To: Merseyside Phasing In Sub Committee  
7th March 2013

From: ERDF Programme Delivery Team

Subject: Merseyside ERDF Priority 3 and 4 Calls

Purpose of report

1. To update on the status of the ERDF Priority 3 and 4 call for capital projects.

Recommendation

2. Members note the contents of the report and endorse the PDT’s recommendations.

ERDF Priority 3 and 4 call

3. The deadline for submission of Full Applications under the Priority 3 and 4 calls passed on Friday 7 December 2012. Following an initial review of the bids, the appraisal process began in January 2013.

Appraisal summary – Priority 3

4.1 Riverside Park Phase 3 involves the construction of 2,813m$^2$ of new office accommodation delivered on Wirral International Business Park. The project is seeking £1.756m of ERDF from Priority 3.

4.2 The applicant will transfer the land from a sister company, has full planning permission and has a fully costed design. The applicant has demonstrated the availability of a bank facility to provide the majority of match-funding and is in discussions with Chrysalis for the remainder.

4.3 Churchill House is located on Tithebarn Street in Liverpool and involves the internal and external refurbishment of a vacant seven-storey building to provide 2,212m$^2$ of managed office space suitable for start-up businesses and SMEs on flexible terms. The applicant is seeking £2.482m of ERDF from Priority 3.

4.4 The applicant has provided signed Heads of Terms for the building acquisition and has a fully designed scheme. Match-funding is coming from a syndicate of investors who are forward-funding the project. The applicant has submitted a planning application for minor amendments to the external elevation and a decision is expected in March 2013.

4.5 The Bunker Building is a derelict two-storey property forming part of the Littlewoods Pool complex on Edge Lane. The project will involve the refurbishment of the existing building to provide 1,391m$^2$ of new office accommodation. The applicant is requesting £1.134m.
4.6 The applicant has provided signed Heads of Terms for the building acquisition and has developed a fully designed and costed proposal. The project will be forward-funded by a syndicate of investors. A planning application has been submitted to renew the previous consent and a decision is anticipated in March 2013.

4.7 **Riverview Business Park** is a second phase of a previously funded ERDF scheme which has now completed with the accommodation fully let. This project will bring forward 4,273m² of new industrial floorspace at Wirral International Business Park. The applicant has requested £1.273m of ERDF funding under Priority 3.

4.8 The applicant has provided suitable evidence to demonstrate a deal with the landowner to acquire the site. The scheme has detailed design and costings but will need to submit a reserved matters planning application having received outline consent. Match-funding is available from a combination of bank facilities and appropriate evidence has been shared with the PDT.

**Appraisal recommendation – Priority 3**

4.9 As evidenced by Annex 1, all four schemes are well advanced in terms of their deliverability and suitable conditions can be drafted to ensure that any outstanding issues are addressed before entering into an ERDF Offer Letter. As such, it is recommended that all four proposals are supported; this will absorb the remaining Merseyside allocation available under Priority 3.

**Appraisal summary – Priority 4**

4.10 The **Watson Building** project involves the external and internal refurbishment of a derelict six-storey building located adjacent to the former Lewis’s department store in Liverpool city centre. The refurbished building will provide 7,410m² of new office accommodation and the applicant is requesting £2m.

4.11 The applicant already owns the site and has received planning permission. The project has secured funding from a syndicate of investors who are in advanced negotiations with **Chrysalis** to secure investment for part of the cost.

4.12 The **Sandhills Advanced Manufacturing Facility** is being brought forward by Liverpool City Council and involves the creation of new workspace for the advanced manufacturing sector. The project will deliver 2,045m² of new accommodation and has requested £1.733m from ERDF.

4.13 It is clear, however, that the project is at a very early stage of development. For example, the applicant provided no evidence of an agreement for the purchase of the site and a planning application has not yet been submitted. Also, limited detail was provided on the availability of match-funding.

4.14 There were also a number of fundamental issues with the bid. For example, the ERDF request has doubled since the Outline Application, there does not appear to be sufficient eligible expenditure to lever in the amount of ERDF sought and no State Aid advice was provided.
4.15 **86-90 Duke Street** is one of three applications submitted by Langtree Group PLC. The project will create 3,716m² of new office accommodation within the Ropewalks and Duke Street priority area of Liverpool City Centre. The applicant is seeking £2.423m of ERDF.

4.16 The key objective of the project is to create new space to accommodate the expansion of Atlantic Container Line Ltd (ACL). ACL have been awarded an RGF grant towards the cost of their expansion and this will create 153 new jobs. The remainder of the building will be available to let by third-party businesses.

4.17 The applicant has provided evidence of an agreement to purchase the site and have developed a fully costed and design scheme. Match-funding will come from a combination of bank finance and **Chrysalis** investment, with a Stage 2 decision on the latter due in March 2013. The applicant is yet to submit a planning application.

4.18 **Bankhall Lane** and **Venture Point** are the other two schemes being brought forward by Langtree Group PLC. The projects are a near duplication, with Bankhall Lane creating new industrial workspace (6,061m²) in the A565 Derby Road corridor and Venture Point delivering the same product in the Speke Boulevard Corridor (6,852m²).

4.19 The applicant has been in negotiations with the HCA as landowner for both sites although signed Heads of Terms have not been evidenced. Planning applications have not yet been submitted for either scheme. Langtree are intending to use a combination of bank finance and **Chrysalis** investment to fund both projects, although a Stage 1 decision is not due on the latter until March 2013.

4.20 **Estuary Banks Phase 2** is a subsequent phase of a previously funded ERDF project which is now fully let. The scheme will create 3,670m² of speculative industrial workspace accommodation on Estuary Commerce Park and the applicant is seeking £1.457m.

4.21 Heads of terms have been provided for the site acquisition from landowner HCA although these are not signed. The applicant has demonstrated the availability of loan funding to provide the match-funding. A planning application has not yet been submitted.

4.22 **Eldonian Low Carbon Enterprise Hub** involves the construction of a speculative office development off Vauxhall Road, Liverpool providing a total net lettable area of 3,729m² across three individual buildings. The project is seeking £3.8m of ERDF from Priority 4.

4.23 This project cannot be progressed due to the applicant being unable to secure match funding. There are also unresolved issues around land leasing arrangements with Merseytravel. A number of deadlines have lapsed and thus DCLG met with Santander in December to force issues around securing funding. To date, no response has been received from either the applicant or Santander in this respect, despite being informed of this prioritisation exercise.
Appraisal recommendation – Priority 4

4.24 The seven schemes outlined above require a total of £14.63m against an available budget of £8.5m, leaving a shortfall of £6.13m. However 2 projects cannot be progressed as fundamental issues need to be resolved. These are Sandhills Advanced Manufacturing Facility and the Eldonians Enterprise Hub. Both projects have now been withdrawn from the process. Removal of these projects leaves ERDF grant requests of £9m.

4.25 The shortfall could be managed, if necessary by reducing commitments levels to underperforming projects. However, it is clear that the other projects have significant issues which need to be addressed prior to contracting. As such, it is recommended that suitable deadlines are set for each project to achieve by the end of March.

4.26 Of the proposals, Watson Building is clearly the most advanced proposal and should be supported particularly given its links to JESSICA.