BRISTOL CITY COUNCIL
CABINET 6th September 2016

REPORT TITLE: EXTENSION OF TEMPLE QUARTER ENTERPRISE ZONE (TQEZ)

Ward(s) affected by this report: Central, Lawrence Hill, Windmill Hill, Brislington West and Southville Wards

Strategic Director: **Barra Mac Ruairi**

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Purpose of the report: The purpose of this report is to seek approval for the extension of the boundary of the Temple Quarter Enterprise Zone and to seek approval from Government for the extension of the life of the Zone to 2052.

RECOMMENDATION for the Mayor's approval:

i. To approve the extension of the Temple Quarter Enterprise Zone in accordance with the proposals set out in this report and within the boundaries shown on the map in Appendix 1.

ii. To authorise the Strategic Director of Place to submit the proposals set out in this report in the form of a draft implementation plan to the West of England LEP prior to 30th September 2016 for onward submission to DCLG for formal consideration and approval, and to include a request to Government that the Enterprise Zone Extension and existing Bristol Temple Quarter Enterprise Zone be extended to both end on 31st March 2052

iii. To authorise the Strategic Director of Place to enter into discussions with partners including Network Rail, Homes and Communities Agency, and Departments of Government, through the Bristol Temple Quarter Strategic Directors Board with the aim of bringing forward an affordable and jointly funded proposal for the comprehensive development of Bristol Temple Meads Station. This will secure an integrated transport hub and the opening up of Temple Meads East. These proposals to be brought forward to Cabinet for consideration at a later date.

The proposal:

1. In July 2015, government announced an open competition for the submission of bids for new and extended Enterprise Zones (EZs) in England. A proposal to double the size of TQEZ by a further 70ha. on land in and around the

Redcliffe/City Centre fringe was approved by Government in principle in the autumn. The approval was made as a joint one with BANES who also received approval for the re-designation of Bath's Waterside Enterprise Area as an EZ and a newly designated rural EZ in the Somer Valley area of the district.

2. The purpose in seeking a TQEZ extension was to provide a funding mechanism to secure the comprehensive renovation of Temple Meads Station. Whilst good progress is being made in the generation of new jobs and development since TQEZ was designated in 2012, renovation of Temple Meads is seen as the cornerstone of the EZ growth strategy. At this stage it is not yet clear how a funding package to secure the comprehensive development of the station, including an integrated transport hub, and the opening up of Temple Meads East can be brought together. However a substantial contribution to this programme of works can be generated through EZ expansion

3. Temple Meads is one of the last remaining unimproved UK mainline city train stations. The business case for extending the EZ rests on the argument that a fit for purpose 21st century regional transport hub with Brunel's Grade 1 listed station at its heart is needed if the full economic, social and place making potential of a new and inclusive urban quarter for Bristol is to be achieved.

4. NR's current funding programme provides for the electrification of the Great Western Rail network linking London and Bristol with quicker and more frequent services. The Metrobus and Metrowest transport investments will similarly boost journey and rail accessibility in the region. Passenger usage of the station is projected to rise from 11 million to over 22 million by the end of the next decade. Network Rail's current investment plans will provide for the reconfiguration of the station to accommodate electrification, including substantial investment in signalling and engineering operations. However, much of the station estate will remain untouched.

5. Feasibility work undertaken by NR gives a provisional estimate of £250 million to fund extended and improved public and ticketed areas in the station. It would provide for more associated retail and leisure uses, a multi-storey car park to replace surface parking on adjacent development sites. In particular, it would also provide a new underground "street" underneath the station linking a new northern station entrance facing the Friary through to the east onto the Council owned Cattle Market Road site (former sorting office depot). The latter is seen as an important component in creating an integrated transport hub, opening up Temple Meads East and providing much improved public access between the station, Arena Island and adjacent neighbourhood communities such as the Dings.

6. Those wider improvement works are currently unfunded. In recognising that substantial investment is needed in the station estate and surroundings, the Council and its EZ partners have explored funding options in consultation with Government over the last two years. In brief summary, these have included a bid for Government infrastructure funding for the station as one of its "top 40" national infrastructure priorities; a Growth Strategy bid made as part of the wider funding allocation for HS2 and latterly, a bid to expand TQEZ and use retained projected business rate revenues over the 25 year life of the EZ as a basis for borrowing and funding the capital costs of station improvements.

7. To date, Government has been unequivocal in confirming that the only funding option on the table is the EZ business rate revenue funding option. This places much of the financial risk directly on to the Council, potentially as a joint major contributor to a partnership funding agreement with Network Rail. The financial implications of this route are presented in the internal consultations section below.

8. NR will embark on a masterplan exercise later this year to refine the station development proposals and provide a more robust cost estimate based on site investigation works. On NR's assessment, it is unlikely that the new appraisal and costings will be available before mid-2017 at the earliest. This major piece of work is essential if a more robust cost plan is to be obtained with a more accurate assessment of investment priorities from each of the partners' perspective. It is this work that will form the basis of future discussions with partners including Network Rail, Homes and Communities Agency, and Departments of Government, through the Bristol Temple Quarter Strategic Directors Board with the aim of bringing forward an affordable and jointly funded proposal for the comprehensive development of Bristol Temple Meads Station.

9. The Council is required to submit its proposals and implementation strategy for the extended TQEZ to Government by 30th September 2016 and therefore in advance of any further more reliable projected redevelopment costs for the station. There will be further consultations after this date on the proposals with the Council, its partners and other Government departments in the following months. Subject to government approval, it is anticipated that legislation for the latest round of new or extended EZs will be presented to Parliament early in 2017, with the extended TQEZ going live on 1st April 2017.

Background to TQEZ and Proposed Extension

10. TQEZ was designated in 2012. It comprises 70ha. of predominantly former industrial and commercial uses clustered around the station, with a significant proportion of semi-derelict or underused land. Although edge of city centre, it presents a physical barrier between the city centre and adjacent communities to the north, north west and east of the station.

11. At designation, ambitious targets for its economic development were set, including 17,000 jobs over the 25 year life of the EZ, 190,000 sq m of new commercial, residential and ancillary leisure and retail uses with a supporting network of high quality open spaces, improved infrastructure and better access for pedestrians and cyclists. It included a lifetime target of 2,200 new homes as an integral part of the place shaping objectives for the new urban quarter. An updated Spatial Planning Framework is to be presented for formal approval by the Council this autumn to provide guidance to investors and developers on density, design and land uses for the EZ.

12. Bristol has internationally recognised strengths in the new "high tech" growth economies of financial services, digital and low carbon industries. TQEZ has proved successful in attracting these jobs and is acknowledged as one of the top performing EZs nationally. As of August 2016, nearly 3000 jobs have located in the area, demonstrated in the on-going development of new high quality commercial space to the north west of the station and the success of the fully occupied Engine Shed and Temple Studios adjacent to the station approach.

13. Bristol's "front door" at Temple Meads projects a very unsatisfactory first and last impression of a major UK city, despite its underlying strengths and international reputation. The land and property surrounding the station is either predominantly derelict or presents a mix of poor standard 1960's architecture and surface car parking.

14. Rather than rely or wait for speculative development interest to transform this image, the Council and its EZ partners have taken a much more proactive role in the last two years to promote growth with the acquisition of prominent sites adjacent to the station. Arena Island and Cattle Market Road are the major examples for the Council. It also owns land fronting 100 Temple Gate, which after the completion of current transport infrastructure improvements, will provide a new commercial development opportunity. Earlier this year, the Council completed the acquisition of leasehold commercial property facing the station approach. It will provide longer term redevelopment potential.

15. The HCA and Network Rail either jointly or separately own the undeveloped sites currently used for car parking to the north and west of the station fronting Temple Way. Redevelopment of the station is an important part of the key to unlocking their potential.

TQEZ Development and Infrastructure Pipeline

16. TQEZ is poised to make significant progress in realising its long term objectives. The pipeline includes :

i.) Construction of Bristol's new 12,000 seat Arena. The appointed contractor, Bouygues is scheduled to break ground on Arena Island later this year. The HCA funded bridge to the island was completed in May this year. Designs for an adjacent pedestrian bridge to St Phillips are well advanced.

ii.) Cabinet has approved expenditure for the demolition and site treatment of the former sorting office at Cattle Market Road. Tenders for the work are in preparation with an anticipated start on site in early 2017.

iii.) A recent feasibility exercise has demonstrated around 50,000 sq m of new commercial, residential and leisure space could be built on the site with new open spaces linking between a new eastern station entrance and the Arena. The site is attracting significant investor and developer interest.

iv.) Following on the success of the Engine Shed, proposals for Engine Shed 2 are advancing. The Council has agreed heads of terms with Skanska for the development of a new high quality commercial building adjacent to Temple Gate. It also paves the way for future phases of development on the remainder of the site. Skanska also purchased the vacant development site adjacent to Temple Studios on the station approach earlier this year.

v.) The HCA is currently funding infrastructure works on plot 3 (The Friary) immediately to the north west of the station in advance of a proposed new hotel development and conference centre.

vi.) Momentum has also built on a substantial programme of infrastructure works promoted by BCC to improve and facilitate development. As an early example, the provision of a service trench for a district heating and super fast broadband network for TQEZ is progressing in phases.

vii.) Improved access facilities for pedestrians, cyclists and more efficient traffic management are key elements of the infrastructure programme. Works scheduled for completion in 2017 will provide for the removal of the existing gyratory fronting 100 Temple Gate (to create the development site referred to above) creating a signal controlled junction and safer movement for pedestrians and cyclists. It is part of a wider scheme which will also see improvements to Bath Road and the existing bridges. Work has already commenced on the service diversions needed as part of the improvements.

viii.) There is an on-going programme of connecting river and harbourside walk and cycleways. The latest section scheduled for completion in 2017 will link Cattle Market Road via waterside pontoons with the Friary area to the north.

ix.) Last but not least, private sector confidence in the EZ continues with several significant development schemes either in the pipeline or the subject of planning applications. As soon as commercial confidentiality allows, announcement of the details will be made.

An Expanded TQEZ

17. On present performance, TQEZ is making good progress in delivering its original targets. As one key indicator, around 3000 additional jobs have located in the EZ since designation in 2012, against the lifetime 25 year target of 17,000. Bristol remains one of the very few core UK cities outside London that makes a net contribution to the nation's economy. There is already solid evidence that the EZ is successful in attracting growth industries in the digital, financial services and low carbon sectors through such ventures as the Engine Shed, Temple Studios and Paintworks. The fact that they have quickly filled to capacity shows there is a substantial demand for this type of accommodation in the market.

18. Both the EZ expansion bid and the Growth Strategy submission made in 2015 made the case that improved public realm, station quality and greater connectivity delivered by Temple Meads redevelopment would accelerate growth in the existing EZ and beyond in broadly four ways:

i.) Existing businesses in the EZ become more productive as enhanced connectivity (eg from the Metrobus and MetroWest projects, improved pedestrian routes and public spaces) and improved public realm results in increased attraction and efficiencies for businesses. Resulting clustering of specialist uses creates its own internal growth

ii.) Businesses and jobs relocate to the EZ or surrounding area and the sector mix changes in response to the offered productivity gains; clustering of business activity, referred to as agglomeration, supports enhanced business activity

iii.) Businesses outside the EZ throughout the city and West of England also benefit because the clustering around Temple Meads of businesses, homes and people all contribute to business to business activity and labour market connectivity to other destinations via the rail link to London and local/regional transport networks. Enhanced connectivity results in productivity gains and supports job creation in these locations.

iv.) A thriving business location with a state of the art redeveloped station creates its own environment and a locus in which to enjoy leisure, live in and generate its own identity as a new urban quarter. It becomes a fully integrated transport hub for the city region, maximising the benefits of improved national, regional and local train and bus services

19. Empirical evidence to support the above has been demonstrated in recent years through a number of post development economic impact studies on major station redevelopments. An extract from one of the main sources has been included as a background paper to this report based on UK case studies.

20. The above includes evidence on land values, job creation and business sectoral growth adjacent to Manchester Piccadilly and Sheffield stations, where major public and private sector investment has created new or regenerated urban quarters. A similar case is currently being made in Birmingham to advance proposals for its new HS2 station.

21. In the context of increasingly competitive city economies nationally and internationally, the case for EZ extension rests on a similar argument that there is a once in a lifetime opportunity to accelerate the economic and place shaping impact of EZ designation for the benefit of Bristol and the wider region.

Funding Mechanisms and Options

22. Since the approval in principle for an expanded TQEZ was given in November last year, detailed appraisal of the development potential of the expanded area and potential business rate growth has been undertaken. It is also being supplemented by market testing in consultation with experienced Bristol based property agents.

23. The boundary is a logical extension in so far as it takes in largely mixed commercial uses in the central area of the city with scope for further improvement and development (the Redcliffe area being the prime example). (See Appendix 1) It also encompasses adjacent areas in proximity to the Arena and Cattle Market Road which it is anticipated will benefit from their development.

24. A detailed development model assessing the development potential site by site with projected business rate growth over the 25 year life of the extended area has been prepared. It takes a far more conservative approach to that used when the bid to Government was made last year. This is a reflection of current market sentiment but also due to delays arising from the Government's review of NR's national investment programme.

25. In taking a cautious approach, a business rate "take" of £100 million over the 25 year period is considered realistic. It must be emphasised that as an estimate of the likely revenue figure generated, it is not an assessment of what the Council might borrow to support station redevelopment. Whilst this does not meet the provisional £250 million estimate for a comprehensive renovation programme of the station, it could make a major contribution to EZ growth and place making objectives if, for example, it included the north and west access points and street underneath the station. An enhanced figure in the region of £300m could be expected in the event of extending the life of the zone to the end of 2052.

26. Of all the proposed station improvements, the proposed "street" is the key component to improving accessibility throughout the area and beyond and accelerating the agglomeration benefits described above. Certainty of funding of this element is also important to the Council in maximising the development

potential of Arena Island and Cattle Market Road.

27. A more accurate assessment of redevelopment costs and preferred options will emerge from Network Rail's masterplan exercise. There are also on-going discussions between the partners and government on a realistic and equitable funding package for a comprehensive scheme, its timing and how a phased programme of works could be delivered using available resources.

28. At the present time, a key area of risk for the Council is the potential debt burden that would arise as a contributor to the proposed redevelopment of Temple Meads through the ring fencing of business rate growth within the expanded EZ for this purpose. Further clarification is currently being sought from Government, which is undertaking a national review of business rate retention by local authorities. The risk must be measured against the many competing demands on the Council's limited budget and the requirement for significant budget savings in the coming years.

29. Deciding not to proceed with EZ expansion now would nullify that risk. However, it would send a strong message into the market that public sector funding in the EZ was perceived to be faltering at a time of fragile investment confidence. Not least, it could threaten the development value of the Council's and its partners' landholdings by, at best, postponing prospects for the redevelopment of the station and stalling the momentum it has achieved over the last two years.

Partnership Funding

30. The Council has maintained an open dialogue with Government on potential avenues of funding for the station over the last two years. To date, the Council has been successful in securing funding through the existing LEP West of England regional EZ funding mechanism to invest in the Arena and current infrastructure improvements within BTQEZ referred to above. There is insufficient funding within the existing BTQEZ/regional funding mechanism to tackle a project the size and complexity of the station improvement.

31. The Council's EZ partners, HCA and NR, have been active in using their own investment resources in BTQEZ over this period. HCA has acquired land and facilitated "land swaps" with BCC to secure public ownership of key development sites such as Arena Island and funded the new Arena Island bridge from Cattle Market Road. That investment continues with a proposed hotel on HCA land at the Friary adjacent to the station and investment in accommodation works and landscaping for the project currently on site.

32. HCA has confirmed its willingness to continue investment in BTQEZ, specifically in the immediate locality of the station estate such as entrance improvements. However, this would be subject to its own business case justification and assessment against competing national priorities.

33. Temple Meads is currently part of a £2 billion investment by NR in the electrification of the Great Western route. Although often not visible to the travelling public, this includes multi-million pound investment in new signalling in and around Bristol and upgrading of the rail network to increase traffic and

platform capacity. It will also invest nearly £2 million for a masterplan for the station, starting later this year, which will have a significant benefit in providing a more detailed and reliable cost plan for the current £250 million estimate for the station improvement package. Despite the scale and impact of the electrification investment which will deliver the major benefits of increased frequency and faster journey times for passengers, there is no additional allocation for the improvement of the station itself.

Prolonging the Life of the Existing and Proposed TQEZ Extension

34. The modelling to date demonstrates the financial burden placed on the Council because of the need to borrow money to fund the station improvements in advance of sufficient business rate generation. This issue was considered in the original extension bid made last year and also in the Growth Strategy bid. The conclusion at that time was that the extended TQEZ should have an additional life of 10 years (ie, assuming the extension is formally designated on 1st April 2017, its life should extend to 2052). By association, the time extension would also need to include the existing EZ to ensure business rate generation was maximised and governance arrangements across the zone standardised.

35. The justification for the time extension was based on the projected timeline for new developments to come on stream and generate business rate returns. Because of the inevitable time lag in securing “critical mass” for both the existing and proposed EZ extension, the Council would want the security of a minimum base of £10 - £12m rate generation per annum and increasing annually thereafter to cover the front loaded cost of station improvements and minimise its borrowing costs.

36. Whilst the principle of the time extension and financial modelling used remains true (and in the continuing absence of any other form of funding), the figures used last year must be used with caution and need to be re-visited. This is partly due to a more fragile investment climate but also because of the assumption last year that station improvements would commence earlier than currently scheduled. Current indications are that a 10 year extension may have the potential to fund the current projected costs of £250 million station improvements, rather than partially. If this remains true, it provides much greater scope for further discussions with both partners and government on how a more equitable spread of funding, risk and other mechanisms such as loan guarantees might be secured. The issues for the Council would remain those of costs of borrowing and borrowing risks, which would need to be mitigated before entering into this sort of arrangement.

Conclusion

37. On the current timeline, the Council is required to submit its draft implementation plan to Government for expanding BTQEZ by 30th September. In recognising the funding difficulties the partners, and Council in particular, face in securing a station improvement package, DCLG has recently confirmed that it is reasonable for the Council to continue to review its options and investment risks in refining the extension plan over the next few months before any formal designation in April 2017.

38. Extending the EZ on the current timeline does not commit the Council to

borrowing, but allows the dialogue with partners and government to continue. It gives confidence to NR in proceeding with the masterplan exercise, which in turn will provide a more accurate assessment of station development costs. It will make progress towards developing a “shovel ready” programme of works which could take advantage of any new government initiative on national infrastructure spending.

39. The Council has already demonstrated to Government that even with limited resources, it is making good progress in delivering an ambitious economic growth agenda with BTQEZ which aligns with national priorities. It could do substantially better for the benefit of the wider regional economy if an affordable and workable investment could be agreed.

40. While not guaranteed, submitting the implementation plan will provide more time for further options on station redevelopment funding options to be pursued and what may be packaged by the partners to secure the critical east-west connectivity underneath the station. Despite the difficulties, there is no lack of resolve by the partners in continuing to look at potential solutions. It continues to send positive messages into the investment and development market for BTQEZ at an uncertain time and safeguards the landholding positions and business models of the Council and its partners.

Consultation and scrutiny input:

a. Internal consultation:

41. A number of Council officers were contacted for their views during the initial submission phase for the EZ extension commencing in July 2015.

42. BTQEZ has a governance structure (Appendix 2) modelled on Government recommended best practice with regular reporting on the proposed extension. The Strategic Director for Place is the Senior Responsible Officer for the proposal and chairs the TQEZ Strategic Directors Board at which formal review of EZ strategy, delivery programme and project proposals are considered.

b. External consultation:

43. During the initial submission phase, a number of external parties were contacted for their views on the proposal. They included Network Rail, the Homes and Communities Agency, Historic England and briefing for members of the Redcliffe Neighbourhood Partnership. Advice was also procured from local commercial agents with knowledge of the Bristol property market on the robustness of development values.

Other options considered:

44. There is a “do nothing” scenario whereby the Council decides not to proceed with the proposed extension. It would save the Council money by not having to borrow

against future business rate revenue streams to help fund the station improvements. However, the Council has already made a significant financial and partnership investment in TQEZ, including major initiatives such as the Arena and strategic land acquisitions. Without an extension of TQEZ, station improvements will remain unfunded and the full potential of the existing EZ and the Council's existing investments will not be realised.

45. Variations in the size of the EZ expansion have also been considered. There is an optimum size which, measured against the scale of investment borrowing risk to the Council, seeks to balance long term commercial development potential and business rate revenue retention with sufficient critical mass to have the necessary impact on station redevelopment. The proposed boundary seeks to achieve that balance by exploiting areas of long term development potential and generate a meaningful level of business rate retention.

Risk management / assessment:

The risks associated with the expansion of TQEZ:							
No.	RISK Threat to achievement of the key objectives of the report	INHERENT RISK (Before controls)		RISK CONTROL MEASURES Mitigation (ie controls) and Evaluation (ie effectiveness of mitigation).	CURRENT RISK (After controls)		RISK OWNER
		Impact	Probability		Impact	Probability	
1	Projected rateable values in extended EZ fall below targets	**High**	**Medium**	Ensure modelling projections for the area and servicing the borrowing debt are at all ranges and cover a range of business confidence scenarios. Current modelling is based on low growth targets	**Med**	**Low**	**TQEZ Strategic Board**
2	Network Rail's masterplan exercise demonstrates an increase on the provisional £250 million redevelopment estimate for Temple Meads	**High**	**Medium**	Examine development package options and priorities to optimise accessibility and development objectives	**Med**	**Low**	**TQEZ Strategic Board**

The risks associated with <u>not</u> implementing the TQEZ Extension:							
No.	RISK Threat to achievement of the key objectives of the report	INHERENT RISK (Before controls)		RISK CONTROL MEASURES Mitigation (ie controls) and Evaluation (ie effectiveness of mitigation).	CURRENT RISK (After controls)		RISK OWNER
		Impact	Probability		Impact	Probability	
1	Full economic potential of the EZ will not be realised, or at best delayed	**High**	**High**	Examine options for achieving economic objectives in the longer term	**High**	**Medium**	**TQEZ Strategic Board**
2	Accessibility within the EZ and beyond remains restricted	**High**	**High**	Examine lower cost options including developer contributions to secure improvements	**Med**	**Med**	**TQEZ Strategic Board**

Public sector equality implications:

No Equalities Impact Assessment has been carried out for this proposal. It is unlikely that the decision to expand the Enterprise Zone will impact on those with protected characteristics. To conform to the Equalities Act 2010 and the public sector equality duty future proposals regarding the implementation of the EZ renewal scheme, if agreed, will need to have a full equalities impact assessment. Key issues will include accessibility and the impact of construction works on those living and working in the area.

Advice given by: Wanda Knight/Equalities and Community Cohesion Officer
Date: 23rd August 2016

Eco impact assessment

There are unlikely to be any environmental impacts from these proposals, so a full Eco-impact assessment has not been carried out. Any increases in the pace of development in the newly extended Enterprise Zone as a result of this decision will be managed through existing planning policy (it is possible that multiple-simultaneous developments could magnify the impact of traffic congestion, or nuisance such as noise or dust). An Eco-Impact Assessment was produced for the Cabinet report proposing the approval of the Temple Quarter Spatial Framework.

Environmental impacts from the proposed redevelopment works at Bristol Temple Meads Station and revising the Temple Quarter Spatial Framework to cover the extended Enterprise Zone will be assessed when the Cabinet reports are produced for those areas of work.
Advice given by: Giles Liddell/Environmental Project Manager
Date: 19th August 2016

Resource and legal implications:

Finance
A key impact of the redevelopment of Bristol Temple Meads would be to facilitate value that can be extracted from the existing enterprise zone and associated developments around the station site. This is a reasonable aim.

There is a clear difference between the proposed EZ extension and ring fencing of income to a single project and projects supported from City Deal and in particular the Economic Development Fund. Income to the EDF is based upon income generated from the exisiting EZ and EAs across the LEP region. The clear difference is exposure to risk

Bristol City Council has successfully applied for financial support from the EDF for the Bristol Arena project. This means that any risk to the council from reductions or delay in income into the EDF is mitigated in two ways. Firstly, any delay in income would be made up once funds were received and secondly, if the long term prognosis was a reduced total EDF, risk would be mitigated by the cancellation of projects which had not started.

In contrast, the proposal for the EZ extension exposes the council to risk without the ability to mitigate it. An investment in the station would necessarily be an upfront payment during the development period and of such a size that would require prudential borrowing. The risk to the council would be that income to the EZ extension did not meet the cost of the loan repayments.

The risk is due to the requirement to meet loan repayments from the start of the station redevelopment for a long period of up to 25 years without clear evidence of the expected value of income generated from business rates in the EZ extension and the impact of the EZ extension on business rate income to the exisiting EZ and EA in Bristol and across the LEP region.

Further work may allow a better judgement to be made over the level of risk the council would be exposed to and the potential impact upon the existing City Deal arrangements.

a. Financial (revenue) implications

The model provided to accompany the proposal suggests that income would rise to around £5 million per year by 2030. Assuming that an investment was required in the station in 2025, and that the council borrowed the maximum possible after making allowance for accumulated income from 2017 to 2025, the maximum that might be invested in the project is in the region of £90 million. This would be made up of £25 million of accumulated income to 2025 plus borrowing of £65 million. This would be subject to acceptance of risk in respect of attaining and maintaining the level of business rates over the period from 2017 to 2041. This is discussed above.

Advice given by Mike Allen/Finance Business Partner
Date 10th August 2016

b Financial (capital) implications:

If the EZ expansion went ahead, it is likely that the council would need to borrow up to £65 million to be repaid from the business rates generated and ring fenced from the EZ extension. The risk to the council in respect of repayment of such loans is explained in the section above.

The key risks associated with these assumptions are that borrowing in 2025 is available at current low rates and that actual business rate income matches that modelled. If borrowing was required to be taken out earlier to secure low rates then the project would have increased costs which would in turn reduce the total amount available for investment in the project. An allowance for risk in income from business rates would also lead to a recommendation for a lower amount invested in the project.

Advice given by Mike Allen/ Finance Business Partner
Date 4th September 2016

c.Legal implications:

Provided the funds that will be generated by the projected business rate growth can be ring fenced for the purpose set out in the report, this will be legally permissible.

Advice given by Sinead Willis/ Solicitor

Date **1st August 2016**

d. Land / property implications:

The improvement of Temple Meads, secured with the contribution of the Business Rates growth receipts from the proposed extension of the EZ, will ensure that the Council's development proposals for Arena Island, former Royal Mail sorting office site, Temple Circus and many other Council property holdings surrounding Temple Meads and within the EZ will become more viable and deliverable. It will improve public realm and connectivity between Council owned sites surrounding Temple Meads and this in turn will create significant capital and revenue receipts for the Council. It will also improve the opportunities within the EZ for both Council and privately owned land thereby enabling further major regeneration and also increasing additional Business Rate growth receipts. It will also increase the potential for the Council to achieve the outputs expected by its grant funding agreement with HCA for Arena Island.

Advice given by **Robert Orrett/ Service Director: Property**
Date **11th August 2016**

e. Human resources implications:

There are no workforce implications arising from the main recommendations. However, there are likely to be HR implications arising when further detailed proposals are developed and brought to Cabinet at a later stage.

Advice given by: **Mark Williams, HR Business Partner - Place**
Date: 27.07.16

Appendices:

I) **Existing boundary of TQEZ (red line) and Proposed Boundary Extension (yellow line)**
II) **BTQEZ Governance Structure**

Access to information (background papers):

S\Reports\2011-12\Executives 2011-2012\Cabinet\general\decision making\cab

Background Paper 1

Supporting information on the wider economic benefits of station redevelopment was provided by KPMG in the submissions made for the Expansion of Temple Meads Enterprise Zone and Growth Strategy bid by Bristol City Council to DCLG in 2015. The work was based (among others) on "*The Value of Station Investment: Research on Regenerative Impacts" published by Steer, Davis Gleave, November 2011.* An extract from the Executive Summary of the report comments as follows;

"Property and Economic Analysis

Building on…stakeholder evidence…, we have also undertaken quantitative analysis to determine the extent of any changes in property values and economic activity as a result of station investment. This aspect of the research focused on the Manchester Piccadilly and Sheffield improvement schemes as, in both cases, sufficient time has elapsed since project completion to allow some assessment of the impacts.

We were able to undertake detailed statistical analysis of property impacts in Sheffield using data sourced from the Valuation Office Agency (VOA) on line property database. We examined changes in rateable values within areas defined by 300m, 400m and 500m radii from …(the station) and compared these with the average changes for the city as a whole, differentiating between different types of property and new and existing buildings. Within a 400m radius of the station, total rateable value (RV) rose from £8.7 million to £14.7 million between 2003 and 2008 (dates broadly corresponding to the start and completion of the Sheffield Station Gateway project), an increase of 67%. This is more than three times the corresponding increase for Sheffield as a whole and reflects the increase in both the quantity of commercial development and value per square foot.

Equivalent VOA data were not available for Manchester, but we were nevertheless able to assemble some evidence of the scale and value of development following the station investment at Manchester Piccadilly. This indicates that the additional 65,000 sq m of new and refurbished office space accompanying the scheme has generated an increase in rental value of approximately £10 million. In addition, property agents interviewed in the course of the study suggested that property values in the vicinity of the station increased by some 33% following scheme completion.

…In the case of Sheffield, we estimated the economic impact suggested by the change in property values in the areas immediately around the station to be equivalent to an inward investment of £74 million. This, in turn, could be expected to generate an uplift in annual GVA of £3.4 million. The corresponding values for Manchester were respectively, £130 million and £6.6 million. In both cases, the estimated GVA impacts are between five and seven times those derived using conventional appraisal benefits.

Finally, we investigated the direct impacts on employment of each station scheme. For Sheffield, the direct employment impact was estimated to be 185 additional jobs, while the increase in employment in areas around station developments following station investment for each of Sheffield and Manchester was estimated to be up to 3,000 jobs. While it is difficult to attribute employment impacts specifically to station investment, there was a clear view among stakeholders that, over the long term, improvements delivered by station investment and associated regeneration were key to supporting the overall growth of city centre economies and employment."