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## **EUROKENT BUSINESS PARK**

To: **Cabinet – 17<sup>th</sup> June 2010**

Main Portfolio Area: **Regeneration & Economic Development**

By: **Director of Regeneration Services**

Classification: **Unrestricted**

Ward: **Northwood Ward**

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**Summary:** **Update on the marketing and fit-outs of office and industrial units at this site which has been jointly-developed with SEEDA, with recommendation that, because of upturn in demand for units, officers investigate options for future management of the site with SEEDA.**

### **For Decision**

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#### **1.0 Introduction and Background**

- 1.1. This project was included in a report to Cabinet in April 2007, and construction began shortly thereafter. The 25 units (8 Offices and 17 Industrial) were completed – other than for fit-out – at the end of February 2009, in the depths of the recession. Strong efforts have been made to market the site in these difficult economic circumstances, and this is now beginning to bear fruit. Currently we have 3 industrial units occupied with a further 7 under offer or exchange. Terms are also being negotiated with prospective tenants interested in a further 9 office and industrial units, and interest continues to grow.
- 1.2. The purpose of this joint project with SEEDA is to create jobs in Thanet by providing the type of employment space currently under-represented in the District. The District, including the Council's own employment units, did not previously include modern service sector accommodation or sufficient 'starter' employment units. The 3 current tenants comprise a new branch of a nationwide business, a business previously located in premises outside the District and a local business which has expanded rapidly. This pattern is repeated for the other units currently being pursued by prospective tenants, so it is clear that this development is fulfilling a need in the District.
- 1.3. The joint development with SEEDA of Eurokent Business Park is seen as an initial spearhead for the wider Eurokent development in the context of East Kent Opportunities (EKO). Eurokent Business Park, however, is independent from EKO and is based on a joint Development Agreement between TDC and SEEDA. SEEDA constructed the units and TDC provided the land. Based on the construction and land values, the Development Agreement allows for an 85.1% (SEEDA) and 14.9% (TDC) split in the equity of the Business Park. This is reflected in the proceeds to both parties from leases after marketing costs are deducted.
- 1.4. The recession hit at about the time construction began. The market aimed-for was sales of Premium-based long leases of 999 years. The recession reduced the market finance available for these long leases, and the market for this estate has now become a mixture of long-term and short-term leases. Those negotiating short-term leases have done so in order to establish businesses on the site, with the longer-term intention to purchase Premium-based leases when financial restriction eases. However, we have also noted

that the recent easing in the financial markets has been reflected in greater interest in the 999-year leases as well.

- 1.5. There are 2 undeveloped plots within the development boundary of the office and industrial units in the ownership of this Council. At this point in time, and until the constructed units are all occupied, this land will simply be held on the Council's asset register.

## **2.0 Capital Funding of Fit-outs in the Context of the Current Economic Situation**

- 2.1 Aside from two "show" units, the units were not fitted-out (i.e. separation walls, toilets, electrical) as part of the construction contract in order to enable flexibility in the combination of units and to accommodate tenants' requirements. It was always intended that fit-out would come from the proceeds of the sale of Premiums. However, following changes in the market to include short-term leases, SEEDA provided a £59K fit-out grant (non-repayable) to overcome the lack of funding from the sale of long-term lease Premiums. SEEDA have also agreed a further £50K from their share of the proceeds from the sale of one recent long-term Premium to be used for further fit-out work on a number of units. SEEDA have also stated their *in principle* agreement to consider using their share of further Premium sales to finance further fit-outs, although they wish to deal with this on a unit-by-unit basis.
- 2.2 Discussions are also underway with SEEDA to allow for some unanticipated revenue costs which the Council has had to pick up under the Development Agreement. The Development Agreement allows for marketing costs to be split between SEEDA and TDC. Other revenue costs (e.g. legal fees, business rates, utilities and security) have had to be picked up by TDC due to the additional time it has taken to find occupiers in a difficult financial climate.

## **3.0 Options**

- 3.1 The funding being utilised for the fit-outs is funding from SEEDA, either as an external grant or as a portion of their share of the proceeds from sale of a Premium lease. SEEDA have also stated their *in principle* agreement to consider using their share of further Premium sales to finance further fit-outs, although they wish to deal with this on a unit-by-unit basis. There is no other funding available other than through the sale of long-lease Premiums in order to carry out the fit-out works. In some cases, however, it has been possible to strike a deal with prospective tenants to encourage them to do a portion of their own fit-outs (e.g. toilet installation). However, most tenants are not interested nor able to arrange the necessary works. In addition, the estate has a Building Research Establishment Energy Assessment Measures (BREEAM) rating of "Very Good" (as required by SEEDA) and all works need to be carried out to these standards.
- 3.2 As the site becomes occupied with a realistic objective of achieving 75% full this financial year, the question of ongoing future management arises. At this early stage it is considered appropriate to open dialogue on this subject with SEEDA.

## **4.0 Corporate Implications**

### **4.1 Financial**

- 4.1.1 The capital programme should be amended to reflect the cost of the fit-outs for the industrial units and the external funding to match these costs. The cost of these fit-outs are coming from an external grant from SEEDA or from SEEDA's share of sale of a long-lease Premium, and therefore the cost to the Council is nil. Fit-out of the office units is most likely to be via an agreement with a long-lease tenant.

4.1.2 Fit-outs are being undertaken via contracts under the relevant CSO/Financial Procedure Rules.

#### 4.2 **Legal**

4.2.1 Legal advice supported the variance of the Development Agreement via side letters in order to update the Agreement in the light of current economic conditions.

#### 4.3 **Corporate**

4.3.1 The development of Eurokent Business Park fits with Theme 1 (Thanet's Economy) of the Corporate Plan together with Sub-theme 1.3 (Available Employment Opportunities). The purpose of the development is to create high quality office and industrial units to generate additional / support existing employment in the District.

#### 4.4 **Equity and Equalities**

4.4.1 Marketing of the site has been carried out in the full public eye with advertising via newspaper and websites as well as marketing signs. The only restriction on take-up of the units is that they must comply with the B1a Offices, B1, B2 and B8 industrial use classes together with restrictions on uses which would be considered harmful or unacceptable from an environmental point of view. The units are therefore available to all businesses, subject to meeting the use class restrictions and the financial requirements for lease. An Equality Impact Assessment is not intended, but a key element of the building and marketing of this site has been the potential which it has to create jobs and to contribute to the overall economic well-being of people living within the District.

### 5.0 **Recommendation**

5.1 That Members note the current improving position regarding take up of lettings.

5.2 That Officers continue working with SEEDA towards a target of 75% occupancy by April 2011.

5.3 And that Officers investigate with SEEDA options for management of this site once the primary objective of ensuring that all employment units are occupied has been achieved.

5.4 That Members approve the addition to the capital programme of the cost of the fit-outs and the external funding to offset this cost.

### 6.0 **Decision Making Process**

6.1 This is a key decision subject to call in (due to possible effect on long-term budget).

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Reporting to:	Brian White, Director of Regeneration Services, Ext 7007

### ***Annex List***

Annex 1	Marketing Leaflet
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## Background Papers

Title	Details of where to access copy
Eurokent Business Park File	Regeneration Services
Report to Cabinet on Eurokent in April 2007	Corporate Website

## Corporate Consultation Undertaken

Finance	Yes
Legal	Yes

# EUROKENT BUSINESS PARK

NEW HIGH QUALITY OFFICE AND INDUSTRIAL DEVELOPMENT  
NEW HAINE ROAD, RAMSGATE, KENT



FOR SALE OR TO LET

OFFICES FROM 164m<sup>2</sup> to 1,040m<sup>2</sup> (1,765ft<sup>2</sup> to 11,190ft<sup>2</sup>)  
INDUSTRIAL UNITS FROM 43m<sup>2</sup> to 860m<sup>2</sup> (460ft<sup>2</sup> to 9,250ft<sup>2</sup>)

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