

**CABINET
10 JANUARY 2023**

EAST STREET OFFICE DEVELOPMENT

**Councillor Jamie Bartch, Economy Portfolio
Councillor Scott Durham, Resources Portfolio**

Responsible Directors – Ian Williams, Chief Executive

SUMMARY REPORT

Purpose of the Report

1. To seek approval for release of funding to produce a detailed feasibility and business case for the development of a speculative Grade A office building on the former Sports Direct site on East Street Darlington, and to further discussions with TVCA regarding their contribution to the project including the intended use of the £4m allocated to Darlington as part of the TVCA investment plan.

Summary

2. Members will recall that the adopted Town Centre Strategy focuses upon the diversification of the town centre with an emphasis on developing both residential and commercial in former retail buildings.
3. In addition, since the adoption of the above strategy the landscape of the town centre has radically changed with the impact of the Covid 19 pandemic and more positively the development of the Darlington Economic Campus (DEC).
4. The DEC is currently based in the Council owned Feethams House under a 5-year lease agreement, and it is considered probable that the Government Property Agency (GPA) will retain the building following the DEC's proposed permanent location at Brunswick Street. This will mean the only Grade A office building will not be available to accommodate the ongoing business enquiries many of which are related to the relocation of His Majesty's Treasury (HMT) and other Government departments.
5. Therefore, more than ever before, Darlington town centre must be competitive if it is to be vibrant, diverse and successful and to achieve this, it is considered vital that the Council assists in leading, facilitating and enabling the conditions for economic growth through direct intervention in economic development and regeneration in partnership with business and communities.
6. In 2020 the Council acquired the former Sports Direct site for £625,000 and subsequently demolished the derelict building to create a cleared site for development. Site plan attached in **Appendix 1**. The acquisition and clearance works were funded by the Tees

Valley Combined Authority Indigenous Growth Fund (IGF). It is proposed to develop a circa 25,000 sq. ft. grade A office building on the site to accommodate the ongoing investment enquiries. In order to commence this development a detailed business case will need to be produced to establish the construction costs, determine the viability and demand for office space within the town.

7. To produce the above detailed feasibility and business case for the development; it is requested that £150,000 from the Economic Growth Initiative Fund is allocated to this project.
8. It is assumed that TVCA funding of £4m will be released subject to due process but that an anticipated further £6m will be required from other funding sources that will include Council prudential borrowing. The detailing of funding proposed will form part of a subsequent cabinet report and drawdown request to TVCA.

Recommendations

9. It is recommended that:
 - (a) £0.150m for the detailed business case be funded from the Economic Growth Initiative Fund.
 - (b) Cabinet delegate authority to the Assistant Director of Economic Growth to enter into the grant funding agreements on the terms set out in this report.

Reasons

10. The recommendations are supported by the following reasons:
 - (a) To attract more professional, business and office-based jobs to the centre of Darlington contributing to Town Centre vitality.
 - (b) To enable the project to advance in line with the desired timetable.

Delegations

11. The delegation sought is to enable the preliminary feasibility and business case to advance to ensure the necessary project timetable can be adhered to.

Ian Williams
Chief Executive

Background Papers

No background papers were used in the preparation of this report.

S17 Crime and Disorder	The report has no implications for crime and disorder
Health and Well Being	The report has no implications for health and well being
Carbon Impact and Climate Change	This report may result in the development of a new office building which will have a carbon impact. The building will be designed to BREEAM Excellent, easily accessible by sustainable transport modes which will help ensure the carbon footprint of the building is acceptable
Diversity	No implications
Wards Affected	Park East
Groups Affected	All
Budget and Policy Framework	The report does have implications for the immediate budget or policy framework.
Key Decision	Yes. This has been reported as a key decision. The resolution results in the Borough Council incurring expenditure which is significant having regard to the budget for the service or function to which the decision relates and there will be significant effects on communities living or working in an area comprising one or more wards in the Borough.
Urgent Decision	This is not an urgent decision.
Council Plan	Supports the Council Plan priority – Growing Darlington’s Economy.
Efficiency	The workload resulting from the recommendations in this report assumes resources at existing levels within the Programmes and Projects, Capital Projects and Corporate Landlord Sections. The financial implications are set out in detail in the report. The delivery of a new office building has significant potential for collaboration with other public sector bodies with the opportunity for savings for the Council.
Impact on Looked After Children and Care Leavers	This report has no impact on Looked After Children or Care Leavers

MAIN REPORT

Information and Analysis

12. In 2020 the Council completed the construction of Grade A office facilities at Feethams House. Given this development was completed at the height of the COVID-19 pandemic enquiries from potential tenants was extremely limited. However, in 2021 the then Chancellor of the Exchequer announced the creation of Darlington Economic Campus which included the relocation of significant elements of HMT and several other government departments. Following negotiations, the DEC signed a 5-year lease with the Council to occupy Feethams House. While this is a temporary arrangement until the permanent offices on Brunswick Street, it is considered likely that Feethams House will remain under agreement with the GPA. These discussions with GPA will run in parallel to the preparation of the feasibility and business case.
13. Given this long-term occupation of Feethams House the availability of Grade A office buildings in the town centre for future business enquires is extremely limited. Following the announcement of the development of DEC the Council has experienced a growth in enquiries from professional service organisations into available office space within the town centre. These enquiries often require a location within the town centre near the DEC and in high quality Grade A office facilities.
14. To establish an understanding of current market demand an office demand study was commissioned in late 2022. The study will examine the current office availability and the current and future office demand in the town centre. This report will form part of the future detailed feasibility study which will be tabled at a future Cabinet.
15. In 2020 the Council acquired the former Sports Direct site for £625,000 and subsequently demolished the derelict building to create a cleared site for development. The acquisition and clearance works were funded by the Tees Valley Combined Authority Indigenous Growth Fund (IGF). It is proposed to develop a circa 25,000 sq. ft. grade A office building on the site to accommodate the ongoing investment enquiries. In order to commence this development a detailed business case will need to be produced to establish the construction costs, viability and determine the demand for office space within the town.
16. Once the full business case is completed a further report will be presented to cabinet detailing these findings.

Legal and Procurement Implications

17. Pursuant to the Localism Act 2011 the Council has the powers to deliver the project under the General Power of Competence.

Financial and Funding Implications

18. £0.150m for the detailed business case be funded from the Economic Growth Initiative Fund.

Risks

19. The objective of the project is to provide Grade A offices within Darlington. The biggest risk is insufficient tenants at market rents to re-pay borrowing and this is explored elsewhere in the report.

Equalities Considerations

20. It is considered that this project has no specific implications for groups with protected characteristics. Equalities implications will be considered during the formulation of the design to ensure the building is compliant with the Equalities Act 2010.