance the entrepreneurial culture of Hastings and Bexhill, encouraging more local people to set up businesses and improve their skills.</p> <p>Investment in capital infrastructure is being complemented by targeted investment to support inward investment and indigenous business growth priorities, including establishing a network of LEP-wide <i>'Enterprise Hubs and Innovation Centres'</i>, programmes to stimulate growth and knowledge transfer to business, improve access to finance for SMEs (including community and social enterprise), skills and training, and marketing</p>
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		<p>activity to raise the profile of coastal East Sussex as a high quality business destination and assist job creation. In parallel, wider transformational activities are being delivered, including cultural programmes in Hastings and Eastbourne, education and skills improvements through the University, FE college and schools, and priority infrastructure improvements, including advanced broadband and transport links to ensure that economic growth in coastal East Sussex is accessible and well connected with wider communities, including the rural hinterland.</p> <p><i>Supporting the national and ‘local growth’ agenda</i></p> <p>The Coalition Government has focussed on empowering local business communities and public sector partners to deliver local economic growth and has set out this vision in the Local Growth White Paper dated 28th October 2010. East Sussex is part of the South East England Local Enterprise Partnership (SELEP) and views ESEID as a key delivery agency for SELEP.</p> <p>The Coalition Government’s land use policy is focussed on delivery of economic growth as set out in the draft National Planning Policy Framework. The Priory Quarter project has a strategic fit with the Government’s economic growth and land use policies.</p> <p>Summary</p> <p>Priory Quarter Phase 3 supports local and sub-regional priorities by continuing to develop the economy of East Sussex and by building on the success delivered to date. Priory Quarter Phase 3 is a core project in delivering the economic vision of coastal East Sussex as a key strategic location in the wider LEP area - importantly, it supports the wider actions and policies of local partners, through addressing wider LEP priorities of business growth, private sector job creation and coastal regeneration.</p>
B.3	Who are the key partners in the project	<ul style="list-style-type: none"> • Hastings, Bexhill and East Sussex Business Association Ltd • East Sussex County Council, Hastings Borough Council and Rother District Council • University of Brighton • Voluntary Sector

		All as members of ESEID
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C: INFRASTRUCTURE REQUIREMENTS		Evidence and Supporting Information Required
C.1	Please outline the infrastructure requirements for which funding is sought (eg. Completion of a road, flood defences etc)	Funding is required for the following elements of the scheme: <ul style="list-style-type: none"> • Demolition • Building Construction • Basement car-park under building footprint • Utility supplies Related fees and Contingencies Annex 1 – Location Plan Annex 2 – Site Plans
		Location, Layout and Site Plans to be provided

D: VIABILITY		Evidence and Supporting Information Required
D.1	Total cost of the project	£7,500,000 excluding substantial sunk costs of £2,500,000 including land assembly and pre-development activity, design, market research and planning application costs. Annex 3 – Elemental Cost Analysis
D.2	Growing Places Funding required	£7,000,000 as an interest free loan with a 3% investment return.
D.3	What other sources of funding will contribute to the project and how secure are they?	The funding of the project will be delivered through a combination of ESEID’s own funds and GPF.
D.4	Project viability in terms of value, cost and programme assumptions demonstrating the need for GPF;	GPF is needed as there is no recent history (30 yrs) of private sector investment in Hastings in employment infrastructure without public intervention.
		Elemental cost breakdown prepared by independent firm of quantity surveyors
		Provide details of source and status for each
		Financial appraisals with details of underlying assumptions

		Annex 4 – Financial Appraisal	
D.5	Please provide a project cashflow. A suggested format is included at Annex A – this should show both the Drawdown and Repayment Profiles for GPF Annex 5 – Project Cashflow Annex 3 – Elemental Cost Analysis		Detailed data and reports should be provided to support the summary figures included in the cashflow
D.6	What is the basis of these cost and income estimates? (source and date)	Annex 3 – Elemental Cost Analysis	Attach supporting reports or data for both cost and income
D.7	What is the approximate total cost of the wider development the funding will unlock?	£22,000,000 £7.5m for Phase 3 and £14.5m for Phase 4 Annex 6 – Detailed Breakdown	Provide a detailed breakdown

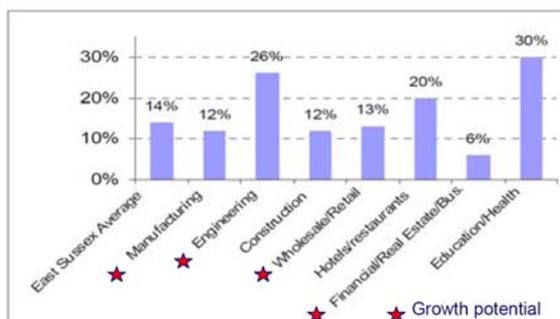
E: DELIVERABILITY			Evidence and Supporting Information Required
E.1	What evidence is there of market demand for the project/proposed development?	<p>Planning Evidence of Need</p> <p>The 2004 Hastings Local Plan noted the substantial under representation of offices and office based employment. In accordance with planning guidance on town centre office primacy and transport (and the Sea Space intervention which secured a new rail station and public transport interchange), Policy E7 designated “Hastings Town Centre” as a location “for developmentor change of use to Class B1 (a) offices”.</p> <p>The 2008 Hastings and Rother Employment Strategy and Land Review prepared jointly by the Hastings and Rother Local Planning Authorities noted - (para 5.88) “ that the Hastings office market was (still) relatively undeveloped”</p>	Provide references to planning evidence of need and market assessments of demand

		<p>(para 5.89) “there was little vacant floorspace in the town” (para 5.90) “without new stock, a location cannot be perceived as a serious business location. (para 5.91) that Sea Space had developed 2 phases of the Creative Media Centre (CMC) totalling 1800m² which were between 97% (phase one) and 85% (phase two) let and occupied. (para 5.92) that 9,211m² of offices at Lacuna Place was under development by Sea Space. (Para 5.93) that (out of town) a further 2,000m² of offices had recently been completed by Sea Space and was already 72% let. The Hastings and Rother Employment Strategy & Land Review expressed “hope that Lacuna Place would attract in-moving demand” (p.65), noted Priory Quarter (Hastings Town Centre) as the key office development location (para 5.124) The Hastings and Rother Employment Strategy and Land Review concluded that 114,000m² of business space was required in the 2006-2026 period and focused office development for Hastings and Rother on Hastings Town centre and specifically the 23,000m² potential development in Priory Quarter.</p> <p>The August 2011 Hastings and Rother Employment Strategy and Land Review prepared by the Local Planning Authorities of Hastings Borough Council and Rother District Council updated the employment land policies and delivery.</p> <p>Usefully it contextualises (para 2.4/table 3) the office sector by noting that there was only 10.6% of “Finance, IT and other business activities” employment in Hastings against the South East average of 24% (source: Office of National Statistics). It notes the PPS4 weighting of the importance town centre vitality and directs employment development to take place within them.</p> <p>The 2011 update drew several conclusions in relation to Hastings Town</p>
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		<p>Centre office development, noting that 18,000m² of employment space had been completed in the last 4 years (principally by Sea Space) the inward investment success of the strategy by attracting SAGA to a third of that space and identifying Priory Quarter as the largest location for further office development.</p> <p>Finally, there was an expressed desire in the 2011 Update by all Local Authorities that the role of Sea Space would continue beyond the closure of the Regional Development Agency. This applicant, has been established for the express purpose of continuing this economic development delivery rate with the consent of the Secretary of State for the Department for Business Innovation and Skills granted in September 2011.</p> <p>Report on market and economy by DTZ, Cluttons and Dyer & Hobbis for ESEID Business Plan 2012 – 2017 (Nov 2011).</p> <p>Market Assessment of Demand</p> <p>Hastings is an historic town in East Sussex on the south coast. It was formerly regarded as a tourist destination but this has been in decline since the 1930s and initial attempts to introduce commercial businesses in the post-war period have had limited impact. The area has attracted a number of public sector relocations since the 1970s including the Child Support Agency and a select number of private sector companies, the most notable being Hastings Direct and General Dynamics. The office stock predominantly comprises older 1960s and 1970s offices with inferior specifications which are not capable of creating the working environment to satisfy local demand nor attract inward investment.</p> <p>The improvements in the office stock produced by local regeneration initiatives have gradually increased rents to £12.50 per square feet for the Creative Media and Innovation Centres and up to £16.50 per square feet for the latest development at Priory Quarter, One Priory Square,</p>	
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		<p>comprising 44,000 square feet, was sold to SAGA who will be generating up to 800 new jobs in Hastings.</p> <p>The total stock of offices in Hastings (over 5,000 square feet) currently stands at 570,000 square feet to include 132,200 square feet of grade A high quality offices created by local regeneration initiatives. However, the existing supply of available offices in Hastings (excluding serviced offices and offices to let under 1,500 square feet) currently amounts to 54,315 square feet which includes only 12,631 square feet of grade A offices (23%), the remaining 41,684 square feet (77%) being older secondary offices.</p> <p>Office take-up in Hastings for 2010 amounted to approximately 80,000 square feet including 57,000 square feet of grade A offices at Priory Quarter, with the remainder being secondary offices and take-up to date in 2011 totals 14,752 square feet. The existing supply pipeline of offices in Hastings is only sufficient to accommodate seven months take-up based on 2010 take-up levels and the acute shortage of grade A space will inhibit future expansion in the town and the ability to attract further inward investment unless additional speculative offices are developed.</p> <p>The approach adopted to date by the local regeneration initiatives to create grade A office accommodation has been fully justified by the success of the existing schemes.</p> <p>Rents achieved for grade A offices have gradually increased to £16.50 per square foot but whilst this represents a step change for the town, it is not at a level which will support speculative development without public sector assistance. Grade A rents in Hastings are still significantly lower than other south east locations, most notably Brighton at £23.00 per square foot, Crawley at £22.50 per square foot, West Malling at £22.00 per square foot and Redhill/Reigate at £25.00 per square foot.</p>
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		<p>Demand for offices has already been established by the success of the occupancy achieved to date in existing properties. The occupier sectors are diverse and include media, finance, insurance, professional services, engineering, travel and the public sector.</p> <p><i>Business Sectors</i></p> <p><u><i>Sector growth projections</i></u></p> <p>Forecasts suggest that the local economy in East Sussex – if expected trends prevailed, without taking into account the impact of the spending review – would emerge from the recession and grow at a similar rate to the region and indeed slightly above the UK averageⁱ. Over the short term (2010-2012) GVA annual growth is forecast to perform broadly in line with the regional recovery (1.3% growth compared to 1.4% growth). This is also expected to be the case over the medium term with growth between 2010 and 2020 anticipated to be 2.4% in East Sussex compared to 2.6% across the regionⁱⁱ.</p> <p>The diagram indicates the broad sectors in East Sussex for SMEs with larger workforces. The stars illustrate estimated growth potentialⁱⁱⁱ for these sectors. This is important as these companies are more likely to generate growth through coordinated, specialised and partnership interventions leading to additional high added value and sustainable jobs. The growth of some of these sectors, like manufacturing and engineering, is likely to lead to export activities in the current global economic climate.</p> <p>Growth in manufacturing jobs, in addition to financial services, will further generate additional demand for service jobs in the town centre as projected in the Cambridge Econometrics forecasts of additional jobs in the key financial services sectors.</p>	
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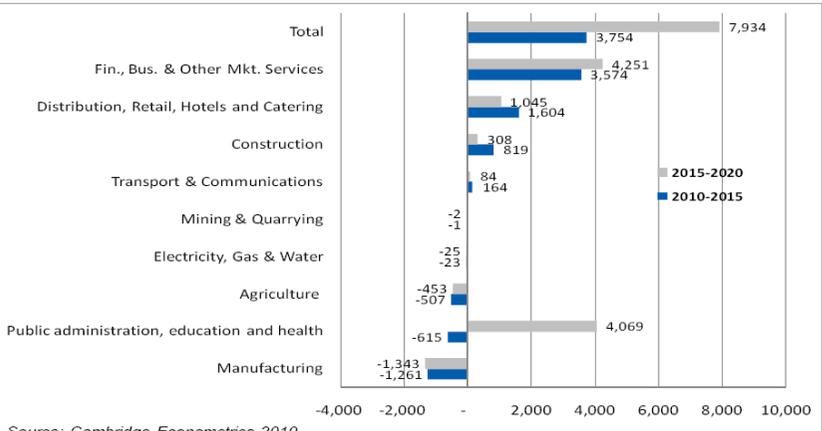


Source: East Sussex Business Survey 2010.

- i Draft East Sussex Local Economic Assessment (December 2010)
- ii Draft East Sussex Local Economic Assessment (December 2010)
- iii East Sussex Business Survey (2010)

Figure 1 highlights the projected growth in financial services for the 2015-20 period.

Figure 1: Job creation, 2010-2020 (Pre-Spending Review Trend Forecast)

		 <table border="1" data-bbox="824 231 1646 662"> <caption>Economic Sector Data</caption> <thead> <tr> <th>Sector</th> <th>2010-2015</th> <th>2015-2020</th> </tr> </thead> <tbody> <tr> <td>Total</td> <td>3,754</td> <td>7,934</td> </tr> <tr> <td>Fin., Bus. & Other Mkt. Services</td> <td>3,574</td> <td>4,251</td> </tr> <tr> <td>Distribution, Retail, Hotels and Catering</td> <td>1,604</td> <td>1,045</td> </tr> <tr> <td>Construction</td> <td>819</td> <td>308</td> </tr> <tr> <td>Transport & Communications</td> <td>164</td> <td>84</td> </tr> <tr> <td>Mining & Quarrying</td> <td>-1</td> <td>-2</td> </tr> <tr> <td>Electricity, Gas & Water</td> <td>-23</td> <td>-25</td> </tr> <tr> <td>Agriculture</td> <td>-507</td> <td>-453</td> </tr> <tr> <td>Public administration, education and health</td> <td>-615</td> <td>4,069</td> </tr> <tr> <td>Manufacturing</td> <td>-1,261</td> <td>-1,343</td> </tr> </tbody> </table> <p>Source: Cambridge Econometrics, 2010</p>	Sector	2010-2015	2015-2020	Total	3,754	7,934	Fin., Bus. & Other Mkt. Services	3,574	4,251	Distribution, Retail, Hotels and Catering	1,604	1,045	Construction	819	308	Transport & Communications	164	84	Mining & Quarrying	-1	-2	Electricity, Gas & Water	-23	-25	Agriculture	-507	-453	Public administration, education and health	-615	4,069	Manufacturing	-1,261	-1,343	<p>Annex 7 – Planning Evidence of need</p>
Sector	2010-2015	2015-2020																																		
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<p>E.2</p>	<p>What is the planning status of the project?</p>	<p>Planning permission was granted for the scheme by Hastings Borough Council under permission HS/CA/11/00285 in July 2011.</p> <p>Annex 8 – Planning.</p>	<p>Provide references to planning decisions and reports. If planning has not been approved demonstrate evidence that it is likely to be by October 2012</p>																																	
<p>E.3</p>	<p>Are all other relevant approvals and permissions in place to start the works in 2012-13 or 2013-14?</p>	<p>The scheme requires conditions related to the demolition consent to be discharged. This process is being progressed and should be complete by mid-2012.</p> <p>Annex 9 – Project Programme</p>	<p>Provide details of all other approvals required and the status of each. If approvals are not already in place demonstrate evidence that it is likely to be by October 2012</p>																																	
<p>E.4</p>	<p>Is all of the land/property needed for the project under the control of the project promoters?</p>	<p>Yes all land is in the control of the project promoter.</p>	<p>Provide a clear statement of land/property ownership required to</p>																																	

		Annex 10 – Land/Property Ownership	deliver the project and if third party land/property is required the steps being taken and the timescales to acquire control
E.5	Provide a Project Programme showing anticipated start and completion date and project milestones	Annex 9 – Project Programme	A project programme key tasks to start on site
E.6	Confirmation of roles of developer, and other partners involved in delivering the scheme e.g. RSL, bank, contractor	The applicant ESEID is the developer.	

F. EXPECTED BENEFITS									Evidence and Supporting Information Required
F.1	Estimate jobs and homes								
		2012/13	2013/14	2014/15	2015/6	2016/7	2017+	Total	
	Jobs			120	80	40	200	440	Show net additional jobs and home separately for direct and indirect outputs. Describe the basis for these estimates (refer to Explanatory Notes)
	Gross jobs								
	Deduct for leakage(5%)			114	76	38	190	418	
	Deduct for displacement (20%)			91	61	30	152	334	
	Add multipliers (1.5 for B1A primary uses)			137	91	46	228	502	
	Deduct deadweight								
	Net additional jobs			Nil	Nil	Nil	Nil	Nil	
				137	91	46	228	502	
								<i>New jobs created by occupier</i>	

								<p><i>businesses – 440 gross new jobs will be created</i> based on the SAGA occupancy of One Priory Square</p> <p><i>Employment supported during the construction process</i> Additional employment of an estimated 200 direct construction jobs will be generated over a 1 ¼ year timescale for the construction (based on recent experience of similar schemes).</p>
	Homes							
F.2	Other outputs (please state)	<p>The table above shows the additionality adjustments which have been made to move from the gross employment estimates of 440 jobs to net additional 502. This includes an allowance for a combined indirect and induced employment multiplier of 1.5 averaged across a number of service sectors assuming a requirement for town centre B1A uses (drawn from Scottish input/output assessment). This includes the estimate of around 62 indirect jobs which will be generated in the local economy as a result of new occupying businesses' supply chain purchasing and employee expenditure locally.</p> <p>A total of 200 direct construction jobs (for 15 month timescale of construction) will also result from the development.</p>						
F.3	Is the realisation of the above outputs contingent on any further investment which is not yet secured?	None required						Provide details as appropriate
F.5	Deadweight - Please demonstrate that without support from the	Without support from the Growing Places Fund, the project will not move forward. The development of Priory Quarter Phase 3 simply will not proceed in						Provide an economic statement to support the

	<p>Growing Places Fund the project would:</p> <ul style="list-style-type: none"> • Not proceed • Not proceed within the same time frame <p>Not deliver the same quantum and/or quality of outputs</p>	<p>a reasonable timeframe without the Growing Places funding award as there is no prospect of bank or other commercial funding for a development of this scale in Hastings without a confirmed occupier.</p> <p>The experience of earlier phases of Priory Quarter has shown that demand followed supply financed by a mix of commercial and public sector gap funding. This was however pre-credit crunch and the availability of this financing package is no longer achievable in Hastings’ market.</p>	<p>data provided</p>	
<p>F.6</p>	<p>The leverage associated with the project can be calculated as follows:</p> <p>GPF: £7m Phase 3 disposal once occupied: £6m Rental income prior to disposal: £1.8m</p> <p>GPF: private sector investment £7m: £7.8m Ratio: 1:1.11</p>		<p>Provide calculations to show ratios of GPF to other public investment; GPF to private investment and GPF to both public and private investment distinguishing between direct leverage and indirect (or consequential) leverage</p>	
	<p>Source (eg Regional Growth Fund, ERDF, private investment)</p>	<p>Scale (£)</p>	<p>Certainty/Status</p>	
	<p><i>Occupier income</i></p>	<p>£1.8m</p>	<p>Occupiers to be identified</p>	
	<p><i>Building disposal – private sector investment</i></p>	<p>£6m</p>	<p>Disposal achievable once occupied</p>	

G: CONTRIBUTION TO THE ESTABLISHMENT OF A REVOLVING FUND			Evidence and Supporting Information Required
G.1	How will the Growing Places fund be repaid? (eg. developer contributions)	The GPF funding will be repaid from rental income and a sale receipt secured by the disposal of the completed development at the date of the first rent review 2019 (i.e. Five years after letting). Should a sale not be forthcoming at this date then the GPF funding will be repaid from the rental income from Phases 3 and Phase 4 and/or refinancing the development.	Provide full details of the proposed arrangements and status thereof with supporting documentation eg draft S106 agreements
G.2	Please provide confirmation that the Borrower will contract to repay GPF in accordance with the Repayment Profile	Yes	
G.3	Anticipated timetable for repayment		
	2016/17	£400k	
	2017/18	£400k	
	2018/19	£400k	
	2019/20	£400k	
	2020/21	£5,400k and potentially a 3% return to SELEP assuming target sales are achieved	
	Total	£7,000,000	

H: RISKS			Evidence and Supporting Information Required
H.1	What risks have been identified in achieving the outcomes of the project and what are the mitigation plans?	Annex 11 – Risk Register	Provide a risk register identifying risks, likelihood, impacts and mitigations

I: STATE AID		Evidence and Supporting Information Required
I.1	Provide confirmation (with reasons) that by supporting this project the Growing Places Fund will not be providing State Aid	By supporting this project, the Growing Places Fund will not be providing State Aid in accordance with Article 107(1) of the Treaty for the Functioning of the European Union (TFEU). There is no question of state aid arising, as the four tests for state aid to be present do not apply. The criteria have been tested against prior advice obtained from our external legal advisors.
		Refer to Guidance Notes at the end of the Project Pack

J: AUTHORITY		
J.1	Please set out the approvals process, what approvals are in place for the Borrower to enter into a Loan Agreement and what approvals are required and the timescales for obtaining these	<p>East Sussex County Council Cabinet as “borrower “</p> <ul style="list-style-type: none"> - Chief Officers Management Team – 21st March 2012 - Cabinet -24th April 2012 - Full Council - 15th May 2012 <p>ESEID Ltd Board Decisions of 28th November 2011 for business plan and 11th Jan 2012 for Growing Places Fund bid.</p>
J.2	If approvals are not in place please confirm that the project has the in principle support of the Council and understanding that the Primary Loan Agreement will provide a contractual obligation for the Borrower to repay the loan according to the repayment profile.	Please refer to Annex 12 – Letter from the leader of East Sussex County Council

The five bids from East Sussex are detailed below. The table includes the results from the initial GPF assessment beneath the project description.

1.	<p>Blackfriars, Battle, Rother DC</p> <ul style="list-style-type: none"> - GPF applied for: £6m, project total £33m - GPF repaid on house sales - Output: 245 houses incl. 40% affordable - Start date: Jan 2014 - Completion date: December 2017 <p>The spine road, as the subject of the bid, is a prerequisite for access to the site. The fact that the cost of the road has to be met prior to development of the housing is a significant barrier in the current economic climate.</p>
	<p><i>Project does not represent a good fit with objectives or is non-compliant: Assessed as not meeting the GPF objectives of helping to secure the LEP objectives and contributing to the establishment of the revolving fund. Particular barrier was that it is not able to commence until January 2014.</i></p>
2.	<p>Eastside Strategic Road Stage 1 (ESR1), Lewes DC</p> <ul style="list-style-type: none"> - GPF applied for: £10m (PAR 1 only), project total cost £10m - GPF repaid via CIL if it is in place by then, or the road will stay in the ownership of the County Council so the authority could charge developers to link to the road. Section 106 contributions from subsequent developments may also be used. - Output: The ESR1 is the first stage of an access road with planning consent that would enable the development of the Eastside Business Park (EBP) and the expansion of Newhaven Port, potential creation of 1500 jobs. - Start date: Jan 2013 - Completion date: Jan 2015
	<p><i>Further project development work required prior to progression to due diligence</i></p>
3.	<p>North Street Quarter and Malling Brooks, Lewes DC</p> <ul style="list-style-type: none"> - GPF applied for: £1.2m, project total £5.2m - GPF repaid: The fund will be repaid from sales proceeds of the North Street Quarter site as sales advance - Outputs: Houses 300; jobs 241 + 591 - Start Sept. 2012 - Completion date: Dec 2013 <p>This comprises of 2 sites; Phoenix Works, North Street, Lewes & a fallow industrial site in Malling Brooks, off Southdown's Road, Lewes. Consent for various industrial uses but has an issue over ground clearance and associated infrastructure.</p>
	<p><i>Project does not represent a good fit with objectives or is non-compliant: Assessed as not meeting the GPF objectives of helping to secure the LEP objectives and contributing to the establishment of the revolving fund.</i></p>
4.	<p>'Unlocking Business Growth' – North Queensway, Hastings, ESEID</p> <ul style="list-style-type: none"> - GPF applied for £1.5m, project total £30m - GPF repaid: By developer/purchaser contributions. - Outputs: New junction and preliminary employment site infrastructure - Start: Oct 2012 - Completion: Feb 2013 <p>The junction will provide access to land on which to develop a new business park site of serviced development plots with the capacity for circa 14,000m² (gross) of industrial and office premises. Job estimates on final development (2014/15 – 2020+) c 700 jobs (office density).</p> <p>A planning application for the works for which funding is being sought to be</p>

	submitted to Hastings Borough Council by July 2012. Relevant approvals are not presently in place but are being pursued to allow works to progress in 2012/13. The required approvals are: Planning consent; S278 agreement with ESCC (to include consent to construct over highway verge).
	<i>Project with potential to progress subject to clarification and due diligence: Suitable for GPF support, but a number of issues with each of the projects. Due diligence may highlight issues which mean the projects are not suitable for investment and/or lead to negotiations to repackage applications to make them more suitable for GPF support.</i>
5.	<p>'Unlocking Business Growth' – Priory Quarter, Hastings, ESEID (Phase 3 Priory Quarter)</p> <ul style="list-style-type: none"> - GPF applied for: £7.0m, project total £7.5m - GPF repaid: The GPF funding will be repaid from rental income and a sale receipt secured by the disposal of the completed development at the date of the first rent review 2018 (i.e. 5 years after letting). Should a sale not be forthcoming at this date the GPF funding will be repaid from the rental income from Phases 3 and Phase 4. - Outputs: 2,250m2 of high quality office premises; potential for over 400 jobs - Start date: Demolition due to commence April 2012; building works start October - December 2012 - Completion date: July 2014 <p>The prior development of Phase 3, the subject of this application, will enable Phase 4 (total cost £22m; c700 jobs (call centre job density)) of Priory Quarter to be brought forward as a subsequent project, with private funding and bank finance. The scheme requires conditions related to the demolition consent to be discharged; this is being progressed with completion by end March 2012.</p>
	<i>Project with potential to progress subject to clarification and due diligence: Suitable for GPF support, but a number of issues with each of the projects. Due diligence may highlight issues which mean the projects are not suitable for investment and/or lead to negotiations to repackage applications to make them more suitable for GPF support.</i>