

**REPORT TO:** Cabinet Member - Regeneration  
Cabinet  
Cabinet Member – Technical  
Cabinet Member – Environmental

**DATE:** 9<sup>th</sup> June 2010  
10<sup>th</sup> June 2010  
16<sup>th</sup> June 2010  
30<sup>th</sup> June 2010

**SUBJECT:** Joint European Support for Sustainable Investment in City Areas

**WARDS AFFECTED:** Litherland, Netherton & Orrell, and Kew

**REPORT OF:** Andy Wallis – Planning and Economic Development Director

**CONTACT OFFICER:** Mo Kundi X3447

**EXEMPT/  
CONFIDENTIAL:** No

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| <p><b>PURPOSE/SUMMARY:</b><br/>To provide an update on the recent developments with regard to JESSICA, and the proposals for a Merseyside Urban Development Fund that are being developed by a private sector led consortium.</p>  |
| <p><b>REASON WHY DECISION REQUIRED:</b><br/>To comply with Council's reporting procedures.</p>   |
| <p><b>RECOMMENDATION(S):</b></p> <p>That Cabinet:-</p> <ol style="list-style-type: none"> <li>1 Note the report, and the proposed sub-regional working level arrangements outlined in the report to progress the development of an Urban Development Fund Business Plan and preferred UDF model.</li> <li>2 Note the Sefton projects submitted in Annex A, which could be included in the programme for funding opportunities</li> <li>3 Request further progress reports, including where there are any financial and legal implications as a result of JESSICA/UDF proposals.</li> </ol> <p>That Cabinet Members for Technical, Environmental and Regeneration:-</p> <ol style="list-style-type: none"> <li>4 Note the report</li> </ol> |

**KEY DECISION:** No

**FORWARD PLAN:** No

**IMPLEMENTATION DATE:** After the call in period

**ALTERNATIVE OPTIONS:**

JESSICA provides a potential funding opportunity for projects within Sefton that would not now attract any European ERDF grant. With the exception of Southport Business Park, all other sites are in the ownership of private developers, and along the Dunnings Bridge Corridor, which is classified as Strategic sites requiring re-development. Not to participate in the JESSICA Programme could adversely impact on Council's ability to assist the re-development of these key sites, and job creation opportunities.

**IMPLICATIONS:****Budget/Policy Framework:**

**Financial:** There are no financial implications as a result of this report.

| <b>CAPITAL EXPENDITURE</b>                         | <b>2010/<br/>2011<br/>£</b> | <b>2011/<br/>2012<br/>£</b> | <b>2012/<br/>2013<br/>£</b> | <b>2013/<br/>2014<br/>£</b> |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Gross Increase in Capital Expenditure              |                             |                             |                             |                             |
| Funded by:   |                             |                             |                             |                             |
| Sefton Capital Resources                           |                             |                             |                             |                             |
| Specific Capital Resources                         |                             |                             |                             |                             |
| <b>REVENUE IMPLICATIONS</b>                        |                             |                             |                             |                             |
| Gross Increase in Revenue Expenditure              |                             |                             |                             |                             |
| Funded by:   |                             |                             |                             |                             |
| Sefton funded Resources                            |                             |                             |                             |                             |
| Funded from External Resources                     |                             |                             |                             |                             |
| Does the External Funding have an expiry date? Y/N | When?                       |                             |                             |                             |
| How will the service be funded post expiry?        |                             |                             |                             |                             |

**Legal:** N/A

**Risk Assessment:** N/A

**Asset Management:** N/A

**CONSULTATION UNDERTAKEN/VIEWS**

Environmental Technical Services

Legal

**FD420 – The Head of Corporate Finance & IS has been consulted and has no comments to make on this report.**

**CORPORATE OBJECTIVE MONITORING:**

| <u>Corporate Objective</u> |   | <u>Positive Impact</u> | <u>Neutral Impact</u> | <u>Negative Impact</u> |
|----------------------------|---|------------------------|-----------------------|------------------------|
| 1                          | Creating a Learning Community   |                        | /                     |                        |
| 2                          | Creating Safe Communities   | /                      |                       |                        |
| 3                          | Jobs and Prosperity   | /                      |                       |                        |
| 4                          | Improving Health and Well-Being   | /                      |                       |                        |
| 5                          | Environmental Sustainability  | /                      |                       |                        |
| 6                          | Creating Inclusive Communities  | /                      |                       |                        |
| 7                          | Improving the Quality of Council Services and Strengthening local Democracy |                        | /                     |                        |
| 8                          | Children and Young People   |                        | /                     |                        |

**LIST OF BACKGROUND PAPERS RELIED UPON IN THE PREPARATION OF THIS REPORT**  
North West Operational Programme

## **1.0 Background**

- 1.1 In December last year the Northwest Urban Investment Fund (NWUIF), launched a new £100m fund to help support urban development projects in the North West. The fund is a Joint European Support for Sustainable Investment in City Areas (JESSICA) initiative. This is a new financial instrument created by the European Commission in conjunction with the European Investment Bank. The basic principle of JESSICA is to take a more commercial approach to the use of public funds in delivering regeneration and economic development. JESSICA enables ERDF and match funding to be invested by Urban Development Funds (UDFs) in Urban Projects via loans, equity and/or guarantees. Returns from these investments can then be used to make new investments in new projects, thereby creating a revolving fund for investment in the region.

## **2.0 Holding Fund.**

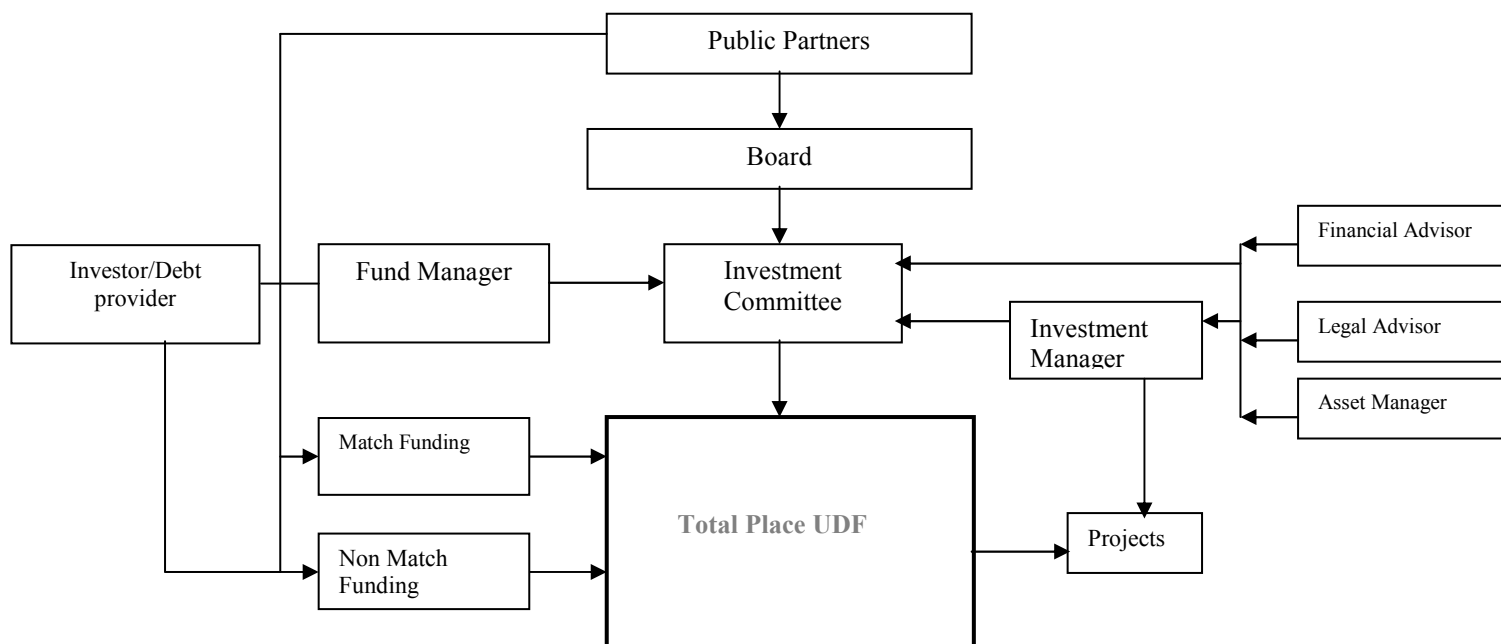
- 2.1 The regional arrangements for establishing the Holding Fund, managed by European Investment Bank (EIB) have now been established. Its proposals include establishing an Urban Development Fund for Merseyside, which will receive £30m of ERDF.

- 2.3 The Investment Strategy sets out the eligible activities for investment - defined by the Northwest Operation Programme for ERDF as the Investment Frameworks for Action Areas 3.2 (Regional Strategic Sites) and 4.3 (Local Employment Sites). . Project investments will include the development of employment sites, creation of new commercial floor space, reclamation of derelict or contaminated land, and provision of site servicing and infrastructure.

## **3.0 Current Position**

- 3.1 The European Investment Bank has confirmed key elements of the UDF structure, including the need for a strong private sector fund management component -which will be FSA regulated and compliant.
- 3.2 A sub regional working group comprising TMP, Liverpool Vision, Wirral MBC and Liverpool City Council has been set up and is currently progressing the work on developing the UDF Business Plan.
- 3.3 In response to North West Development Agency's OJEU invitation notice in March 2010 the short listed bidder for Merseyside is a consortium comprising Igloo Regeneration Ltd, Aviva Investors Global Services, GVA Grimley Ltd, and Royal Bank of Canada Europe Ltd, (henceforth referred to as the Consortium).
- 3.4 The Consortium's aim is the – 'Creation of Merseyside UDF (the Merseyside Revolving Urban Investment Fund - MRUIF) to be a 'Sustainable Total Place' Fund covering a mix of uses and flexible investment approaches (Jessica eligible funding plus other funding for non eligible investments)'

3.5 The proposed Urban Develop Fund structure is as follows: \_



3.6 The Consortium is proposing that the Total Place UDF would be a company limited by guarantee with local authorities as members alongside the Consortium. The final bid needs to be submitted by 18<sup>th</sup> June 2010, containing the following information:-

- Requirements of Business Plan
- Fund Business Plan
- Investment Strategy
- Financial Model (including Match Funding)
- Management & Fees
- Project Portfolio
- Ownership, Governance, Risk and Control

3.7 In response to the above tight deadline, the Consortium has been seeking information from sub-regional local authorities on potential projects. Without prejudice Sefton has provided information relating to sites that could attract funding under this programme. With the exception of Southport Business Park, all other sites are in the ownership of private developers, and are along the Dunnings Bridge Corridor, which is classified as Strategic sites requiring re-development. The information provided is included in Annex A to this report.

## **4.0 Next Steps**

4.1 The Consortium would be under taking an appraisal of projects submitted by local authorities and other partner organisations to ensure that these projects are:-

- Viable
- Eligible
- Ability to attract match funding (There are issues to be resolved related to the process of match funding, both at project level and UDF level.
- Proposed by competent, solvent sponsors
- Needing capital not available from the private sector
- State aid compliant

4.2 The UDF will clearly need to secure projects that will commit the ring fenced JESSICA ERDF and spend it by 2015 in order avoid de-commitment, and to generate the returns, which will create the revolving funds that can then be reinvested in projects which are free of the ERDF eligibility criteria.

## **5.0 Recommendation**

That Cabinet:-

- 1 Note the report, and the proposed sub-regional working level arrangements outlined in the report to progress the development of an Urban Development Fund Business Plan and preferred UDF model.
- 2 Note the Sefton projects submitted in Annex A, which could be included in the programme for funding opportunities
- 3 Request further progress reports, including where there are any financial and legal implications as a result of JESSICA/UDF proposals.

That Cabinet Members for Technical, Environmental and Regeneration:-

- 4 Note the report



**ANNEX A**

| <b>Merseyside UDF JESSICA Project Review Requirements</b>  |  |   |  |  |                                     |   |
|--|--|---|--|--|-------------------------------------|---|
| <b>Investment and Project Terms - example, subject to change and for illustration purposes only</b>      |  |   |  |  |                                     |   |
| <b>1. Development loan finance for viable, sustainable Urban Regeneration and Infrastructure schemes</b> |  |   |  |  |                                     |   |
| <b>2. Mezzanine loan of 30% offered</b>  |  |   |  |  |                                     |   |
| <b>3. Competitive commercial interest rates offered</b>  |  |   |  |  |                                     |   |
| <b>4. Investment to be paid over two to five years</b>   |  |   |  |  |                                     |   |
| <b>5. Equity reinvestment requirements for future phases</b>   |  |   |  |  |                                     |   |
|  |  | <b>Project 1</b>  | <b>Project 2</b>   | <b>Project 3</b>   | <b>Project 4</b>                    | <b>Project 5</b>                                    |
| <b>Q 1</b>   | <b>Strategic Objectives</b>              | Atlantic Park - Developers, Royal London Asset Management   | Senate Business Park, Bridle Road                          | Peerless, Dunnings Bridge Corridor                                 | Southport Business Park, Kew        | Heysham Road / Switch Car, Dunnings Bridge Corridor |
|  | Broad ERDF OP alignment                  | Is within OP's priority strategic site of Dunnings Bridge Corridor                                    | Within priority strategic sites of Dunning Bridge Corridor | Withn priority strategic sites of the Corridor                     | NWDA supported development          | Priority strategic site within OP                   |
|  | Strategic imperatives                    | Significant aspect of major redevelopment of whole corridor   |  |  |                                     |   |
|  | Sustainable integrated regeneration plan | Usual documents in place  |  |  |                                     |   |
| <b>Q 2</b>   | <b>Knowledge Focus</b>                   |   |  |  |                                     |   |
|  | Key Sectors                              | Commercial and light industrial   | Commercial & light industrial                              | light industrial / commercial                                      | commercial/industrial               | industrial / light industrial / commercial          |
|  | Project ERDF Outputs                     | Units, jobs,  | Units, jobs  | Unit, developers don't want to divulge job numbers yet             | Units, approx 250 jobs.             |   |
|  | Project ERDF Outcomes                    | Increased private sector investment; improved land quality; vibrant and successful business location. |  |  |                                     |   |
| <b>Q 3</b>   | <b>Planning Considerations</b>           |   |  |  |                                     |   |
|  | Planning Status                          | EDT3 Strategic employment Site  | EDT4 Strategic Employment Site                             | EDT3 Strategic Employment Site                                     | Strategic Employment Site           | Primarily Industrial Area                           |
|  | Enviornmental Conditions and Constraints | Was the site of Rolls Royce engineering   | no issue   | some contamination on site - owner in process of negotiating a de- | remediation of former landfill site | some remediation                                    |



|          |          |                               |  |   |   |   |  |
|----------|----------|-------------------------------|--|---|---|---|--|
|          |          |                               |  |   | contamination strategy  |   |  |
|          |          | Utility Considerations        | potential electricity supply issue   | potential electricity supply issue  | potential electricity supply issue  | no issue  |  |
|          |          | Amenity Considerations        | No issue   | no issue  | no issue  | no issue  |  |
|          |          | Eco-credentials               | No issue   | no issue  | no issue  | no issue  |  |
|          |          | Site Acquisition and Assembly | No issue   | no issue  | no issue  | no issue  |  |
| <b>Q</b> | <b>4</b> | <b>Project Readiness</b>      |  |   |   |   |  |
|          |          | Scheme Defintion              | Further development of 19 ha site. One new commercial building completed. Current £14.6 mil infrastructure & refurbishment development due to be completed by March 2011. Developers will then consider further development and/or sell off parcels of land for others to develop. Developers keen to incorporate low carbon features such as carbon neutral design and district heat & power schemes, and meetings to take place to discuss these with developers soon. JESSICA funding could be used to buy-in to supporting further site development. | Mixed development of B1 & B2 premises of approx 230k ft2. Littlewoods purchased part of site to relocate call centre activity on 150kft2 and has planning approval for this activity. Likely not to go forward and SMBC has option of buy-back at original selling price if this situation formalised, and would be used to develop whole site for mixed use. SMBC owns remainder of site that Priority Sites Ltd want to purchase for mixed commercial / light industrial premises for which planning approval is close to completion. | The developers want to build an industrial unit on a 4 acre section to the rear of the site away from the main Dunning Bridge Road. There are tentative plans for the developers to use the front of the site for a hotel / commercial development. | Previous phases of the business park have been funded by NWDA and GONW, supporting the remediation of 6 acres of brownfield site, 80,000 ft2 offices and approx 300 jobs. Berkeley James want to build two more grade A office buildings of 32,200 ft2 each with associated external works and car parking on a 12,000 m2 former landfill site. The drawings/plans are in place. Santander Bank was prepared to fund the remainder of the £11 mil development costs over and above a £1.65 mil ERDF grant, but only if 50% pre-lets was achieved. JESSICA loans could | These sites are some way off from being oven-ready schemes for round 1 JESSICA funding, although Switch Car site is well defined, whereas Heysham Road is a more sprawling area with many small parcels in multiple ownership. However, they represent longer term potential in terms of locations for post 2015 JESSICA funds that will be relieved of ERDF restrictions on, for example, equity investment and energy schemes. The whole of the Dunnings Bridge Corridor as an integrated development in terms of design, energy usage etc represents the overall objective. |

|  |  |                               |   |  |   |   |                     |
|--|--|-------------------------------|---|--|---|---|---------------------|
|  |  |                               |   |  |   | de-risk the Satander input. Also, close to the business park a proposal for a district heating scheme involving David Wilson Homes, a hospital and others has emerged, and there is interest to spread it to the business park using Wilson Bowden Developments. The scalability of CHP means that the 2 new office developments could be CHPed and linked to homes/hospital CHP, or they might be regarded as a phase 1 and phase 2 development. |                     |
|  |  | Scheme Status (Planning)      | Planning approval for developers overall masterplan | Planning approval for old call centre plan. Planning application ready for Priority Sites. | Planning application in the system for 4 acre development | Planning permission needed  | planning needed     |
|  |  | Ownership                     | Developers - Royal London Asset Management          | Sefton MBC own part of site. Littlewoods own the rest                                      | Chancerygate Business Centres                             | Sefton Council  | multiple / Carcraft |
|  |  | Phasing and Implementation    |   |  |   |   |                     |
|  |  | SPV in place (details)        |   |  |   |   |                     |
|  |  | Project Readiness / timetable | April 2011 - 2014                                   | 2011-13  | 2011-13   | Phase 1 Spring 2011; Phase 2 2012   |                     |
|  |  | Market Demand and Failure     |   |  |   | There is a demand in Southport for high quality new commercial floorspace and there are no readily available alternative sites to meet such   |                     |

|            |   |  |   |               |   |   |         |
|------------|---|--|---|---------------|---|---|---------|
|            |   |  |   |               |   |   | demand. |
| <b>Q 5</b> | <b>ERDF Eligibility</b>                         |  |   |               |   |   |         |
|            | Regulation Compliancy                           | Compliant  | compliant   | compliant     | compliant                                 |   |         |
| <b>Q 6</b> | <b>Single Programme Eligibility</b>             |  |   |               |   |   |         |
|            | Regulation Compliancy                           |  |   |               |   |   |         |
| <b>Q 7</b> | <b>Project Viability</b>                        |  |   |               |   |   |         |
|            | GDV   |  |   |               |   |   |         |
|            | Cashflows                                       |  |   |               |   |   |         |
|            | IRR   |  |   |               |   |   |         |
|            | Valuation Evidence                              |  |   |               |   |   |         |
|            | Existing Funding                                | Current £14.6 mil development has £1.3mil NWDA, £3.4mil ERDF and remainder Royal London. JESSICA funding could de-risk some aspects of future development. The JESSICA funding required is very speculative. | Priority Sites Ltd, land sale.                                    |               |   | Currently in discussions with Berleley James over the best way to move forward. |         |
| <b>Q 8</b> | <b>Risk Profile</b>                             |  |   |               |   |   |         |
|            | Substantial Pre-lets or Pre-sales               | No   | no  | no            | no  |   |         |
|            | Project Company - agreements, exit etc          |  |   |               |   |   |         |
|            | Investee reputation - covenant/track-record etc | Excellent  | Priority Sites Ltd works in partnership with both RBS and the HCA |               |   |   |         |
|            | Construction contracts                          |  |   |               |   |   |         |
|            | Exit Agreement                                  |  |   |               |   |   |         |
|            | <b>Minimum Investment required</b>              | <b>£2.5 mil</b>  | <b>£1 mil</b>   | <b>£1 mil</b> | <b>Phase 1, £4.5 mil; Phase 2, £1 mil</b> | <b>£1.5 mil</b>   |         |