

**Decision Maker:** Executive

**Date:** 26<sup>th</sup> November 2014

**Decision Type:** Non-Urgent Executive Non-Key

**Title:** GROWTH FUND UPDATE

**Contact Officer:** Kevin Munnelly, Head of Renewal  
0208 313 4582 Tel: 020 8313 4582 E-mail: kevin.munnelly@bromley.gov.uk

**Chief Officer:** Director of Regeneration & Transformation

**Ward:** Biggin, East & West Cray Valley

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1. Reason for report

- 1.1 The Local Plan report to Executive in February 2013 identified as a key policy objective the maximisation of economic growth. This included a commitment to identifying investment opportunities and undertaking key infrastructure improvements in the main growth areas of: Biggin Hill; Cray Business Corridor; and Bromley Town Centre. In support of this objective consultants URS and DTZ were commissioned to provide a critical assessment of the future growth capacities of both the Biggin Hill (Strategic Outer London Development Centre) and the Cray Business Corridor. This report provides a summary of the findings from the studies and seeks approval to a programme of action and the allocation of funding from the Economic Development & Investment Fund to support further investment in growth initiatives initiatives.

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2. **RECOMMENDATIONS**

**Members are asked to:**

1. **Note the findings of the Growth Studies and approve the programme of actions set in Paragraph's 3.6-3.7 and 3.13 –3.15.**
2. **Approve the allocation of £10m from the Economic Development & Investment Fund to be ring fenced for investments which support the growth initiatives in Biggin Hill SOLDC, Cray Business Corridor and Bromley Town Centre.**

### Corporate Policy

1. Policy Status: Existing Policy:
  2. BBB Priority: Excellent Council Vibrant, Thriving Town Centres:
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### Financial

1. Cost of proposal:: £10m
  2. Ongoing costs: Non-Recurring Cost:
  3. Budget head/performance centre:
  4. Total current budget for this head: £
  5. Source of funding: Economic Development & Investment Fund
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### Staff

1. Number of staff (current and additional): 3
  2. If from existing staff resources, number of staff hours:
- 

### Legal

1. Legal Requirement: Non-Statutory - Government Guidance:
  2. Call-in: Applicable:
- 

### Customer Impact

1. Estimated number of users/beneficiaries (current and projected):
- 

### Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: No

### 3. COMMENTARY

3.1 The Local Plan report to Executive in February 2013 identified as a key policy objective the maximisation of economic growth. This included a commitment to identifying investment opportunities and undertaking key infrastructure improvements in the main growth areas of: Biggin Hill; Cray Business Corridor; and Bromley Town Centre. In support of this objective consultants URS and DTZ were commissioned to provide a critical assessment of the future growth capacities of both the Biggin Hill (Strategic Outer London Development Centre) and the Cray Business Corridor. These growth assessments have been used to inform the development of planning policy options for these areas, the results of which have already been reported to the Local Development Framework Advisory Panel throughout 2014 as part of the Local Plan review. These studies have also been critical in the identification and prioritisation of development opportunities that will inform future investment applications to the Council's Economic Development & Investment Fund.

3.2 A majority of the Borough's employment land 89 hectares (excluding town centres) was surveyed as part of the study. Currently 34% is used for Warehousing (B8) uses; 24% for Industry (B2); Retail (A1) 15%; Offices 8% and vacant 9%. ODPM Guidance recommends applying an optimal floorspace vacancy rate of 8%. Table 1.1 illustrates that the employment by use class for both the Cray Corridor and Biggin Hill.

**Table 1.1 Current Land Use**

	<b>B2 Industrial</b>	<b>B8 Warehousing</b>	<b>A1 Retail</b>	<b>Other</b>	<b>Vacant</b>	<b>Total (Hectares)</b>
<b>Cray Corridor</b>	11.87	13.95	10.24	6.88	6.62	49.56
<b>Biggin Hill</b>		3.15		2.41	1.56	7.16
<b>Total</b>	<b>21.27</b>	<b>31.43</b>	<b>13.79</b>	<b>12.46</b>	<b>10.05</b>	<b>89</b>

#### **Cray Business Corridor**

3.3 The findings from the URS study into growth capacity work found that the Cray Business Corridor supported the largest concentration of industrial based SME's in the borough. The corridor consisted of a wide variety of employment sites which on the whole are well functioning, well managed and support a diverse range of SME businesses. The study concludes that given the good strategic characteristics and continued decanting of industrial firms from central London there is likely to be a continued overall gross demand for space within the Cray Corridor.

3.4 The URS study also shows that there are major constraints to redevelopment in the Corridor, the benchmark industrial land values for an acre is £650-£750k (£1.60m - £1.73m per hectare) which is well below the values retail or housing uses can support. New industrial floorspace supports typical rents in the order of £8.5 - £9 per sq. ft. (£90-£95 per sq. m) and the investment yield for a new multi-let industrial estate is likely to be between 6-6.25%. Given a typical benchmark build cost of industrial buildings of £50-£60 per sq. ft. (£550-£650 psm) this is a major impediment to the redevelopment of industrial floorspace as speculative developers can achieve a better return on non-industrial development.

3.5 In depth analysis of capacity of the corridor found that the area could support a maximum additional growth of approximately 58,000 sq. (11.6ha) over the next 15 years, which at a blended industrial job density of 1 job per 54m<sup>2</sup> would equate to 1074 new jobs. This increase in floorspace would be achieved through a combination of redevelopment of current sites at

higher densities and the re-use of vacant and derelict sites. The areas the study identified as having growth potential included: (Map1 attached as Appendix 1).

<b>Growth Area</b>	<b>Size Hectares</b>	<b>Net Additional floorspace Sq.m</b>
<b>C1. Ruxley Corner including vacant Klingers site</b>	2.7	13,500
<b>C.1 Vacant Land r/o Tesco Edington Way</b>	3.1	15,500
<b>Cluster 2.1 Crayfield Industrial Estate</b>	1.8	9,000
<b>Cluster 3.5 and Lagoon Road Industrial Estate.</b>	4.0	20,000
<b>Total</b>	<b>11.6</b>	<b>58,000</b>

- 3.6 The URS Study recommends that the Council's resources are directed to enabling economic growth in the above locations with the aim of providing suitable and affordable industrial workspace for a range of industrial focused SME's. This growth will be brought forward partly through private owners redeveloping vacant sites such as the Klingers site at Ruxley Corner, which is currently being actively marketed. However the growth opportunities for Lagoon Road Industrial Estate are more constrained and will take much more effort to unlock their potential. The Lagoon Road Estate currently contains under developed and long term derelict sites and there has been a clear failure of the market to bring about a timely redevelopment. This is in part due to the fragmented landownership patterns, poor servicing infrastructure and competing uses increasing the cost of industrial land. Initial discussions have taken place with agents acting on behalf of the Phoenix Life the main landowner in Lagoon Road concerning joint working. Approaches have also been made to the commercial agents acting for Allied Bakeries who are looking to significantly downsize their operation on the adjacent site. Preliminary work has also been undertaken with Commercial Agents Michael Rogers concerning redevelopment/investment opportunities in Kangley Bridge industrial estate.
- 3.7 The next stage in assessing the precise nature of the redevelopment/investment opportunity for Lagoon Road and other identified areas, is the preparation of development briefs. This work would determine which interests need to be acquired to deliver a viable scheme as assessed via a detailed financial appraisal. This work would also build upon the infrastructure and transport assessments carried out to date. It is anticipated that the work programme will also examine the potential for alternative management of the Corridor such as the establishment of an Industrial Business Improvement District.
- 3.8 Funding for a dedicated development planner post to manage and drive forward this project has been approved by the London Enterprise Board and work will commence of the recruitment to the post on an initial two year contract commencing in April 2015. A report is also due to be considered by the Executive in November which seeks to allocated up to £10m from the Economic Development & Growth Fund to support investments in the Growth Areas of Cray Business Corridor, Biggin Hill and Bromley Town Centre.

### **Biggin Hill**

- 3.10 The Strategic Outer London Development Centre (SOLDC) designation provides a great opportunity for the Council to adopt a more positive approach towards future development at Biggin Hill. Whilst the emerging findings from the Davies Commission on future aviation policy also provides support for the growth of smaller regional airports. The current growth strategy

being promoted by the Biggin Hill LoCATE Partnership forecasts growth of up to an additional 70,000 sq. m of floorspace, which could equate to approximately 2,300 new jobs over the next 20 years. This is based on generating additional demand from existing occupiers and significantly expanding the opportunities to attract more global occupiers, supply chain and international customers' bases. Operational changes in the way regional airports operate, most notably Luton, will lead to the displacement of significant numbers of business aviation flights, which will be looking to relocate along with their servicing needs. Biggin Hill Airport Limited believes that the adoption of a more flexible planning framework will allow them to compete and capture a large portion of this displaced business aviation, generating the projected growth.

- 3.11 Whilst the majority of this growth would be focused on the provision of new hangarage and servicing facilities for relocating Original Engine Manufacturers (OEM) and Aircraft Operating Companies (AEC), a significant percentage could be generated by Small and Medium Enterprises (SME's) connected to the aviation supply chain. The growth in both OEM's and AOC would generate demand for a whole range of specialist services and create a demand for mechanical and electrical engineers to work both air side servicing the aircraft but also in the expanded supply side SME's needed meet this increase in demand. Currently a majority of the SME's in the SOLDC area are concentrated off airside in the Concorde Business Centre on the adjacent Airport Industrial Estate. The URS report confirmed that for every business jet who uses Biggin Hill as home base generates 8 FTE jobs.
- 3.12 The URS report recommends a formal review of the Breen Belt in this location to accommodate the growth forecasts. This review of the current planning framework for the Biggin SOLDC is currently being undertaken as part of the Local Plan review.
- 3.13 The report also recommends that the main focus for Council intervention, outside of the wider planning policy review, should be on developing a credible long term business led solution for the cluster of Listed Buildings that form West Camp. It is proposed that the Council plays a more active role in the redevelopment of this area, utilising the potential offered by the prospective Mayor's London Enterprise Panel Growth Fund allocation for a future skills academy. This could also be linked to expanding employment floorspace for smaller businesses linked to aviation and mechanical and electrical engineering, who are currently housed in the smaller of the industrial estates in South Camp. The ambition is for the creation of a regional engineering training and business hub. This would require securing ownership of the site and taking a more active role in the development and delivery of the skills academy. These issues and opportunities are the subject of on-going and active discussions with the GLA, Pentbridge Properties the landowners, Bromley College and the airport operator.
- 3.14 The URS report concluded that the former RAF element of the West Camp estate could be redeveloped through a reuse of existing Listed Buildings and new build to provide for 8,812 sq. m. additional employment floorspace. This could provide a range of business units for SME's businesses and form the core of the Aviation Technology and Enterprise Centre, including the training academy. The Council is keen to explore options to provide business support as part of the initiative and officers have already held talks with a range of specialist providers.
- 3.15 The next stage in the project development is to build upon the URS work and undertake a detailed feasibility report, with preliminary business plan for the development of the Biggin Hill Centre for Aviation Technology and Enterprise. This would explore site acquisition options, and different types of operating models to identify an appropriate delivery mechanism through which to develop and implement a preferred scheme. This would include the preparation of an overall masterplan for the site to reduce planning risk, fund necessary infrastructure to improve the opportunities for viable development and disposal of plots (freehold or long leasehold) on a site by site basis. The further assessment work would include:

- Site due diligence
- Detailed financial appraisal to demonstrate viability
- Site valuation
- Site assembly strategy
- Market testing
- Identification of an appropriate procurement process
- Comprehensive risk assessment

3.16 Funding for a dedicated development planner post to manage and drive forward this project has been approved by the London Enterprise Board and work will commence of the recruitment to the post on an initial two year contract commencing in April 2015.

#### 4. POLICY IMPLICATIONS

4.1 The Local Plan report to Executive in February 2013 identified as a key policy objective the maximisation of economic growth. This included a commitment to identifying investment opportunities and undertaking key infrastructure improvements in the main growth areas of: Biggin Hill; Cray Business Corridor; and Bromley Town Centre. Work delivering the action plans is entirely consistent with Policy Objectives set out in Building a Better Bromley 2011 and Renewal & Recreation Portfolio Plan 2014/15. The work of the Renewal team links to the Building a Better Bromley priorities by working towards the provision of Vibrant and Thriving Town Centres.

#### 5. FINANCIAL IMPLICATIONS

5.1 Members approved at the Executive meeting on 10<sup>th</sup> June 2014 to increase the Economic Development & Investment Fund bringing the uncommitted balance to £30.7m. This was in part to take advantage of new investment opportunities identified through the on-going growth work. It is now proposed to ring fence £10m from the ED&IF for the development and implementation of specific projects identified in the programme of works. The provisional budget split is as follows:

Bromley Town Centre £3m

Cray Corridor £3.5m

Biggin Hill £3.5m

5.2 The Consultants were asked to calculate the potential uplift in business rates that would be generated by the full delivery of the growth projections and the amount that would accrue to the Council which are set out in the table below. A lower rate has also been included that is based on 50% delivery. It is anticipated that the Treasury will instruct a reset of business rates following 2020 which could result in any gains up to this date being removed.

##### Potential Business Rate Uplift

Development Area	Gross Development Floorspace Sq.m	Total Estimated Business Rates Per annum (£000)	LBB Business Rate uplift (at 30% retention) High	LBB Business Rate uplift (at 30% retention) Low (50%)
Cray Business Corridor	58,000	2,854	856	428
Biggin Hill	45,000*	2,256	677	338
<b>Total</b>	103,000	5,110	1,533	766

\* Calculation does not include any provision for Hanger space due to lack of comparable rateable value evidence.

**6. LEGAL IMPLICATIONS**

The Council will need to ensure that that details of any proposals comply with rules on State Aid.

**7. PERSONNEL IMPLICATIONS**

Funding has been approved from the 2015 New Homes Bonus allocation to fund two development planners to develop and implement the project work streams.

<b>Non-Applicable Sections:</b>	None
Background Documents: (Access via Contact Officer)	NA