

<b>Subject:</b>	<b>New England House</b>		
<b>Date of Meeting:</b>	<b>21 January 2021</b>		
<b>Report of:</b>	<b>Executive Director, Economy, Environment &amp; Culture</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Alan Buck</b>	<b>Tel: 01273 293451</b>
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<b>Ward(s) affected:</b>	<b>St Peter's &amp; North Laine</b>		

**FOR GENERAL RELEASE**

**1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 The Committee is being asked to agree to the preparation of a planning application for the refurbishment and extension of New England House, in order to retain momentum in moving the project forward to meet the City Deal objectives of ensuring the building's future and consolidating its role as a flagship for the city's Creative, Digital and IT sector.

**2. RECOMMENDATIONS:**

- 2.1 That the Committee approves the preparation and submission of a planning application to provide for the refurbishment and extension of New England House.
- 2.2 That the committee delegates authority to the Executive Director Economy, Environment & Culture to undertake any necessary procurements and seek financial opportunities to enable the project to move forward to the implementation stage.

**3. CONTEXT/ BACKGROUND INFORMATION**

*City Deal*

- 3.1 In 2014 the council received £4.9 million from central government towards securing Greater Brighton City Deal outputs in respect of New England House (NEH) – to consolidate the building's role as a hub for the Creative, Digital and IT (CDIT) sector through its refurbishment and expansion with a net increase of 7,090 sq. metres of employment floorspace.
- 3.2 In 2019 the council finalised a land deal via its freehold interest on the Longley Industrial Estate (adjacent to NEH) through which it secured a premium of £6.1 million from Legal & General (L&G). This sum has been ringfenced for the NEH Project. L&G received planning permission last year for a mixed-use build-to-rent residential and office/commercial development. The 3,270 sq. metres of employment floorspace provided on the Longley scheme will contribute towards the City Deal output for NEH of 7,090 sqm.

- 3.3 On 5 December last year Policy & Resources Committee received a report on concept design options, costings and financial modelling for NEH. Although none of the design options were achieving financial viability, the capital sums ringfenced for the project provided the impetus for more detailed design work to give the project some much needed momentum. P&R approved the progression of further work on design and costings for review at a future meeting (with a view to prepare a planning application as the next stage).

*New England House proposals*

- 3.4 The preferred design concept that was reported to last year's P&R comprised the following elements:
- Replacement of life-expired external cladding to the existing building, refurbishment of toilets/showers along with a range of essential mechanical and engineering (M&E) upgrades to its interior
  - Extensions to the building via an infill on the New England Street elevation, additional storeys at rooftop level and three 'towers' on the building's York Hill elevation.
  - Public realm and public access improvements, including commercial kiosks on Elder Place and a pedestrian access ramp to replace the existing staircase between York Hill and New England Street.
- 3.5 The design team subsequently commissioned a range of surveys and further developed design options, which have been costed, along with associated financial modelling. Following the results of surveys, the potential 'infill' on the building's New England Street facade has been dropped for structural reasons, while the floor area of the roof extension has been increased. The building has only the structural capacity to accommodate a maximum two additional storeys on its roof. Four options have been costed and financially modelled. This information is summarised in Appendix 1.
- 3.6 Based on the assumptions that have informed the financial modelling, none of the options would be viable without a further injection of capital. The option closest to financial viability is Option 2. This would deliver a 2-storey roof extension (without the additional York Hill towers) along with the building's refurbishment and replacement cladding. The capital shortfall (after borrowing) of delivering this option would be in the region of £3.4 million, based on current estimates and assumptions. The net increase in lettable floorspace would be 2,618 sq. metres. In conjunction with the 3,720 sq. metres associated with the adjacent Longley scheme, this would deliver 5,888 sq. metres of net additional floorspace – close to the City Plan goal of 7,090 sq. m.
- 3.7 In order to sustain the momentum on the project that has been generated following the appointment of a design team at the beginning of the year and their subsequent work since, the design and other associated aspects need to be further worked-up into a planning application later this year. This will require further procurements to deliver the associated workstreams. Achieving a planning permission should help to provide the necessary assurance that the project is deliverable and place it in a strong position to draw in the relatively low

amount of capital from any bidding or other financial opportunities to meet the funding-gap.

#### **4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS**

- 4.1 While the above figure of 5,888 sq. metres is technically below the City Deal output of 7,070 sq. metres, it should be noted that Option 1, comprising 10-storey towers and the roof extension (which would deliver the City Deal floorspace output) is some way off from viability and there would be a range of disbenefits arising from the design, including adverse impact on the existing southern outlook and considerably greater tenant disruption and associated decant costs. A refurbishment-only option (Option 4) would fail to deliver any additional floorspace at New England House (and for modelling-purposes has therefore been discounted from City Deal funding) while the 2x 8-storey tower option (Option 3) would have the same disbenefits as Option 1 with regard to the physical impact on the southern elevation, would deliver less floorspace and has a far greater funding-gap than Option 2.
- 4.2 An alternative option would be to remove the building from the council's property portfolio by selling it. This option has been discounted, in recognition that the amount of private finance required to bring about necessary improvements to the building would almost certainly result in it losing its unique tenant mix, along with its role as a CDIT hub for innovation and economic growth in the city.
- 4.3 'Do nothing' is not an option as the existing cladding is past its useful life and would need replacing irrespective of the proposals to extend. The income generated from the new extensions will allow the cladding to be replaced

#### **5. COMMUNITY ENGAGEMENT & CONSULTATION**

- 5.1 Tenants were consulted at drop-in meetings in early 2020 (pre-COVID 19 lockdown) regarding the then concept design for the 2-towers and roof extension option. Further communications with tenants along with online meetings regarding the revised design concept and proposed next stages will have been held prior to today's committee meeting. A consultation strategy is being developed to ensure tenant and wider-stakeholder engagement over the course of the project.

#### **6. CONCLUSION**

- 6.1 Progressing the project to a planning application and achieving planning permission will help drive the project forward to the implementation stage. This will greatly increase the certainty of achieving any necessary finance to meet the existing funding gap, by providing a 'ready-to-go' scheme that will ensure the building's future, consolidate and strengthen its role as a flagship for the city's CDIT sector – and strengthen the city's economic base nationally.

## 7. FINANCIAL & OTHER IMPLICATIONS:

### Financial Implications:

- 7.1 The council has secured £4.9 through the Greater Brighton City Deal and £6.1m through the land deal on Longley Industrial Estate. This funding is ringfenced to support the New England House refurbishment and extension. Additional rental income generated through the refurbishment and extension will meet the financing costs associated with additional capital borrowing for the project. The borrowing will be repaid over a 25 to 50-year period depending on the nature of the borrowing i.e. the extension costs will be a 50-year period. The current cost estimates indicate a capital shortfall of circa £3.4m for the preferred option 2. This would equate to circa £0.164m of annual borrowing costs under the above assumptions. Further work will be undertaken to revise the design and cost plans and to explore any additional funding opportunities leading up to the implementation stage.

*Finance Officer Consulted: Rob Allen*

*Date: 11/01/21*

### Legal Implications:

- 7.2 When procuring contracts for services to progress this project the council will need to comply with its Contract Standing Orders and relevant public procurement legislation

*Lawyer Consulted:*

*Alice Rowland*

*Date: 11/01/21*

### Equalities Implications:

- 7.3 Securing the building's future will ensure that it continues to provide an important source of basis but relatively affordable workspaces for the city's diverse population. The new extension will be fully accessible and one of the existing lifts will be extended up to the new floors.

### Sustainability Implications:

- 7.4 The proposed replacement of the existing single glazed curtain walling and uninsulated cladding will significantly improve the thermal performance of the building and reduce carbon emissions.
- 7.5 The new extensions will be designed to exceed current Building regulations and will be subject to a BREEAM assessment with an aspiration to achieve an Excellent rating. The project will be using low or zero carbon heating technologies and photovoltaic panels will be provided on the roofs.

### Brexit Implications:

- 7.6 None.

### Corporate / Citywide Implications:

- 7.7 The supply and range of business accommodation and net increase in jobs to be delivered across the NEH and Longley sites – along with other schemes such as the Plus X building recently-completed on the former Preston Barracks site and the office developments under construction at Circus Street and the Edward Street Quarter – will help to meet key objectives of the Brighton & Hove Economic Strategy. All of these developments will help to provide the city with greater resilience with regard to new and emerging flexible work patterns that have been accelerated as a necessary response to the COVID-19 situation – and an ongoing unsettled economic climate.

## **SUPPORTING DOCUMENTATION**

### **Appendices:**

1. New England House - Summary of Design Options and Financial modelling
2. New England House – High Level Timetable

### **Background Documents**

1. Greater Brighton City Deal (2014)
2. Brighton & Hove Economic Strategy 2018 - 2023

