

**Open Report on behalf of Andy Gutherson,
Interim Executive Director of Place**

Report to:	Environment and Economy Scrutiny Committee
Date:	21 May 2019
Subject:	Project Outline for Market Deeping Grow-On Business Space

Summary:

As a result of a demand study and subsequent debate at Environment & Economy Scrutiny Committee in 2017, further exploration has taken place around the potential need for a grow-on facility to complement Eventus Centre for Business and Innovation, Market Deeping.

The recent findings of a place-specific feasibility study indicate a market need in the catchment area and provide an initial development appraisal as a basis to inform the project.

Actions Required:

Members of the Environment and Economy Scrutiny Committee are invited to consider the emerging direction of the project and the next steps summarised in the report and recommend

1. Background

Context

In September 2017 a report was debated at Environment and Economy Scrutiny Committee, regarding an Economic Infrastructure Commissioning Strategy and Activity Plan for 2017 to 2021. The strategy was prepared using consultancy research, consultation with the business community and councillor workshops. It focused particularly on: analysing the availability of current sites and premises; mapping patterns of demand; highlighting gaps in provision and spotlighting market failure.

Whilst the scope of the consultancy analysis was County-wide, it was suggested that, without intervention, South Kesteven would not be capable of meeting its own growth aspirations. Furthermore, the Deepings were referenced as locations to be promoted to take account of their strategic significance.

This market intelligence, coupled with the success of the Eventus Centre for Business and Innovation, has prompted the need for a greater understanding of the potential scale and nature of requirements for a grow-on facility at Market Deeping.

Eventus is a part-ERDF funded, managed workspace located at Northfields Industrial Estate, Market Deeping, which opened in 2010. It comprises 40 offices suites ranging from 15sq m (160sq ft) to 141sq m (1,500sq ft), meeting rooms, a café and communal facilities to encourage collaborative working. This is supplemented by a virtual tenancy service, allowing businesses to take advantage of many of the centre's services without the cost of occupying premises.

A function of Eventus is to enable companies to establish, before eventually moving to larger, more independent space; without an exit policy and/or the availability of grow-on space, companies often stay and expand, and the original function as a launch pad for business is diminished.

Occupancy levels at Eventus have been consistently high; furthermore, in the past 18 months, a number of tenants have registered their interest in moving to larger units. There have been a further number of enquiries in that time, from prospective tenants requiring space. Additionally, higher level studies undertaken in the past three years have provided a strategic picture and indication of potential latent demand. South Kesteven District Council supports this view and welcomes the potential development.

Evidence of need

To support the existing, wider intelligence, a place-specific feasibility study was commissioned in March 2019.

The scope of the study was to provide:

- a picture of current market supply and demand across a defined catchment area*;
- an outline development concept;
- a review of the current function and layout of Eventus (in the context of supporting a new facility) and;
- a headline development appraisal

* the wider market area between Bourne, Stamford and the edge of Peterborough.

Headline findings include the following:

- **Across the catchment area there is little provision of modern, grow-on type business space (judged to be in the 1,000-4,000 sq ft range)**
- **The transactional evidence, coupled with responses from Eventus occupiers and commercial property agents, points to an ongoing demand for office space**

No dedicated **office** space (other than Eventus) has been identified in Market Deeping; rather, provision is located in converted retail space or above shops in the town. As of April 2019, there was no vacant floorspace being marketed (i.e. there is no supply). There are four **industrial** units on the market in Market Deeping, totalling 20,091 sq ft, three of which are located on Northfield Industrial Estate. The sizes are 728, 2325 and two of 8,519 sq ft, respectively; only one of which is within the grow-on space range.

In Bourne, there is no vacant office space to meet any ongoing demand. Grantham, the largest proximate market, can only demonstrate around two years of forward supply, whereas nearby Stamford can demonstrate around only one year of forward supply. North Peterborough can demonstrate up to four years of forward supply, however following consultation with local agents, as well as survey returns from current Eventus occupiers, market demand indicates that this location is not one that can satisfy latent demand in either Market Deeping or other proximate locations.

Similarly for industrial provision, when activity is compared to the current supply, there is a clear lack of choice and actual stock to meet market demand. Bourne has one month's supply, Grantham, six months, and Spalding a year. Only North Peterborough has any sizeable forward supply with around three years.

Existing tenants were invited to respond to a survey aimed at establishing satisfaction with the current premises and any plans for future expansion /relocation. Six reported a desire to grow into larger premises within at least the next three years, with one reporting a desire to grow within the next 12 months. Most detailed that the existing Eventus building would be the blueprint for what they would need in the future.

All respondents commended the facilities of Eventus as the reason for establishing a base there, noting especially the provision of utilities, the managed reception, postal services and café. In general, location also played a significant role, with most suggesting Eventus was close to home and/or their immediate client base.

When the current floorspace requirements are totalled from these companies alone, over 20,000 sqft could be required. It should be stressed that a range of size requirements were given, and they represent a desire to expand by businesses, rather than being firm requirements. However, from this sample it is clear that companies in Eventus are succeeding and at some point, will expand.

The sizes of premises required by these businesses are:

- 549-1,076 sqft (two requirements)
- 1,078-2,153 sqft (three requirements)
- 2,164-5,382 sqft (one requirement)

Consultation with local agents suggests that there is reasonable local demand for both small office and industrial premises in Market Deeping and common

catchment of Bourne and Stamford. Businesses seeking space locally will normally consider all three towns equally. Thus, Market Deeping will attract occupiers from Stamford and Bourne, but also lose occupiers to these settlements if the premises offer is not available. (Stamford and Bourne are popular local areas with plenty of latent demand for small space, but with little/no market supply).

Whilst there is a modest office market outside Peterborough, there is a need for good quality grow-on space.

Peterborough, either the northern edge or the City Centre itself, tends to be self-sufficient in its own, insular market. City Centre occupiers tend not to look outwards, and rural occupiers would prefer not to pay premium rents. Thus, the South of South Kesteven is not losing many occupiers to the City and indeed may gain some who are priced out of the urban area. If City Centre occupiers were to consider rural locations however, they would expect a good level of on-site parking as standard, since Market Deeping has no rail station.

Amenities are important to occupiers – good access and internet access (fibre as standard) are the most important features occupiers are looking for, alongside parking. Businesses will not be pulled from Peterborough, for example, if rural options didn't provide them with a greater supply of parking; this should be a key feature of any new development.

Agents are marketing Peacock Court on Northfields Industrial Estate - a 1950/60s industrial scheme. There is limited availability and a waiting list on those, which come around infrequently.

There is demand for trade and hybrid space with an element of offices.

Further development would be welcomed – however specification would need to be full of character and benefit from lots of amenities in order to entice occupiers.

Eventus is a good blueprint for any future development.

2. Project Outline

Objectives

The main objectives for the project are to:

- create the appropriate infrastructure for growing businesses to expand and fulfil their potential; and in doing so
- release existing business space to support new businesses and start-ups
- give confidence to the market and provide a catalyst for private investment

Description

The outline concept is to complement Eventus Centre for Business and Innovation with the construction of a grow-on facility in close proximity, enabling both to benefit from a level of co-management and support.

Whereas Eventus is a fully managed workspace run by LCC, it is envisaged that the grow-on facility would seek to provide a more independent level of serviced accommodation, designed to support existing Eventus tenants in expanding. This would also be managed by LCC as part of its commercial property portfolio.

The feasibility study reports the need for (up to) 25,000 sq ft of new space, comprising a potential 20,000 sq ft requirement from existing tenants and 5,000 sq ft of space for other businesses. As an initial indication, this would equate to a two-storey building and car park, requiring a footprint of around 2-3 acres.

Further, a review of the current configuration of Eventus reports that approximately 30% of the building is given over to common areas, service space and the café, whereas a more self-contained office would typically be designed to achieve a gross:net ratio closer to 15%. Whilst the original spirit of a prestigious and collaborative business environment should be preserved, there is some reorganisation work that would not only optimise space but then also better support a grow-on facility.

Financial resources

The current budget, as allocated by LCC as part of the budget setting process, is **£1,500,000**.

An Outline Business Case was submitted to the GL LEP in December 2018; consequently the project has been included within the GL LEP pipeline under the theme of Business and Innovation, for future consideration should further funding opportunities arise.

Other external funding sources will be investigated during this exploratory phase of the project.

Project costs

If the total projected level of demand was to be satisfied, using comparable build costs, it represents an estimated project cost in the region of £9,000,000. This should be regarded as a useful starting point from which to consider scalability of provision and / or a phased approach to reflect available resources (detailed below).

In addition, space optimisation at Eventus would incur costs. These have yet to be scoped out, but could potentially be met – at least in part – by extra revenue generated by lettable space.

Outline Project Timetable

(Subject to the timely acquisition of additional capital resources)

Milestone	Date
FEASIBILITY STAGE	
Present Project Outline to E&E Scrutiny Committee	May '19
Continue exploration stage (funding, Eventus reconfiguration, Utilities, route to procurement, pre-application planning advice)	May / Jun '19
Prepare detailed business case to inform decision making	May / Jun '19
Establish Project Board	Jun / Jul '19
DESIGN STAGE	
Commission detailed design and costings	Jul - Oct '19
Submit full planning application	Nov '19
Procurement & tendering process	Dec '19 / Jan '20
Contract award	Feb '20
Start construction	May '20
Complete construction	Jan '21
Formal opening	Feb '21

Risk

Risk	Owner	Probability	Impact	Mitigation
Private land acquisition: if land is in private ownership, necessitating land acquisition.	LCC	High	High	Select an LCC owned site, but proximity to Eventus and associated support mechanisms may be greatly diminished.
Failure to secure sufficient funding	LCC	Medium	High	Revisit project milestones to enable additional funding to be sought / consider funding models and delivery options / take a phased approach to delivery / consider reducing the scale of the facility if acceptable benefits can be realised.
Utilities: Network capacity to serve new development	LCC	TBC	TBC	
Utilities: timescales	LCC	TBC	TBC	

Project benefits

The project's outcomes will be refined and agreed as the development work progresses. The types of indicators will be:

- New Jobs Created (up to 250 FTE based upon 25,000 sq ft facility)
- Commercial floorspace constructed and occupied (up to 25,000 sq ft in total)
- Businesses assisted to improve performance
- GVA Uplift (up to £4.7m based upon 25,000 sq ft facility)
- Area of land redeveloped
- Land value uplift
- Social Value indicators (e.g. increasing employment opportunities for local people, more opportunities for local SMEs, increasing take up of social value delivery and measurement within the supply chain)

Areas for consideration

A steer is welcome on the following areas:

➤ **Project approach**

With the current budget allocation and *potential* funding from the GL LEP, it is possible that a budget of around £3,750,000 could be assembled.

Option 1: develop a project which is reduced in scale (for instance a 10,000 sq ft facility) and which delivers a proportional reduction in benefits. (The design could be future-proofed to an extent, to take into account further phases).

Option 2: explore financial models/delivery mechanisms involving the private sector (Joint Ventures etc.) in order to increase the budget, which is likely to involve extended timescales.

➤ **Exit policy / strategy approach**

The consultant has highlighted the use of lease terms as a mechanism to manage and support tenants' growth (in conjunction with the provision of grow-on space). This was also debated at Scrutiny Committee in April.

How do Committee Members envisage this taking shape?

Should existing Eventus tenants be prioritised above new businesses, in this grow-on scenario?

2. Conclusion

Eventus Business Centre has been a successful and largely fully-occupied facility for some years. Its function as a centre to support establishing businesses, however, is now being lost due to the lack of available grow-on business space. This, in turn, stifles business churn.

Recent research indicates that there is a demand for grow-on office and industrial space in the immediate area and also in the wider catchment – and little supply to meet it.

The delivery of a grow-on facility - coupled with potential spatial reorganisation of aspects of Eventus - will create the climate for new and existing businesses to flourish and expand and further contribute to the economic sustainability of the area.

3. Consultation

a) Have Risks and Impact Analysis been carried out?

No

b) Risks and Impact Analysis

n/a

4. Background Papers

Document title	Where the document can be viewed
Project Outline - Market Deeping Grow-on Business Space	

This report was written by Amanda Bond, who can be contacted on 01522 550605 or Amanda.Bond@lincolnshire.gov.uk.

This page is intentionally left blank