

Appendix B – SWOT Analysis and Options Appraisal

Strengths	Weaknesses
<p>Regeneration:</p> <ul style="list-style-type: none"> The proximity to the town centre, Middlesbrough College and Teesside University supports the development of a knowledge intensive sector such as digital media; The site has good access from the A66 and is also close to Middlesbrough train station; The Council has shown a track record of being proactive in promoting development and existing planning policy is supportive for development. <p>Sectoral:</p> <ul style="list-style-type: none"> There is a strong digital and creative workforce in the local area, servicing a very specialist niche (AR and VR) which has a significant opportunity for knowledge transfer to other priority sectors in the region; The BoHo brand has strong support from existing residents, most of whom are reticent to move and have stymied growth at the expense of remaining on site. 	<p>Regeneration:</p> <ul style="list-style-type: none"> While Tees Valley has an abundance of development land, the limited potential financial returns mean developers have been reluctant to invest in building high quality business accommodation; and The access to the north, east and west are dominated by industrial uses that may inhibit catalytic impact (i.e. reduce the attractiveness of the site to high value inward investors). <p>Sectoral:</p> <ul style="list-style-type: none"> Limited brand recognition and visibility. The lack of critical mass and distinctiveness diminish the current reach of the BoHo digital proposition; Loss of workforce: The lack of critical mass within the Tees Valley leads to a loss of more experienced staff to other neighbouring areas, which are perceived to have a wider labour market; Lack of high quality move on space within BoHo zone (2,000 + sqft), exacerbated by inability of the market to meet the specialist accommodation needs of the sector; Low levels of existing knowledge transfer between the sector and wider Tees Valley economy; and Low levels of inward investment, particularly amongst larger companies requiring bigger footplates and adaptable space.
Opportunities	Threats
<p>Regeneration</p> <ul style="list-style-type: none"> The continued strength of Middlesbrough College and possible growth aspirations gives further opportunity for development. The new dock bridge improves access to the northern areas of the site and potentially encourages accelerated development. New direct rail connection to London from 2021. <p>Sectoral</p> <ul style="list-style-type: none"> The Digital Sector in Tees Valley is very confident about future growth opportunities due to the strength of its technical proposition; High potential for knowledge transfer between the digital sector and other priority sectors in the Tees Valley; High incidence of fast growth companies in the digital sector in Tees Valley; 	<p>Regeneration</p> <ul style="list-style-type: none"> There remain technical constraints to development of some vacant areas that will add up front cost and impact on viability; Other commercial development projects in Middlesbrough may restrict immediate opportunities for development; The impact of the UK’s decision to leave the European Union is still to be fully understood and may impact economic growth in the short term; <p>Sectoral</p> <ul style="list-style-type: none"> Lack of critical mass becomes a vicious cycle, with established companies and experienced staff being attracted to highly competitive neighbouring regions; Lack of investment in technology/innovation constrains the growth of the sector and its ability to provide knowledge transfer to other sectors

Nine options have been explored as part of the project development, they include:

Options	Description
Option 1: Status Quo Option (Do Nothing)	The status quo option is no development on the site (within at least the next 5 years), with an assumption of minimal growth within the wider digital media sector across Middlesbrough and the wider Tees Valley.
Option 2: Utilising existing commercial space:	This option is for proposed company expansion (circa 675 jobs) to be accommodated across existing (non-sector specific) business accommodation across Middlesbrough and the wider Tees Valley.
Option 3: Alternative Use for the site (Opportunity Cost)	This option is alternative uses for the site. It has been assumed that this would focus on complementary development to that being offered in Zone 1 (i.e. expansion of retail, leisure and hospitality).
Option 4: The Project as submitted:	<p>The Project as submitted includes the following variables:</p> <ul style="list-style-type: none"> • 8.1 hectares of land remediated by October 2021 • 4 hectares of public realm space created by October 2021 • Development of 10,000 sq ft of specialist business accommodation at BoHo 8 by August 2020; • Development of 115,000 sq ft of space at BoHo 10 by October 2022, of which: <ul style="list-style-type: none"> ○ 15,000 sq ft and public exhibition space created by Oct 2022; and ○ 90,000 sq ft of specialist business space created by October 2022. • Development of 15,000 sq ft of public exhibition space at BoHo 10 by October 2022; <p>This option assumes that the Council continues to own the land and does not charge for its usage.</p>
Option 5: The Project as submitted: Using an Alternative Site	<p>This Option includes the following to be delivered at another similar sized location in Middlesbrough:</p> <ul style="list-style-type: none"> • Development of 10,000 sq ft of specialist business accommodation a BoHo 8 by August 2020; • Development of 105,000 sq ft of space at BoHo 10 by October 2022, of which: <ul style="list-style-type: none"> ○ 15,000 sq ft and public exhibition space created by Oct 2022; and ○ 90,000 sq ft of specialist business space created by October 2022. <p>A key driver for location was ensuring that any development was collocated within the Boho Zone and adjacent to the highstreet as to support the retail economy. Other sites considered were:</p> <p>Greater Middlehaven – Land availability to the east of the proposed location is of sufficient scale to accommodate the development. Through consultation with the incumbent business cluster, and with reference to Middlesbrough’s strategy to deliver more leisure capacity, it was determined that the available land was too remote from the existing cluster, had more potential as a leisure destination and was sufficiently distant from the town centre as to minimise any meaningful economic impact.</p> <p>Centre Square Office Development – Middlesbrough’s primary commercial area, centre square, represents 100k sqft of grade A office space in the first phase. Whilst this space is potentially suitable for the cluster, there is sufficient demand from professional services businesses to accommodate this space and future phases. Through consultation, the sector showed a clear preference to be collocated with other digital businesses, in quirky and inspirational space, which specifically allows for knowledge share, collaboration, subcontracting and tech events. Centre square does not deliver the amount of dedicated space, in a timescale which suits the expansion of the cluster. Similarly, a different business model means that the cluster’s relative covenant strength and requirement for short term leases, would not suit the business case for centre square.</p> <p>Unless owned by the Council or other potential partner, there will be a cost incurred for land purchase.</p>
Option 6: The Project as per the original EoI	<p>This Option includes the following variables:</p> <ul style="list-style-type: none"> • Development of 10,000 sq ft of specialist business accommodation at BoHo 8 by August 2020; • Development of 115,000 sq ft of space at BoHo 10 by October 2022, of which: <ul style="list-style-type: none"> ○ 15,000 sq ft and public exhibition space created by Oct 2022; and ○ 100,000 sq ft of specialist business space created by October 2022. <p>It differs from Option 4 as the building has a lower specification and a less iconic design.</p>

	<p>This option assumes that the Council continues to own the land and does not charge for its usage.</p>
<p>Option 7: The Project as submitted – Larger scale (BoHo 8, 10 and Subsequent Phasing)</p>	<p>This Option includes the following variables:</p> <ul style="list-style-type: none"> • 16 hectares of land remediated by October 2021; and • Development of 250,000 sq ft of specialist business accommodation by October 2022. <p>This option assumes that the Council continues to own the land and does not charge for its usage.</p>
<p>Option 8: The Project as submitted- led by private sector developer (longer leases, market rents, less public space and no sector specification)</p>	<p>The Project as submitted includes the following variables:</p> <ul style="list-style-type: none"> • 8.1 hectares of land remediated by October 2021 • 4 hectares of public realm space created by October 2021 • Development of 10,000 sq ft of specialist business accommodation at BoHo 8 by August 2020; • Development of 105,000 sq ft of space at BoHo 10 by October 2022, of which: <ul style="list-style-type: none"> ○ 15,000 sq ft and public exhibition space created by Oct 2022; and ○ 90,000 sq ft of specialist business space created by October 2022. <p>This option assumes that the Council continues to own the land and does not charge for its usage.</p> <p>However, it differs from Option 4 due to the impact of the following variables which may affect up-take: longer leases, market rents, no public space and does not have a sector specification (i.e. all sectors have access).</p>
<p>Option 9: The Project as submitted - (open to all sectors)</p>	<p>The Project as submitted includes the following variables:</p> <ul style="list-style-type: none"> • 8.1 hectares of land remediated by October 2021 • 4 hectares of public realm space created by October 2021 • Development of 10,000 sq ft of specialist business accommodation at BoHo 8 by August 2020; • Development of 105,000 sq ft of space at BoHo 10 by October 2022, of which: <ul style="list-style-type: none"> ○ 15,000 sq ft and public exhibition space created by Oct 2022; and ○ 90,000 sq ft of specialist business space created by October 2022. • Development of 15,000 sq ft of public exhibition space at BoHo 10 by October 2022. <p>This option assumes that the Council continues to own the land and does not charge for its usage.</p> <p>However, it differs from Option 4 as the building is open to all sectors. This may lead to an increase in occupancy rates but does not have a direct impact on cluster development and the changing perceptions of the digital media sector in the Tees Valley.</p>